

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

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 Citrus Check Inns Limited (CIN:U55101MH2011PLC222394) and its Directors viz., Mr. Omprakash Basantlal Goenka (DIN:00092846; PAN:AECPG3854J), Mr. Prakash Ganpat Utekar (DIN: 00094103; PAN: AALPU9100E), Mr. Venkatraman Natarajan (DIN: 00637510; PAN: ACUPV4686K) and Mr. Narayan Shivram Kotnis (DIN: 01229007; PAN: ABIPK5022D).

-
1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") received a complaint dated January 17, 2014 alleging that "Citrus Check Inns Limited" (hereinafter referred to as "**Citrus**"/"**the company**") was running a "*Ponzi Scheme*" and "*mis-selling*" its schemes to the public. It was also alleged that the company refused to refund the money invested by the complainant in June 2012, when the complainant approached the company for refund of the money as she wanted to discontinue with the plan. The complainant also mentioned that the company stated in reply "*you would get the refund only after 4 to 5 years without interest*".
 2. SEBI, vide Order dated March 07, 2014 had directed Royal Twinkle Star Club Private Limited (**Royal Twinkle**) and its Directors "*not to collect any more money from investors including under the existing schemes; not to launch any new schemes; not to dispose of any of the properties or alienate any of the assets of the schemes; not to divert any funds raised from public at large which are kept in bank account(s) and/or in the custody of the company*".

SEBI also received complaints alleging that subsequent to the issuance of the SEBI Order, the Directors of Royal Twinkle are running *Collective Investment Scheme* through Citrus.

3. As a matter of preliminary inquiry into whether or not Citrus is carrying on activities of '*collective investment scheme*' in terms of Section 11AA of the SEBI Act, 1992 (hereinafter referred to as "**SEBI Act**"), SEBI vide letter dated February 18, 2014 sought the following information from Citrus viz.-
- a. *Memorandum and Articles of Association of Citrus as filed with the Registrar of Companies,*
 - b. *Details of the past and present directors of Citrus,*
 - c. *Brochures / offer documents pertaining to Citrus's schemes,*
 - d. *Application forms that are required to be submitted by investors to participate in the schemes of Citrus.*
 - e. *Sample copies of the registration letter and allotment letter issued to the investors who subscribed to the schemes of Citrus.*
 - f. *Sample copies of the agreement letter / contract required to be entered into by investor / applicant under the schemes of Citrus.*
 - g. *Details of the scheme wise amount mobilized along with the number of investors under the schemes of Citrus.*
 - h. *Details of the scheme wise amount repaid / redeemed, along with the number of investors under the schemes of Citrus.*
 - i. *List of all investors under their different schemes.*
 - j. *Details of the regulatory approvals obtained, if any, provision of accidental death / disability benefits to investor, under the schemes of Citrus.*
 - k. *Certified copies of audited financial statements of Citrus for the last three financial years.*
 - l. *Copy of Income Tax Returns filed by Citrus for the last three financial years.*
4. In response thereto, Citrus vide letters dated March 03, 2014 March 20, 2014, April 21, 2014 and May 21, 2014 sought extension of time for the submission of required information and the same was granted by SEBI vide letters dated March 06, 2014 April 09, 2014, May 02, 2014 and May 28, 2014 respectively.
5. Thereafter, vide reply dated June 19, 2014, Citrus *inter alia*, furnished the

following documents:

- i. Memorandum and Articles of Association of the company.
- ii. Details of the past and present directors of the company.
- iii. Copies of brochures / application forms of a few holiday plans of Citrus.
- iv. Certified copies of audited financial statements for the FY 2011-12 and 2012-13.
- v. Copy of Income Tax Returns filed by the Citrus FY 2011-12 and 2012-2013.

6. Citrus also made the following submissions in the aforesaid letter about their activities :

- a. *"Citrus is engaged in selling holiday plans / packages and time share holidays and does not mobilize or pool funds from the general public.*
- b. *The important characteristics / features of the holiday plans/ packages and time share holidays sold by Citrus are as under:*
 - i. *The amount received from the customer is a ' Sales Consideration' for the products/ services bought by the customers and are shown in the books of accounts of Citrus. Hence, it cannot be termed as amount pooled by the company.*
 - ii. *The main object of the customer for purchasing the Citrus 's products / services is to avail the holiday and other facilities.*
 - iii. *The amount received from the customers is not managed for and on behalf of the customers by the company.*
 - iv. *The customers have absolute control / discretion as regards the manner in which the customers wish to avail their holiday facilities.*
- c. *Citrus sought more time to submit the remaining information."*

7. As no further information was received from Citrus, SEBI issued reminders vide its letters dated July 23, 2014 and August 05, 2014. Subsequently, Citrus vide its letter dated August 07, 2014 furnished the following documents:

- a. *"Copies of additional brochures / application forms of the remaining holiday plans ;*

- b. Copies of application forms that are required to be submitted by the customers while purchasing Citrus's holiday plans;*
 - c. Copies of Holiday Entitlement Certificates which Citrus issues to a customer on purchase of holiday plans;*
 - d. Total amount of plan - wise sale achieved by Citrus as on 31.03.13."*
- 8. Vide the aforesaid letter, Citrus also submitted as under:
 - i. It is not engaged in the activities of mobilizing funds from the general public but it is engaged in selling holiday plans / time share holidays to its customers and*
 - ii. Citrus do not issue any registration letter and allotment letter/ agreement letter / contract to its customers.*
 - iii. On purchase of holiday plans by the customers, Citrus issues a "Holiday Entitlement Certificate" to a customer*
 - iv. The terms and conditions of availing holiday plans are enumerated / listed on the reverse of an application form.*
 - v. As regards the amount paid by the investors and the repayments to customers, Citrus stated that validity period of all the holiday plans sold by Citrus is still in force and information pertaining to the amount paid / redeemed by Citrus to the customers is under compilation.*
 - vi. Further, Citrus / group / associates have not floated any other similar holiday plans."*
- 9. Subsequently, SEBI vide its letter dated August 14, 2014 advised Citrus to furnish the remaining information sought by SEBI vide letter dated February 18, 2014 and also the following additional information:-
 - a. "Details (numbers of rooms available, etc.) about the accommodation provided/projected to be provided.*
 - b. Total number of individuals/customers who have actually availed the services (accommodation) under the plan(s) subscribed to the plan(s).*
 - c. Details of assets held by Citrus."*
- 10. Citrus vide its letter dated August 22, 2014 sought extension of time to submit the remaining information sought by SEBI vide its letters dated February 18, 2014 and August 14, 2014. Citrus vide its letter dated September 25, 2014 submitted the

following:

- a. *"The annual room inventory (owned by the group companies) at 11 locations are 233965. Apart from this, company has tie ups with its business associates for providing hotel rooms/ accommodation.*
 - b. *Demand of the customers for availment of holiday facilities cannot be predicted with reasonable amount of certainty as the same depends on numerous variable factors.*
 - c. *Majority of the holiday plans were marketed by the company in the year 2012 and their validity period varied from 4 to 15 years.*
 - d. *Apart from this, Citrus has sought further time to submit the remaining information."*
11. Thereafter, SEBI issued reminders dated September 29, 2014 and October 01, 2014 to Citrus. In response, Citrus vide its letter dated October 13, 2014 has referred to its earlier letter dated September 25, 2014 and did not submit any further information.
12. SEBI received a complaint dated September 19, 2014 followed by a reminder dated October 22, 2014 alleging *"Citrus is trying to commit fraud by collecting investments from innocent public without legal authority or sanctity"*. The complainant also alleged *"business group of Mr. Omprakash Goenka and others have been committing fraud, initially under the name of Royal Twinkle and thereafter in the name of Citrus Check- Inns"*. The complainant also stated *"... I was contacted by certain agents working for "Citrus Check-Inns Limited" in or about July 2014 regarding investment plan and the new scheme launched by them. Upon several discussions they convinced me that after investing in their scheme named "SAPH-JUMBO-M-N" (Sapphire), I would be guaranteed an additional sum after 3 years. Relying on their word, I agreed to invest Rs. 2500/- per month for a period of 3 years with Citrus Check-Inns Limited. I was given a Certificate for the said investment and was assured that upon completion of the said period of 3 years, I would be returned Rs. 1,67,000/- my investment of Rs. 90,000/-"*. It was further stated that subsequent to his making the investment in August 2014, the complainant came to know about the Order dated March 7, 2014 passed by SEBI against Royal Twinkle Star Club Pvt. Ltd. and its Directors including Mr. Omprakash Basantlal Goenka, Mr. Prakash Ganpat Utekar, Mr. Venkatraman Natrajan and Mr. Narayan Shivram Kotins *inter alia*

directing them not to collect any more money from "*customers*"/investors and not to launch any new schemes. It was alleged that despite the aforesaid SEBI Order against Royal Twinkle and its directors, they continued to collect funds from public in the name of Citrus. The aforesaid complainant also furnished the following documents/information:

- Details of the Directors of Royal Twinkle and Citrus,
- "*Holiday Entitlement Certificate*" issued by the company to the complainant,
- "*Offer document*" issued by the company and a "*Receipt cum Acknowledgment*" acknowledging receipt of Rs. 5000,
- Pamphlet containing details of hotels in various parts of India

SEBI received another complaint on October 10, 2014 wherein the Complainant stated " *...a marketing agent of the company explained that he can earn more than 30% interest on the investments. All you have to do is become a member of the hotel club and purchase points. Each point is worth Rs. 100. After the purchase, at the end of every year you can either choose to go for the holiday or earn award points. You can either buy points/invest in a lump-sum, monthly instalments, quarterly instalments, quarterly installments or yearly instalments.*" It was also alleged that despite SEBI Order against Royal Twinkle, the company was collecting money through Citrus and that the agents of the company are fraudulently selling holiday packages as investments, saving deposits etc. The complainant also enclosed marketing pamphlets issued by Citrus which clearly mentions the "*benefit*" assured by Citrus {as detailed in para 18(vi)}.

SEBI received another complaint vide email dated December 18, 2014 alleging that Citrus continues to accept money from the "*customers*"/investors despite SEBI ban on Royal Twinkle Star Club Private Limited.

SEBI also received a reference from RBI dated December 17, 2014 with regard to a clarification sought by CID (Economic Offences Cell), Goa regarding mobilization of money by Citrus in the State of Goa.

12.1 In sum, the common allegation levelled against Citrus and its Directors are that despite SEBI Order directing Royal Twinkle and its Directors *inter alia*, not to

collect any more money from investors including under the existing schemes and not to launch any new schemes etc., the Directors of Royal Twinkle were continuing its fund mobilizing activity through Citrus, circumventing the aforesaid directions issued by SEBI.

13. SEBI vide letter dated January 15, 2015 once again sought the relevant information from Citrus.
14. In response thereto, Citrus vide letter dated January 30, 2015 submitted the following information/documents:
 - a. Details regarding plan Sapphire
 - b. The plan Emerald was discontinued and no sale were recorded in it.
 - c. Details regarding Plans Orange, Lemon and Fragrance.
15. In addition, Citrus sought further time to submit the information regarding total number of customers who have actually availed the holiday plans and details of members who have subscribed to the plans.
16. Citrus vide email dated March 05, 2015 and March 19, 2015 sought additional time to submit the information sought by SEBI. However, Citrus has failed to submit till date the relevant information sought by SEBI (detailed in para 9 of this order) such as the total number of customers who have actually availed the holiday plans and details of members who have subscribed to the plans, etc. despite multiple opportunities given in this regard.
17. In view of the above, it is clear that the Company and its Directors are not cooperating with SEBI. They have neither provided the documents sought by SEBI through various letters issued to them nor submitted any evidence to substantiate their contentions, despite being given several opportunities to do so. In view of the same, I am left with no alternative but to proceed on the basis of documents available on record. I have carefully considered the material available on record such as correspondence exchanged between SEBI and Citrus and the

documents contained therein and the submissions made by Citrus, complaints received and the documents forwarded by the complainants, etc. In this context, the issue for determination is whether the mobilization of funds by Citrus under its schemes fall under the ambit of '*collective investment scheme*' in terms of section 11AA (2) of the SEBI Act.

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

- i) Citrus (CIN:U55101MH2011PLC222394) was incorporated on September 26, 2011 having its registered office at 16-19, Shilpin Center, 1st Floor, 40, G.D. Ambedkar Marg, Wadala, Mumbai, Maharashtra-400031. Its Directors are Mr. Omprakash Basantlal Goenka, Mr. Prakash Ganpat Utekar, Mr. Venkatraman Natarajan and Mr. Narayan Shivram Kotnis.
- ii) 'The main object of Citrus as per the MoA is "*to carry on the business of hotel, guest house, lodging house, restaurant, conference centre... to equip and furnish any such property for the purpose of letting it to visitors or guests or giving it on time sharing or property sharing basis by days, weeks, months, points and any undivided shares with or without holiday exchange basis both in India and outside India(including outright sale thereof)...*"
- iii) As per the marketing pamphlets available with SEBI, Citrus is running various holiday plans viz., '*Gem, Jewel, Crystal, Crown, Pearl, Glory, Coral, Quartz, Ruby, Emerald, Jade, Orange, Lemon and Fragrance, etc.,*'. Citrus is inviting subscriptions into its various plans with points accrued to the subscribers at the end of every year and the points are accumulated at the end of the plan period. These plans have varied payment options i.e. equal monthly installments and single premium payment plans. The Holiday plans viz., *Crystal, Crown, Pearl and Glory* are single premium payment plans.
- iv) The essential features of all the plans is that one has to invest a particular

amount in a one payment plan or multiple payments plan with a promise to get a particular amount (which includes appreciation on the invested amount) at the end of the plan period with an option to avail the holiday facilities. The point value as mentioned in the offer document (over leaf) under the head "*Salient Features*") is Rs. 100/- per point.

- v) A tabular representation of the features of various holiday plans of Citrus are as follows :-

Holiday Plan name	Term (in years)	Minimum investment in points*	Points* accrued on maturity	Amount raised till 31.03.13 (₹)
Gem	5	360	540	97,84,03,900
Jewel	6	480	780	154,49,73,842
Crystal	6	500	896	114,86,57,022
Crown	6	100	195	113,93,38,194
Pearl	8	500	1000	6,89,30,000
Glory	9	100	291	56,66,52,772
Sapphire	NA	NA	NA	88,84,500
Coral	1	120	126	5,63,33,250
Quartz	4	400	532	5,49,92,000
Ruby	8	800	1600	5,15,50,000
Emerald	12	1500	4500	**
Jade	15	2000	7000	1,95,000
Orange	15	210	#	102,12,30,000
Lemon	10	210	#	72,00,60,000
Fragrance	5	210	#	41,02,79,000
Total				777,04,79,480

* one point is equal to ₹ 100/- (Rupees one hundred)

** No amount raised under this plan

Customers in these plans are not entitled to any refund on expiry of the holiday plan term and it was mandatory for them to utilize the facilities offered by the company.

- vi) The details of plan *Gem* mentioned in the marketing pamphlet furnished by one of the complainants (along with the complaint received on October 10, 2014) is reproduced as under:

Plan GEM- 5Years						Enjoy 5 years - Pay for 3 years		
Option	Monthly Installment	Quarterly Installment	Half Yearly Installment	Yearly Installment	Total	Upto Validity	Benefit	Voluntary Care Cover
Mini Nano		1500	3000	6000	18000	27000	9000	30000
Nano	1000	3000	6000	12000	36000	54000	18000	55000
Family	1500	4500	9000	18000	54000	81000	27000	85000
Jambo	2500	7500	15000	30000	90000	135000	45000	100000
Combo	5000	15000	30000	60000	180000	270000	90000	100000
Global	10000	30000	60000	120000	360000	540000	180000	100000

vii) As per plan *Gem* under option 'Nano', if a subscriber pays ₹1,000/- for 36 months, he will get 540 points at the end of 5th year (@ 1 point =Rs.100/-), which is equivalent to ₹54,000/- (i.e. if he/she pays for 3 years and they can enjoy the benefits for 5 years). The Subscriber has the option of either using these points for availment of "*benefits*"/holiday room facility for himself (or sell the points to someone else through the company) during the plan period or redeem the points in cash. Citrus has promised to redeem the points and make good any loss to subscriber arising out of rent out/sale of these points. In a nutshell, a subscriber invests ₹1,000/- per month for 36 months and if he does not avail the holiday facilities, the points will get accumulated and the same can be redeemed at the end of the Plan, i.e. the "*customer*"/investor is entitled to ₹54,000/- i.e. ₹18,000/- as returns at the end of the 5th year/term. In case the "*customer*"/investor avails the holiday facilities, points will be spent.

The subscriber can avail the benefits only after completion of one year from the date of purchase of holidays and also on the basis of the duration opted by him on per annum basis (Clauses 14 and 15 of the "*Offer Document*").

viii) The plans once purchased cannot be withdrawn. However, in exceptional circumstances, Citrus may consider the withdrawal/cancellation at its sole discretion. It is further noted from the "*Offer document*" that all hotels or resorts or allied services whether owned by Citrus or its tie ups/arrangements are

strictly subject to availability.

- ix) Accumulation of un-utilized Holidays Points is allowed over the plan period and the said points are redeemable on expiry of the term. The plan-holder is allowed to 'rent out'/sell the accrued portion of the Holiday Points. If the plan-holder desires for full/partial rent out or sales option, Citrus shall either rent out or sell such *Holiday Points* in the open market, and the sale proceeds so received will be given to the plan holder.
 - x) As per Clause 29 of the "Offer document", *"Any such rent out/sell shall be made available to the plan holder at the end of the tenure mentioned in the entitlement certificate. Any rent out/sell so generated over and above the eligibility shall be retained by the company via-a'-vis any shortfall shall be reverted back to the plan holder which he may consume, rent out or sell over the period or thereafter. In case of insufficient rent out realization of unutilized portion of holidays, the company undertakes and guarantees to make good to plan holder out of the profits/assets realization of the Mirab Group of companies having common board of directors"*
 - xi) Total amount mobilized by Citrus through its various holiday plans viz., *Gem, Jewel, Crystal, Crown, Pearl, Glory, Sapphire, Coral, Quartz, Ruby, Orange, Lemon, Fragrance and Jade* is ₹777,04,79,480 as on March 31, 2013.
19. The above mentioned features of Plans offered by Citrus have to be considered in light of the provisions of Section 11AA of the SEBI Act which provides for the conditions to determine whether the scheme or arrangement is a '*collective investment scheme*', viz. -
- “(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.”

20. In the context of abovementioned Section 11AA of the SEBI Act, the 'plans/Holiday plans' offered by Citrus is examined as under:

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

Citrus has launched investment schemes/plans in the nature of 'Holidays Plans' which are offered to the public. As per the marketing pamphlets, Citrus is offering various holiday plans viz., 'Gem, Jewel, Crystal, Crown, Pearl, Glory, Coral, Sapphire, Quartz, Ruby, Emerald, Jade, Orange, Lemon and Fragrance'. The applicants/customers/ investors/"plan holders' who are desirous of investing in the Holiday plans of Citrus have to execute an 'application form cum Agreement'. After the execution of the same, 'Holiday Entitlement Certificates' are issued to the "customers"/"plan holders'/investors. The Holiday plans offered by Citrus have varied payment options i.e. equal monthly installments, single premium payment plans, etc. The Holiday plans viz., *Crystal, Crown, Pearl and Glory* are single premium payment plans. As per the submissions of Citrus, an amount

of ₹777.04 Crores was mobilized under its various Holiday Plans as on March 31, 2013 (The company has not furnished the figures as on March 31, 2014, despite being asked to do so). It is noted that *Holiday Points* are awarded by Citrus to "*customers*"/investors who purchase the Holiday Plans, and in case any "*customer*"/investor desires, the Holiday Points can be rented out or sold in the open market through Citrus. It is obvious that the contributions made by "*customers*"/investors in response to the '*Holiday Plans*' offered by Citrus are pooled and utilized for providing various holiday facilities, and in case holiday facilities are not availed, the same are redeemed in cash.

On examining the "*Holiday entitlement Certificate*" received along with the complaints mentioned in Paragraph No. 12 above, it is observed that the complainants had invested in the schemes, *viz.*, "*Saph-Jumbo-M-N*"(Sapphire) and "*Jewel Nano-M* respectively. Both the schemes convert the moneys received into "*Holiday Points*". The schemes provide for either (i) conversion of points into availment of room accommodation or (ii) redemption of unutilized points @ ₹100/- per point. It is clear that the entire accumulated points would be available for redemption in cash where no availment of room accommodation is done. We have several times asked for the information as to the exact level of conversion of points into availment of room accommodation. Regretfully, the company has chosen not to give these details despite being given several opportunities to do so. In view of these facts, the *Holiday Plans* offered by Citrus satisfy the 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.

Citrus is collecting money from "*customers*"/ investors and assuring them a certain return on investment, which is in the nature of profit. For instance, in '*plan Gem*' under option '*Nano*', if a subscriber pays ₹1,000/- for 36 months,

"customer"/investor will get 540 points at the end of 5th year/term, which is equivalent to ₹54,000/-. The Subscriber has the option of not availing these points during the plan period and can request Citrus to redeem the points in cash. Citrus promises to redeem the points and make good any loss to subscriber arising out of rent out / sell of these points. In a nutshell, a subscriber invests ₹1,000/- for 36 months and if he does not avail the holiday facilities, the "customer"/investor is entitled to ₹54,000/- i.e. ₹18,000/- as returns at the end of the term. Thus, it is clear that the contributions made by "customers"/investors towards schemes offered under the 'Holiday Plans' are with the view to receive profits or income. In view of above, I find that the *Holiday Plans* offered by Citrus satisfies the condition specified 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.***
- iv. The investors do not have day to day control over the management and operation of the scheme or arrangement.***

The money collected from public in the form of investments made in the various *Holidays Plans* of Citrus are used by Citrus to manage and maintain various accommodation and other holidays facilities at different locations. It is mentioned, in Clause 30 of the offer document for the holiday plans that "company reserves the right to add on, modify, delete or otherwise change any of the rules, conditions, privileges, benefits or rewards at its sole discretion". Clause 3 of Terms and Conditions states "The holiday plans are designed by the company and acceptance of an application is the sole discretion of the company." Clause 12 states " All hotels or resorts or allied services whether owned by Citrus or its tie ups/arrangements are strictly subject to availability". Considering the fact that it is the company which takes decisions regarding the management and use of the money collected from "customers"/investors, and has day-to-day control over the operation of the holiday plans, it is clear that the third and fourth conditions prescribed in Section

11AA (2) are also *prima facie* fulfilled.

21. Citrus vide replies dated June 19, 2014 and August 07, 2014 stated that *"it is engaged in selling holiday plans / packages and time share holidays and does not mobilize or pool funds from the general public"*. The contentions of Citrus is contradictory to the statements made by the complainants and the contents of the marketing pamphlets and Certificates furnished by complainant as detailed in para 12 as well as the schemes reproduced in para 18 (vi) of this Order. *Holiday Points* are awarded by Citrus to the *"customers"/investors* who subscribe to the Holiday Plans. The subscriber has the option of not availing these points for *"benefits"* /holiday rooms during the plan period and can request Citrus to redeem the points in cash. Citrus promises to redeem the points in cash and make good any loss to subscriber arising out of rent out/sale of these points in the open market through Citrus. The Holiday Entitlement Certificate issued to the customers/investors clearly states *"...unutilized points can be redeemed on or after expiry date at any of the Co's branches @ Rs. 100/- per point"*. It is noted that Citrus also sought time vide letter dated October 13, 2014 to submit (i) *the certified true copies of the Order passed by the Honourable Gauhati High Court which is directly relevant to the definition of CIS as defined by Section: 11AA of the SEBI Act, 1992;...*" It is pertinent to mention here that the aforementioned order dated August 01, 2013 was passed by the Hon'ble Gauhati High Court, in the matter of Rose Valley Hotels and Entertainment Ltd & Ors. wherein the Hon'ble High Court had stayed the SEBI Order dated July 11, 2013 qua the Petitioners *inter alia*, on the grounds that their schemes (which are time share schemes) do not fall under the definition of CIS specified in Section 11AA of the SEBI Act. SEBI subsequently filed a SLP (C) No.34185 of 2014 before the Hon'ble Supreme Court of India and the Hon'ble Supreme Court was pleased to direct the Hon'ble Gauhati High Court to expeditiously conclude the proceedings. The matter is therefore, still under consideration before the Hon'ble Gauhati High Court for a final decision.
22. In this context, it may be pertinent to refer to the observations of the Hon'ble Supreme Court of India in **P.G.F Limited & Ors. vs. UOI & Anr.**

(MANU/SC/0247/2013): “...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.”

23. Therefore, I find that the mobilization of funds by Citrus under its various holiday plans with a promise of returns/ *holiday points*, when considered in light of the other features of the Holidays Plans offered by Citrus discussed earlier in this order, are nothing but a '*collective investment scheme*' and *prima facie*, falls under the ambit of Section 11AA of the SEBI Act.
24. 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 Citrus has not obtained any certificate of registration under the CIS Regulations for its fund mobilizing activity from the public.
25. Further, the activity of illegal mobilization of funds by Citrus 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").

26. It is noted that Citrus was advised to respond to the preliminary inquiry conducted by SEBI, on several occasions vide SEBI letter dated February 18, 2014, email dated October 01, 2014 and reminder dated January 15, 2015. However, despite being given several opportunities, Citrus failed to furnish the relevant documents/information to SEBI such as "*the complete details of money mobilized till March 31, 2014, the details about the accommodation provided/projected to be provided (i.e. number of rooms available, etc.), total number of individuals/customers who have actually availed the services (accommodation) under the plan(s), total number of customers/investors who had subscribed to the plans, but not availed the holiday room facility, the details of assets held by Citrus, etc.*". In these circumstances, I find that sufficient opportunities were granted to Citrus to respond to SEBI. When considered in the context of the abovementioned *prima facie* finding, the inescapable conclusion is that non-submission of the information to SEBI by Citrus is nothing but an attempt to conceal the true nature and operation of the fund mobilizing activity of Citrus.
27. From the material available on record, it is observed that Mr. Omprakash Basantlal Goenka (DIN:00092846; PAN: AECPG3854J), Mr. Prakash Ganpat Utekar (DIN: 00094103; PAN: AALPU9100E), Mr. Venkatraman Natarajan (DIN: 00637510; PAN: ACUPV4686K) and Mr. Narayan Shivram Kotnis (DIN: 01229007; PAN: ABIPK5022D) are the Promoters / Directors/ persons in charge of the business of Citrus. Incidentally, the same Directors are also the promoter/directors of Royal Twinkle Star Club Private Limited ("Royal Twinkle") against whom directions were passed by SEBI on March 07, 2014. Furthermore, SEBI has received several investor complaints against Citrus alleging that Directors of Royal Twinkle are now running their collective investment schemes through Citrus. It is obvious that the schemes launched by Royal Twinkle and Citrus are identical in nature and the same management is running the schemes of both the companies i.e. Royal Twinkle and Citrus. This fact is in direct contravention of the assertion made in the company's letter dated August 07, 2014 wherein they stated that they have not offered similar holiday plans through its

associates, group etc. This indicates that Citrus is deliberately making false/misleading statements. At this juncture, SEBI cannot be a mere spectator ignoring the investor complaints- specially in the light of the fact that the quantum of funds mobilized from public is a pretty sizeable ₹ 777.04 Crores as on March 31, 2013. As detailed before, Citrus has steadfastly refused to give the latest and relevant information to SEBI despite being given several opportunities to do so. The trail of all these events as well as the conduct of Citrus lead me to draw a *prima facie* inference that the refusal to give information is nothing but an attempt to conceal the real nature of its fund mobilizing activities.

28. 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 Citrus and no investors are defrauded. Further, in order to safeguard the assets/property acquired by Citrus 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 Citrus and its Directors for preventing them from further carrying on with its existing fund mobilizing activity by launching '*collective investment scheme*', without obtaining registration from SEBI in accordance with law.
29. 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 Regulation 65 of CIS Regulations, hereby direct Citrus and its Directors viz., Mr. Omprakash Basantlal Goenka (DIN:00092846; PAN: AECPG3854J), Mr. Prakash Ganpat Utekar (DIN: 00094103; PAN: AALPU9100E), Mr. Venkatraman Natarajan (DIN: 00637510; PAN: ACUPV4686K) and Mr. Narayan Shivram Kotnis (DIN: 01229007; PAN: ABIPK5022D):
- *not to collect any fresh money from "customers" / investors under its existing scheme;*
 - *not to launch any new schemes or plans in this company,*

- *not to raise any fresh moneys from any other existing company within the group;*
- *not to float any new companies to raise fresh moneys under such schemes,*
- *to immediately submit the full inventory of the assets obtained through money raised by Citrus;*
- *not to dispose of or alienate any of the properties/assets obtained directly or indirectly through money raised by Citrus;*
- *not to divert any funds raised from public at large, kept in bank account(s) and/or in the custody of Citrus or group companies or promoters or LLPs or Proprietary concerns or any person directly or indirectly controlled through shareholding or management by Citrus ;*
- *to furnish all the information/details sought by SEBI within 15 days from the date of receipt of this order including the following:*
 - i. *Full list of "customers"/ investors with complete particulars such as PAN, address, telephone numbers etc,*
 - ii. *Details of rooms available for occupancy/accommodation provided/projected to be provided,*
 - iii. *Year-wise number of "customers"/investors (1)who have actually availed the holiday accommodation under the plan(s)/ subscribed to the plan(s) (2) who have encashed their points into cash.*
 - iv. *Details of assets held by Citrus and its group companies,*
 - v. *Full details of Mirah Group (as stated in the Clause 29 of the "Offer Document") including full inventory of its assets,*
 - vi. *Details of charges created on its assets by Citrus,*
 - vii. *Details of amounts mobilized as on March 31, 2014 and March 31, 2015 under its various Holiday plans/schemes,*
 - viii. *Details of commission paid on amounts mobilized above,*
 - ix. *Details of agents along with their addresses, etc.,*
 - x. *Audited Accounts for the financial years i.e. FY 2012-13, 2013-14, and 2014-15;*
 - xi. *Income Tax returns for FY 2012-13, 2013-14, and 2014-15;*
 - xii. *Details of fund transfers within group companies and associates and its directors for the for year 2012-2013, 2013-2014 and 2014-2015.*

30. The above directions shall take effect immediately and shall be in force until further orders.
31. This order shall be treated as a show cause notice and Citrus 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 issued against them.
32. Citrus and its abovementioned Directors may, within 21 days from the date of receipt of this Order, file their reply, if any, to this Order and may also indicate whether they desire to avail themselves an opportunity of personal hearing on a date and time to be fixed on a specific request made in that regard.

Place: Mumbai
Date: June 03, 2015

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