

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: S. RAMAN, WHOLE TIME MEMBER

ORDER

Directions under Sections 11(1), 11(4), 11B and 11D of the Securities and Exchange Board of India Act, 1992 read with Regulations 65 of the Securities and Exchange Board of India (Collective Investment Schemes) Regulations, 1999 in respect of Assure Agrowtech Limited (CIN: U51213TN2007PLC064744) and its Directors viz., Mr. Sengan Thangappalam (DIN: 01709534), Mr. Shanmugam Rajendran (DIN: 01656296), Mr. P. Saravanan (DIN: 06467396), Mr. R. Devadoss (DIN: 07097648) and Dr. V. Venkataramanujam (DIN: 07097641).

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1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") received a complaint on September 1, 2014, wherein it was *inter-alia* alleged that “ Assure Agrowtech Limited”(hereinafter referred to as "**AAL**" or "the Company") is collecting money from public through various schemes. The complainant had also annexed copy of ‘Rule Book’, a pamphlet containing details of branches of AAL, details of schemes, and also a facsimile copy of ‘Certificate ’ cum First Instalment Receipt cum Acceptance Letter.
 2. As a matter of preliminary inquiry, SEBI vide letter dated October 17, 2014 sought *inter-alia* information from AAL and its Directors regarding its schemes/business activities within 15 days from the receipt of the letter.
 3. SEBI, vide letters dated October 15, 2014, and October 17, 2014, also referred the complaints against AAL to other regulatory authorities for necessary examination at their end for possible violations of relevant provisions of law as applicable to them.
 4. In response to the SEBI's inquiry, AAL vide letter dated November 10, 2014 sought extension of time upto one month on the grounds that the information required is

voluminous. SEBI vide letter dated November 12, 2014, advised AAL to submit the documents on or before November 28, 2014.

5. On November 28, 2014 AAL sought further time upto December 20, 2014 to compile the records and furnish the information to SEBI.
6. In the meanwhile, SEBI received certain additional documents from the complainant through email dated December 19, 2014.
7. Thereafter, AAL vide letter dated December 20, 2014, *inter-alia*, furnished certain information about the background of its business, details of Scheme operated, Copies of MoA & AoA, details of its Directors (both past and present), Sample Applications Forms submitted by its customers, Certificates issued by AAL, copy of rule book, detail of money collected scheme wise, plan wise maturity amount paid up to October 31, 2014, and Annual Reports for last four Financial years, etc.
8. The material available on record i.e. complaints received by SEBI against AAL, correspondences exchanged between SEBI and AAL, along with the documents contained therein, submissions made by AAL, and the documents furnished by the complainants, information available on *MCA21 portal*, etc. have been considered. In this context, the issue for determination is whether the mobilization of funds by AAL through its "*schemes*" offered to public fall under the ambit of '*collective investment scheme*' provided in Section 11AA of the SEBI Act.
9. On an examination of the same, it is observed as under:
 - i AAL was incorporated on September 13, 2007 (CIN: U51213TN2007PLC064744) having its Registered office at: 14, 1st Floor, Raheja Complex, No. 834, Anna Salai, Chennai – 600 002 and its Corporate Office at: 454/2, Ram Complex, New Bus Stand (West), Salem- 636 009.
 - ii The Directors of AAL are Mr. Sengan Thangappalam (DIN: 01709534) Mr. Shanmugam Rajendran (DIN: 01656296) Mr. P. Saravanan (DIN: 06467396) Mr. R. Devadoss (DIN: 07097648) and Dr. V. Venkataramanujam (DIN: 07097641).

iii From the Rule Book and other documents available, the following are observed:

- I. In the Rule Book, it is stated that “AAL engages in developing of “techno based, Agro industries” on behalf of the venturer for which the venturer shall enter into an agreement with the Company. Advisors are associated for booking orders for such activity”. It is also stated that “the company may also wish to buy back the stock if the venturer opts for an ‘Estimated Realizable Value’(ERV). All the charges related to the agreement would be borne by the venturer”.
- II. The following Schemes are offered by AAL based on “Livestocks and Poultryes”.

