

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: MADHABI PURI BUCH, WHOLE TIME MEMBER

FINAL ORDER

Under Sections 11, 11(4), 11A and 11B of the Securities and Exchange Board of India Act,
1992

In the matter of Shri Ram Real Estate and Business Solution Limited

In re: Collective Investment Schemes Norms

In respect of:

S. No.	Name of the Entity	PAN	DIN
1.	Mr. Man Singh Verma	AMEPV2587R	02292062

-
1. Securities and Exchange Board of India (hereinafter referred to as “SEBI”) passed an *interim ex-parte* Order dated January 14, 2016 (hereinafter referred to as “**interim order**”), *inter alia*, in respect of past directors of Shri Ram Real Estate and Business Solution Limited (hereinafter referred to as “**SRREBSL**”/ “**the Company**”) including Mr. Man Singh Verma (hereinafter referred to as “**Noticee**”). The said Order, *inter alia*, made the following findings qua the Noticee:

“I am of the prima facie view that the past directors of SRREBSL viz., ...Mr. Man Singh Verma,..., by carrying on ‘collective investment schemes’ through various payment plans camouflaged as real estate schemes without the certificate of registration granted by SEBI, have violated the provisions of the SEBI Act and CIS Regulations”.

2. In light of the above, vide order dated January 14, 2016, the following directions were issued against the Noticee and other entities that they:

Order in the matter of Shri Ram Real Estate and Business Solution Limited in respect of Mr. Man Singh Verma

- i. “shall not launch any new scheme or plan or float any new company to raise fresh money for launching CIS schemes ;*
 - ii. shall not dispose of or alienate any of the properties/assets obtained directly or indirectly through money raised by SRESBL;*
 - iii. shall provide full inventory of all their assets and properties;*
 - iv. furnish their Permanent Account Number (PAN) to SEBI.”*
3. The said interim order also directed the past Directors of SRREBSL including the Noticee Mr. Man Singh Verma, to show cause as to why suitable directions/prohibitions under Sections 11(1), 11(4) and 11B of 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.
4. Vide the said interim order, *inter alia*, the Noticee was given the opportunity to file his reply, within 21 days from the date of receipt of the said interim order and also given an opportunity to avail a personal hearing on a date and time to be fixed on a specific request made in that regard.

Submissions of the Noticee and Hearings:

5. An opportunity of personal hearing was granted to the Noticee on December 06, 2017 which was rescheduled (advanced) to November 09, 2017. The said hearing notice was served to the Noticee by way of publication in the newspapers viz., ‘Pioneer’ Bhopal Edition and ‘Pradesh Times’, Sehore edition, each dated October 28, 2017.

Hearing on November 09, 2017:

6. Shri O.P Sharma, Advocate (“AR”) appeared on behalf of Mr. Man Singh Verma and made submissions:
 - The Noticees’ brother Shri Vikram Singh has misused his Voter ID/passbook and has forged his signature to make him director of the Company. In this regard, AR submitted a copy of affidavit of Mr. Vikram Singh admitting that he had forged the signature of his brother Mr. Man Singh Verma.

- That he was neither director nor promoter or shareholder of the Company.

The ARs were advised to submit the following details:

- Original affidavit of Mr. Vikram Singh.
 - Actual signature of Mr. Man Singh Verma attested and verified by Bank.
 - Copy of claimed forged consent letter for his directorship and other company documents showing him director and proof of signature used in the said documents.
 - Explanation as to how the Election card and Bank Passbook were misused by Mr. Vikram Singh without his knowledge.
7. AR has also filed written submissions on behalf of Mr. Man Singh Verma on November 09, 2017 wherein he has stated that he was never a director/ promoter or shareholder of the Company nor had any relation with the Company. He has also stated that he did not sign any documents with respect to the Company. He has reiterated that the persons managing the Company had forged his signatures and he is not responsible for the affairs of the Company. He has requested SEBI to remove his name from the list of persons responsible for the affairs of the Company. He has also stated that he is a physically disabled person and also submitted his disability certificate dated May 10, 2015.

Hearing on December 07, 2017:

8. Since Mr. Man Singh Verma contended that his signatures were forged by his brother Mr. Vikram Singh, another opportunity of hearing through video conference was granted to Mr. Man Singh Verma and Mr. Vikram Singh on December 07, 2017 to make submissions in this regard. However, hearing notice could not be served upon Mr. Vikram Singh. Thereafter, the hearing granted on December 07, 2017 was rescheduled to January 18, 2018. The hearing notices dated December 26, 2017 issued to Mr. Man Singh Verma was served through Speed Post with acknowledgment and hearing notice to Mr. Vikram Singh was served through Public Notice. The hearing notice was also delivered to the authorised representative of Mr. Man Singh Verma through e-mail.

Hearing on January 18, 2018:

9. Mr. Man Singh Verma and his authorised representative Mr. O.P.Sharma, Advocate appeared before me for hearing and reiterated his earlier submission that his brother Mr. Vikram Singh has misused his Voter ID/bank passbook and has forged his signature to make him director of SRREBSL. Further, he has also submitted an affidavit confirming Mr. Man Singh Verma's signature on record along with copy of PAN card and Voter ID. AR also requested time for signature attestation by bank and the same was granted. No one appeared on behalf of Mr. Vikram Singh.

Hearing on June 20, 2018:

10. Subsequently, Mr. Man Singh informed SEBI that Mr. Vikram Singh is currently staying with him and has also requested for a personal hearing in SEBI Local Office at Indore. In view of the same, an opportunity of hearing was granted to Mr. Vikram Singh on June 20, 2018 though video conference at SEBI, Local Office at Indore. The hearing notice was served through e-mail to the authorised representative of Mr. Man Singh Verma. However, Mr. Vikram Singh failed to appear for the personal hearing scheduled on June 20, 2018.
11. I note that SEBI vide letter dated August 09, 2018, sought documents to substantiate the claims of Mr. Man Singh Verma and in response, vide letter dated August 09, 2018 received on August 23, 2018, Mr. Man Singh Verma furnished all documents.
12. I have considered the allegations and materials available on record. On perusal of the same, the following issues arise for consideration. Each question is dealt with separately under different headings.

(1) Whether SRREBSL was operating a Collective Investment Scheme without obtaining registration from SEBI?

(2) If so, whether the Noticee is liable for directions with respect to the violations of Section 12(1B) of the SEBI Act and Regulation 3 of the CIS Regulations as envisaged in the interim order?

ISSUE No. 1 Whether SRREBSL was operating a Collective Investment Scheme without obtaining registration from SEBI?

13. I note that SEBI had passed an Order dated January 18, 2019 (“**Final Order**”) against SRREBSL wherein it was found that SRREBSL launched and was running various schemes under the garb of “*purchase and development of plot/land*” and mobilised at least an amount of Rs. 12,01,89,105./- from at least 383 investors during the financial years 2008-2009 to 2013-2014. It was also found that the features and characteristics of plans/schemes operated by SRREBSL satisfied the four conditions specified under section 11AA(2) of the SEBI Act and none of the exclusions specified under 11AA(3) were applicable to the said schemes. In view thereof, it was found that SRREBSL was offering the schemes in the nature of CIS without obtaining registration from SEBI in contravention of the provisions of Section 12(1B) of the SEBI Act and Regulation 3 of the CIS Regulations read with Section 11AA of SEBI Act.
14. I also note that the Noticee has not brought on record any contrary material in this regard. I, therefore, reiterate that the plans/schemes operated by SRREBSL were in the nature of CIS and SRREBSL was offering these schemes without obtaining registration from SEBI in contravention of the provisions of Section 12(1B) of the SEBI Act and Regulation 3 of the CIS Regulations read with Section 11AA of SEBI Act.
15. Section 12(1B) of the SEBI Act mandates that no person, shall sponsor or cause to be sponsored or carry on or caused to be carried on any CIS, unless it obtains a certificate of registration from SEBI in accordance with the CIS Regulations. The prohibition is on every person. Regulation 3 of the CIS Regulations provides that no person other than a Collective Investment Management Company, which has obtained a certificate under the said regulations, shall carry on, sponsor, or launch a 'CIS'. A person can launch, sponsor, or cause to sponsor a CIS only if it is registered with SEBI as a Collective Investment Management Company. 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.

16. I note from the Final Order that the directors of SRREBSL viz., Mr. Babloo Prajapati, Mr. Gopal Meena and Mr. Subhash Deshmukh, Mr. Sanjay Mewda, Mr. Nirmal Dhaneliya, Mr. Rajesh Kumar Bhagat, Mr. Vikram Singh, Mr. Vijay Singh, Mr. Sohan Kumar Patel, Mr. Jagdish Meena, Mr. Bhuvneshwar Prasad Sahu, Mr. Hemant Bhagat and Mr. Gyan Singh, were also found to be responsible for the illegal conduct of the business of SRREBSL. However, considering the submissions and contentions of Mr. Man Singh Verma, the findings with respect to him was severed from the Final Order dated January 18, 2019.

In view of the same, the issue arises as to whether the Noticee is also liable for the violations of Section 12(1B) of the SEBI Act and Regulation 3 of the CIS Regulations.

17. I note from the MCA records, the following details of appointment and resignation of Noticee:

Name of the Director	Date of Appointment	Date of Cessation
Mr. Man Singh Verma	September 08, 2008	December 05, 2008

18. Mr. Man Singh Verma contended that he was never a director/ promoter or shareholder of the Company nor had any relation with the Company. He has also stated that he did not sign any documents with respect to the Company. Vide his written submissions dated November 09, 2017, Mr. Man Singh Verma stated that the persons managing the Company had forged his signatures and he is not responsible for the affairs of the Company. He has requested SEBI to remove his name from the list of persons responsible for the affairs of the Company. Further, during personal hearings granted to him, he has submitted that his brother Mr. Vikram Singh has misused his Voter ID/bank passbook and has forged his signature to make him director of SRREBSL. Further, he has also submitted an affidavit confirming Mr. Man Singh Verma's signature on record along with copy of PAN card and Voter ID.

19. I have considered the aforesaid submissions of the Noticee and I also note that SEBI has sought documents for verification of the claims of the Noticees. In cases wherein persons allege forgery, the burden of proof lies upon the person who alleges the same. In the instant case the obligation to prove the same lies upon the Noticee. The said principle has also been recognised by various courts in a catena of cases. In this regard, I note the following observations of the Hon'ble Securities Appellate Tribunal in the matter of *Kalidas Dutta vs. SEBI* (decided on January 23, 2018) *"we are of the considered opinion that this appeal can be disposed of with a direction to the appellant to obtain appropriate documents/ orders from the competent authority to the effect that he was fraudulently appointed as director of the company in question on 10th February, 2015. For this purpose, the appellant is granted time up to one year to do the needful and submit the same to SEBI"*.
20. Therefore, I am of the considered view that the Noticee may be granted 365 days' time to obtain an appropriate order from the competent authority with respect to his allegation of forgery. The said order, if any, shall reach SEBI within 365 days from the date of this order. Till that time the directions against the Noticee passed in this order shall not take effect. Pending such determination, I am compelled to accept the MCA records that he has joined as a director of the Company on September 08, 2008 and resigned from the Company on December 05, 2008.
21. Section 12 (1B) of SEBI Act stipulates that no person shall sponsor or cause to be sponsored or carry on or caused to be carried on any venture capital funds or collective investment schemes unless he obtains a certificate of registration from the Board in accordance with the regulations. The stipulation is on every person who sponsors or causes to sponsor the collective investment scheme. It may be seen in a typical sponsoring of collective investment scheme, the company though in the eye of the law, sponsors the schemes, the same is caused to be sponsored by the directors who are involved in the sponsoring of the scheme. In view of this, the prohibition not to launch the unregistered CIS is on the Company as well as the directors independently. The SEBI Act along with the CIS Regulations, provide for various remedies in the interest of investor protection. Section 11B of the SEBI Act being one of the pivotal measure for the purpose of investor protection under which remedial tool of refund

is envisaged. CIS Regulations provides for two different set of measures under Regulation 65(c) and Regulation 65(d) of the CIS Regulations. Under Regulation 65(d) of CIS Regulations, SEBI has powers to direct the disposal of the assets of the collective investment scheme in a manner as may be specified in the directions which can be by way of winding up of the scheme. Under Regulation 65(d) of CIS Regulations, SEBI has powers to require the person concerned to refund any money or the assets to the concerned investors along with the requisite interest or otherwise, collected under the collective investment scheme. SEBI Act has also prescribed the other set of measures under section 11B of the SEBI Act. Therefore, SEBI in exercise of its mandate under Regulations 65 of the CIS Regulations read with Section 11B of the SEBI Act can take various investor protection measures in case of unregistered collective investment advisory activities. The said measures can include winding up of the schemes and direction to refund the money collected. While the Schemes can be directed to be wound up for repayment of the contributions of the investors, it does not absolve the obligation of the directors who collected the money on behalf of the company by causing the company to launch unregistered collective investment schemes from repayment. Therefore, the directors who collected the money on behalf of the company are also liable for repayment under section 11B of the SEBI read with regulation 65(d) of CIS Regulations to refund the money collected by them, during their tenure of directorship. Accordingly, the contributions collected are liable to be repaid both by winding up of the scheme of the company and by repayment by the directors in their personal capacity. As stated earlier, the liability of the directors is independent and the same can be enforced by way of direction to make refund under regulation 65(d) of CIS Regulations read with section 11B of SEBI Act.

22. In the instant case, it is already found that the scheme/plan offered by SRREBSL is a '*collective investment scheme*'. It is also observed that such fund mobilizing activity by SRREBSL was without obtaining a certificate of registration from SEBI, contravening the provisions of Section 12(1B) of the SEBI Act and Regulation 3 of the CIS Regulations. I note that SRREBSL had mobilised at least an amount of Rs. 12,01,89,105./- from at least 383 investors under its various schemes during the financial years 2008-2009 to 2013-2014. From the MCA

records, it is noted that Mr. Man Singh Verma was a director of the Company during the period of fund mobilization under its schemes, hence I am of the view that he is liable to make refund to the investors under the various schemes launched by SRREBSL collected during his tenure.

23. In addition to the refund liability mentioned above, I note that though Mr. Man Singh Verma has resigned from the Company, I am of the view that he was also responsible for all the deeds/acts of the Company during the period of his directorship, since he was obligated not to cause SRREBSL to undertake any fund mobilizing activity without obtaining a certificate of registration from SEBI and thus contravened the provisions of Section 12(1B) of the SEBI Act and Regulation 3 of the CIS Regulations. In view of the failure to discharge the said responsibility, Mr. Man Singh Verma is also liable to be debarred for an appropriate period of time.
24. I note that vide the Final Order dated January 18, 2019, SRREBSL was directed to wind up the existing Collective Investment Schemes and refund the money collected by it under the schemes with returns which are due to investors as per the terms of offer within a period of three months from the date of the Final Order. Further, I note that in case of failure of SRREBSL to repay the investors as directed, the directors of the Company viz., Mr. Babloo Prajapati, Mr. Gopal Meena and Mr. Subhash Deshmukh, Mr. Sanjay Mewda, Mr. Nirmal Dhaneliya, Mr. Rajesh Kumar Bhagat, Mr. Vikram Singh, Mr. Vijay Singh, Mr. Sohan Kumar Patel, Mr. Jagdish Meena, Mr. Bhuvneshwar Prasad Sahu, Mr. Hemant Bhagat and Mr. Gyan Singh (all in their personal liability to make the refund) were directed to refund the money collected by the said company (jointly and severally with SRREBSL) within a further period of two months.
25. In view of the foregoing, 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:

- (i) Mr. Man Singh Verma is jointly and severally liable (along with SRREBSL and its other directors mentioned in the Final Order dated January 18, 2019) to refund the money collected by SRREBSL during the period of his directorship under the schemes with returns which are due to investors as per the terms of offer within a period of **two months**.
- (ii) The refund shall be made through 'Bank Demand Draft' or 'Pay Order' both of which should be crossed as "Non-Transferable" or through any other appropriate Banking channels, with clear identification of beneficiaries and supporting bank documents.
- (iii) Upon completion of the refund as directed above, Mr. Man Singh Verma shall file a report of such completion of payment with SEBI, within further period of seven days, certified by two independent peer reviewed Chartered Accountants who are in the panel of any public authority or public institution. For the purpose of this Order, a peer reviewed Chartered Accountant shall mean a Chartered Accountant, who has been categorized so by the Institute of Chartered Accountants of India ("ICAI") holding such certificate.
- (iv) The aforesaid period mentioned in paragraph 23 (i) and (iii) is applicable to Mr. Man Singh Verma. The same shall not be construed as extension of period for others who are required to wind up the schemes or to make repayment as per the Final Order dated January 18, 2019.
- (v) In case of failure by Mr. Man Singh Verma to comply with the above directions, SEBI shall initiate recovery proceedings under the SEBI Act against Mr. Man Singh Verma.
- (vi) Mr. Man Singh Verma shall not alienate or dispose of or sell any of their assets except for the purpose of making refunds to its investors as directed above.
- (vii) Mr. Man Singh Verma shall abstain from collecting any money from the investors in respect of the schemes identified as a Collective Investment Scheme in Final Order.
- (viii) Mr. Man Singh Verma shall 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 the investors are complied with, as directed at pre paras to the satisfaction of SEBI and WRR/ Report of completion of payment with SEBI is submitted to SEBI and the said prohibition shall continue for a further period of **four** years from the date of completion of the refund, as directed above.

- (ix) Mr. Man Singh Verma shall be restrained from holding positions as director or key managerial personnel of any listed company from the date of this order for a period of **four** years from the date of completion of the refund, as directed above.
26. This order will come into effect with respect to Mr. Man Singh Verma on the expiry of three hundred and sixty fifth (365) day of this order, if the order of the Competent Authority is not produced by Mr. Man Singh Verma within such 365 days, or, if produced within such period, the same is not in favour of Mr. Man Singh Verma. This direction shall not take effect, if the order of the Competent Authority is produced within such period and the same is in favour of Mr. Man Singh Verma.
27. This Order shall be part of SEBI Order dated January 18, 2019 and always be read along with the SEBI Order dated January 18, 2019.
28. Copy of this Order shall be forwarded to the Stock Exchanges and Depositories and Registrars and Transfer Agents for necessary action.
29. A copy of this Order shall also be forwarded to the Ministry of Corporate Affairs/ concerned Registrar of Companies, for their information and necessary action with respect to the directions/ restraint imposed above against the Company and the individuals.
30. A copy of this Order shall also be forwarded to the Local Police/State Government for information.

DATE: May 07, 2019

PLACE: Mumbai

**MADHABI PURI BUCH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**