

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
ORDER

Under sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 read with regulation 65 of the SEBI (Collective Investment Schemes) Regulations, 1999 in respect of interim order cum show cause notice dated March 19, 2015 in the matter of Networth Marketing Limited.

In respect of:

Sr. No.	Noticees	PAN
	Company	
1	Networth Marketing Limited	AACCN1305Q
	Directors/promoters	
2	Mr. Anis Mohamad Kazi	AONPK3801J
3	Mr. Bhaskar Bhao Vasage	AIFPV5203P
4	Mr. Mahendra Mahadeo Bhuvad	ARWPB6634J
5	Mr. Nuruddin Shaikh	AZJPS0671F
6	Mr. Bhalerao Yashwant Misal	APLPM5152R
7	Mr. Partha Ghosh	AKYPG8318D

-
1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") passed an ex-parte ad-interim order on March 19, 2015 against Networth Marketing Limited (hereinafter referred to as "NML") and its Directors viz., Mr. Anis Mohamad Kazi, Mr. Bhaskar Bhao Vasage, Mr. Mahendra Mahadeo Bhuvad, Mr. Nuruddin Shaikh, Mr. Bhalerao Yashwant Misal and Mr. Partha Ghosh (the company and its directors are hereinafter collectively referred to as "noticees") on the basis of prima facie findings that the Noticees were mobilizing funds from the public through various schemes of booking of plot of land which were in the nature of Collective Investment Schemes ("CISs") without obtaining certificate of registration from

SEBI and thus contravened section 12(1B) of the Securities and Exchange Board of India Act, 1992 (“the SEBI Act”) read with section 11AA of the SEBI Act and regulation 3 of the SEBI (Collective Investment Schemes) Regulations, 1999 (CIS Regulations). It was also observed that the fund mobilization activity of NML through its various schemes prima facie amounted to fraudulent practice under regulation 4(2)(t) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practice Relating to Securities Market) Regulations, 2003 (PFUTP Regulations).

2. In view of the prima facie findings against the noticees in the aforesaid interim order, they were directed not to collect any money from investors under its existing scheme, not to launch any new schemes, not to divert any fund raised from the public and not to dispose of any assets, property etc. The noticees were also directed to submit the full inventory of the assets obtained through money raised by NML. The interim order also called upon the Noticees to show cause as to why the plans/schemes identified in the order should not be held as a “collective investment scheme” in terms of section 11AA of the SEBI Act and the CIS Regulations and why appropriate directions in terms of regulations 65 and 73 of the CIS Regulations should not be issued against them.
3. The said interim order was served upon the company by speed post. On behalf of the company and its directors, Mr. Anis Mohammed Kazi, vide letter dated April 14, 2015, submitted a list of assets obtained through money raised by the company from the investors. They have not filed detailed reply to the interim order cum show cause notice, however, they requested for an opportunity of hearing. Accordingly, an opportunity of hearing was granted to the Noticees on March 3, 2017. Mr. Sagar Himthani, Practicing Company Secretary appeared on behalf of NML. Mr. Anis Mohammed Kazi, Mr. Bhaskar Bhao Vasage, Mr. Mahendra Mahadeo Bhuvad, Mr. Bhalerao Yaswant Misal and Mr. Naruddin Sheikh appeared in person. Mr. Partha Ghosh did not appear for hearing even though the hearing notice was served upon him by speed post. The submissions made by Noticee No. 1 to 6 during the hearing are as under:
 - They do not dispute the facts or prima facie findings mentioned in the interim order dated March 19, 2015.

- They have already refunded around ₹21.46 crores out of the amount of ₹37.27 crores collected under the schemes by selling flats and buildings constructed on the plots of land. They propose to refund the money collected to the investors within two years.
 - It was also urged that they may be permitted to sell their property in order to repay the investors and sought relaxation in the interim directions to that extent.
4. During the hearing, the company was advised to furnish documentary evidence regarding proof of repayment and a plan for refunding money to the investors. The company vide letter dated May 3, 2017 has furnished copy of some bank account statements as a proof of refund of ₹7,30,80,915/- to the investors. The company has claimed that this amount has been paid through banking channels. It has also been claimed by the company that it has made certain refunds in cash and that they are in the process of collecting evidence/letters from concerned investors in this regard and requested for additional time of 10-15 days for collecting and submitting the same. With regard to plan for refunding money due to the investors, vide letter dated May 23, 2017, it has been submitted that they propose to repay the investors (i) by developing lands as farm houses in Kuchambe and selling them (ii) by building flats on lands in Karjat after obtaining necessary approvals/permissions and selling them and (iii) by selling flats in an under construction building (Ground + 6 floor) in Dewas which will take about two years to complete. With regard to proof of refund, the company had sought further time of 10 days to furnish the same. However, no further details/proof of refund have been furnished.
5. The Noticees have not disputed anything contained in the interim order. On the basis of available documents, it has been observed in the interim order that NML was raising funds from the public through various schemes/plans of booking and sale of plots of land. Under the schemes, NML was offering plots of various sizes, which ranged from 250 square meters to 2083 square meters, to an investor and the booking amount was collected by NML in monthly/quarterly/half yearly/yearly installments ranging from 3 years to 7 years or in single payment. The schemes offered to the public by NML under its “Business Plans” namely, Silver Plan - A, Gold Plan and Diamond Plan, comprised of booking of plot of land by subscribers by paying certain fixed amount in instalments for varying terms of 3 years, 5 years and 7 years with a promise of return called the 'estimated realisable value' upon maturity, which also varied depending upon the term of each plan. Likewise, NML also mobilized money from

subscribers under its rental plans, namely, Kohinoor, Ruby and Platinum. Under these plans, subscribers were entitled to receive an amount each month as monthly rental and an 'estimated realisable value' at the end of the term of the scheme. All these schemes offered by NML also provided complementary accidental insurance coverage. Various plans, including the ones mentioned above, have been shown in detail in the tables in paragraph 7(d) of the interim order.

6. On the basis of analysis of the schemes/plans offered by NML and analysis of various clauses of the agreement and the 'Allotment Certificate', it has been prima facie found in the interim order that the payment or contributions collected from a large number of investors were pooled and utilized for the purpose of the scheme offered by the company and that the investors invested in these schemes with a view to receive profit. It has been noted from the analysis of various clauses of the sample agreement provided by NML that the company was solely responsible for all management/ administrative/ business decisions and investors were not having any authority to interfere or influence the management decisions or policies of NML. Further, in terms of the clauses in the 'Allotment Certificate' the company reserved the right to change and/ or extend and/or reduce and /or terminate any part thereof and/or the entire plan without prior notice. It has been also mentioned in the interim order that as per letter of NML dated August 5, 2014, it has not conveyed any plot of land to any investor by registered deed. Various clauses of the agreement are mentioned in detail in paragraph 9 of the interim order. In view of these findings, it was prima facie observed in the interim order that the schemes /plans fall within the ambit of “collective investment scheme” as defined under section 11AA of the SEBI Act.
7. The Noticees have neither disputed anything mentioned in the interim order nor brought out any fresh fact for consideration. I have perused the contents of the interim order. It is noted that moneys were mobilized by the company under its various schemes/plan in the garb of amount for booking of plots of land which remained within the absolute control of the company and the company was promising certain returns to the investors depending upon the terms of the scheme opted by them and amount of money invested by them. It is also noted that the schemes were managed by the company to the exclusion of the investors. In the facts and circumstances of the case, I do not find any reason to differ with the findings recorded in

the interim order. Thus, the activity of fund mobilization by NML under its schemes/plan with a resultant promise of returns falls within the ambit of 'collective investment scheme' as defined under section 11AA of the SEBI Act.

8. The launching/ floating/ sponsoring/ causing to sponsor any Collective Investment Scheme and mobilization of funds from the public under such scheme can be done by any person only after obtaining requisite registration under section 12(1B) of the SEBI Act and regulation 3 of the CIS Regulations. It is apparent that NML has not obtained any certificate of registration from SEBI under the CIS Regulations and was therefore unlawful and amounts to a fraudulent practice in terms of regulation 4(2)(t) of the PFUTP Regulations also.
9. It is noted that NML has submitted that it has mobilized an amount of ₹37.27 crore from around 18,000 investors. The claims of the Noticees with regard to amount refunded to the investors inclusive of profit are not supported by sufficient evidence. As proof of refund, the company has submitted some bank account statements which reflect repayment of around ₹7.3 crore to the investors. It is observed that the bank account statement is not accompanied by an auditor's certificate to show that the claims of investors have been fully satisfied. With regard to refund made to investors in cash, the noticees have not furnished proof even after seeking several extensions. Thus, from the documents and details furnished by the noticees, it is difficult to ascertain the extent of repayment made by the company and the number of investors yet to be repaid.
10. Noticees have sought time of two years to refund the amount due to the investors. Under the proposed repayment plan, the noticees intend to repay investors by developing and selling its three properties. Though the construction work has been started at Dewas, it may take more than two years to complete and the estimated profit from this project, as per noticees, will be less than ₹10 crores. Thus, the amount which may be raised after selling flats of this project will not be sufficient to repay investors. Noticees have not started any development/construction work at its other two projects. As stated by the noticees, the project at Karjat can be started only after obtaining the necessary permissions from competent authority, which may itself take a substantial period of time. As regards the project at Kuchambe, the company intends to repay an amount of ₹ 20 crore from sale of developed

farm plots of 400 acres. It is noted from the submissions of the company that it has bought only 60 acres of land and has a Memorandum of Understanding for approx. 300 acres, indicating that the company doesn't even have the necessary 400 acres to develop and sell to customers. It is seen from the repayment plan proposed by the noticees that it is full of contingencies and hypothetical elements. Further, the fact that the company is not intending to dispose of its properties to repay the investors quickly indicates that the noticees are only trying to buy time. The proposed repayment plan does not inspire any confidence in me that the investors will be repaid in a time bound manner. Even otherwise, extending time for refunding to investors under such a plan would tantamount to allowing the Noticees to operate the scheme without registration and refund the investors out of the profits of the scheme.

11. In view of the foregoing, I, in exercise of the powers conferred upon me under sections 11(1), 11B and 11(4) of the SEBI Act, 1992 read with Regulation 65 of CIS Regulations hereby issue the following directions:

- i. Networth Marketing Limited (CIN: U519009MH2005PLC153914) and its Directors viz., Mr. Anis Mohamad Kazi, Mr. Bhaskar Bhao Vasage, Mr. Mahendra Mahadeo Bhuvad, Mr. Nuruddin Shaikh, Mr. Bhalerao Yashwant Misal and Mr. Partha Ghosh shall abstain from collecting contributions/payments, either directly or indirectly, from the investors or launch or carry out any Collective Investment Schemes including the schemes which have been so identified.
- ii. NML and its directors are jointly and severally liable to wind up its existing collective investment schemes and refund the money collected from investors under the schemes with returns due to the investors as per the terms of the offer within a period of three months from the date of this order. Upon completion of the refund as directed above, within a further period of seven days, NML and its directors shall submit a winding up and repayment report to SEBI in accordance with the CIS Regulations. In the event of failure by NML and its noticee directors to comply with the above directions, SEBI shall initiate recovery proceedings under the SEBI Act against the noticees.

- iii. NML and the noticee directors shall not alienate or dispose of or sell or create any encumbrance on any of the assets of the company except for the purpose of making refunds to its investors as directed above.
 - iv. NML and the noticee directors are restrained from accessing the securities market and prohibited from buying, selling or otherwise dealing in securities market, directly or indirectly, till the directions for refund/repayment to investors are complied with, as mentioned above, and for a further period of four years from the date of completion of the refund.
 - v. The noticee directors are restrained from holding position as director or key managerial personnel of any listed company for a period of 4 years from the date of this order.
12. This order shall come into force with immediate effect. Copy of this Order shall be forwarded to the stock exchanges and depositories for necessary action. A copy of this order shall also be forwarded to the Ministry of Corporate Affairs for information.

Date: August 28, 2017

Place: Mumbai

G. MAHALINGAM
WHOLE TIME MEMBER