I (A) Down Payment Scheme (DPS)
Scheme DPS 1 for 75 Months (6.3 Yrs)

Sl. No.	Consideration Cost	Expected Realisable Value	Accidental Death Compensation
1	2500	5000	NA
2	5000	10000	5000
3	10000	20000	10000
4	15000	30000	15000
5	50000	100000	50000

I (B) Down Payment Scheme (DPS)
Scheme DPS 2 for 100 Months (8.4 Yrs)

Sl. No.	Consideration Cost	Expected Realisable Value	Accidental Death Compensation
1	2500	6325	NA
2	5000	12650	5000
3	10000	25300	10000
4	15000	37950	15000
5	50000	126500	50000

II(A) SYSTEMATIC PAYMENT SCHEME (SPS)
Scheme SPS 1 for 66 months (5.6 Yrs)

Sl. No.	Consideration Cost	INSTALMENTS				ERV	ADC
		Mly	Qly	Hly	Yly		
1.	6600	100	295	580	1150	8750	9000
2	13200	200	590	1160	2300	17500	18000
3.	19800	300	885	1740	3450	26250	27000
4.	26400	400	1180	2320	4600	35000	36000
5.	66000	1000	2950	5800	11500	87500	90000

II(B) SYSTEMATIC PAYMENT SCHEME (SPS)**Scheme SPS 2 for 78 months (6.6 Yrs)**

Sl. No.	Consideration Cost	INSTALMENTS				ERV	ADC
		Mly	Qly	Hly	Yly		
1.	7800	100	295	580	1150	10925	9000
2.	15600	200	590	1160	2300	21850	18000
3.	23400	300	885	1740	3450	32775	27000
4.	31200	400	1180	2320	4600	43700	36000
5.	78000	1000	2950	5800	11500	109250	90000

II(C) SYSTEMATIC PAYMENT SCHEME (SPS)**Scheme SPS 3 for 60 months (5 Yrs)**

Sl. No.	Consideration Cost	INSTALMENTS				ERV	ADC
		Mly	Qly	Hly	Yly		
1.	7500	125	370	730	1450	9700	9000
2.	15000	250	740	1460	2900	19400	18000
3.	22500	375	1110	2190	4350	29100	27000
4.	30000	500	1480	2920	5800	38800	36000
5.	75000	1250	3700	7300	14500	97000	90000

II(D) SYSTEMATIC PAYMENT SCHEME (SPS)**Scheme SPS 4 for 75 months (6.3 Yrs)**

Sl. No.	Consideration Cost	INSTALMENTS				ERV	ADC
		Mly	Qly	Hly	Yly		
1.	6000	80	235	480	950	9550	9000
2.	12000	160	470	960	1900	19100	18000
3.	18000	240	705	1440	2850	28650	27000
4.	24000	320	940	1920	3800	38200	36000
5.	60000	800	2350	4800	9500	95500	90000

II(E) SYSTEMATIC PAYMENT SCHEME (SPS)**Scheme SPS 5 for 60 months (5 Yrs)**

Sl. No.	Consideration Cost	INSTALMENTS				ERV
		Mly	Qly	Hly	Yly	
1.	6000	100	295	580	1150	8500
2.	12000	200	590	1160	2300	17000
3.	18000	300	885	1740	3450	25500
4.	24000	400	1180	2320	4600	34000
5.	30000	500	1475	2900	5750	42500

II(F) SYSTEMATIC PAYMENT SCHEME (SPS)
Scheme SPS 6 for 36 months (3 Yrs)

Sl. No.	Consideration Cost	INSTALMENTS				ERV
		Mly	Qly	Hly	Yly	
1.	3600	100	295	580	1150	4250
2.	7200	200	590	1160	2300	8500
3.	10800	300	885	1740	3450	12750
4.	14400	400	1180	2320	4600	17000
5.	18000	500	1475	2900	5750	21250

II(G) SYSTEMATIC PAYMENT SCHEME (SPS)
Scheme SPS 7 for 48 months (4 Yrs)

Sl. No.	Consideration Cost	INSTALMENTS				ERV
		Mly	Qly	Hly	Yly	
1.	4800	100	295	580	1150	4250
2.	9600	200	590	1160	2300	8500
3.	14400	300	885	1740	3450	12750
4.	19200	400	1180	2320	4600	17000
5.	24000	500	1475	2900	5750	21250

II(H) SYSTEMATIC PAYMENT SCHEME (SPS)
Scheme SPS 8 for 60 months (5 Yrs)

Sl. No.	Consideration Cost	INSTALMENTS				ERV
		Mly	Qly	Hly	Yly	
1.	6000	100	300	590	1175	7925
2.	12000	200	600	1180	2350	15850
3.	18000	300	900	1770	3525	23775
4.	24000	400	1200	2360	4700	31700
5.	30000	500	1500	2950	5875	39625

II(I) SYSTEMATIC PAYMENT SCHEME (SPS)
Scheme SPS 9 for 84 months (7 Yrs)

Sl. No.	Consideration Cost	INSTALMENTS				ERV
		Mly	Qly	Hly	Yly	
1.	8400	100	295	580	1245	12970
2.	16800	200	590	1160	2490	25940
3.	25200	300	885	1740	3735	38910
4.	33600	400	1180	2320	4980	51880
5.	42000	500	1475	2900	6225	64850

II(J) SYSTEMATIC PAYMENT SCHEME (SPS)**Scheme SPS 10 for 96 months (8 Yrs)**

Sl. No.	Consideration Cost	INSTALMENTS				ERV
		Mly	Qly	Hly	Yly	
1.	12000	125	370	730	1450	19780
2.	24000	250	740	1460	2900	39560
3.	36000	375	1110	2190	4350	59340
4.	48000	500	1480	2920	5800	79120
5.	60000	625	1850	3650	7250	98900

II(K) SYSTEMATIC PAYMENT SCHEME (SPS)**Scheme SPS 11 for 60 months (5 Yrs)**

Sl. No.	Consideration Cost	INSTALMENTS				ERV
		Mly	Qly	Hly	Yly	
1.	6000	100	295	580	1140	7800
2.	12000	200	590	1160	2280	15600
3.	18000	300	885	1740	3420	22800
4.	24000	400	1180	2320	4560	31200
5.	30000	500	1475	2900	5700	39000

II(L) SYSTEMATIC PAYMENT SCHEME (SPS)**Scheme SPS 12 for 60 months (5.6 Yrs)**

Sl. No.	Consideration Cost	INSTALMENTS				ERV
		Mly	Qly	Hly	Yly	
1.	6600	100	295	580	1245	8950
2.	13200	200	590	1160	2490	17900
3.	19800	300	885	1740	3735	26850
4.	26400	400	1180	2320	4980	35800
5.	33000	500	1475	2900	6225	44750

**III (A) HYBRID PAYMENT SCHEME (HPS) Scheme HPS 1 payment 40 months
(3.4) ERV 60 months (5 Yrs)**

Sl. No.	Consideration Cost	INSTALMENTS				ERV	ADC
		Mly	Qly	Hly	Yly		
1.	10000	250	760	1645	3275	14500	7500
2.	20000	500	1520	3290	6550	29000	15000
3.	30000	750	2280	4935	9825	43500	22500
4.	40000	1000	3040	6580	13100	58000	30000
5.	100000	2500	7600	16450	32750	145000	75000

III (B) HYBRID PAYMENT SCHEME (HPS)
Scheme HPS 2 payment 60 months (5 Yrs) ERV 120 months (10 Yrs)

Sl. No.	Consideration Cost	INSTALMENTS				ERV	Special Incentive	ADC
		Mly	Qly	Hly	Yly			
1.	15000	250	740	1475	2925	21500	1500	7500
2	30000	500	1480	2950	5850	43000	3000	15000
3.	45000	750	2220	4425	8775	64500	4500	22500
4.	60000	10000	2960	5900	11700	86000	6000	30000
5.	150000	2500	7400	14750	29250	215000	15000	75000

III. As per the Rule Book, every unit of ₹5,000/-, represents specified number of livestock/poultry, as mentioned below:

Unit Cost of Livestock and Poultry			
Sl. No.	No. of Units*	Particulars	Allotments
1	I	Dairy	1 Calf
2	I	Goat	2 Goats
3	I	Poultry	30 Birds

IV. Salient features of all the three schemes as stated in the *Rule book* are stated as under:

a. Down Payment Schemes:

- i. These are the “fixed investment plans”, in which the venturer/investor books livestock/poultry at day one and develops it for the minimum maturity period of 6.3 years with an option to renew the agreement upto 8.4 years based on the discretion of the venturer.
- ii. The venturers/investors who are interested in the schemes offered by AAL, are made to enter into an "*Agreement*" for developing livestock with AAL. The terms of agreement are as under:
 1. *"The cost of livestock/Poultry includes maintenance and administrative expenses which will be paid by the venturer to the company at the time of agreement.*
 2. *The agreement will be fixed for a period of 75 and 100 months.*

3. *The agreement could not be cancelled upto 3 years. After 3years, if venture wishes to cancel the agreement then the company will charge 30% of the Booking price of livestock / Poultry agreed at the time of agreement by the venture."*

b. Systematic Payment Schemes (SPS):

- i. *"Livestock/poultry can be booked in 60-78 easy systematic payments.*
- ii. *Livestock / Poultry will be allotted to the venturer/investor after receiving first 36 instalments and will be developed in next 30 months in Scheme-1, 42 months in Scheme -2, 24 months in Scheme-3.*
- iii. *The cost of livestock/Poultry includes maintenance and administrative expenses which has to be paid by the venturer to AAL in 60-78 monthly payments.*
- iv. *Agreements will be fixed for 60, 66, 75 and 78 months and SPS cannot be cancelled in between the term.*
- v. *In case if the venture failed to comply with the agreement there is no lapsation and rule no. (IV) of the Rule book applies."*

c. Salient Features of Hybrid Payment Scheme

HPS-1 is a short term scheme in which the venturer pays cost of consideration for 40 months and develops the cattle/Poultry for a period of 60 months, HPS-2 is a long term scheme in which venturer pays instalments for a period of 5 years and develop the livestock/poultry till 10th year for which a special incentive is paid as return apart from the final ERV amount.

- i. *"Under the scheme the venturer can book the livestock in 40-60 payment.*
- ii. *The total terms of the HPS 1 is 6 yrs and HPS 2 is 10 yrs however the venturer will have to pay instalments for livestock / Poultry only for 40 month and 60 month respectively.*
- iii. *The agreement will be fixed for 60 month and 120 month and cannot be cancelled in between the term.*
- iv. *The cost of livestock / Poultry includes the maintenance and administrative expenses which will be paid by the venture to the company in 40 to 60 monthly instalments*

- v. Livestock / Poultry will be allotted to the venture after receiving first 36 instalments and will be developed in the next 2 years in HPS 1 and 7 years in HPS 2."*

V. From the documents submitted by the company and the terms of the Schemes offered, it is observed that :

a) As per the application form, the customer applies for 'schemes' which are based on units of Livestock Poultry. i. The application form also contains various fields including Scheme Category, Consideration amount, date of commencement/expiry date of Joint venture, Introducers code, Advisors code, etc. The following clauses are noted from the application form:

- 1) An applicant should be an Indian. At least one instalment amount along with an admission fee of Rs.5/-, to the customer support centre (CSC) of the company together with application form duly filled in and signed by the applicant/parent or guardian of minor.*
- 2) The company has full authority to reject any application without giving any reasons.*
- 3) Joint venturer must make all remittances to the concerned CSC of the company directly.*
- 4) The company shall issue a "Certificate" form. The certificate issued by the company shall bear the seal/stamp of the company and shall be signed by the chairman or any other authorised officer of the company.*
- 5) The joint venture certificate issued by the company should not be pledged or mortgaged or otherwise used as a security to raise loan through any bank, organization or individuals.*

b) AAL issues a "Certificate" after enrolling a Customer, which contains details regarding Registration number of the Customer, Scheme number, Consideration, Cost of livestock/poultry, Instalments payable, date of expiry of term, distributors code, Expected Sum Payable on Expiry of Term CC/PC. The following *general terms and conditions*" are noted from a 'Certificate' issued to an investor:

- 1) Payment of subscription: Subscriptions are payable annually in advance but the same may be paid in half yearly, quarterly or on monthly basis without any extra charges.*
- 2) Thirty days grace period are allowed for payment of annual, half yearly and quarterly subscriptions and fifteen days for monthly subscription.*
- 3) When the instalment is not paid within the grace period the registration letter stands discontinued but may be revived at any time within 12 months on payment of all dues*

together with penalty there on @ 15% per annum and appropriate late fees for delayed payments;

- 4) *Special Revival Scheme: A discontinued joint venturer may be revived any time before expiry of the term from the date of discontinuation on an application with a nominal alteration fee of Rs. 50/- along with one instalment of subscription.*
- 5) *The details of different penalty rates of interest to different levels of discontinued period as stated in the Rule Book is as under:*

Serial No.	Discontinued Period	Amount payable after completion of Venture Period
1	1-12months	Only the paid booking price
2	13-24 months	Booking price received + 10%
3	25-36 months	Booking price received + 15%
4	37-46months	Booking price received + 20%
5	47-60months	Booking price received + 25%
6	61-72 months	Booking price received + 30%

- 6) *Amount received against discontinued Joint Venturer shall be repaid by the company as per Rule Book as amended from time to time and is applicable for scheme of five years and above only.*
- 7) *The company also states that “All charges related to the agreement would be borne by the venture”. No duplicate agreement will be issued under any circumstances.*
- 8) *In case of natural death of a Joint Venturer, the Nominee/legal Representative/Successor may have the refund as specified in Rule Book, as amended from time to time.*

The details of refund stated in the Rule book is as under :-

Serial No.	Term Period for the claim in case of Natural Death	Amount payable as claim in the event of Natural Death during the venturer Period
1	1-12months	Only the paid booking price
2	13-24 months	Booking price received + 10%
3	25-36 months	Booking price received + 15%
4	37-46months	Booking price received + 20%
5	47-60months	Booking price received + 25%
6	61-72 months	Booking price received + 30%

- 9) *The Joint Venture(s) shall be eligible for compensation in the event of accidental death as per Rule Book, as amended from time to time.*

- 10) *The joint venture arrangement cannot be transferred/assigned/alienated in any manner whatsoever to anyone except in the circumstances and in the manner as specified in Rule book as amended from time to time.*
- 11) *The company reserves the right to discontinue/change/amend/modify or alters any of the Rules and regulations and Plans mentioned in the Rule Book(as amended from time to time) at any time at its sole discretion with or without any notice.*
- 12) *In case of dispute, the decision of Chairman of Company or any other person(s) nominated by him, shall be final and shall be legally binding on Joint Venturer, who shall have no objection to the appointment of any officer(s) of Company as the sole arbitrator / arbitrators.*

VI. As per the information submitted by AAL vide its letter dated December 20, 2014, the Scheme-wise contributions collected from its customers/venturers by AAL are as follows:

Sl. No.	Plan	Venturers	Amount in Rs.
		Grand Total	
1	HPP1	75	4,37,190
2	HPP2	4	13,880
3	SPS1	77032	26,64,52,990
4	SPS2	27968	15,13,83,541
5	SPS3	8450	3,33,82,405
6	SPS4	11481	8,64,51,860
7	SPS5	976	59,21,560
8	SPS6	255	2,82,510
9	SPS7	423	4,08,860
10	SPS8	902	7,80,855
13	DPS1	1360	2,30,70,000
14	DPS2	87	20,95,000
16	DPS4	19	18,80,000
17	DPS5	823	2,33,17,500
TOTAL		129855	59,58,78,151

Further, ALL have also claimed that they had repaid an amount of Rs.6.11 Crores pertaining to 6050 venturers.

10. As per the Schemes offered by AAL, the "customers"/investors are required to make payment as per the Scheme opted by them towards sale/purchase and development of units of Livestock / poultry after executing an "Application Form" with AAL and AAL issues a "Certificate" based on the application form to the "customers"/investors. The said "Certificate" does not contain specific details about the Live Stock / Poultry sold to the customers. Instead, it mentions the plan name, maturity date and expected sums payable on the expiry of the term.
11. In case of Instalment Plans, on both SPS and HPS based schemes, Livestock / Poultry are "allotted" to the venturer after receiving first 36 instalments and the livestock/poultry will be developed by AAL for specified months as per the terms of the scheme. Cost of all charges related to the agreement would be borne by the venturer. If the customer opts, the company buybacks the Livestock / poultry on an Estimated Realizable Value (ERV) as per the plan/rule book at the end of the term.
12. The aforementioned features of the so-called *sale/purchase and development of livestock / poultry* offered by AAL have to be considered in light of the provisions of Section 11AA of the SEBI Act. Section 11AA provides for the conditions to determine whether a scheme or arrangement is a 'collective investment scheme'. It reads as follows:
- "11AA. (1) Any scheme or arrangement which satisfies the conditions referred to in sub-section (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 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 31 [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.”

13. In the context of the abovementioned Section 11AA of the SEBI Act, the scheme of *Sale/Purchase and development of plot* offered by AAL, 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.*

AAL collects funds from the "client/ venturer" for the purchase of the livestock/poultry and undertakes to develop them as part of various plans offered by it. The contribution or investment made by a "client/ venturer" are in accordance with the various "Payment Plan(s)" offered under the Scheme for *Sale/Purchase and development of livestock/poultry viz: "Scheme – DPS-1 (75 Months), Scheme –DPS-2 (100 Months), Scheme –SPS-1 (66 Months) and Scheme –SPS-2 (78 Months), Scheme –SPS-3 (60 Months), Scheme –SPS-4 (75 Months), Scheme –HPS-1 (40 Months).i.e (3.4 yrs) ERV 60 months (5yrs), Scheme –HPS-2 (60 Months).i.e (5 yrs) ERV 120 months (10yrs), etc.* It is important to note that as per the application form, the client/ venturer does not apply for specific number of cattle/live stock, but for a specific scheme and no livestock/poultry is identified, earmarked and demarcated, when an individual "client/ venturer" is issued a "Certificate" by AAL pursuant to the execution of the "Application Form". The said *Certificate* does not indicate the ownership aspect of the livestock/poultry forming part of the *scheme* offered by AAL. Further, it may be noted that Livestock/Poultry are denominated as a Unit (1 unit – 1 Calf/2 Goat/30 Bird) and no livestock/poultry is identified or earmarked to the client/ venturer' even at the time of registration. From this, it is clear that the client/ venturer' is making contribution or investment in an unidentified and non-distinguishable livestock/poultry unit. Thus, it appears that the company conducts its operations of administering and maintaining livestock/ poultry on pooled basis. From the Balance Sheet of AAL for PE March 31, 2014, it is observed that the amount collected for

“Advance for purchase of Live Stock” is around Rs.70 Crores, whereas the inventory of the livestock as per the Balance Sheet is only around Rs. 2.5/3 Crores. As per the reply of AAL, it had collected Rs. 59,58,78,151/- from the investors/ venturers under its various schemes detailed above.

In view of the aforesaid, it is evident that AAL is collecting funds from ‘client/ venturer’ for its scheme and the contributions/funds collected from the ‘client/ venturer’ are pooled and utilized for the purpose of the 'scheme' offered by AAL. Hence, it is clear that the instant 'scheme' satisfies the first condition of "*pooling of contribution or payments*", 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 "Rule Book" issued to the ‘client/ venturer’, it is observed that an "*Expected Realizable Value*" is indicated against specific payment plan offered by AAL. For instance, in respect of the scheme of "*SPSA-1 (66 months)*", for the "*Expected Realizable Value*" of Rs 8,750/- (which includes administration and maintenance charges), the total amount required to be paid by a ‘client/ venturer’ is only Rs.6,600/- (paid as monthly instalment of Rs.100 for 66 months as the investment in the Livestock/Poultry). *It is stated in the Rule Book that that “the company may also wish to buy back the stock if the venturer opts for, for an ‘Estimated Realizable Value’(ERV).* The ‘Certificate’, issued by AAL states that “*The company shall pay in Indian currency at its Customer Service Centre through corporate office, the amount due under this certification in accordance with ‘Terms’ of the said ‘Schedule’ to the person to whom the same is herein expressed to be payable.*” The Certificate issued by AAL mentions the “*Estimated Sum payable*” to the Client or Venturer at the end of the term.

Hence, 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) (ii) of the SEBI Act is also fulfilled.

- iii. *The property, contribution or investment forming part of scheme of 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.*

As has been noted in the preceding paragraphs, AAL agrees to allot the Livestock /Poultry (unidentified) to the client/ venturer upon execution of the “*Application Form*” and after full/part payment of consideration amount. It is further noted that the issuance of Certificate to client/ venturer’ is construed as the confirmation that the client/ venturer’ registered for the livestock/poultry booked by them. The allotment of such livestock/poultry to the client/ venture’ is at AAL's discretion.

AAL reserves the right to discontinue/change/amend/modify or alter any of the rules/regulation and payments schemes at any time at its sole discretion.. Thus, even after “allotment”, neither the ownership or nor possession of the livestock/poultry is transferred by AAL to the client at any point of time. As per the *Rule Book*, the company shall have first charge on the said property on account of its unpaid instalments for services/development charges and for other incidental expenses incurred by the company, as the said property cannot be sold, assigned, mortgaged, pledged, alienated without obtaining no dues certificate from the company in case of instalment payment plans.

In light of these facts and circumstance, it is clear that the venturers/investors do not have day-to-day control over the management and operation of the 'Scheme(s)/ Plan(s)' and that the venturers/investors do not, at any stage, manage the property, contribution or investment forming part of the 'Scheme / Plan(s) 'and the contribution or investment is managed and utilized. Thus, it appears that the management of the property/investment is managed by AAL on the behalf of investors and the investors do not have control over the same. In view of the above, I find that the instant 'Scheme/ Plan(s)' satisfies the third and fourth conditions stipulated in section 11AA(2)(iii) and (iv) of the SEBI Act.

14. In light of the above analysis and examination, it is clear that the activity of fund mobilization by AAL, under the '*scheme*' with a resultant promise of return/"*Estimated Realizable Value*(ERV), 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.

15. 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 AAL has not obtained any certificate of registration under the CIS Regulations for its fund mobilizing activity from the public.
16. It is also found that the activity of illegal mobilization of funds by AAL 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").
17. I also understand that subsequently, AAL vide letter dated March 02, 2015 filed an application for registration as a Collective Investment Management Company in terms of SEBI Act read with CIS Regulations. However, I note that AAL had already collected approximately Rs. 70 crores under its various schemes detailed above without obtaining registration from SEBI . Registration with SEBI is pre-condition for launching any *collective Investment Scheme'* and collecting money from the public. Considering the fact that AAL collected funds from the public, it is imperative that the investors/venturers money is safeguarded.
18. In view of the foregoing, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4)(b), 11B and 11D of the SEBI Act read with CIS Regulations and PFUTP Regulations, hereby direct Assure Agrowtech Limited (CIN: U51213TN2007PLC064744) and its Directors viz., Mr. Sengan Thangappalam (DIN: 01709534), Mr. Shanmugam Rajendran (DIN: 01656296),

Mr. P. Saravanan (DIN: 06467396), Mr. R. Devadoss (DIN: 07097648) and Dr. V. Venkataramanujam (DIN: 07097641):

- a. to cease and desist and not to solicit or undertake such activity or any other activities in the securities market, directly or indirectly, in any matter whatsoever till the time the proceedings in respect of AAL is disposed of;*
- b. not to divert any funds raised from the investors.*
- c. not to collect any fresh money from investors under its existing schemes;*
- d. not to launch any new schemes or plans or float any new companies to raise fresh moneys;*
- e. to immediately submit the full inventory of the assets acquired through money raised by AAL;*
- f. not to dispose of or alienate any of the properties/assets obtained directly or indirectly through money raised by AAL;*
- g. not to divert any funds raised from public at large which are kept in bank account(s) and/or in the custody of AAL;*
- h. to furnish the following information:*
 - Details of amount mobilized till date,*
 - Scheme wise list of investors and their contact numbers and addresses,*
 - Details of investors repaid if any, with full addresses and telephone numbers etc.,*
 - Details of charges created on its assets by the company,*
 - Details of commission paid on amounts mobilized above,*
 - Details of agents along with their addresses, etc.,*
 - Audited Accounts for FY 2014-15.*
 - full details of project development expenses of Rs.19.90 crores mentioned in the financial statements of AAL for FY 2013-14, alongwith the position for FY 2014-2015.*
 - PAN of abovementioned Directors.*

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

20. This order shall be treated as a show cause notice and AAL and its abovementioned Directors shall show cause as to 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.

21. AAL and its 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

S. RAMAN

Date: July 03, 2015

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA