

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under sections 11 and 11B of the Securities and Exchange Board of India Act, 1992 read with regulation 65 of the SEBI (Collective Investment Schemes) Regulations, 1999 in respect of Interim Order cum Show Cause Notice dated March 31, 2015 in the matter of Rich Infra Developers India Limited.

In respect of:

Sr. No.	Noticees	PAN	CIN/DIN
1	Rich Infra Developers India Limited	AAFRCR3888R	U70100RJ2011PLC035842
2	Harvinder Pal Singh	ABPPS4178P	03307241
3	Gurpreet Singh Sidhu	ATAPS7417G	03307249
4	Parampreet Singh Sidhu	BCWPS1318C	NA
5	Baljinder Preet Singh	BBJPS5825E	NA

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") received a complaint dated May 11, 2013 alleging that Rich Infra Developers India Ltd (hereinafter referred to as "**RIDIL**") was promising huge returns to investors on schemes floated by the Company. Subsequently, few more complaints were received by SEBI, alleging that RIDIL failed to repay the amount on maturity to several other investors.
2. A preliminary enquiry was conducted by SEBI into the alleged activity of mobilization of funds by the Noticees. Based on the preliminary enquiry, SEBI vide an ex-parte ad-Interim Order dated March 31, 2015, prima facie observed that Rich Infra Developers India Ltd. (RIDIL) and its Directors, namely, Harvinder Pal Singh, Gurpreet Singh Sidhu, Parampreet Singh Sidhu and Baljinder Preet Singh (the company and its directors are hereinafter collectively referred to as "Noticees") were involved in illegal mobilization of funds from the public through various schemes or plans. In the interim order, it was alleged that schemes viz., Rich Life, Rich link, Rich Elite, Rich Smart Child, and Rich MAIO operated

by RIDIL were in the nature of Collective Investment Schemes ("CISs") as defined under section 11AA of the Securities and Exchange Board of India Act, 1992 (SEBI Act), without obtaining requisite certificate of registration from SEBI and thus contravened section 12(1B) of the SEBI Act and regulation 3 of the SEBI (Collective Investment Scheme) Regulations, 1992 (CIS Regulations). It was also observed that the fund mobilization activity of RIDIL through its various schemes prima facie amounted to fraudulent practice under regulation 4(2)(t) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practice Relating to Securities Market) Regulations, 2003 (PFUTP Regulations), which was brought into effect from September 06, 2013.

3. SEBI vide interim order cum show cause notice dated March 31, 2015 issued *inter alia* the following directions against RIDIL and its Directors:-

- i. not to collect any fresh money from investors under its existing schemes;*
- ii. not to launch any new schemes or plans or float any new companies to raise fresh moneys;*
- iii. to immediately submit the full inventory of the assets including land obtained through money raised by RIDIL;*
- iv. not to dispose of or alienate any of the properties/ assets obtained directly or indirectly through money raised by RIDIL;*
- v. not to divert any funds raised from public at large which are kept in bank account(s) and/ or in the custody of RIDIL;*
- vi. to furnish all the information/ details sought by SEBI within 15 days from the date of receipt of this order, including,*
 - Details of amount mobilized till date,*
 - Scheme wise list of investors and their contact numbers and addresses,*
 - Details of investors repaid 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 the last financial year*

4. The said interim order came into force with immediate effect. The copy of the order was served on all the 4 noticee directors of the company by way of Speed Post Acknowledgement Due (SPAD). The company vide letter dated April 28, 2015 acknowledged receiving the order and sought time till May 30, 2015 for filing their detailed reply. The company vide letter dated May 30, 2015 submitted a copy of their balance sheet

as on March 31, 2014 and sought further extension of time till June 30, 2015 to submit other details.

5. The company vide letter dated June 29, 2015 stated that :-

- various documents that would have disclosed the basis of the averments made in the impugned order / notice have not been provided to the noticee despite requests;
- the order is misplaced and based on an incorrect understanding of the provisions of law;
- the ingredients of a sale as defined under the Transfer of Property Act, 1882 are present in this matter;
- the impugned set of transactions are sale /purchase of land and not a scheme/arrangement.
- after the possession of the plot has been handed over to the buyer, he becomes the absolute owner of the plot.
- the land sold by the company is acquired by the company from its own resources and not from the investors. That mere sale/purchase of land cannot be termed as a scheme or arrangement.

6. The company vide letter dated September 22, 2015 submitted site plans of projects at locations like Garh Shankar (Punjab), Subkund (Maharashtra) etc. and also details of buyers to whom allotment of plots has already been made. The company was given opportunities of inspection on January 25, 2016 and February 29, 2016. The company sought for adjournment for the January 25, 2016 inspection and did not respond to the inspection date given on February 29, 2016. Another opportunity of inspection was given on April 07, 2016. Harvinder Singh Arneja (Directors of the Rich), Kapoor Singh Arneja (Heads of Accounts) along with advocate Anoop Dawar conducted the inspection on April 07, 2016. After the inspection of documents, SEBI received a letter from the company on May 26, 2016 wherein the company submitted a copy of the audited balance sheet for the financial year 2015-16 and also stated that information regarding receipt of funds in 2015-16 are being compiled and will be submitted within 15 days.

7. After the inspection of documents, an opportunity of hearing was given to the company and its directors on September 27, 2016 which was subsequently adjourned. The company requested for the hearing to be conducted in NRO as they were not in a sound financial condition to attend the hearing in Mumbai. Another opportunity of hearing was granted to the company and its directors on July 24, 2017. The hearing notices were delivered to the company and its directors by way of SPAD/e-mail. However, the company vide letter and e-mail dated July 17, 2017 requested that the hearing be held in Chandigarh or NRO as their documents/data are too bulky to carry and also they were not in a sound financial condition to attend the hearing in Mumbai. The company again vide letter and e-mail dated July 21, 2017 requested for a date of hearing either in NRO or Chandigarh Local Office.
8. Accordingly, the company and its directors were granted another opportunity of hearing in NRO on October 24, 2017. The hearing notices were delivered to the company and its directors by way of SPAD/e-mail. The hearing was attended by the Authorized Representatives (ARs) of the noticees, namely, Rajesh Ranjan, Advocate along with Mr. Anoop Dawar, Advocate. ARs submitted that without accepting the fact that the RIDIL acted as an unregistered CIS, it is ready to refund moneys to all the investors. They further submitted that out of a total mobilized amount of approximate Rs. 45 crores, they have already refunded an amount of Rs. 11 crores through banking channel.
9. ARs requested for three months' time to submit a plan or proposal to refund the investor. Considering their request, time till November 21, 2017, was granted to submit the plan or proposal to submit refund to the investor. Along with the aforesaid proposal, noticees were directed to submit certificate by two peer reviewed Chartered Accountant, for refunds already made and the source of fund for refunds. They were also asked to submit income tax returns and Financial statements for last three years, list of investors along with the dates of investment and money invested, list of assets (movable and immovable) of the company and its directors, list of investors to whom property has been given and details of the property, year wise amount collected from investors.
10. RIDIL vide letter date November 21, 2017 submitted a proposal for repayment to investors; however, it sought additional time for 20 days in order to produce certificate of

repayment from Chartered accountant. In the letter dated November 21, 2017, RIDIL *inter alia* submitted the following:-

- a) *Rich Infra Developers India Limited (hereinafter referred to as "the Company") was incorporated as a public limited company on 13th day of July 2011 with Registrar of Companies, Jaipur to carry on the business of real estate as developers and consultants;*
- b) *We are also enclosing copies of the financial statements of the Company for financial years 2013-14, 2014-15, and 2015-16. Further, the filing of financial statements in respect of financial year 2016-17 with the authorities is under process and the copy of the same shall be submitted to you shortly.*
- c) *The present directors of the Company are:*

	DIN	NAME	ADDRESS
1	03307241	HARVINNDER PAL SINGH	H.NO. 912, TDI CITY, SECTOR 117 KHARAR, SAS NAGAR, MOHALI 140301
2	03307249	GURPREET SINGH SIDHU	44, ROYAL ENCLAVE, BEHIND URBAN ESTATE PHASE - I, PATLALA 147002
3	07710900	VINOD LAL*	HOUSE NO. 809, SECTOR-45, BURAIL, CHANDIGARH 160047

* *Vinod Lal has been co-opted as director of the Company very recently on 21.08.2017.*

- d) *Baljinder Preet Singh and Parmpreet Singh Sidhu have resigned as directors of the Company w.e.f. 16.03.2015 and 24.8.2017 respectively. As directed, we are enclosing herewith certificate regarding personal assets from Harvinder Pal Singh, Gurpreet Singh Sidhu and Parampreet Singh Sidhu directors of the Company as at the date of Show Cause notice/ Interim order. Since Baljinder Preet Singh, resigned as the director of the Company before the show cause notice/ interim order, his certificate has not been enclosed.*
- e) *As part of its business strategy, the Company acquires pieces of land situated at strategic locations and carries out development of these pieces of land and sells the developed plots/ flats/ residential units to the interested buyers. For the purpose, the Company acquired land directly or entered into joint development agreements with other entities having land banks.*
- f) *The management of the Company identifies the land across India, which has the potential to be developed as residential/ commercial units. In case, the identified land is Agricultural or other non-residential land, the Company acquires the same and applies to the authorities for conversion of this land to be used as residential/ commercial. After obtaining the requisite approvals from*

the authorities, the work on development of land is carried out by the Company itself or in collaboration with other developers.

g) Out of the land bank owned by the Company, final/ in principle approvals for conversion of land for residential/ commercial purpose have been obtained in respect of two projects at Patan and Wardha in the State of Maharashtra and the Company is in the process of developing these approved lands. The details of the land bank and approvals obtained by the Company in respect of some of these are given in the present proposal.

h) Presently, the Company is holding huge land bank across India which aggregate to approximately 225 acres. The major projects/ land parcels are as follows:

- **Patan, District Satara, Maharashtra**

Approx. 22 acres of land. The Company proposes to set up a residential complex at the project. All the documents for approval of the project have already been submitted to the authorities. In principle approvals have been received from the authorities for the said project. As per the estimates of the Company, the present market value of this land is approx. Rs. 20.53 crores.

- **Wardha, State of Maharashtra**

The Company is holding approx. 8 acres of land. The Company proposes to set up a residential/ commercial project at this land. The relevant project documents have already been submitted to the authorities and all relevant approvals for the project have already been obtained. The Company is in the process of arranging the requisite resources for starting the work on the project. As per the estimates of the Company, the present market value of the land is approx. Rs. 1.93 crores.

- **Garhshankar, District Hoshiarpur, Punjab**

The Company is holding approx. 129 acres of land in Village Kot, Garhshankar District Hoshiarpur, Punjab situated at the State highway. The Company planned to develop this land into an integrated township with residential, commercial, educational, sports and medical facilities. The present value of the land as per valuation carried out by an independent valuer is approx. Rs. 33.70 crores.

- **Subkund, District Nagpur, Maharashtra**

The Company is also holding approx. 48 acres of land. This land is also situated on State highway and has huge potential to be developed into a prime residential/ commercial/ shopping complex/ mall. The present value of the land as per valuation carried out by an independent valuer is approx. Rs. 3.58 crores.

• **Jhansali and Palani, Gujarat and Chandrapur, Maharashtra**

Apart from above the Company also holds land parcels in Jhansali and Parali, in the State of Gujarat. The Company also owns a shopping complex having approx 48 commercial units in prime location in District Chandrapur in the State of Maharashtra.

The Company engaged independent valuers to carry out the valuation of the land owned by it. The valuation has been completed at most of the places. However, at few places it is still under process. We are enclosing herewith summary sheets in respect of land owned by the Company alongwith valuation reports of the independent valuers and the title documents in respect of these land parcels owned by the Company.

- i) *When the Company was incorporated in the year 2011, the real estate sector was seeing a phenomenal growth. It saw many players entering the real estate market and launching / soft launching residential/ commercial projects. The promoters of the Company who had vast experience in real estate sector saw the potential in real estate market and started acquiring land for development into residential/ commercial projects. The target segment of the Company was medium and small home seekers, who were not having the entire money to purchase the land at one go. But they were willing to purchase the property in installments. Since the Company was in the process of developing land acquired by it and in line with the industry practice, it made soft launch of some of its projects and received applications from purchasers for its different projects.*
- j) *The Company till date has booked residential/ commercial units from various purchasers. The total amount given by these purchasers as advance money to the Company is Rs. 49.90 crores. From the year 2013, real estate market started facing problems and the Company could not start work on its projects on time due to market sentiments, changes in Government policies towards real estate developers and also the delay in getting approvals for its projects. Due to these delays in starting the project, few of the purchasers started requesting the Company to refund the amount given by them. Therefore, in accordance with terms and conditions of the booking, the Company repaid them due amount of Rs. 11.24 crores. The Company in most of the cases has a certificate from the purchasers about the full and final settlement of their dues.*
- k) *All the refunds to purchasers were made through bank account of the Company.*
- l) *On receipt of complaints from certain unscrupulous persons and a disgruntled employee of the Company, SEBI started investigation against the Company for alleged collective Investment Scheme. It issued various letters to the Company from time to time seeking information/ documents. The Company responded to these and provided the same from time to time. SEBI issued a show cause notice/ interim order dated 31/03/2015 to the Company and restrained it inter-alia from making fresh bookings and disposing of its assets. This has put a tremendous strain on the projects of the*

Company and the requisite funds for development of the projects are drying up. However, the Company never defaulted on any request it had received for cancellation of booking and has been prompt in making the repayment to the purchaser the amount due to him as per the terms of his booking.

- m) The Company has been contesting SEBI's allegation against it regarding Collective Investment Schemes. However, considering the present stressed situation of real estate market, wherein all the developers are struggling to complete the projects, the management, has without prejudice to the contentions of SEBI against it has decided to refund the amount to the remaining purchasers or on their request to their nominees/ assignees, who had made the booking with the Company in various projects.

Proposed Refund Mechanism

- n) The total liability of the Company towards the purchasers after making repayments to some of the purchasers as detailed above is Rs. 58.45 crores, which includes the principle booking amount of Rs. 41.82 crores. As explained above, out of this the Company has on the request of purchasers already repaid an amount of Rs. 11.24 crores, which included a sum of Rs. 3.16 crores as the amount due to them, in terms of the booking conditions over and above the principal amount of Rs. 8.08 crores.
- o) On the other side, the details of the assets of the Company as per the financials of the Company are as under:

Particulars	Amount (Rs./Lakh)
Market value of the undeveloped land bank of the Company	6804.78
Debtors	26.08
Loans and advances recoverable	120.35
Movable Assets (approx.)	50
Total	7001.21

- p) Apart from the above assets reflected in the balance sheet, the Company is in discussions with few developers, who are willing to take over the projects of the Company and this may result in the Company getting better value for the its projects than the sale of undeveloped land as contemplated in the table above. The management is confident that if the negotiations are successful and in case, SEBI permits the Company to develop and/or Sell and/or enter into Joint development agreement as the case may be, it will be able to meet its liability towards the purchasers with ease.
- q) As mentioned above, the Company has sufficient means to meet all its obligations towards the purchasers as the value of its assets is much higher than the value of its due liabilities towards purchasers.

- r) *Out of all the land bank of the Company, land parcels at Patan, District Satara and Wardha in the State of Maharashtra are the projects which have the in principle/ approval of authorities and the development thereof can be started by the Company or it can be developed by another developer through a joint development agreement. As the approvals are in place, the management feels that instead of sale of land, it would be in the interest of all the stakeholders to develop the project instead of sale of land. The Company is in advance stage of negotiation with developers in the region for the joint development agreement. The Company is confident that after development of these two projects, it can realize a total value of approx. Rs. 29 to 30 crores (after meeting all the expenses of development) as against the value of the undeveloped land at these sites of Rs. 22.46 crore only. This will add an amount of approx. Rs. 7 crores to 8 crores to the total corpus available with the Company for repayment. The development work at these two projects may take approx. 12 months to complete.*
- s) *You may please appreciate that in any real estate project, approx 80% of the project sale value is realized within 6 to 7 months of the start of the project. This realized money will be much more than the value which the Company can get by the sale on undeveloped land within this period.*
- t) *Therefore, subject to the approval of SEBI, the Company proposes to develop these two projects and the money realized after meeting all the necessary expenses in respect of these two projects shall be used exclusively for the purpose of repayment of money to the purchasers.*
- u) *Further, in respect of the balance land bank of the Company, which is approximately 195 acres, in respect of which the necessary approvals are yet to come, the Company feels that it will take longer time to put in place the necessary approvals and resources for its development.*
- v) *Therefore, the Company proposes to sell these land parcels. Since all these land parcels are located at strategically prime locations, the Company feels that selling these land parcels should not be an issue. Subject of the approval of SEBI, the Company shall take immediate steps to sell these land parcels. For the purpose, the Company proposes to issue letter of intent to the regional property consultants/ brokers, issue newspaper advertisement and use its own resources to find a suitable buyer for these land parcels. In spite of the depressed real estate scenario, the Company is hopeful to liquidate these properties due to their strategic location. It may be noted that some of the land parcels are very big in size and there may be a situation where, a single buyer may not be able to purchase the same. Therefore, to find more than a single purchaser for the entire land parcel may be difficult. In such a case, the selling process may take longer than the expected time. In any case, keeping in view the local conditions and regulatory approvals involved in sale of agricultural land, the process of sale may take anytime between 9 to 12 months.*

Therefore, in view of the submissions made above, the Company proposes as under:

1. *The repayment of the amounts given by purchasers shall be refunded by the sale/development of the land/Projects subject to consent of SEBI. The Company realistically assess that the above process may take a period of approximately 12 to 15 months. Apart from the sale/development, the Company undertakes to utilize any other income like consultancy fee, debt realisation, interest income and other realisables from movable assets of the Company.*
2. *The revenues from all sources shall be deposited in the bank account of the Company and all payments to the purchasers shall be made through banking channels either through cheque, DD/pay order, electronic transfers to the bank accounts of the purchasers or his assignee. The Company undertakes to submit periodical report to SEBI of the amounts realized/credited in Company's account and the repayments made to the purchasers. The Company further undertakes to submit periodical report about the administrative and other expenses in the report.*
3. *The Company proposes to repay the small purchasers whose due amount is Rs. 10,000 or less, in the first tranche. It will settle 3071 purchasers out of the total 12278 purchasers. This would settle 25% of the total purchasers in terms of numbers. Thereafter, repayment shall be made to the purchasers whose due amount is more than Rs. 10,000 but equal to or less than Rs.1,00,000. This would settle 8052 purchasers out of the total 12278 purchasers. This would settle further 66% of the total number of purchasers. Thereafter, the repayment to balance 1155 purchasers (constituting 9% of the total purchasers) shall be made. Alternately, the Company proposes to repay the amount to the purchasers on the basis of date on which the amount was paid by them to the Company.*
4. *In case, any of the Purchasers is not willing to take the repayment and insist on getting the booked flat/plot in the developed project, the Company would forward such requests as part of its periodicals report to SEBI. The Company would therefore require modification of the interim order dated 31.03.2015 to the extent that it restrains the Company from alienating the assets of the Company.*

11. RIDIL vide letter dated January 04, 2018 submitted a certificate from Chartered Accountant Ravi Mittal and Chartered Accountant Ashish Singla dated December 24, 2017, regarding payouts of Rs. 11,79,99,927 from the bank accounts (Axis Bank vide Account No- 911020046544763 and ICICI Bank vide account No- 134105500181) of the company to applicants from 09.04.2012 to 18.10.2017. The company further vide letter dated July 9, 2018 submitted that :-

- *The Company had subject to clearance of the proposal by SEBI had offered to repay the total outstanding of Rs. 58.45 crore. As directed by SEBI vide its interim order, the Company is not accepting any fresh money from the purchasers for sale of plots/ flats. Further the Company has not disposed off any of its assets;*

- *The Company has voluntarily been repaying the money to the purchasers and as on 30th June, 2018 it has repaid an amount of approx. Rs. 2.0 crore to 277 no. of purchasers. Out of Rs. 2 crore, an amount of Rs. 13.22 Lakh to 48 no. of purchasers has been repaid through banking channels by way of NEFT from current account of the Company maintained with ICICI Bank, directly to the bank accounts of the purchasers.*
- *Since the Company was restricted by SEBI to dispose of its assets, it could not transfer the property to the purchasers willing to take the property. . Therefore, an arrangement was made with M/s Rich Infra India Ltd. to give properties to the purchasers, who were not willing to take repayment but were insisting on taking the property only. Pursuant to this arrangement, 229 no. of purchasers were given properties at various locations preferred by these purchasers. Consequently an amount of Rs. 1.88 crore was repaid by way of registration of properties in their favour up to 30th June, 2018. We wish to further submit that these properties given to these purchasers by way of a registered sale deed and a no objection/ no due certificate was obtained from them.*
- *A complete list of purchasers to whom the property been given by way of registered sale deed alongwith the amount due is enclosed. We are also enclosing copies of the registered sale deed alongwith copies of no objection/ no dues certificates from these purchasers for your ready reference.*

12. In the letter dated July 9, 2018 which referred to various documents, Annexure A to D was not enclosed and vide email dated July 26, 2018 and letter dated August 7, 2018, SEBI requested the RIDIL to send the Annexure A to D. RIDIL vide letter dated August 21, 2018 forwarded copy of the annexures.

13. I have considered the interim order, the replies of the noticees. In the interim order, after considering the available documents and material, a *prima facie* view was taken that the plans under the *scheme* in question satisfied the four tests of a collective investment scheme (CIS) as defined in section 11AA of the SEBI Act, 1992, namely (i) whether there was pooling

and utilization of contributions for purposes of a scheme; (ii) whether contributions were made to the scheme by the investors with a view to receive profits, income, produce or property from such scheme; (iii) whether the contributions were managed on behalf of the investors; and (iv) whether the investors did not have day to day control over the management and operation of the scheme. I observe that the basic allegation against the Noticees is that they were involved in illegal fund mobilizing activity, without obtaining registration as a CIS and thereby violated section 12(1B) read with Section 11AA of the SEBI Act, 1992 and Regulation 3 of the CIS Regulations and Regulation 4(2)(t) of the PFUTP Regulations. In the interim order cum SCN, dated March 31, 2015, paragraph 24, reads as follows:-

*“It is pertinent to mention that as per the complaints received by SEBI, the schemes offered by RIDIL are Rich Life, Rich link, Rich Elite, Rich Smart Child, Rich MAIO, etc. However, these schemes are neither mentioned in RIDIL’s website nor in the Company’s brochures. Thus, there appears to be differences between the brochures submitted by RIDIL and the Complainant investor. It is noted from the brochures submitted by RIDIL that the Company claims to have executed several real estate projects. **Notwithstanding this, I find that the schemes viz., Rich Life, Rich link, Rich Elite, Rich Smart Child and Rich MAIO operated by RIDIL are in the nature of a ‘collective investment scheme’ as defined in Section 11AA of the SEBI Act for reasons enumerated earlier in this Order.**”(emphasis supplied)*

14. It is clearly mentioned that schemes namely, Rich Life, Rich link, Rich Elite, Rich Smart Child and Rich MAIO operated by RIDIL are in the nature of a ‘collective investment scheme’. In spite of very specific allegation of operating CIS Schemes in the interim order, noticees have not submitted a specific reply. Their submissions have rested on the defence that the underlying transaction is in the nature of sale, which is clearly rebutted in paragraph 17 of this order. Further from the interim order, it is also noted that RIDIL launched many Plans viz., Rich Link, Rich Life, Rich Elite, Rich Smart Child, Rich MAIO. Under each of the plans, there are several Payment Options such as Rich Life – II Regular payment Option for 3 years, RICH LIFE II Regular Payment Option for 7 years, RICH LIFE II Regular Payment Option for 9 years etc. RIDIL also offered *buy back guarantee* to the investors/buyers. It is also observed from the brochure that plots will be allotted anywhere

in India and the RIDIL offers to allocate a property that is geographically close to the customer's residence.

15. I have perused the sample land / plot agreement application forms, furnished by the complainant. In the application form RIDIL had indicated to the investors that they shall be entitled for allotment of property and subsequent transfer of title and possession by means of a registered sale deed. The application form further states that as the fragmentation into small size of plot / property may not be feasible, the investors shall have the requisite share along with other investors in a particular piece of land. Accordingly, symbolic possession of the plots shall be handed over to the buyer immediately after Registration of relevant sale deed. As mentioned in the application form above, I find that in the repayment details forwarded by RIDIL vide letter dated July 9, 2018 a single flat having its address at 'Flat no.11GF measuring 1050 SQ feet area in Aman City Kharar, Punjab was shown to have been allotted to more than 20 investors. The related sale deed with respect to the said flat was executed in favour of three investors namely, Dilbag Singh, Paramjeet Singh and Rajwinder Singh as opposed to the claim of 20 investors. From the remaining investors, RIDIL had taken affidavits effectively discharging it from all liabilities to them in lieu of the transferee effected to three of the joint allottees. One of such affidavit is extracted hereunder as a sample.

"I Sh. Gurdip Singh aged 46 S/o Ram Jass Singh, Resident of VPO Kandoor, Dist. Ludhiana 142029

Do hereby solemnly affirm and state that as under:-

That I had entered into an agreement with Rich Infra developers India Limited having its office, at SCO 144-145, Sector 34-A, Chandigarh. For the allotment of one Plot Paid Rupees 94000 at measuring 2400 SQ Feet Vide Application.no. 10005618 dated 18/07/2011 and where of I have already made the payment of all installments without any Default or delay and the agreement still subsist.

- 1. That the Rich Infra Developers India limited has offered me the plot as per the Agreement but I want that a Flat no.11GF measuring 1050 SQ.Feet Area in Aman City, Kharar, Punjab, May be allotted to Sh. Paramjit Kumar s/O Sh. Om Parkash R/o V.P.O. Lalton Kalan Distt. Ludhiana 142029, Sh, Dilbagh Singh S/O Sh.Gurdev Singh V.P.O. Lapra,Distt. Ludhiana, 140001, Or Sh. Rajwinder Singh S/o Sh. Ujjagar Singh V.P.O. jartoli, Distt. Ludhiana, 141204. And sale deed/ conveyance deed*

be registered In favour of them with whom I have an understanding and who has made me the entire payment to my full satisfaction. In case aforementioned flat is registered in the name Shri Parmjit Kumar S/o Sh. Om Parkash, Sh. Dilbagh Singh S/O Sh. Gurdev Singh or Sh.Rajwinder Singh S/O Sh, Ujjagar Singh then my entire claim shall be satisfied and I will not claim anything from Rich Infra Developers India Limited in future.

2. *That there is my personal understanding with Sh.Paramjit Kumar S/O. Sh. Om Parkash,Sh. Dilbagh Singh S/O Sh.Gurdev Singh Or Sh.Rajwinder Singh S/O Sh. Ujjagar and. Rich Infra Developers India limited Or any of its Director/Manager/Employee has nothing to do with my Understanding with Sh.Paramjit Kumar ,Sh.Dilbagh Singh S/O Sh. Gurdev SinghOr Sh.Rajwinder Singh S/O Sh.Ujjagar Singh Rich Infra Developers India Limited Shall not be liable in any manner for my deal with sh. Paramjit Kumar S/O. Om Parkash, Sh. Dilbagh Singh S/O Sh.Gurdev Singh Or Sh. Rajwinder Singh S/O Sh. Ujjagar Singh and further Rich Infra Developers India Limited also stands discharged from all its Liabilities as it has already executed registered sale deed in favour of Sh. Paramjit kumar S/O Sh. Om Parkash ,Sh. Dilbagh Singh S/O Gurdev Singh Or Sh. Rajwinder Singh S/O Sh. Ujjagar Singh on my direction and therefore all my claims against Rich Infra developers India limited as per the agreement stands satisfied.*
3. *That I shall not claim anything from Rich Infra Developers India limited in future.”*

16. Thus the understanding appears to be that upon execution of such affidavits, RIDIL is absolved of its responsibility of repayment to the remaining investors. This pattern of repayment through a common sale deed of property, executed in the name of few investors, out of the several investors whose maturity amount is adjusted in lieu of that particular property, further reaffirms the fact that activities of RIDIL are not genuine sale and development of land projects. These are in the nature of investment schemes offered to the public under the guise of sale and development of land. I have also noted that in the terms and conditions mentioned in the 'Plot Allotment' letter of the scheme 'Rich Link', RIDIL continues to retain absolute control over the land in question, which is sold in fragmentation to different investors. The terms and conditions of the 'Plot Allotment' letter are reproduced below:

1. *The sale deed in respect of plot allotted to you will be executed and registered shortly.*

2. *After the execution and registration of the title deeds, the same will be kept in the custody of Company at Head Office, but however, you will have the right to see the original title deeds with prior intimation of atleast 15 days.*
3. *The Company will have the right to sell the allotted plot and in that event, you will be given alternative site at any other place.*

17. RIDIL collected funds from the public through its scheme / Plans for 'sale of plots of land and its development'. RIDIL retained absolute right to undo the allotment by sale of the same plot to some other investor and instead allot an alternative site at any other place. Thus after the allotment, neither the ownership nor possession of the land is transferred to the buyer/investor. RIDIL made arrangements for purchasing/procuring the land and undertook to develop the land, irrigate it, plant saplings, crops, trees and use fertilizers, pesticides on the crops and plants. It also undertakes to arrange for the sale of the produce from such land on behalf of the customer. RIDIL decides where to sell the produce and the price at which the same is to be done depending upon the grade of the produce and thereafter give the customer the '*net sale proceeds*'. As per the said agreement, the customer has no role to play and has to merely accept whatever proceeds are given and shall raise no dispute.

18. I have also perused Annexure A of letter dated July 9, 2018, wherein RIDIL had submitted details of NEFT refunds made by RIDIL from its ICICI bank account to investors. On a careful examination of the refunds it is noted that several investors were paid more than the amount due to them. For example Jagdish Chand having RIDIL registration no. RLM2-036/39280 had an amount of Rs. 18,509 due, against which RIDIL had paid an amount of Rs. 41,957. Similarly several investors like Sumit Singh (registration no. RLM060/23600), Surinder Singh (registration no. RLM2-084/35225), Geeta Devi (registration no. RLI060/23600) and Manju Devi (registration no. RLM2-060/23600) were paid more than the due amount to them. This casts doubt on the veracity of claim of repayment. The corroborating Bank Account statements have not been produced.

19. According to its own submissions, RIDIL had collected an amount of Rs. 41.82 crores from more than 12,000 investors. The payout verification certificate, certified by Chartered

Accountants shows that there are more than twenty thousand refund entries to investors. These refunds have been effected by RIDIL from 2012 onwards. In other words, RIDIL was involved in mass refunds which goes to show that the schemes offered by RIDIL are more akin to '*collective investment scheme*' and not genuine real estate schemes. In case of a simple sale and development of land scheme, there is no scope for return of money to such a vast number of investors. I have also noted from the balance sheet of RIDIL that it has mobilized money even after September 06, 2013. In view of the discussions above and in the absence of any evidence provided to refute the *prima facie* findings in the interim order, I reiterate that the activities of the company as described in the interim order constitute Collective Investment Schemes in terms of section 11AA of the SEBI and the same have been carried out by the company without seeking registration from SEBI, thereby contravening section 12(1B) of the SEBI Act read with regulation 3 of the CIS Regulations and Regulation 4(2)(t) of the PFUTP Regulations, as alleged in the interim order.

20. The noticees have submitted that the total outstanding liability of the Company, as on the date of its reply (November 21, 2017) after adjusting refunds made to purchasers is Rs. 58.45 crores, which includes the principal booking amount of Rs. 41.82 crores. RIDIL has submitted that they have already repaid an amount of Rs. 11.79 crores and submitted certificate of Chartered Accountants in this regard. Company has also submitted that considering the value of the assets reflected in the balance sheet of the company, it will be able to meet its liability towards the purchaser if a period of 12 to 15 months is granted to them. I have also taken into consideration the fact that Hon'ble Securities Appellate Tribunal in a similar CIS matter (Alchemist Infra Realty Limited, Appeal No. 124 of 2013, order dated July 23, 2013) which also had a similar business model had allowed a period of 18 months for repayment. Considering the difference in magnitude of refund to be made in the present matter and Alchemist Infra Realty Limited matter, amount of refunds already made, repayment certificate of Chartered Accountant, and valuation report of land held by RIDIL etc., I am inclined to grant a further period of 9 months from the date of this order to the noticees for completing the refunds. Noticees shall submit monthly repayment reports, certified by two Independent Chartered Accountants, to SEBI regarding the progress made while executing the scheme of repayment.

DIRECTIONS

21. In view of the foregoing and in the interest of investors and the securities market, I, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 and Sections 11(1), 11B and 11(4) thereof and regulation 65 of the SEBI (Collective Investment Schemes) Regulations, 1999, hereby issue the following directions:

- (a) RIDIL and its directors, namely Harvinder Pal Singh, Gurpreet Singh Sidhu, Parampreet Singh Sidhu and Baljinder Preet Singh are jointly and severally liable to wind up RIDIL's existing collective investment schemes and refund the money collected by it under the schemes, with returns which are due to the investors as per the terms of offer within a period of Nine months from the date of this order. The refund shall be made through 'Bank Demand Draft' or 'Pay Order'.
- (b) Upon completion of the refund as directed above, within a further period of seven days, RIDIL and its present directors, shall submit a winding up and repayment report (WRR) to SEBI in accordance with the CIS regulations. The WRR shall be supported by the proof of the trail of funds claimed to be refunded, bank account statements indicating refund to the investors and receipt from the investors acknowledging such refunds along with a certification of such repayment from two independent Chartered Accountants.
- (c) In the event of failure by RIDIL and its directors to comply with the above directions, SEBI shall initiate recovery proceedings under the SEBI Act against the Noticees.
- (d) RIDIL and its above named directors (i.e. Noticee nos. 2 to 5) shall not alienate or dispose of or sell any of the assets of RIDIL or any other asset acquired out of the funds collected from investors of RIDIL, except for the purpose of making refunds to its investors as directed above.
- (e) RIDIL and its above named directors (i.e. Noticee nos. 1 to 5) shall with immediate effect be restrained from accessing the securities market and prohibited from buying,

selling or otherwise dealing in securities market, directly or indirectly, till the directions for refund/repayment to investors are complied with, as directed at sub-paragraph (a) above to the satisfaction of SEBI and WRR is submitted to SEBI and for a further period of four years from the date of completion of the refund, as directed above.

- (f) The above named directors of RIDIL (i.e. Noticee nos. 2 to 5) shall be restrained from holding position as directors or key managerial personnel of any listed company for a period of 4 years from the date of this Order.

22. This order shall come into force with immediate effect. A copy of this Order shall be forwarded to -

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

Date: September 27, 2018

Place: Mumbai

**G. MAHALINGAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**