

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI
CORAM: S. RAMAN, WHOLE TIME MEMBER**

ORDER

Under sections 11(1), 11B and 11(4) 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 M/s. JSV Developer India Ltd (PAN-AACCJ1577A) and its Directors, viz. Mrs. Vijay Laxmi Kathait (PAN-ALLPK5580D), Mr. Bhupendra Singh Kathait (PAN-BAQPK6090R) and Mr. Dinesh Hemraj Tembhare (PAN-AJZPT6223E).

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") received a copy of order dated July 13, 2012 passed by Hon'ble High Court of Madhya Pradesh (Gwalior Bench) in the matter of *Dharmvir Singh and Anr. Vs. Union of India & Ors. [Writ petition No. 3332 of 2010 (PIL)]*, from the Department of Financial Services, Ministry of Finance, vide letter dated September 21, 2012. From the aforesaid order, it was observed that:

- i. The Petitioners therein had filed a Public Interest Litigation seeking order of enquiry against various financial companies including M/s JSV Developer India Ltd. (hereinafter referred to as "**JSV Developer**").*
- ii. The petitioners had pleaded that thousands of persons of various districts in the State of Madhya Pradesh had been cheated by various finance companies under the garb of various schemes, which used to collect deposits from the persons with a promise to pay the money back with higher return of interest from 15%-20%.*
- iii. The Hon'ble Court directed that copy of the said Order be forwarded to the various authorities including SEBI to take appropriate action in accordance with law.*

2. As a matter of preliminary inquiry into the alleged mobilization of funds by JSV Developer, SEBI, vide letters dated November 22, 2012 and July 15, 2013, sought, *inter alia*, the following information in relation to its business activities, viz:-

- i. Copies of applications forms, agreements, registration letters etc. pertaining the schemes,
- ii. Sample copy of brochure,
- iii. Memorandum of Association (MoA) as filed with Registrar of Companies (RoC),

- iv. Copies of audited financial statement for years 2009-10, 2010-11 and 2011-12,
- v. Details of the past and present directors,
- vi. Details of scheme-wise amount mobilized under various schemes till date,
- vii. Details of regulatory approvals, if any.

2.1 However, the aforesaid letters of SEBI returned undelivered from the office of JSV Developer. SEBI also issued separate letters dated July 15, 2013, to three of the directors of JSV Developer, seeking the aforesaid information/documents. The said letters were duly acknowledged by them. Subsequently, a team of SEBI officers visited the registered office of JSV Developer situated at 42 A, Room No. 20, Vyas Complex, Zone II, MP Nagar, Bhopal, Madhya Pradesh. However, it was noted that JSV Developer was not situated at the given address and was available at another address, *viz.* 225, Zone II, MP Nagar, at Bhopal. In view of this, a letter dated July 22, 2013 was served to the company on July 26, 2013, seeking the aforesaid information/documents.

2.2 In response to this, JSV Developer, by fax dated August 14, 2013 requested for extension of time for submitting the information, which was duly allowed by SEBI, vide its letter dated August 14, 2013. Subsequent to this, JSV Developer, vide letter dated August 12, 2013 (received by SEBI on August 19, 2013) *inter alia* submitted the following information/documents,

- i. Copies of Memorandum and Articles of Associations (MoA and AoA) as filed with the Registrar of Companies (RoC),
- ii. Details of past and present directors alongwith Form 32,
- iii. Copy of "*Brochures*",
- iv. Sample copy of "*Allotment Letter*" issued to participants,
- v. Sample copy of "*Joint Venture Agreement*",
- vi. Details of the plan wise amount taken under "*Joint Venture Association*" till September 30, 2012,
- vii. Certified copies of audited financial statement for the years 2009-10, 2010-11 and 2011-12.

2.3 Subsequent to this, SEBI, vide letter dated December 27, 2013, sought the following additional details/information from JSV Developer,

- i. PAN of JSV Developer and its Directors,

- ii. Copies of income tax returns filed by JSV Developer from the corresponding financial year till date

2.4 JSV Developer, vide letter dated January 21, 2014, furnished the following details/information,

- i. PAN of the Directors and JSV Developer
- ii. List of registered sale deeds (of land purchased by JSV Developer), along with the copies thereof (nearly 40 sale deeds),
- iii. "*Independent Auditors' Report*" in respect of the balance sheet of JSV Developer for the financial year 2012-13 (seen to have certified by Ms. Rajita, Partner of M.J.R.A. & Associates, Chartered Accountants).

2.4.1 JSV Developer, vide the aforesaid letter also submitted that it had stopped the activity of raising funds since October 1, 2012. It was also informed that all the properties are in the name of JSV Developer and no land has been transferred or registered in the name of any customer/investor as no customer has applied or demanded for the same. JSV Developer also sought time for submitting the income tax returns.

- 3. Subsequent to this, on examining the aforesaid documents furnished by JSV Developer, it was found that the "*Independent Auditors' Report*" (2012-2013) submitted by JSV Developer was not signed by any of the directors of JSV Developer. As this raised suspicion, inquiries were made with Ms. Rajita, partner of M.J.R.A. & Associates, Chartered Accountants (via e-mails dated January 27, 2014 and January 29, 2014), to confirm if she had signed the aforesaid Report in respect of balance sheet of JSV Developer. In response to this, Ms. Rajita, via e-mail dated January 29, 2014, informed that she has not certified any audit report/balance sheet of JSV Developer for any financial year. She also informed that though she was in discussions with the company for audit of balance sheet for 2012-13, but no appointment letter was received.
- 4. I have carefully perused the documents and materials available on record such as, correspondence exchanged between SEBI and JSV Developer along with the documents contained therein; the submissions made by JSV Developer; correspondence exchanged between SEBI and Ms. Rajita, partner of M.J.R.A. & Associates, Chartered Accountants; the copy of the Order dated July 13, 2012 passed by the Hon'ble High Court of Madhya Pradesh (Gwalior Bench), in the matter of *Dbarmvir*

Singh and Anr. Vs. Union of India & Ors. [Writ petition No. 3332 of 2010 (PIL)] and the observations made therein. The issue for determination in the instant matter is whether the mobilization of funds by JSV Developer is a 'collective investment scheme' in accordance with Section 11AA of the SEBI Act, 1992 (hereinafter referred to as "**SEBI Act**").

4.1 On an examination of the material available on record, it is *prima facie* observed that:

- i. JSV Developer was incorporated (CIN: U45201MP2009PLC021807) on April 09, 2009. From the documents provided by JSV Developer, its registered office is at 42 A, Room No. 20, Vyas Complex, Zone II, MP Nagar, Bhopal (Madhya Pradesh).
- ii. The present directors of JSV Developer are Mrs. Vijay Laxmi Kathait, Mr. Bhupendra Singh Kathait and Mr. Dinesh Hemraj Tembhare. The past directors of JSV Developer were Mr Ganesh Dutt Bagoli, Ms. Sangeeta Kathait, Mr. Phool Singh Rajput, Ms. Babita Kathait, Mr. Kapil Ahirwar, Mr. Shashikant Shukla, Mr. Santoshi Das Bairagi, Mr. Dev Dutt Udeniya, Mr. Jitendra Singh Gurjar and Ms. Chandra kala Mastker.
- iii. Main objects of JSV Developer as per the MoA, are "*to buy, exchange purchase or otherwise acquire and interest in any immovable property such as houses, building, market, shops, industrial sheds & lands*"
- iv. JSV Developer collects money from public through its various schemes of "*Joint Venture Association*" (eleven schemes) for the development and maintenance of land. Land units are offered as collateral to the "*Joint Venture Associates*"/investors who apply for the schemes. Such units are allotted to investors upon payment of consideration value either in installments or as lump sum payment. Two such schemes are illustrated below,

Table 1(a)

3 year Joint Venture Regular Plan No. 103

Unit	Consideration Value	Installments				Estimated Real. Value	Accident Benefit
		MLY.	QLY.	HLY.	YLY.		
36	3600	100	295	580	1150	4500	3600
72	7200	200	590	1160	2300	9000	7200
108	10800	300	885	1740	3450	13500	10800
144	14400	400	1180	2320	4600	18000	14400
180	18000	500	1475	2900	5750	22500	18000
360	36000	1000	2950	5800	11500	45000	36000

Table 1(b)

9.6 year joint venture (plan No. 8)

Unit	Consideration Value	Estimated Real. Value	Accident Benefit
10	1000	3000	1500
50	5000	15000	7500
100	10000	30000	15000
200	20000	60000	30000
500	50000	150000	75000
1000	100000	300000	150000

v. JSV Developer executes an “*Application cum Agreement for Joint Venture Association*” with the “*Joint Venture Associates*”/investors (“*Associates*”). Following are noted in the said agreement,

- “*Whereas the Company is carrying on the business of Real estate Promoters, Developers and project management association including Civil, Mechanical, Electrical, Colonizer, builders, developers & all other type erection.....*
- *Whereas the Company is hereby authorized to enter into Agreement to borrow, to raise money or secure the payment of money or receive money by way of Joint Venture or otherwise in such manner as the Company may determine, and further authorized to contribute in the joint venture or other wise employ the money belonging or entrusted to the Company in movable or immovable properties or in securities or in such other manner as may be deemed expedient.*
- *Whereas the Company has Prepared Joint Venture plans to borrow or raise the money , to raise money to secure the payment of money and Prepared Joint Venture plans including the installment, payment plans described in plan so also one time payment plan for various period in pursuance of rules and regulations made there of including the expected sum payable on expiry of the said term and also consisting of the accidental compensation under the joint venture ship agreement to the associate as per the rules and regulations in respect thereof as described in rule book, in connection with the joint venture plan certificate issued to the associate.*
- *Whereas the Company is issuing the certificate to enable the Company to raise the finance under the joint ventureship described in the plan 3 YEAR joint venture (Plan No.-3) 5 YEAR Joint Venture (Plan No.5), 11 YEAR joint Venture (Plan No.9) , 6 YEAR joint Venture (Plan No.6, 9.6 YEAR joint Venture (Plan no.8), 3 YEAR joint Venture Regular Plan no.- 103, 5 YEAR joint Venture Regular Plan no.- 105, 6 YEAR joint Venture Regular Plan no.106, 7.6 YEAR joint Venture Regular Plan no.108, 10 YEAR Joint Venture Regular Plan 109, 6 YEAR joint Venture MIP Plan no.12, hereinafter described and the party of the Second part came to know about the contribution in said plan and agreed to enter in the*

joint venture agreement with the Company and to join him in Joint Venture with a view to carry out and complete the said finance raising object as Joint Venture.

- *The Party of the Second Part have contributed with the Company the sum of Rs..... onwards Rs. ...only of the certificate in project dateand on completion of the term of Joint Venture agreement the sum assured is payable to the extent of Rs..... and the party of the second part will contribute such further amounts as may be desired by him from time to time for carrying out the said work and the amounts will be treated as a participation made by him to the particular plan of the Company repayable to the party of the Second part as per the terms and conditions of the joint venture certificate. (Clause 2)*
- *That irrespective of the profit and losses suffered by the Company , the Company hereby undertake and assure to the party of the Second part to pay the amount of investment as per the category and on completion of the term of Joint Venture subject to the fulfillment of terms and conditions or as the case may be otherwise. (Clause 3)*
- *All the tangible and intangible assets of the Company including the goodwill, stock in trade, benefit of business licenses and permits, benefits of contracts entered etc. will be in the name of the Company and the property of the Company shall be used by the Company exclusively for the business of the Company and the Joint Venture shall have such the limited rights with such restrictions as may be described so that such rights shall not affect adversely on the title and interest in connection therewith. (Clause 7)*
- *On completion of the term of the joint venture agreement, the associate will be entitled to withdraw/renew the said certificate amount and the said Company will permit, towards repayment of the certificate amount or renew the said certificate as per the Company's Rules and Regulations , terms and conditions mentioned in certificate and terms of the agreement. (Clause 8)*
- *That through this agreement the Company has being collateral secured for realization of amount of said as agreed, issued letter of allocation of land with a ration of Rs. of participation equal to sqft of land depending upon market price of land by Ready Reckoner of Government but this ration can be changed / altered solely at the discretion of management depending upon promotion the cost /value of lands at the time of agreement. Further the Company reserves the right of area of allocation depending on availability of land at the time agreement. The Company has issued separately the letter of allocation of land annexed here with this agreement. (Clause 13)*
- *It is further agreed by and between the parties that in case the Company is unable to repay the due return of participation of the in that event only the Company would help the Associate /Joint Venturer to dispose off the allocated land ate the written request of Associates, through process of law. (Clause 14)*
- *The Joint Venturer shall continue his /its participation till the completion as per the certificate of the Joint Venture or if by any chance the said Joint Venture is cancelled for any reason, till the cancellation of such certificates. (Clause 17)*

- *It is agreed by & between the parties that this agreement for Joint Venture Associate and can be treated as the associate in the particular project of construction for which the allocation letter is issued, till the completion of term of Joint Ventureship with the party of first part. Once repayment of participation is made to the associate then this agreement alongwith allocation letter will be automatically cancelled.” (Clause 19)*

vi. After executing the aforesaid agreement, JSV Developer issues "Registration Letter" to the "Associates"/investors which says ".....the person described in schedule hereto in response to the "Application cum Agreement is registered for the developed/agriculture based land unit(s)". It also contains the details scheme opted by the investor, installment amount "expected value of units on expiry of the agreement" etc. Following terms and conditions are noted from the "Registration Letter",

- “Allotment of land shall be made after receiving payment in case of lump sum payment within 18 month and in case of regular installment plan after receiving 60% payment within 90 days.....*
- In case JSV Developer India Ltd. commits breach of agreement by not allotting the said land unit in favour of the applicant in the manner agreed to.....it shall refund the amount paid by the customers with simple interest @2.5% per annum.....”*

vii. Allotment of land units as collateral to the "Associates"/investors, as has been stated in the aforesaid agreement (Clause 13) are made by issuing a "Letter of Allotment of Land Units". It is observed that the said allotment is made, in case of *One time Payment Plans* within 18 months after receiving lump sum amount and in case of *Installment Plans*, within 90 days after the receipt of 60% of the payment. Following clause are noted in the said "Letter of Allotment of Land Units",

- *...the Land Units booked by you vide your application....alloted to you by JSV ...as per details given below....*
- *However JSV DEVELOPER INDIA LIMITED reserves the right to change the location of this allotment, and allot you an alternate site at any other place.*
- *The Sale deed in respect of Land Unit(s), allotted to you shall be executed and registered shortly.”*

viii. JSV Developer, vide its letter dated August 12, 2013, furnished the details of scheme-wise amount collected under its "Joint venture Association" till September 30, 2012, which are as under,

Table 2

Sl. No.	Scheme	No. of investors	Amount (in ₹ crores.)
1	Plan No. 103 (3 years)	6635	03.10
2	Plan No. 105 (5 years)	11322	04.73
3	Plan No. 106 (6 years)	8783	03.87
4	Plan No. 108 (7 years 6 months)	4755	01.83
5	Plan No. 109 (10 years)	3469	01.47
6	Plan No. 12 (6 years)	2803	02.92
7	Plan No. 3 (3 years)	2764	01.77
8	Plan No. 5 (5 years)	4211	02.23
9	Plan No. 9 (11 years)	3518	01.33
Total		48260	23.25

The aforesaid details indicates that JSV Developer had collected ₹23.25 crores from about 48,260 “Associates”/investors.

- ix. From the correspondence exchanged between SEBI and Ms. Rajita, partner of M.J.R.A. & Associates, Chartered Accountants, regarding the "*Independent Auditors' Report*" (2012-2013), submitted by JSV Developer, it is noted that Ms. Rajita, via e-mail dated January 29, 2014 informed that she has not certified or signed any audit report /balance sheet of JSV Developer for any financial year, which indicates that the said "*Independent Auditors' Report*" in respect of the balance sheet of JSV Developer for the financial year 2012-13, submitted by JSV Developer, were not genuine and the signature and seal of the Independent Auditor have been forged by JSV Developer. In view of this, it is observed that JSV Developer has furnished fake and fabricated documents to SEBI.
- x. From the financial statements furnished by JSV Developer for the FY 2009–10, 2010–11 and 2011–12, it is observed that the amounts mobilized from customers, cost of land purchased, development

expenses incurred by JSV Developer, cost of allotment made to customers have been recorded in the relevant Balance Sheet. The same are reproduced below:

Table 3

(Amount in ₹)

	As on March 31, 2010	As on March 31, 2011	As on March 31, 2012
Advances from customers	2,65,93,319	4,92,28,404	5,52,46,716
<u>Land (inventory)</u>			
Opening Stock	0	10783360	16009908
Add: Purchase during year	9883360	9007550	13870085
Add: Land & site development expenses	900000	4485554	5867481
Less: Allotment made during the year	0	9000000	12150000
	<u>10783360</u>	<u>15276464</u>	<u>23597474</u>
<u>Cost of sales</u>			
Cost of land allotted	---	9000000	12150000
Land Development Expenses	---	5867481	5867481
		<u>14867481</u>	<u>18017481</u>

5. The aforementioned features of the so-called "*Joint Venture Association for the development and maintenance of land*" by JSV Developer appear to be a "*scheme*" rather than a Joint Venture Association. In view of this, the aforementioned details of the "*Association*"/scheme offered by JSV Developer, have to be considered in light of Section 11AA of the SEBI Act. The aforesaid Section 11AA, which provides for the conditions to determine whether a scheme or arrangement is a '*collective investment scheme*', reads as follows:

“(1) Any scheme or arrangement which satisfies the conditions referred to in subsection (2) or [sub-section (2A)] shall be a collective investment scheme.

(2) Any scheme or arrangement made or offered by any company under which,

(i) the contributions, or payments made by the investors, by whatever name called, are pooled and utilized solely for the purposes of the scheme or arrangement;

- (ii) *the contributions or payments are made to such scheme or arrangement by the investors with a view to receive profits, income, produce or property, whether movable or immovable from such scheme or arrangement;*
- (iii) *the property, contribution or investment forming part of scheme or arrangement, whether identifiable or not, is managed on behalf of the investors;*
- (iv) *the investors do not have day to day control over the management and operation of the scheme or arrangement.”*

5.1 In the context of the abovementioned Section 11AA of the SEBI Act, the "*Association*"/scheme offered by JSV Developer, is examined as under:

- (i) *The contributions, or payments made by the investors, by whatever name called, are pooled and utilized solely for the purposes of the scheme or arrangement.***

JSV Developer collects funds from the "*Associates*"/investors for its "*Joint Venture Association for the development and maintenance of land*". The amounts are collected through various schemes/plans mentioned in the "*brochure*" issued by JSV Developer. As per the agreement, the "*Associates*"/investors shall not have any right or liability on any assets of the company and their rights are restricted only for their participation till the expiry of the term agreed as per the payment plans. The land is allotted only as a collateral for the realization of the amount collected from the "*Joint Venture Associates*"/investors, in cases where JSV Developer fails to repay the due return of the participation. Since the land units are allotted only as collateral for repayment of the assured amount, the "*Associates*"/investor does not have the right to claim possession over the land units. It is also observed from the various clauses of the agreement, that JSV Developer would employ the money entrusted to it in movable or immovable properties or securities or in such other manner as may be deemed expedient and once repayment of participation money is made to the "*Associates*"/investor, the agreement along with the "*Letter of Allotment of Land Units*" will be automatically cancelled. It is further noted that although, JSV Developer collected ₹23.25 crores from "*Associates*"/investors till September 30, 2012, the cost of land allotted (as per the balance sheet as at March 31, 2012) is only ₹1.21 crores. It is also relevant to note that JSV Developer, in its letter dated January 21, 2014 admitted that all the properties are in the name of JSV Developer and no land has been transferred or registered in the name of any "*Associates*"/investor. In the facts and circumstances as aforesaid, it is evident that the fund raising from the "*Associates*"/investors by JSV Developer is not for the purpose of sale/purchase or development of land but the funds so collected are pooled and utilized solely for the purpose of the "*Association*"/scheme, promising

returns/profit to the “*Joint Venture Associates*”/investors. I, therefore, find that the instant “*Association*”/scheme satisfies the first condition stipulated in Section 11AA(2)(i) of the SEBI Act.

- (ii) The contributions or payments are made to such scheme or arrangement by the investors with a view to receive profits, income, produce or property, whether movable or immovable from such scheme or arrangement.***

As per the agreement of the scheme, a pre-determined sum is assured to be payable to the investor on completion of the term irrespective of profit or losses incurred (Clause 2). It is also observed from a perusal of different schemes offered, an “*estimated realizable value*”/return is offered along with bonus and accident benefits to the “*Associates*”/investors. For instance, in “*3 year Joint Venture Regular Plan No. 103*”, for the “*consideration value*” of ₹3600/- paid as monthly installment of ₹100/-, the “*estimated realizable value*”/profit at the end of the term offered is ₹4500/- and the accidental benefit for this plan is ₹3600/-. JSV Developer promises to repay the consideration amount paid by the investor along with simple interest, in case of breach of agreement by JSV Developer. Hence, it is clear that such contributions are made by the “*Joint Venture Associates*”/investors with an intention to earn profits from such “*Association*”/scheme. I, therefore, find that the instant “*Association*”/scheme also satisfies the second condition stipulated in Section 11AA(2)(ii) of the SEBI Act.

- (iii) The property, contribution or investment forming part of scheme or arrangement, whether identifiable or not, is managed on behalf of the investors, and***
(iv) The investors do not have day-to-day control over the management and operation of the scheme or arrangement.

Clause 4 of the agreement stipulates that the JSV Developer will look after financial side of the participation as well as the administration of the company and its said business. Further, it is noted from Clause 7 of the agreement, that the property of JSV Developer is used exclusively for the business and the “*Joint Venture Associates*”/investors do not have any right, title and interest in connection therewith. The allotment of units of land is only for the purpose of “*collateral security*” and the plot specified to be allotted in the certificate is liable to be altered at the instance of JSV Developer. Further, investors have been offered restricted rights over the units of land and control

over the management and policies of the company. This implies that control over the management and operation of scheme vests solely with JSV Developer. As per the terms of the agreement, JSV Developer is authorized to employ the funds collected from the “*Associates*”/investors in movable or immovable properties or securities or in such manner as may be deemed expedient. This implies that the “*Joint Venture Associates*”/investors do not have any say in the day to day control over the management and operation of the scheme or arrangement. I, therefore, find that the instant “*Association*”/Scheme also satisfies the conditions stipulated in Section 11AA(2)(iii) and (iv) of the SEBI Act.

5.2 From the above analysis, I find that the “*Association*”/scheme offered by JSV Developer with a resultant promise of returns when considered in light of peculiar characteristics and features of such scheme, as discussed in the preceding paragraphs, *prima facie* satisfies all four conditions specified in Section 11AA (2) of the SEBI Act.

5.3 It is observed that aforesaid fund mobilizing activity of JSV Developer, promising an estimated returns/profit, has been camouflaged by it by way of a “*Joint Venture Association*” for the development and maintenance of land only to mislead and attract investment from the general public, which in essence satisfies all the conditions of a ‘*collective investment scheme*’ as defined in Section 11AA of the SEBI Act. In this context, it is relevant to refer to the observations of the Hon'ble Supreme Court of India in the matter of ***P.G.F Ltd. & Ors. vs. UOI & Anr.*** (MANU/SC/0247/2013) (hereinafter referred to as “PGFL Case”). While analyzing the scope of sub-section (2) of Section 11AA, the Hon'ble Court held that: “*..sub-section (2) of Section 11 AA, which defines a collective investment scheme disclose that it is not restricted to any particular commercial activity such as in a shop or any other commercial establishment or even agricultural operation or transportation or shipping or entertainment industry etc. The definition only seeks to ascertain and identify any scheme or arrangement, irrespective of the nature of business, which attracts investors to invest their funds at the instance of someone else who comes forward to promote such scheme or arrangement in any field and such scheme or arrangement provides for the various consequences to result there from.*”

5.3.1 In view of the aforementioned observations of the Hon'ble Supreme Court of India in the PGFL Case, and in view of the abovementioned analysis and examination, I find that the activity of fund mobilization by JSV Developer with a resultant promise of returns clearly falls within the ambit of ‘*collective investment schemes*’ as defined in Section 11AA of the SEBI Act.

6. I note that in terms of Section 12(1B) of the SEBI Act, *"no person shall sponsor or cause to be sponsored or cause to be carried on a 'collective investment scheme' unless he obtains a certificate of registration from the Board in accordance with the regulations"*. Regulation 3 of the SEBI (Collective Investment Schemes) Regulations, 1999 (hereinafter referred to as **"CIS Regulations"**) provides that no person other than a Collective Investment Management Company which has obtained a certificate under the said regulations shall carry on or sponsor or launch a *'collective investment scheme'*. Therefore, the launching/ floating/ sponsoring/ causing to sponsor any *'collective investment scheme'* by any *'person'* without obtaining the certificate of registration in terms of the provisions of the CIS Regulations is in contravention of Section 12(1B) of the SEBI Act and Regulation 3 of the CIS Regulations.
- 6.1 As has been observed in the aforementioned paragraphs, it is observed that the *"Association"/*scheme offered by JSV Developer in the name of its *"Joint Venture Association"* for the development and maintenance of land is nothing but a smokescreen for its fund mobilizing activity. I am of the view that JSV Developer is *prima facie* engaged in fund mobilizing activity from the public, by floating/sponsoring/ launching *'collective investment scheme'* as defined in Section 11AA of the SEBI Act without obtaining a certificate of registration from SEBI as required under Section 12(1B) of the SEBI Act and the CIS Regulations. It is further noted that Mrs. Vijay Laxmi Kathait, Mr. Bhupendra Singh Kathait and Mr. Dinesh Hemraj Tembhare are the directors of JSV Developer. Considering the fact that no prior registration was obtained by JSV Developer in respect of the aforesaid activities in the nature of collective investment scheme, I am of the view that JSV Developer is illegally mobilizing funds from the public, which *prima facie* amounts to a fraudulent practice in terms of Regulation 4(2) (t) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practice Relating to Securities Market) Regulations, 2003.
7. In the instant case, the Chartered Accountant has denied having signed the *"Independent Auditors' Report"* in respect of the Balance Sheet (2012-2013) submitted to SEBI by JSV Developer as mentioned in paragraph No. 3 above. In view of this disturbing fact, it is difficult to accept the submission made by JSV Developers that it had stopped raising funds from the public since October 1, 2012. Protecting the interests of investors is the first and foremost mandate for SEBI. Under the circumstances, SEBI has to take immediate steps to prevent activities of companies or entities defrauding investors and damaging the orderly development of the securities market. In order to ensure that JSV Developer and

its directors/promoters do not collect further funds under its schemes and to safeguard the assets/property acquired by JSV Developer and its promoters/directors from the funds of the investing public until full facts and materials are brought and final decision is taken in the matter, it becomes necessary for SEBI to take urgent preventive action by way of this interim measure. In the light of the same, I find no other alternative but to take recourse through an interim measure against JSV Developer and its promoters/directors.

8. In view of the above, I, in exercise of the powers conferred upon me under Section 11(4) and 11B of the SEBI Act, 1992 and Regulation 65 of CIS Regulations, hereby direct JSV Developer India Ltd. (PAN – AACJ1577A) and its Directors, *viz.* Mrs. Vijay Laxmi Kathait (PAN-ALLPK5580D), Mr. Bhupendra Singh Kathait (PAN-PANBAQPK6090R) and Mr. Dinesh Hemraj Tembhare (PAN-AJZPT6223E),

- a. not to collect any fresh money from investors from its existing "Association"/scheme;*
- b. not to launch any new "Association"/scheme/plan or float any new companies to raise fresh moneys;*
- c. not to dispose of any of the properties or alienate the assets of the existing "Association"/scheme;*
- d. not to divert any funds raised from public at large, kept in bank account(s) and/or in the custody of the company;*
- e. to immediately submit the full inventory of the assets owned by JSV out of the amounts collected from the "joint venture associates"/investors under its existing " Association "/schemes;*
- f. to furnish all the information sought by SEBI, including,*
 - i. scheme wise list of investors and their contact numbers and addresses,*
 - ii. the details of amount mobilized and refunded till date,*
 - iii. financial statements for the last three years duly certified by the statutory auditor.*
- g. to provide explanation regarding the denial of certification by the Auditor, as detailed paragraph No. 3 of this order.*

9. The above directions shall take effect immediately and shall be in force until further orders.

10. The *prima facie* observations contained in this Order are made on the basis of the material available on record. This order is without prejudice to the right of SEBI to take any other action that may be initiated against JSV Developer India Ltd., its Directors/Promoters in accordance with law.

11. JSV Developer and its abovementioned Directors shall, within 15 days from the date of receipt of this Order, file its reply, if any, to the prima facie observations made herein. JSV Developer and its Directors may also indicate, in such reply, whether they wish to avail an opportunity of personal hearing in the matter.

Place: Mumbai
Date: July 31, 2014

S. RAMAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA