

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Sections 11(1), 11(4) and 11B of Securities and Exchange Board of India Act, 1992 read with Regulation 65 of the Securities and Exchange Board of India (Collective Investment Schemes) Regulations, 1999, in respect of Interim Order dated June 23, 2015 in the matter of V3 Infrastructure and Estates Private Ltd.

In respect of:

Sr. No.	Noticees	PAN	CIN/DIN
	Company		
1.	V3 Infrastructure and Estates Private Ltd.	N.A.	U45202KA2009PTC051123
	Director(s)		
2.	V Santosh Kumar	APFPK5648J	02424867
3.	V Madhusudhan	ADEPV4483D	02666865
4.	H Sireesha	BPDPS6651E	02424858

1. SEBI had passed an Interim order cum Show Cause notice dated June 23, 2015 (hereinafter referred to as "**interim order**") against the Noticees based on the prima facie conclusion that the fund mobilising activity of Noticee No. 1 i.e. V3 Infrastructure and Estates Private Ltd. (hereinafter referred to as "**V3**") under the garb of a real estate business, falls within the parameters of a "collective investment scheme" as defined in section 11AA of the SEBI Act, 1992. Accordingly, the following directions were passed against the Noticees (including the directors and promoters of V3) :

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- not to collect any fresh moneys from investors from its existing scheme;*
- not to launch any new scheme/plan or float any new companies/firm to raise fresh moneys;*
- not to dispose of any of the properties or alienate the assets of the existing scheme;*
- not to divert any funds raised from public at large, kept in bank account(s) and/or in the custody of the company;*
- to immediately submit the full inventory of the assets owned by V3 Infrastructure out of the amounts collected from the "customers"/investors under its existing schemes;*

- f. to furnish all the information sought by SEBI, vide letters dated February 13, 2014 and March 06, 2014 including,*
- i Copies of all the documents pertaining to the scheme, issued to the investors including the document/agreement executed with the investors,*
 - ii Scheme -wise list of investors as on date and their contact numbers and addresses,*
 - iii Details of amount mobilized till date,*
 - iv Details of amount refunded till date along with the details of mode of payment, duly certified by a CA,*
 - v Details of assets held by V3 Infra and its group companies,*
 - vi Full details of the Group/Associate Companies of V3 Infra including full inventory of their assets,*
 - vii Copies of the registration documents/sale deed in respect of all the land/properties owned/purchased by V3 Infra,*
 - viii Financial statements for the last three years duly certified by the statutory auditor,*
 - ix Income Tax returns for FY 2012-13, 2013-14, and 2014-15;*
 - x Details of fund transfers within group companies and associates and its directors for the year 2012-2013, 2013-2014 and 2014-2015,*
 - xi PAN of the company and its directors.*

2. According to the interim order, the noticee company had been raising money from the public through a scheme called “Own your property”. From the available documents, it was observed that against the subscription amount, a specified return was promised as “value of property offered by the company/profit/return” after a certain duration. The interim order noted that though plot/land was identified and demarcated in each Agreement deed, the ownership of the said land/plot forming part of the scheme is not transferred by V3 to the investors, which clearly indicates that the property described in the schedule to the agreement deed only stands as collateral to the subscription amount collected from the investor. The terms and conditions of the Agreement deed also states that the company reserves the right to refuse any application for purchase of flat/plot without assigning any reason and the company has the prerogative to refund the money collected from the investors (*treated as “property advance”*) at any time before the end of the scheme period. Though no information could be gathered regarding the total mobilisation of money pooled from the public by V3, number of investors etc., the interim order concluded, based on the complaints received that approximately thirty one lakh rupees had been collected by V3 from 78 investors.

3. The interim order was served on the noticees by way of affixture at their respective addresses. However no reply to the interim order has been received from any of the noticees. The Noticees were granted an opportunity of personal hearing which was

scheduled on October 26, 2016. In reply to the hearing notice, noticee directors Nos. 3 and 4 stated by way of letters dated October 23, 2016 that they were only designated as directors of the company and were not aware of the business activities of the company. They also stated that the noticee director No. 2 was the active director of the company and sought an adjournment in the personal hearing since the said noticee was subject to local judicial proceedings. Accordingly another opportunity of personal hearing was granted to the noticees on July 31, 2017. On behalf of the noticees, Shri Ramanjaneyulu Kothapalli, Company Secretary (hereinafter referred to as "**the representative**") appeared and submitted that the documents relevant for preparing a reply to the interim order were not available since there were several police cases pending against the noticee directors and the properties in question along with the relevant documents had been seized by the police. The representative also submitted a written reply enclosing an Annexure listing the complaints filed with the police and the amounts claimed from the Noticees. As per the said list, a total of ₹ 2,12,40,198 (Two crore Twelve lakh forty thousand one hundred and ninety eight rupees) was claimed by the complainants against one or more of the noticee directors. This leads to the strong inference that the amounts raised by the noticees from the investors were much more than the what had been determined in the interim order. The representative orally sought an extension of two weeks to file replies to the interim order and submit relevant documents in support of the submissions. Since no replies had been received within the aforesaid period, the representative was contacted by SEBI officials enquiring whether the noticees desired to submit replies to the interim order. The representative indicated that he had no instructions from the noticees and no information had been conveyed to him in the context of the current proceedings. Subsequently on August 19, 2017 an email was received from the representative requesting, on behalf of the noticees, an extension of the deadline to make the written submissions, and undertook to submit the same by August 24, 2017. However no further reply/submissions have been received till date from the Noticees.

4. I am satisfied that the Noticees were given sufficient opportunities to make their written and oral submissions on the merits of the matter but they failed to utilise the same. The repeated requests for adjournments in personal hearing and extension in time for submissions of replies appear to be made merely to delay conclusion of the quasi-

judicial process. In the absence of any reply on merits, I am convinced that the matter may be disposed off based on available records.

5. Based on the documents available, the interim order came to the *prima facie* conclusion that the scheme in question satisfied the four tests of a collective investment scheme (CIS) as defined in section 11AA of the SEBI Act, 1992, namely that - there was pooling of contributions, contributions were made with a view to receive realisable value, the contributions were managed on behalf of the investors and the investors did not have day to day control over the management of the scheme. The noticees have not advanced any arguments to refute the said *prima facie* conclusions in the interim order. I have perused the contents of the interim order and do not find any reason to differ with the *prima facie* conclusion arrived at in the interim order. In the absence of any evidence provided to refute the findings in the interim order, I reiterate that the activities of the noticees constitute a Collective Investment Scheme in terms of section 11AA of the SEBI and the same has been carried out by the noticees without seeking a registration from SEBI thereby contravening section 12(1B) of the SEBI Act read with regulation 3 of the CIS Regulations. I also note that in terms of regulation 4(2)(t) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves illegal mobilization of funds by sponsoring or causing to be sponsored or carrying on or causing to be carried on any collective investment scheme by any person without obtaining the necessary registration from SEBI. The aforesaid legal provisions have already been discussed in detail in the interim order and therefore in the interest of brevity I do not find it necessary to reiterate the same.

DIRECTIONS

6. In view of the above, in the interest of investors and the securities market, I, in exercise of the powers conferred upon me under Sections 11(1), 11B and 11(4) thereof and regulation 65 of the SEBI (Collective Investment Schemes) Regulations, 1999, hereby issue the following directions:

- (i) V3 Infrastructure and Estates Private Ltd. (PAN: N.A.) and the noticee directors namely, V. Santosh Kumar (PAN: APFPK5648J), V. Madhusudhan (PAN: ADEPV4483D) and H. Sireesha (PAN: BPDPS6651E) are jointly and severally liable to wind up the existing collective investment schemes and refund the money collected by it under the schemes with returns which are due to the investors as per the terms of offer within a period of three months from the date of this order. The refund shall be made through 'Bank Demand Draft' or 'Pay Order'. Upon completion of the refund as directed above, within a further period of seven days, the Noticees shall submit a winding up and repayment report (WRR) to SEBI in accordance with the CIS regulations. The WRR shall be supported by the proof of the trail of funds claimed to be refunded, bank account statements indicating refund to the investors and receipt from the investors acknowledging such refunds along with a certification of such repayment from two independent Chartered Accountants. In the event of failure by V3 Infrastructure and Estates Private Ltd. and its noticee directors to comply with the above directions, SEBI shall initiate recovery proceedings under the SEBI Act against the Noticees.
- (ii) V3 Infrastructure and Estates Private Ltd. and the noticee directors shall not alienate or dispose off or sell any of the assets of V3 Infrastructure and Estates Private Ltd. except for the purpose of making refunds to its investors as directed above.
- (iii) V3 Infrastructure and Estates Private Ltd. and the noticee directors shall, with immediate effect, be 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 directed at sub-paragraph (i) above to the satisfaction of SEBI and WRR is submitted to SEBI and for a further period of four years from the date of completion of the refund, as directed above.
- (iv) The noticee directors shall be restrained from holding position as directors or key managerial personnel of any listed company for a period of 4 years from the date of this Order.

7. A copy of this Order shall be forwarded to -

- (i) all the recognised stock exchanges and registered depositories for necessary compliance with the above directions; and
- (ii) the Ministry of Corporate Affairs for information.

DATE: September 04, 2017

PLACE: Mumbai

G. MAHALINGAM

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA