

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 the matter of Networth Marketing Limited(CIN: U519009MH2005PLC153914) and its Directors viz., Mr. Anis Mohamad Kazi (PAN-AONPK3801J), Bhaskar Bhao Vasage (PAN-AIFPV5203P), Mahendra Mahadeo Bhuvad (PAN-ARWPB6634J), Mr. Nuruddin Shaikh (PAN- AZJPS0671F), Mr. Bhalerao Yashwant Misal (PAN- APLPM5152R) and Mr. Partha Ghosh (PAN- AKYPG8318D).

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1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) received references/ complaints alleging that Networth Marketing Limited (hereinafter referred to as “**NML**”) mobilise monies from the public with promise of high rate of returns.
 2. As a matter of preliminary inquiry into whether or not NML is carrying on activities of 'collective investment scheme' in terms of Section 11 AA of the SEBI Act, 1992 (hereinafter referred to as "**SEBI Act**") SEBI, vide letter dated May 19, 2014, *inter alia* sought the following information from NML:-
 - i. *Memorandum and Articles of Association (" **MoA**" and "**AoA**") of the company as filed with the Registrar of Companies,*
 - ii. *Details of the past and present directors of the company. Details should contain name, address, PAN and contact details (Email/fax/contact no) of the directors,*
 - iii. *Brochures/ offer document pertaining to NML's schemes/arrangements,*
 - iv. *Copies of application forms that are required to be submitted by investors / applicant to participate in NML's schemes,*
 - v. *Sample copies of the registration letter/ allotment letter or any other document issued to the investors who subscribe to NML's schemes,*
 - vi. *Sample copies of the agreement letter / contract required to be entered into by investor / applicant under NML's schemes.*

- vii. *Details of the scheme wise amount mobilized by NML till date along with the number of investors under the schemes,*
 - viii. *Certified copy of audited financial statement for the last three financial years,*
 - ix. *Copy of Income Tax Return filed by NML for the last three financial years,*
 - x. *List of all investors along with the address and contact numbers and their investment details with NML,*
 - xi. *Details of any other similar scheme(s), if any, floated by group/ associates of NML,*
3. In response to the aforesaid letter, NML vide letter dated June 30, 2014, *inter alia*, furnished the following documents:
- i. Copy of Memorandum and Articles of Association
 - ii. Details of the past and present Directors of the company..
 - iii. Brochure pertaining to its schemes.
 - iv. Copies of application form that is required to be submitted by investor.
 - v. Sample copies of registration letter and Agreement for sale.
 - vi. Certified copy of the audited financial statements for the financial years 2011-12 and 2012-13.
 - vii. Copy of Income Tax Returns filed by the company for the Assessment years 11-12, 12-13 and 13-14.
4. Upon examination of the abovementioned information/documents, SEBI vide letter dated July 22, 2014 sought certain additional information such as copy of executed allotment letter issued by NML to the investors, copy of the documents pertaining to registration of land/ property in the name of the investors, details of the land owned or leased by NML alongwith documentary evidence, list of investors who have been repaid after maturity, alongwith documentary evidence.
5. Subsequently, NML vide letter dated August 5, 2014, *inter alia*, submitted the following documents:
- i. Allotment letter issued to the investors.
 - ii. Details of the land owned or leased by NML with documentary evidence.
 - iii. Details of bank accounts alongwith statements of all bank accounts
6. I have carefully considered the materials available on record, correspondence exchanged between SEBI and NML, its Directors along with the documents contained

therein and the submissions made by NML etc. In this context, the issue for determination is whether the mobilization of funds by NML under its schemes fall under the ambit 'collective investment scheme' provided in Section 11AA of the SEBI Act, 1992 (hereinafter referred to as "**SEBI Act**").

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

- a) NML (CIN: U51909MH2005PLC153914) was incorporated on June 10, 2005 having its registered office at Plot No- 105, Office No-234, 2nd Floor, Champaklal, Industrial Estate, Sion Koliwada Road, Sion East, Mumbai, Maharashtra- 400022. Its Directors are Mr. Anis Mohammad Kazi, Mr. Bhaskar Bhao Vasage, Mr. Mahendra Mahadeo Bhuvad, Mr. Nuruddin Shaikh, Mr. Bhalerao Yashwant Misal and Mr. Partha Ghosh.
- b) The main object of NML as per the MoA, is " *to carry on business as traders, sellers, retailers, suppliers, wholesalers, indenters, merchants distributors network marketing, multi marketing, consignor, processors, producers, exporter, importer, packers, movers, brokers, concessionaires, preservers, stockist, sub agents, agents, franchisers, warehouses, commission agent, producers, consultants, after sale services rendering or otherwise deal in all kinds and varieties of consumer goods, food products health products, consumer durable, fast moving consumer goods, cosmetic, detergent, home appliances, electrical & electronics, food products, office automation product, book & publication, cloths textile, watenes market, research services for consumer durable products data processing equipment, computer systems, all type of electric and electronics products, telecommunications products, agro products, consumer household items, kitchenware items, furniture and fittings, lather products, automobile, jewellery, stationery items, ceramic products, motor, cosmetics, perfumes toiletries, readymade garments, fashion accessories.*"
- c) As per the 'Business Plan', NML is offering, inter alia, following schemes to general public:
 - i. Silver Plan--A (3 Year)
 - ii. Gold Plan (5 Year)
 - iii. Diamond Plan (7 Year)
 - iv. Kohinoor Plan (18 Years 6 Months)
 - v. Ruby Plan-A (Monthly Rental Income)

- vi. Platinum Plan-A (Single Payment)
- vii. Platinum Plan-A 21 Years (Money Back)
- viii. Product Booking Plan (K.V.B. 1 Year)

d) The details of the abovementioned schemes/plans of NML are tabulated as under:

Silver Plan -- A (3YEARS)

In ₹

Plot Area sq. meters	Plot Booking Amount	MLY	QLY	HLY	YLY	E.R.V.T.*	C.A.I.C.**
450	1,08,000	3,000	8,850	17,700	35,400	1,27,980	1,00,000
375	90,000	2,500	7,375	14,750	29,500	1,06,650	1,00,000
300	72,000	2,000	5,900	11,800	23,600	85,320	80,000
250	54,000	1,500	4,425	8,850	17,700	63,990	60,000
250	36,000	1,000	2,950	5,900	11,800	42,660	40,000
250	18,000	500	1,475	2,950	5,900	21,330	20,000
250	10,800	300	885	1,770	3,540	12,798	12,000

**Estimated realizable value at the end of term.*

***Complementary Accidental Insurance Coverage.*

- From the above table it is noted that if an investor is investing ₹3,000/- monthly for 3 years i.e. ₹1,08,000/- for plot of 450 sq.mtr under NML's Silver Plan, he/she is entitled to receive ₹1,27,980/- as 'estimated realisable value' upon maturity.

GOLD PLAN -- (5 YEARS)

Plot Area sq. meters	Plot Booking Amount	MLY	QLY	HLY	YLY	E.R.V.T.	C.A.I.C.
750	1,80,000	3,000	8,850	17,700	35,400	2,44,050	1,00,000
625	1,50,000	2,500	7,375	14,750	29,500	2,03,375	1,00,000
500	1,20,000	2,000	5,900	11,800	23,600	1,62,700	1,00,000
375	90,000	1,500	4,425	8,850	17,700	1,22,025	90,000
250	60,000	1,000	2,950	5,900	11,800	81,350	60,000
250	30,000	500	1,475	2,950	5,900	40,675	30,000
250	18,000	300	885	1,770	3,540	24,405	18,000

- From the above table it is observed that if an investor is investing ₹3,000/- each month for 5 years i.e. ₹1,80,000/-, for a plot of 750 sq.mtr. under the Gold Plan, he/she is entitled to receive ₹ 2,44,050/- as 'estimated realisable value' upon maturity.

DIAMOND PLAN-- (7 YEARS)

Plot Area sq. meters	Plot Booking Amount	MLY	QLY	HLY	YLY	E.R.V.T.	C.A.I.C.
1050	2,52,000	3,000	8,850	17,700	35,400	4,06,000	1,00,000
875	2,10,000	2,500	7,375	14,750	29,500	3,38,750	1,00,000
700	1,68,000	2,000	5,900	11,800	23,600	2,71,000	1,00,000
525	1,26,000	1,500	4,425	8,850	17,700	2,03,000	1,00,000
350	84,000	1,000	2,950	5,900	11,800	1,35,000	90,000
250	42,000	500	1,475	2,950	5,900	67,750	45,000
250	25,200	300	885	1,770	3,540	40,650	27,000

- From the above table it is observed that if an investor is investing ₹3,000/- each month for 7 years i.e. ₹2,52,000/- for a plot of 1050 sq.mtr. under the Diamond Plan, he/she is entitled to receive ₹4,06,000/- as '*estimated realisable value*' upon maturity.

KOHINOOR PLAN:- (18 Years and 6 months: Instalment Payment for 7 years) Monthly Rental Income 11 Years & 6 Months

Plot Area sq. meters	Plot Booking Amount	MLY	QLY	HLY	YLY	M.R.I.	E.R.V.T.	C.A.I.C.
1050	2,52,000	3,000	8,850	17,700	35,400	6,375	4,25,000	1,00,000
875	2,10,000	2,500	7,375	14,750	29,500	5,310	3,54,000	1,00,000
700	1,68,000	2,000	5,900	11,800	23,600	4,250	2,83,360	1,00,000
525	1,26,000	1,500	4,425	8,850	17,700	3,187	2,12,520	1,00,000
350	84,000	1,000	2,950	5,900	11,800	2,125	1,41,680	90,000
250	42,000	500	1,475	2,950	5,900	1,062	70,840	45,000

- From the above table it is observed that if an investor is investing ₹3,000/- monthly for 7 years i.e. ₹2,52,000/-, for a plot of 1050 sq.mtr. under the Kohinoor Plan, he/she is entitled to receive ₹4,25,000/- as '*estimated realisable value*' upon maturity.

RUBY PLAN- A (Monthly Rental Income)

5 % extra bonus on projected value for 11 yrs. 6 months

Plot Area sq. meters	Plot Booking Amount	5.6 years monthly	11.6 years monthly	E.V.R.T	C.A.I.C.
2,083	5,00,000	6,000	7,500	5,00,000	1,00,000
1,666	4,00,000	4,8000	6,000	4,00,000	1,00,000
1,250	3,00,000	3,600	4,500	3,00,000	1,00,000
833	2,00,000	2,400	3,000	2,00,000	1,00,000
416	1,00,000	1,200	1,500	1,00,000	1,00,000
250	50,000	600	750	50,000	50,000

- From the above table it is observed that if an investor is investing ₹5,00,000/- for a plot of 2083 sq.mtrs. under NML's Ruby Plan, he/she is entitled to receive ₹6,000/- for 5.6 years i.e. 66 months (₹3,96,000/-), for 11.6 years i.e. 138 months (₹Rs. 8,28,000/-) and after maturity he is expected to receive initial investment of ₹5,00,000/-

PLATINUM PLAN- A (Single Payment)

(Client will not be entitled for C.A.I.C.for platinum- A: one Year)

Plot Area sq. meters	Plot Booking Amount	Estimated realizable value at the end of term				C.A.I.C..
		1 Year	3 Years	6 Years	10 Years	
2,083	5,00,000	5,60,000	7,02,400	10,00,000	20,00,000	1,00,000
833	2,00,000	2,24,000	2,80,960	4,00,000	8,00,000	1,00,000
416	1,00,000	1,12,000	1,40,480	2,00,000	4,00,000	1,00,000
250	50,000	56,000	70,240	1,00,000	2,00,000	50,000
250	25,000	28,000	35,120	50,000	1,00,000	25,000
250	10,000	11,200	14,048	20,000	40,000	10,000

- From the above table it is observed that if an investor is investing ₹5,00,000/- for a plot of 2083 sq.mtrs. under the NML's Platinum Plan, he/she is entitled to receive ₹5,60,000 (after 1 year), ₹7,02,400/- (after 3 years), ₹10,00,000/- (after 6 years) and ₹20,00,000/(after 10 years).

PLATINUM PLAN A 21 Years (Money Back)

Plot area	Plot booking	Elementary profit will be given per every 3 years until completion of the 21 years term							
Sq. meters	Amount	3 years	6 years	9 years	12 years	15 years	18 years	21 years	C.A.I.C.
2,083	5,00,000	2,00,000	2,00,000	2,00,000	2,00,000	2,00,000	2,00,000	7,50,000	1,00,000
1,666	4,00,000	1,60,000	1,60,000	1,60,000	1,60,000	1,60,000	1,60,000	6,00,000	1,60,000
1,250	3,00,000	1,20,000	1,20,000	1,20,000	1,20,000	1,20,000	1,20,000	4,50,000	1,60,000
833	2,00,000	80,000	80,000	80,000	80,000	80,000	80,000	3,00,000	1,00,000
416	1,00,000	40,000	40,000	40,000	40,000	40,000	40,000	1,50,000	1,00,000
250	50,000	20,000	20,000	20,000	20,000	20,000	20,000	75,000	50,000
250	25,000	10,000	10,000	10,000	10,000	10,000	10,000	37,500	25,000
250	10,000	4,000	4,000	4,000	4,000	4,000	4,000	16,500	10,000

- From the above table it is observed that if an investor is investing ₹5,00,000/- for a plot of 2083 sq.mtrs. under the NML's Platinum Plan A for 21 years, he/she is entitled to receive ₹2,00,000 (after 3, 6, 9, 12, 15, 18 years) and ₹7,50,000/- (after 21 years).

Product Booking Plan (K.V.B. 1 Year)

Per month		Purchase		10% bonus Value	Product purchase value
Purchase point	Product Booking Amount	Point	Value		
60	3,000	720	36,000	3,600	39,600
50	2,500	600	30,000	3,000	33,000
40	2,000	480	24,000	2,400	26,400
30	1,500	360	18,000	1,800	19,800
20	1,000	240	12,000	1,200	13,200
10	500	120	6,000	600	6,600
6	300	72	3,600	300	3,960

- From the above table it is observed that if an investor is investing ₹3,000/- monthly for a year towards Product Booking Amount he is expected to receive 10% Bonus value of ₹3,600/- i.e. at the end of a year an investor is expected to receive ₹39, 600/- as returns.

- From the 'Certificate cum receipt' issued by NML, it is noted that the aspect of registration of plot or handing over possession of plot to customer is nowhere mentioned. It only

indicates an '*estimated realizable value*' which an applicant is entitled to receive as per the terms of the Plans.

9. From the agreement entered into between NML and the investor the following are observed:

a) The agreement is entered into between NML and the applicant. NML has launched various plans/schemes. Such plans/schemes include the instalment payment plans (silver plan, gold plan, diamond plan, product booking plan) and single payments plans (Ruby Plan, Platinum plan, Platinum A) for various periods.

b) The relevant Clauses mentioned in the Agreement are reproduced hereunder:

- Clause 4: "*The company will solely be responsible for all management/ administrative/ business decisions and the party of the second part (applicant) will not have the authority to interfere/ influence in the management/ policies of the company or/ otherwise the board of directors of the company. The board of directors will have the sole and absolute discretionary powers as per company law.*
- Clause 5: *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 party of the second part shall have no nexus or right, title and interest in connection therewith.*
- Clause 6: *At the end of expiry period mentioned in the agreement the party of the second part will be entitled to withdraw/ renew the said tenancy agreement at the terms and conditions prevalent at that time.*
- Clause 7: *The party of the second part may choose to take the custody of the land at the end of the expiry period stated in this agreement and terminate this agreement there of or may surrender the land to the company against repayment of the buyback amount mentioned in the agreement as per the company 's rules and regulations terms and conditions mentioned in certificate, Rule Book & terms of the agreement.*
- Clause 8: *In case the party of the second part fails to make the payment of the balance instalments for a period of more than 6 months, the party of the second part loses its right/ title/ ownership of the said land and the company will acquire the right to resell the said plot to another party. In such a case the maximum liability of the company will be up to the*

amount of instalments paid by the party of the second part. However this said amount will be refunded only at the end of the expiry period mentioned in the contract.

- Clause 13: *It is further agreed between the parties that in case the company is unable to repay the due return of participation of the plan, in that event only company would help the applicant to dispose of the allocated land at the written request of the investor.*
- Clause 14: *Company shall be entitled to alter/vary/modify the terms and conditions of this agreement pertaining to new/unallotted plots...*

Clause 22: Once full & final payment is paid to the party of the second part, this joint ventures agreement automatically stands cancelled and said land allocated to the associates, becomes free from holding and company thereafter has full holding of land."

- c) Admittedly, as of August 5, 2014 NML had not registered a single plot of land in the name of any investors.

10. The details of the financial statements provided by NML for the financial year 2010-11, 2011-2012 and 2012-13 are tabulated as under :

Particulars	As on March 31, 2011	As on March 31, 2012	As on March 31, 2013
1) Share Capital	5,00,000	5,00,000	5,00,000
2) Reserve & Surplus	(38,41,018)	(37,61,229)	(38,28,634)
3) Profit & Loss	(1,44,894)	(79,789)	(67,045)
4) Long Term Borrowings	NIL	12,82,130	10,51,431
5) Loans and Advances from related parties	77,21,893	62,81,028	17,00,000
6) Loan from directors	81,82,972	55,64,139	99,40,464
7) Trades Payable	7,99,810	74,05,372	2,21,90,637
8) Work In Progress	7,69,966	6,98,700	6,83,820
9) Total Assets	1,34,83,862	1,05,85,730	1,29,85,320
10) Assets- Plot for Construction	64,79,000	69,04,000	96,81,000

- The details of the Commission paid are as under:

2011	2012	2013
₹18,25,898	₹43,33,620	₹1,12,17,172

11. It is disturbing to note that the commission paid (₹1,12,17,172/-) is rather huge in relation to the total assets of ₹ 1.29 crores.

12. With respect to holding of the land, NML has submitted a list of agreements entered for purchase of land in the following places:

- a. Shajapur (MP) (Flag- F)
- b. Dankuni (Kolkata)
- c. Talvat (Khed- Maharashtra).
- d. Mumurshi (Mahad)
- e. Pachambe (Maharashtra)
- f. devas (MP)
- g. Anshika complex (Lonavala)
- h. Kondane (Rajpur- Maharashtra)

13. The aforementioned features of the 'schemes/plans' offered by NML have to be considered in light of Section 11 AA 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.

Provided that any pooling of funds under any scheme or arrangement, which is not registered with the Board or is not covered under the exemptions from CIS sub-section (3), involving a corpus amount of one hundred Crore rupees or more shall be deemed to be a collective investment scheme.

(2) Any scheme or arrangement made or offered by any person 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.

(2A) Any scheme or arrangement made or offered by any person satisfying the conditions as may be specified in accordance with the regulations made under this Act.”

14. In the context of abovementioned Section 11 AA of the SEBI Act, the "Schemes" offered by NML, 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.

NML is raising funds from the public through its 'schemes/plans' of sale of plots of land viz., *Silver Plan (3 years)*, *Gold Plan (5 years)*, *Diamond Plan (7 years)*, *Kobinoor Plan (18 years and 6 months)*, *Ruby Plan (monthly rental income)*, *Platinum Plan (Single Payment)* and *Platinum Plan A 21 years (money back)*, etc. The amounts are collected for the scheme by offering 'Instalment Plans and Single Payment Plans'. The applicants/investors who are interested in the aforesaid 'schemes/plans' offered by NML are required to fill an 'Application form' and to execute an 'Agreement' with NML. NML issues an 'Allotment Certificate cum receipt' to the investors who subscribe to its various plans. It is noted that the aspect of registration of plot or handing over possession of plot to customer is nowhere mentioned in the said receipt. It only indicated an 'estimated realizable value' entitled to be received by an applicant as per the term of the plan. Under the various Plans, pieces of land are allotted to the investors without transferring any legal right. Though the details of the plot such as area, survey number, Hissa number, village, Taluka, etc. are mentioned in the *Agreement*, it is noted that there is no specific time period within which the land/plot will be transferred to the investor. As per Clause 6 of the terms and conditions mentioned overleaf of the 'Certificate' issued to the investors, "...registration can be done on expiry of the contract subject to payment of difference amount and subject to availability. In case of Cash Down Payment Plans within a reasonable period generally not exceeding 90 days. (ii) In case of Installment Payment Plans, within reasonable period, generally not exceeding 90 days from the receipt of total amount of installments or total consideration. Subject to foregoing, the land ownership would be ordinarily transferred in the name of the customer within a reasonable period after the allotment". Admittedly, as of August 5, 2014 NML had not registered a single plot of land in the name of any investors. As per the information furnished by NML vide letter dated September 29, 2014, it is noted that contributions or payments were collected from a total number of 5266 investors under its various schemes/plans as illustrated at Para 7(d) above. In view of the aforesaid, it is evident that the contributions made by the investors in response to the various plans launched by NML are pooled and utilized for the purpose of its schemes. Hence, the instant *schemes/Plans* of NML satisfy the first condition stipulated in Section 11AA (2) 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.***

NML is collecting money from investors and assuring them a certain return on investment, which is in the nature of profit. For example, under the Silver Plan if any person invests for a plot of 450 sq. meter (booking amount is ₹1,08,000/-), he/she can opt for monthly (₹3,000/-), quarterly (₹8,850/-), half yearly (₹17,700/-), yearly (₹35,400/-) Payment plans. After completion of the tenure i.e. 3 years, an '*estimated realisable value*' for the plot indicated is ₹1,27,980/-. Thus the investor is entitled to an amount of ₹19,980 as profit/return. Further, if the investor is opting for Single Payment, he/she will have to pay an amount of ₹1,06,200/- profit of 21,780. Investors are also entitled for complementary accidental insurance coverage of ₹1 lac. Similarly, in its Platinum A 21 Years (Money Back) if an investor invests ₹ 5 lacs he is expected to receive ₹2 lacs after every 3 years (3,6,9,12,15 and 18) and ₹7.5 lacs after completion of the plan tenure of 21 years. In view of the above, it is clear that the second condition, which stipulates that the contributions or payments are made to such scheme of arrangement by the investors with a view to receive profits, income, produce or property as stipulated in Section 11AA (2) of the SEBI Act is also fulfilled.

- 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.***

From the Clauses of *Agreement* between NML and applicant/investor, it is noted that NML will solely be responsible for all management/ administrative/ business decisions and the applicant/investor will not have the authority to interfere/ influence the management/ policies of NML or/ otherwise the board of directors of the NML. The board of directors will have the sole and absolute discretionary powers as per company law (Clause 4). Further, all the tangible and intangible assets of the NML including the goodwill, stock in trade, benefit of business licenses and permits, benefits of contracts entered etc will be in the name of NML and the property of the NML shall be used by the NML exclusively for the business of the NML and the applicant shall have no nexus or right, title and interest in connection therewith. Furthermore, it is noted from the

'Allotment Certificate' that NML "reserves the right to change and/ or extend and/ or reduce and /or terminate any part thereof and/ or the entire plan under the said certificate without prior notice".

From the above, it is clear that the applicants /investors do not have any say in the day-to-day control over the management and operation of the Schemes/ Plans. The applicants /investors do not at any stage have any role in the management of the property, contribution or investment forming part of the Schemes/ Plans. Admittedly, no transfer of land has been effected in favour of the investors. Hence, the contributions or investments is managed and utilized solely by NML. In view of the above, I find that the instant '*Schemes*' satisfy the third and fourth conditions stipulated in section 11AA (2) of the SEBI Act.

15. From the above analysis of the *Schemes/Plans* offered by NML, as discussed in the preceding paragraphs, I find that the activity of fund mobilization by NML under its '*scheme(s)/ plan(s)*' with a resultant promise of returns, *prima facie* falls within the ambit of '*collective investment scheme*' as defined under section 11AA of the SEBI Act.

16. It is noted that SEBI vide letter dated July 22, 2014 sought details of investors on whose name land has been registered with documentary proof. NML vide letter dated August 5, 2014 replied that no land has been registered in the name of the investors as they are having the option of registering the land at the end of term if they find it worth. However, investors also have the option of third party sale or NML buy back at agreed value. NML has launched schemes ranging from 3 years to 21 years, but till date no piece of land has been registered in the name of investors, which suggests that the allotment of land is nothing but a farce as there is no intention of NML to transfer any land in the name of applicant/ investors. Therefore, I am of the view that NML is engaged in the mobilization of funds from public under its various plans, which is in the nature of '*collective investment scheme*' as defined under Section 11AA of the SEBI Act.

17. 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 Limited &Ors. vs. UOI &Anr. (MANU/SC/0247/2013)***, wherein the Hon'ble Court has observed :

"...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..."

18. 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**") also prohibits carrying on CIS activities without obtaining registration from SEBI. 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. In this regard, I note that NML has not obtained any certificate of registration under the CIS Regulations for its fund mobilizing activity from the public, under its schemes/ Plans as aforesaid.
19. From the material available on record, it is observed that Mr. Anis Mohammad Kazi, Mr. Bhaskar Bhao Vasage, Mr. Mahendra Mahadeo Bhuvad , Mr. Nuruddin Shaikh , Mr. Bhalerao Yashwant Misal and Mr. Partha Ghosh are the Promoters / Directors/ persons in charge of the business of NML.
20. Further, the activity of illegal mobilization of funds by NML through its schemes, *prima facie*, amounts to a fraudulent practice in terms of Regulation 4(2)(t) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market), 2003 ("PFUTP Regulations").
21. Protecting the interests of investors is the first and foremost mandate for SEBI. Therefore, steps have to be taken in the instant matter to ensure that only legitimate investment activities are carried on by NML and no investors are defrauded. Further, in order to safeguard the assets/property acquired by NML and its promoters/directors using the funds collected from the investing public until full facts and materials are brought and final decision is taken in the matter, it is incumbent on SEBI to take preventive action by way of an immediate measure. In the light of the above, I find no other alternative but to take recourse to an interim order against NML and its Directors.

22. 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 read with CIS Regulations and PFUTP Regulations, hereby direct Network Marketing Limited(CIN: U519009MH2005PLC153914) and its Directors viz., Mr. Anis Mohamad Kazi (PAN-AONPK3801J), Bhaskar Bhao Vasage (PAN-AIFPV5203P), Mahendra Mahadeo Bhuvad (PAN-ARWPB6634J), Mr. Nuruddin Shaikh (PAN- AZJPS0671F), Mr. Bhalerao Yashwant Misal (PAN- APLPM5152R) and Mr. Partha Ghosh (PAN- AKYPG8318D):

- *not to collect any fresh money from investors under its existing scheme;*
- *not to launch any new schemes or plans or float any new companies to raise fresh moneys;*
- *to immediately submit the full inventory of the assets obtained through money raised by NML;*
- *not to dispose of or alienate any of the properties/assets obtained directly or indirectly through money raised by NML;*
- *not to divert any funds raised from public at large, kept in bank account(s) and/or in the custody of NML;*
- *to furnish all the information/details sought by SEBI within 15 days from the date of receipt of this order.*

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

24. This Order shall be treated as a show cause notice and NML and its Directors may show cause as to why the plans/ schemes identified in this order should not be held as a '*collective investment scheme*' in terms of the Section 11AA of the SEBI Act and the CIS Regulations and why appropriate directions under the SEBI Act and CIS Regulations, including directions in terms of Regulations 65 and 73 of the CIS Regulations should not be taken against them.

25. NML and its abovementioned Directors may, within 21 days from the date of receipt of this Order, file their reply, if any, to the *prima facie*, observations made herein. They may also indicate whether they desire to avail an opportunity of personal hearing on a date and time to be fixed on a specific request made in that regard

Place: Mumbai

Date: March 19, 2015

S. RAMAN

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA