

SECURITIES AND EXCHANGE BOARD OF INDIA

CONFIRMATORY ORDER

UNDER SECTION 11(1), 11(4), 11B(1) AND 11D OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 65 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (COLLECTIVE INVESTMENT SCHEMES) REGULATIONS, 1999

In respect of –

Entity No.	Name of the Entity	PAN
1.	Farm Silo Tech LLP (also known as Growpital)	AAHFF4274C
2.	Yotta Agro Ventures Pvt. Ltd.	AABCY2263K
3.	ZF Project 1 LLP	AACFZ9734C
4.	ZF Project 2 LLP	AACFZ9766E
5.	ZF Project 3 LLP	AACFZ9913H
6.	Mr. Rituraj Sharma	DEMP5345H
7.	Ms. Gayatri Rinwa	AQPPR9353N
8.	Mr. Krishna Sharma (also known as Krishna Joshi)	DFXPS7404R

(The above-mentioned entities are hereinafter referred individually by their respective names /Entity numbers and collectively as “Entities”)

In the matter of Growpital Platform

BACKGROUND

1. Securities and Exchange Board of India (“**SEBI**”) had passed an Interim Order dated January 29, 2024 (“**Interim Order**”) in the matter of Growpital Platform, under sections 11(1), 11(4), 11B(1) and 11D of the Securities and Exchange Board of India Act, 1992

(“SEBI Act”). The brief facts relevant for the present matter have been laid out in the subsequent paragraphs.

2. SEBI received a communication vide an email dated June 30, 2023, *inter-alia*, drawing SEBI’s attention to an online platform, Growpital (<https://www.growpital.com>), which was offering various investment plans to the public and was claiming to invest the funds so mobilized in agricultural projects to generate tax-free assured returns for its investors. SEBI was requested to look into the matter and take necessary action to safeguard the interests of investors.
3. Pursuant to the aforesaid, SEBI undertook a preliminary examination and on the basis of the same, taking into account the facts and circumstances, the Interim Order was passed by SEBI. Vide the Interim Order, following directions were *inter alia* issued:

“27.1 Farm Tech Silo LLP (also known as Growpital), ZF Project LLP 1, ZF Project LLP 2, ZF Project LLP 3, Yotta Agro Venture Private Limited and the directors / designated partners of these Entities namely, Mr. Rituraj Sharma, Ms. Gayatri Rinwa and Mr. Krishna Sharma are directed:

- i. To cease and desist from floating any CIS, directly or indirectly, and cease to solicit or undertake such activity determined as CIS, in any manner whatsoever, until further orders.*
- ii. Not to collect any money from new partners / investors or any additional sum of money from existing partners / investors in existing schemes / plans, until further orders.*
- iii. Not to divert any funds collected from partners / investors, kept in bank account(s), payment wallets and/or in their custody, until further orders.*

- iv. *Not to dispose of or alienate any assets, whether movable or immovable, or any interest or investment or charge on any of such assets including moneys lying in bank accounts belonging to the Entities, except with the prior permission of SEBI, until further orders.*
- v. *To provide a full inventory of all the assets held by them, whether movable or immovable, or any interest or investment or charge on any of such assets, including details of all bank accounts, demat accounts and mutual fund investments, immediately, but not later than 15 working days from the date of receipt of this order.*
- vi. *To immediately withdraw and remove all websites, advertisements, representations, literatures, brochures, materials, publications, documents, communications, etc. in relation to the unregistered CIS activities or any other unregistered activity in the securities market, until further orders.*
- vii. *Not to access the securities market and buy, sell or otherwise deal in securities in any manner whatsoever, directly or indirectly, until further orders.*
- viii. *To submit the details of partners / investors (contact number, address, date of enrolment) who have contributed to the ZF Project LLPs (now or in the past) through Growpital or any other platform and to submit details of contributions received from each such partner / investor immediately, but not later than 15 working days from the date of receipt of this order.*

27.2 ...

27.3 *Cashfree Payments India Private Limited is directed not to accept any payments made through Growpital or on behalf of Growpital. Further, no funds shall be transferred to the escrow account of Farm Silo Tech LLP / Growpital until further orders.”*

4. Banks, Depositories and Registrar and Transfer Agents were directed to freeze the bank accounts, demat accounts belonging to the Entities and not to allow transfer or redemption of securities of the Entities.
5. The Entities were served with the aforesaid Interim Order, vide email dated January 29, 2024. The Entities were also advised to file their reply/ objections, if any, to the Interim Order and to indicate if they desired to avail an opportunity of personal hearing, within 21 days of the Interim Order.

REPLIES AND PERSONAL HEARING

6. The Entities, vide letter dated February 01, 2024, without making any submissions as regards the *prima facie* violations of securities laws brought out in the Interim Order, made a request for unfreezing of their bank accounts. The submissions of the Entities in the said letter are summarized as under:

6.1. The Entities had voluntarily stopped taking further capital contribution from the current/ new partners with effect from January 26, 2024.

6.2. The request to unfreeze the bank accounts may be considered in light of the following facts:

- i. The farm and agricultural operations are currently ongoing on approximately 13328 acres of area spread across 11 states. The standing crops necessitate timely and continuous payment of daily wages for over 4000 farm laborers and office employees;
- ii. Uninterrupted financial flow is crucial to ensure operational efficiency and to maintain the standing crops in daily farming activities;
- iii. Funds need to be deployed in critical areas such as irrigation, sprays, drainage, weed control etc.;

- iv. Major portion of inventory comprises of harvested crops which are perishable in nature and in the absence of access to funds and banking operations, the entire farm and agricultural operations will come to a standstill which will jeopardize the interest of existing partners/ investors;
- v. Delay in labor payments and farming operations poses a substantial risk of crop perishing, resulting in complete forfeiture of revenue;
- vi. Land development and/ or sowing works are under process and upon completion of same, plantation and other operational work is to be started immediately to avoid loss to the business and protect the interest of existing partners;

6.3. Vide email dated January 30, 2024, an online survey was sent to all the partners and their opinion was solicited as regards continuity of business operations. As at 11.40 AM on February 1, 2024, 1258 partners had submitted their response and out of the same 1253 partners voted for seeking continuity if business operations;

6.4. Given the time sensitive nature of crop cultivation, the Entities need continuous flow of funds for irrigation, fertilizer spray, etc.

6.5. An opportunity of personal hearing may be provided after submission of a detailed response to the Interim Order.

7. Pursuant to the receipt of the aforesaid letter, vide email dated February 02, 2024, the Entities were advised to submit information sought in the Interim Order and were informed that hearing in the matter would be granted to the Entities after submission of the said information.

8. Vide letter dated February 15, 2024, the Entities sought inspection of certain documents. While the request of the Entities for inspection was under consideration,

the Entities filed their written submissions in the matter vide letter dated February 23, 2024. The submissions made by the Entities are summarized hereunder:

- 8.1. The issuance of the Ex-Parte Ad-Interim Order by SEBI against the Entities has effectively halted the operations of the Entities and has significantly impinged upon the life and liberty of Entities and the partners.
- 8.2. The Ad-Interim Order stands in clear contravention of the principles of natural justice, and fair process.
- 8.3. SEBI does not have proper jurisdiction to pass the Ex-Parte Ad-Interim Order and the said order should not have been issued, especially considering its severe repercussions.

A. Blatant Conflict of interest and involvement of SEBI Officers

- i. An official of SEBI actively participated in the alleged scheme by becoming a partner in ZF Project 1 LLP by creating his profile first on July 24, 2023, and subsequently, becoming a partner on October 20, 2023 and contributing ₹5,000/- (from account with State Bank of India having Account No. as 30*****55) in order to obtain all the documentation and communications, which were duly provided by the Entities. The SEBI Officer also received benefits of ₹98.63 on December 31, 2023 pursuant to his contribution;
- ii. The SEBI Officer, perhaps under the instructions of the Whole Time Member, became a member and is a partner till date. The Entities have transparently provided all information and documents to the SEBI Officer as they would to any of the other partners;
- iii. The Entities were astonished as to why the SEBI Officer and the Competent Authorities never questioned or alerted the Entities in respect of any alleged misdoing by the Entities. The surreptitious conduct of trying to obtain information, which the SEBI could have obtained directly from the Entities given the wide

powers under the SEBI Act, 1992, gives an impression that the Ex-Parte Ad-Interim Order is motivated by some extraneous circumstances which conduct is not befitting for a regulator such as SEBI;

- iv. It is a matter of record that the Entities had stopped the pooling of funds as of January 26, 2024. Thus, the Entities had already stopped the acceptance of funds before the Ex-Parte Ad-Interim Order was issued;
- v. The SEBI official is not an Investigating Authority under Section 11C of the SEBI Act, 1992, as he does not hold the position of 'Division Chief' under SEBI (Employees' Service) Regulations, 2001.

B. SEBI has no jurisdiction since there are no marketable securities

- i. SEBI has no jurisdiction to investigate the instant matter or pass any directions whatsoever against the Entities since the business/operations conducted by the Entities and the schemes floated do not fall under the definition of '*securities*';
- ii. The Entities did not issue or allot any securities and the interest of the partner in the LLP is not akin to being classified as a security within the meaning of the extant laws;
- iii. In the present case, the Entities have not floated any scheme and allotted any units or any instrument to any of the partners. The business model of the Entities is completely different than that of a CIS. There are no units being offered by the Entities here. The Entities merely permits a person participate in the agriculture business by becoming a partner in the LLPs through capital contribution and as a consequence the said partners enjoy the profits made by these LLPs. Neither in the said business model, is there issuance of any unit nor is there is any instrument and therefore, SEBI has no jurisdiction to pass any directions against the business of the Entities;
- iv. It is well settled that not everything and anything can fall under the ambit of the word '*securities*' and therefore something which a statute does not provide cannot be read expressly, especially into a social welfare legislation such as the SEBI Act. In this regard, reliance is placed upon the following judgments:

- a) *Shiv Shakti Coop. Housing Society v. Swaraj Developers & Ors*¹;
- b) *M/s. Hiralal Ratanlal vs. STO*²; and
- c) *Raghunath Rai Bareja v. Punjab National Bank*³

C. SEBI has failed to understand the factual background of the Entities

- i. Yotta Agro Ventures Private Limited is not a CIS but is a private limited company incorporated/registered on April 15, 2020, and recognized as a startup by the Department for Promotion of Industry and Internal Trade (“**DPIIT**”) and the business model of Yotta Agro Ventures Private Limited is also available on the website of DPIIT;

D. Government of India has provided a grant after analyzing the business

- i. The Entities have been receiving validation and encouragement from the Department of Agriculture and Farmers Welfare, Government of India. For instance, vide letter dated October 05, 2021, a total ₹62.60 lakh was sanctioned for the starts-ups of SKN Agriculture University, Jobner, Rajasthan by the Government of India and Yotta Agro Ventures Private Limited was granted ₹18 lakhs out of it;
- ii. The endeavors of the Entities were duly recognized by the District Planning and Development Board, Tseminyu, Department of Planning and Transformation, Government of Nagaland (DPDB), vide their letter, as recent as, dated December 11, 2023;
- iii. Yotta Agro Ventures Private Limited has also entered into a Memorandum of Association with Government of Nagaland on August 18, 2023 to work towards the improvement and betterment of agriculture economy of the State of Nagaland;
- iv. The Rubber Board of India has granted a tender to Toka Multipurpose Cooperative Society for the procurement of Planting Material of Polybag Plant and

¹ AIR 2003 SC 2434

² AIR 1973 SC 1034

³ (2007) 2 SCC 230

Root Trainer as part of the INROAD Project. Yotta Agro Ventures Private Limited has partnered with the Toka Society to undertake rubber nursery work;

- v. The Government of Uttarakhand vide letter dated December 08, 2022, invited the Entities to the “Agri, Aroma & Food Processing Conclave 2022”, a conclave which was chaired by Shri. Pushkar Singh Dhami, the Chief Minister, Uttarakhand. Further, Joshimath, Uttarakhand was declared as a landslide subsistence zone and this declaration has halted any initiation of new projects in the region until the rehabilitation process is complete. The potential projects which could have been taken up by the Entities, as a part of the Government’s effort to reconstruct the area, on the agricultural and food security side, are expected to play a pivotal role. The Entities remain optimistic about possibility of securing such projects but the Ex Parte Ad Interim Order poses a significant obstacle in this regard;
- vi. The Entities have consistently pursued land development and cultivation initiatives, contributing to agricultural productivity enhancement and job creation in various states across India;
- vii. The Interim Order is against the doctrine of legitimate expectation that the Entities are running the business with the blessing of the Central and State Government as well as other government agencies. It is not SEBI’s case that the Entities have hoodwinked or played a fraud on the Government and other agencies.

E. SEBI Order is leading to losses/damages to the farm operations and ultimately to Partners

- i. The Interim Order has directed the Entities to not dispose of or alienate any assets, which is resulting in significant adverse effects on the business operations and will cause loss to agricultural produce which cannot be the intent of any government agency;
- ii. The Interim Order has an immediate impact on the standing crops and failure to harvest and sell the crops will not only result in financial losses but will also deprive the partners of any potential return;

- iii. As a government body, it is the inherent duty of SEBI to not only protect the interest of securities market but to also keep in mind the government initiatives such as National Food Security Mission and Start-Up India;
- iv. Total capital contribution received by the LLP entities was approximately ₹192 crores until January 29, 2024 and out of this, ₹149 crores have already been allocated towards farming activities. Given the current disruption of the farming operations, the entire allocated capital contribution of approximately ₹149 crores is at risk of being written off.

F. No Prima Facie Case made out to demonstrate that the schemes of the Entities are CIS

- i. In the present case, there is no pooling of funds and every partner in the LLP has skin in the game as the said partner makes a capital contribution to the LLP. It is no different from any other partnership where 2 or more partners, who have common interest/ goal come together to form a partnership firm. Every rupee collected is accounted for and the partners have a complete oversight on the utilization of funds and profits made thereunder;
- ii. There is no pooling of funds for the purposes of the scheme and it is a capital contribution by an interested partner and such partner becomes owner/shareholder of the LLP to the extent of their capital contribution;
- iii. The conditions as envisaged in Section 11AA(2) of the SEBI Act are not being met:
 - a. Section 11AA(2)(i)- The retail investors/ partners are not being misled into parting with monies. Rather, they are obtaining a share in the LLP including profits/ returns from the agricultural projects and retail investors who join as a partner are protected from any liability on account of any loss/mismanagement by the designated partners;
 - b. Section 11AA(2)(ii)- It is true that every partner who has entered into the LLP only enters into the same to earn profits. Although profits are shared by the partners, the loss is not borne by them. It is on this premise that the partners

are given the '*assured profits*' and not '*assured returns*'. Designated Partners are given a share of profits and losses after the distribution of profit is done to partners as per the agreement. Further, as per the LLP agreement, the distribution of profits is capped to the net profits of the LLP and in no event is higher than the net profits of the LLP and thus, the condition of Section 11AA(2)(ii) is also satisfied;

- c. Section 11AA(2)(iii) and (iv)- The emphasis on LLP agreements, consent letters, etc. to state that the partners of the LLP have no day-to-day control over the management and operation of the scheme is ex-facie erroneous. As per the LLP agreement, any property acquired from the funds of the LLP is vested in the name of the partners and thus, there is no apprehension that the Entities will usurp the property. The very purpose of having LLP structure is so that all partners are not involved in the day to day running of the LLP and for the same, the law mandates the appointment of 'designated partners'. The same does not mean that other partners have no say in the running of the LLP. If the partners are not happy with the performance of the designated partner, the said designated partner can be changed subject to consent by majority of the 50% partners.
- d. The Interim Order incorrectly alleges that the Entities have refused to share location of farms as well as divulge financials to establish that the partners of LLP have no control over the management of the LLP. This is incorrect as the partners are a part of dedicated WhatsApp community which serves as a platform for open and seamless interaction among partners. Copies of supplementary agreement of LLPs is made available to the partners on a regular basis and the Entities also used to share the audited financials with all the partners. The location of the farms was not shared publicly but the Entities have been willing to provide the same to anyone who contacted them directly through email. The Entities have shared the financials with all the partners including audited financial report for the FY 2022-23 on October 18, 2023;

- e. Among the partners, there are individuals who have made significant contributions and it would be inconceivable to imagine that such partners would not actively engage in the management of the activities including questioning, seeking information and satisfying themselves with the operations and management.
- iv. The Interim Order purports to reinvent and evolve a new procedure of law against the existing SEBI jurisprudence. SEBI has passed the Interim Order without initiating any proceeding *qua* the Entities and has exercised the power under Section 11 without actually conducting a proper investigation under the SEBI Act. The Interim Order has *ex facie* been passed by misusing the powers under Section 11 of the SEBI Act;

G. SEBI's jurisdictional overreach and misinterpretation of LLP Act

- i. The finding in the Interim Order that only individuals can be designated partners is misplaced and flawed and illustrates undue haste on the part of SEBI. As per Ministry of Corporate Affairs as well as the LLP Act, an LLP can indeed have a body corporate as a partner and its nominees can act as designated partners. The supplementary agreements dated August 20, 2022 indicate Mr. Rituraj Sharma as the authorized representative/nominee of Yotta and Ms. Gayatri as the authorized representative/nominee of Farm Silo Tech LLP for ZF Project 1 and ZF Project 2;
- ii. SEBI is neither the court nor the jurisdictional authority under the LLP Act and it is well settled that the interpretation/ understanding of legal provisions by officers of Government cannot be the basis for construing/ interpreting the legislation. Reliance is placed on the decision of Hon'ble Supreme Court in the matter of ***B.K. Garad and Others Vs. Nasik Merchants Coop. Bank Ltd.***⁴;

⁴ AIR 1984 SCC 192

- iii. The usage of LLP structure is a commercial decision taken by the Entities and accepted by the partners and the same cannot be questioned by courts including SEBI. In this regard, reliance is placed on the following decisions;
- a) *Medici Holdings Limited v. Photon Infotech Private Limited and Ors*⁵;
 - b) *D-Link (India) Limited vs. The Securities and Exchange Board of India*⁶;
 - c) *Taneja Aerospace and Aviation Limited (TAAL) – SEBI Order dated January 11, 2016*

H. Continuation of the Ex-Parte Ad Interim directions is absolutely unwarranted

- i. SEBI has failed to make out even a *prima facie* case to justify the issuance of the Interim Order. The directions issued in the Interim Order are absurdly excessive, disproportionate, untenable and contrary to law. Even if the schemes of the Entities are CIS schemes, the same cannot justify imposing an effective death sentence on the Entities, and that too by Interim Order;
- ii. It is imperative for SEBI to vacate the directions issued vide the Interim Order for the following reasons:
 - a. The freezing of bank accounts has a tremendous impact on the operation of Entities and there is a requirement of cash flow for ongoing farms and payments of salaries. If the same is not allowed, the existing partners will be most effects as the Entities will not be able to meet the payout obligations to the current partners;
 - b. Freezing of personal accounts of Mr. Rituraj, Ms. Gayatri and Mr. Krishna has taken away their livelihood and ability to manage day to day expenses at personal level. Further, Equal Monthly Installments (EMI), home expenses are getting defaulted and it is getting difficult to survive. Fundamental right to obtain legal representation has also been taken away;

⁵ CP/53/2017

⁶ (2008) 85 SCL 2008 (SAT)

- c. Sowing has been done on approximately 13328 acres of area spread across 11 states. The standing crops on these lands necessitate the timely payment of daily wages and salary to over 4000 farm laborers and office employees;
 - d. An uninterrupted financial flow is required to ensure operational efficiency and to maintain the standing crops;
 - e. Majority of inventories in the Entities' farms are currently at the 'work in progress' stage and the ban on banking operations is leading to gradual deterioration of these inventories with each passing day. The consequential risk is that the entire farm and agricultural operations are teetering on the verge of a complete disaster and protest by laborers;
 - f. Delay in labor payments and in turn farming operations poses a substantial risk of crop perishing;
 - g. Land development and/ or sowing works are under process on the farmlands and upon completion of the same, plantation and other operation work is to be started immediately so as to not cause any loss to the business operations.
- iii. It is not clear as to whose interest SEBI is trying to protect since if the Interim Order is not revoked, there will be a massive erosion of the capital contribution of the partners.
 - iv. Existing partners were informed about the Interim Order and out of 1387 partners who submitted their responses/ voted in the survey dated January 31, 2024, 1380 partners have unequivocally sought continuity of business of the Entities. Thus, it becomes necessary for SEBI to allow the Entities to continue with the business and sell the farm produce. The Entities are willing to submit details of income from the business produce to SEBI periodically;
 - v. The Entities have already complied with the directions in Paras 27.1.i, 27.1.ii, 27.v and 27.viii in the Interim Order. The Entities also undertake to comply with directions in Paras 27.iii and 27.iv subject to utilizing funds for the purpose of meeting business obligations. The Entities undertake to comply with the directions stated at Paras 27.vi and 27.vii;

- vi. In the above background, if the directions in Paras 27.1.iv, 27.3 and 28 continue, then the same will be completely illegal, untenable and violative of the fundamental rights of the Entities to carry on the business. The Entities have been undertaking the business since 2020-21 with no default till date. Even SEBI has been investigating the matter for more than 6 months since June 2023 and thus, there is no imminent danger or any ongoing mischief or fraud by anyone to justify the passing and continuing of the Interim Order;
- vii. SEBI cannot issue Interim Orders which have final and irreversible consequences as is the case with the present Interim Order. SEBI can pass interim orders to preserve a status quo or to prevent harm which is currently being caused in the securities market but the same has not even been pleaded in the Interim Order. In fact, SEBI has not produced a single document to show that any of the 5244 partners has suffered as a result of the business of the Entities;
- viii. The Interim Order prevents the Entities from handing over the profits to the partners of the LLP and causes harm and prejudice to the thousands of the partners, Entities and the over 4000 employees and farm workers;
- ix. When the so-called investigation has been ongoing for so many months, the Interim Order without any personal appearances/ depositions is nothing but abuse of certain powers which can be exercised only in 'extremely urgent' cases. In this regard, reliance is placed on the following decisions:
 - a) *Arshad Warsi v. SEBI*⁷;
 - b) *Affluence Fincon Services Pvt Ltd. and Ors v. SEBI*⁸;
 - c) *Dr. Udyant Malhotra v. SEBI*⁹;
 - d) *Cameo Corporate Services Limited v. SEBI*¹⁰;
 - e) *North End Foods Marketing Pvt. Ltd. v. SEBI*¹¹.

⁷ March 27, 2023

⁸ September 07, 2020

⁹ June 2, 2020

¹⁰ November 26, 2019

¹¹ March 12, 2019

In the matter of **SEBI Vs. Dr. Udyant Malhotra**, Hon'ble Supreme Court has observed that an interim order should be passed only if (a) a *prima facie* case is established; (b) the balance of convenience justifies the same; and (c) if irreparable injury would be caused if such an order is not passed instantly.

- x. Hon'ble Supreme Court in the matter of **Radha Krishan Industries Vs. State of Himachal Pradesh and Ors.**¹² has held as under:

“The High Court noted that a provisional attachment on the basis of a subjective satisfaction, absent any cogent or credible material, constitutes malice in law.”

- xi. It is a settled principle of law that an interim order can be passed in case of grave urgency only or where it is found that the delinquent is about to dispose of the property in question. In absence of such findings, the directions to freeze the bank accounts of the Entities constitutes malice in law;
- xii. The partners of the LLP are facing adverse effects as a result of the Interim Order and prior to the said order, the Entities had maintained a clean record without any default whatsoever. However, since the Interim Order, a sense of panic has permeated amongst the members leading to 429 cancellations/ withdrawal requests, totaling approximately ₹15.29 crores.
9. After considering the inspection request, vide email dated March 01, 2024, the Entities were advised to avail the opportunity of inspection on March 12, 2024 at “SEBI - Northern Regional Office (NRO), NBCC Complex, Office Tower-1, 8th Floor, Plate B, East Kidwai Nagar, New Delhi - 110023”. The Entities confirmed their presence for inspection of documents vide email dated March 6, 2024. However, subsequently, the Entities, vide email dated March 10, 2024, sought deferment of the inspection on account of a writ petition filed by them in Hon'ble Rajasthan High Court. The Entities were informed vide email dated March 11, 2024 that since the proceedings before Hon'ble Rajasthan High Court are independent of the present proceedings, the Entities may avail the opportunity of inspection as the same would enable conclusion of

¹² [(2021) 6 SCC 771]

proceedings before SEBI at the earliest. Yet, the Entities chose not to avail the opportunity of inspection on March 12, 2024. The writ petition filed by the Entities was disposed of by Hon'ble Rajasthan High Court on March 14, 2024, recording that the Entities have a remedy to file a statutory appeal before Hon'ble SAT.

10. Pursuant to the aforesaid, the Entities were provided another opportunity of inspection on March 18, 2024 and an intimation in this regard was also sent to the Entities vide letter dated March 15, 2024. The opportunity of inspection was availed by the authorized representative of the Entities on March 18, 2024.
11. Pursuant to the completion of inspection, the Entities were provided an opportunity of personal hearing, to argue the matter on its merits, on April 12, 2024 and an intimation in this regard was sent to the Entities vide email dated March 26, 2024. The Entities confirmed their presence for the hearing vide email dated April 7, 2024. On April 12, 2024, the authorized representatives of the Entities appeared and requested for an adjournment on account of the appeal against the Interim Order filed by them before Hon'ble SAT, which was listed for hearing on April 16, 2024. At this juncture, the Authorized Representative was asked to explain the impact of conducting the present proceedings on the proceedings pending before Hon'ble SAT. In response, the Authorized Representative submitted that the Interim Order has been challenged in its entirety before Hon'ble SAT and requested that hearing may be adjourned to any date after April 16, 2024 for comprehensive arguments in the matter. The Authorized Representative was also informed that the matter is only being heard and an order will not be passed on the same day. However, the Authorized Representative of the Entities reiterated his request to reschedule the hearing, which was acceded to.
12. I note from the material available on record that Hon'ble SAT passed the order on April 16, 2024. The relevant excerpt of the directions issued by Hon'ble SAT is as under:
"4. Having heard the learned senior counsel for the parties, the appellants are directed to submit a draft proposal to the respondent, latest by April 19, 2024, with

the objective of ensuring the running of day to day business of the appellants. If such a proposal is submitted, the WTM will hear the appellants on the proposal submitted on April 22, 2024 and pass orders on the proposal by April 26, 2024.

5. Delay in the filing of the appeal is condoned on account of reasons stated in the application. The misc. application seeking condonation of delay is disposed of accordingly.

6. The respondent is directed to file a reply within three weeks from today. Appellants are directed to file a rejoinder within three weeks thereafter. The matter would be listed for admission and for final disposal on June 21, 2024. ”

13. In terms of Hon'ble SAT's directions, the Entities, vide email dated April 19, 2024, submitted their proposal as regards running of day to day business (hereinafter referred to as the **“Proposal”**). The submissions made in the *Proposal* by the Entities are, *inter alia*, as under:

- i. The personal accounts of the Entities may be unfreezed as the fundamental right to livelihood and legal representation has been taken away;
- ii. The Entities be allowed to meet their financial obligations including loans, GST returns, ITR returns and other payables, etc.;
- iii. The bank accounts of the Entities shall be restored to allow business continuity;
- iv. Ensuring business continuity is the only way to ensure repayment to partners and to protect the interest of the partners;
- v. An official administrator may be appointed by SEBI to monitor the operations;
- vi. The Entities are willing to provide regular quarterly updates on the progress;
- vii. The Entities sole source of revenue stems from conducting business operations;
- viii. Unfreezing the accounts of Yotta and ZF Project LLPs (**“Project LLPs”**) is imperative for sustaining the business operations;

- ix. Accounts of the Project LLPs will be allocated strictly for farm operation expenses with a cap of ₹23.5 crore. These accounts will accommodate incoming funds from Yotta;
 - x. Yotta's accounts will be utilized to cover operation expenses, including salaries, land leases, technology, servers and accounting as well as for procuring agricultural produce from Project LLPs and infusing new capital into them gradually. Further, Yotta's account will facilitate revenue collection through the sale of agricultural produce and other avenues from the market;
 - xi. Half of Yotta's profits will be earmarked for capital infusion into the Project LLPs, while the remaining amount will be used to expand cultivation area over Yotta's lands to accelerate capital repayment to partners of Project LLPs;
 - xii. Incoming funds in Project LLPs will be earmarked for repaying capital contribution to LLP partners;
 - xiii. Yotta may secure funds through debt and equity from institutional investors or High Net Worth individuals for project expansion and expediting capital contribution repayments to Project LLPs;
 - xiv. SEBI can oversee the administration of expenses incurred by Project LLPs and Yotta to monitor accounts effectively;
 - xv. Yotta holds ₹32 crore in receivables which could serve as security for funds drawn from LLPs;
 - xvi. The funds in the Growpital accounts, i.e., Farm Silo Tech which were not allotted towards contribution to any Project LLPs, may be released immediately.
14. Thereafter, a hearing in the matter was scheduled on April 22, 2024 at 4.30 PM. Vide an email dated April 21, 2024, the Entities were intimated about the said hearing and were advised to make their submissions on merit in respect of the Interim Order dated January 29, 2024 along with the submissions on the *Proposal*. On the scheduled date of hearing, Mr. Rituraj Sharma, along with Mr. Rahul Totala and Mr. Hemant Kothari ("**Authorized Representatives**"), appeared on behalf of the Entities and reiterated the submissions made by the Entities vide email dated April 19, 2024. During the course

of hearing, certain queries were raised to the Entities and they were advised to submit the details in respect of the said queries by April 23, 2024. An email dated April 22, 2024 communicating the queries was also sent to the Entities in this regard. After the Entities made their submissions as regards the *Proposal*, they were specifically asked to make submissions on merits of the matter particularly, the *prima facie* finding regarding the schemes run by the Entities falling within the purview of a CIS. In this regard, the Authorized Representatives of the Entities sought time to seek instructions from the Entities. Accordingly, another opportunity of hearing was provided to the Entities on April 23, 2024 to make their submissions on merits.

15. On April 23, 2024, the same authorized representatives namely, Mr. Rituraj Sharma, Mr. Rahul Totala and Mr. Hemant Kothari appeared and submitted, *inter alia*, as under:
 - i. The Entities deny the findings in the Interim Order that they were running a CIS Scheme;
 - ii. The mandate of the SAT Order, dated April 16, 2024, was limited to SEBI figuring out the functionalities of the *Proposal* and thus, SEBI cannot delve into the merits of the matter at this stage;
 - iii. The matter may be heard on its merits once SEBI has passed an order as regards the *Proposal* submitted by the Entities.
16. After hearing the Authorized Representatives of the Entities at length, it was intimated to them that the hearing on April 23, 2024 was scheduled for hearing their arguments on merits since on the previous date of hearing (i.e., April 22, 2024) they had submitted that they would have to seek instructions from the Entities in that regard. It was also intimated to them that before consideration of their *Proposal*, it is critical to determine the question whether the Entities were running a CIS and whether the funds were raised by them from investors in violation of the provisions of the securities laws. It was also emphasized that the consideration of the *Proposal* cannot be delinked from the consideration of the legality of the fund raising by the Entities. However, despite

the same, the authorized representatives of the Entities opted not to make any arguments on merits. Accordingly, they were informed that the Entities have been granted sufficient opportunities to argue the matter on merits and considering the timeline given by Hon'ble SAT to pass an order in the matter latest by April 26, 2024, no further adjournments could be granted in that regard.

17. Subsequently, vide email dated April 24, 2024, the Entities reiterated that their participation in the hearing was in terms of the Order of Hon'ble SAT and limited to considering the *Proposal* submitted by the Entities for running day to day business and not on the merits of the matter, since the same is pending consideration before Hon'ble SAT.
18. I also find it relevant to mention here that certain queries were posed to the Entities during the course of hearing dated April 22, 2024 with regard to the existing revenue and cost structures, details of the capital contributions and the assumptions behind the projected revenues / costs submitted in the *Proposal*. An email in that regard was also sent to them. The Entities submitted their responses vide emails dated April 23, 2024 and April 24, 2024. I shall refer to the said responses of the Entities in subsequent paragraphs at relevant points.

CONSIDERATION AND FINDINGS:

19. I have carefully perused the allegations in the Interim Order, written replies and *Proposal* submitted by the Entities and other material on record.
20. At the outset, I find it essential to address the contention of the Entities that the *Proposal* submitted by them on running their day-to-day business should be delinked from the merits of the case, most importantly, whether the instant scheme / arrangement offered / operated through the Growpital platform falls within the purview

of a CIS defined under the SEBI Act read with the CIS Regulations. In this context, I find it pertinent to note the following:

- 20.1. The Interim Order was passed on the basis that the instant scheme / arrangement offered / operated through the Growpital platform *prima facie* met the four conditions specified in Section 11AA (2) of SEBI Act, for determining whether a scheme is a CIS.
- 20.2. The crux of the matter is whether the Entities are running an unregistered CIS activity as *prima facie* observed by SEBI in the Interim Order and whether the funds have been raised by them in violation of the securities laws. Therefore, any business activity, which seeks to use the funds so raised, can be considered only if it is established that the funds sought to be utilized for such business activity have been raised in accordance with law. Accordingly, in my view, the *Proposal* for business continuity submitted by the Entities is inextricably linked to the allegations leveled in the Interim Order and it is not feasible to consider the same in isolation.
- 20.3. The argument made by the Entities to interpret the directions of Hon'ble SAT (made vide the order dated April 16, 2024) to confine the scope of the present order to only the consideration of the *Proposal* submitted by the Entities, also lacks substance since, Hon'ble SAT, vide the said order has not stayed the proceedings in furtherance of the Interim Order. Further, Hon'ble SAT has yet not admitted the appeal filed by the Entities against the Interim Order and the same has been listed for admission and final disposal on June 21, 2024.
- 20.4. The Interim Order of SEBI was passed on January 29, 2024 and the detailed reply of the Entities on the allegations levelled in the Interim Order was received on February 23, 2024. After completion of the inspection of documents on March 18, 2024 (which was scheduled earlier on March 12, 2024 and was deferred on the Entities' request), the hearing was scheduled on April 12, 2024. On the said date,

the Entities sought an adjournment of the hearing in view of the appeal before Hon'ble SAT. Thereafter, on April 16, 2024, Hon'ble SAT heard the matter and in terms of the directions of Hon'ble SAT, the hearing was scheduled on April 22, 2024.

20.5. On April 22, 2024, after the Entities made their submissions as regards the *Proposal* dated April 19, 2024, they were specifically asked to make submissions on merits of the matter particularly, the *prima facie* finding regarding the schemes run by the Entities falling within the purview of a CIS. In this regard, the Authorized Representatives of the Entities sought time to seek instructions from the Entities. Accordingly, another opportunity of hearing was provided to the Entities on April 23, 2024 to make their submissions on merits. On April 23, 2024, the same authorized representatives appeared and it was intimated to them that the hearing on April 23, 2024 was scheduled for hearing their arguments on merits. It was also intimated to them that before consideration of their *Proposal*, it is critical to determine the question whether the Entities were running a CIS and whether the funds were raised by them from investors in violation of the provisions of the securities laws. It was also emphasized that the consideration of the *Proposal* cannot be delinked from the consideration of the legality of the fund raising by the Entities. However, despite the same, the authorized representatives of the Entities opted not to make any arguments on merits.

20.6. The Entities therefore chose not to make additional submissions (apart from those submitted in their reply dated February 23, 2024) on the merits of the case including the *prima facie* CIS activity.

21. Considering the above, I am of the view that issue of the legality of the fund-raising by the Entities cannot be delinked from the consideration of the *Proposal*, and in light of the persistent reluctance on part of the Entities to make submissions on merits, I am constrained to holistically consider the present matter and the *Proposal* submitted

by the Entities, based on the material and submissions on record. I also note that the detailed investigation in the matter is still in progress, the outcome whereof will determine the further course of action in accordance with law.

22. Having observed as above, I now proceed to consider the allegations leveled in the Interim Order and the submissions made in response thereof along-with the *Proposal* submitted by the Entities and decide whether the directions issued vide the Interim Order *qua* the Entities need to be confirmed, modified or revoked.

23. The *prima facie* findings of the Interim Order are summarized below, for reference:

23.1. The scheme/ arrangement / plan offered by / through the Growpital Platform falls within the definition of CIS in terms of Section 11AA (2) of the SEBI Act, which reads as follows:

Any scheme or arrangement made or offered by any person under which,—

- i. the contributions, or payments made by the investors, by whatever name called, are pooled and utilized 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.*

23.2. No material is available on record to indicate that any of the Entities involved in the instant arrangement has formed a Collective Investment Management Company that has obtained a certificate under CIS Regulations. This *prima facie*

leads to a conclusion that there is violation of Section 12(1B) of SEBI Act read with Regulation 3 of the CIS Regulations, which read as follows:

Section 12(1B) of SEBI Act

“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 including mutual funds, unless he obtains a certificate of registration from the Board in accordance with the regulations:

Provided that any person sponsoring or causing to be sponsored, carrying or causing to be carried on any venture capital funds or collective investment schemes operating in the securities market immediately before the commencement of the Securities Laws (Amendment) Act, 1995, for which no certificate of registration was required prior to such commencement, may continue to operate till such time regulations are made under clause (d) of sub-section (2) of section 30.”

Regulation 3 of CIS Regulations

“No person other than a Collective Investment Management Company which has obtained a certificate under these regulations shall carry on or sponsor or launch a collective investment scheme”.

- 23.3. The activity of illegal mobilization of funds by sponsoring or causing to be sponsored or carrying on any collective investment scheme by any person also amounts to a fraudulent practice in terms of Regulation 4(2)(t) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices), 2003 (“PFUTP Regulations”), which reads as follows:

“Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:

...

(t) illegal mobilization of funds by sponsoring or causing to be sponsored or carrying on or causing to be carried on any collective investment scheme by any person”.

23.4. In terms of Section 27(1) of SEBI Act, Mr. Rituraj Sharma, Ms. Gayatri Rinwa and Mr. Krishna Sharma are *prima facie* liable for the acts and deeds of Yotta Agro Ventures Private Limited, Farm Silo Tech LLP (“Growpital”) and the three ZF Project LLPs and consequently, for the activities being undertaken through the Growpital Platform.

24. The specific contentions raised by the Entities on the above allegations, are dealt with in subsequent paragraphs under separate heads:

A. Blatant Conflict of interest and involvement of SEBI Officer:

- i. The Entities have contended that in view of the participation of SEBI official in one of the plans offered through the Growpital Platform, the proceedings against the Entities are tainted with bias, illegality and extraneous motives. In this regard, I note that the SEBI official had received a communication questioning the activities being undertaken through the Growpital platform. During the course of the examination, it appeared that the Entity had already raised funds of over ₹100 crores; however, details regarding the flow of funds was not available in the public domain. The participation of the SEBI official in the scheme offered by the Entities was for the purpose of gaining an insight into business model being adopted by the Entities. Accordingly, the then minimum investment amount required to invest in any plan offered through the Growpital Platform, i.e., ₹ 5000 was invested by the SEBI official in the plan. The return of ₹98.63 to the SEBI official is also not material. Given the insignificance of the amount involved, the allegations of bias and conflict do not hold any merit and only appear to be an attempt to digress the focus from the core issue of the nature of activities being undertaken by the Entities.

- ii. Additionally, the Entities have contended that the investigation conducted by SEBI without questioning the Entities was clandestine, questionable and in violation of principles of natural justice. Further, the SEBI official involved in the investigation is not an Investigating Authority under Section 11C of the SEBI Act, 1992, as he does not hold the position of 'Division Chief' under SEBI (Employees' Service) Regulations, 2001. In this regard, it is pertinent to mention that the information available online about Growpital appeared to show that the Entities had already raised funds to the tune of over ₹ 100 crores, which was growing at an alarming pace. Considering the gravity thereof, it was deemed appropriate to examine the matter without alerting the entities involved so as to prevent any possible diversion of funds and irreversible harm to the investors. For the same reason, no queries were raised from any of the Entities at that stage. I also note that the Entities have not disputed the veracity of any of the documents obtained during the preliminary examination that were relied upon in the Interim Order and subsequently shared with the Entities during the inspection of documents.
- iii. Further, as regards the SEBI officer not being an Investigating Authority in terms of section 11C of the SEBI Act, it is noted that the Interim Order has been passed after a preliminary examination in the matter, which does not require appointment of an investigating authority under section 11C. It is noteworthy that subsequent to passing of the Interim Order, a formal investigation in the matter has been initiated and an investigating authority for that purpose has been appointed. The said investigation is presently underway. In light of the above, I do not find any merit in the submissions of the Entities in this regard.

B. Ad-Interim Order stands in clear contravention of the principles of natural justice and fair process:

- i. With regard to the contention of the Entities about the Interim Order being in disregard of the principles of natural justice and fair process, I note that the

Interim Order has been passed on the basis of *prima facie* findings observed during the preliminary examination/inquiry undertaken by SEBI. The facts, circumstances and the reasons necessitating issuance of directions by the Interim Order have been examined and dealt with therein. The Interim Order has also provided the Entities a post decisional opportunity of hearing. The power of SEBI to pass Interim Orders flows from Sections 11 and 11B of the SEBI Act, which empower SEBI to pass appropriate directions in the interests of investors or securities market, pending investigation or inquiry or on completion of such investigation or inquiry. While passing such directions, it is not always necessary for SEBI to provide the entity with an opportunity of pre-decisional hearing. The law with regard to doing away with the requirement of pre-decisional hearing in certain situations is also well settled. The following findings of Hon'ble Supreme Court of India in the matter of *Liberty Oil Mills & Others Vs Union of India & Other* (1984) 3 SCC 465 are noteworthy: -

"It may not even be necessary in some situations to issue such notices but it would be sufficient but obligatory to consider any representation that may be made by the aggrieved person and that would satisfy the requirements of procedural fairness and natural justice. There can be no tape-measure of the extent of natural justice. It may and indeed it must vary from statute to statute, situation to situation and case to case. Again, it is necessary to say that pre-decisional natural justice is not usually contemplated when the decisions taken are of an interim nature pending investigation or enquiry. Ad-interim orders may always be made ex-parte and such orders may themselves provide for an opportunity to the aggrieved party to be heard at a later stage. Even if the interim orders do not make provision for such an opportunity, an aggrieved party has, nevertheless, always the right to make appropriate representation seeking a review of the order and asking the authority to rescind or modify the order. The principles of natural

justice would be satisfied if the aggrieved party is given an opportunity at the request."

- ii. Thus, considering the facts and circumstances of a particular case, an ad-interim ex-parte order may be passed by SEBI in the interests of investors or the securities market. It is pertinent to note that the Interim Order in the present case was passed under the provisions of sections 11(1), 11(4) and 11B(1) of the SEBI Act. The second proviso to section 11(4) clearly provides that *"Provided further that the Board shall, either before or after passing such orders, give an opportunity of hearing to such intermediaries or persons concerned"*. Further various Courts, while considering the aforesaid sections of the SEBI Act have also held that principles of natural justice will not be violated if an interim order is passed and a post-decisional hearing is provided to the affected entity. In this regard, Hon'ble Bombay High Court in the matter of *Anand Rathi & Others Vs. SEBI* (2002) 2 Bom CR 403, has held as under:

"It is thus clearly seen that pre decisional natural justice is not always necessary when ad-interim orders are made pending investigation or enquiry, unless so provided by the statute and rules of natural justice would be satisfied if the affected party is given post decisional hearing. It is not that natural justice is not attracted when the orders of suspension or like orders of interim nature are made. The distinction is that it is not always necessary to grant prior opportunity of hearing when ad-interim orders are made and principles of natural justice will be satisfied if post decisional hearing is given if demanded. Thus, it is a settled position that while ex parte interim orders may always be made without a pre decisional opportunity or without the order itself providing for a post decisional opportunity, the principles of natural justice which are never excluded will be satisfied if a post decisional opportunity is given, if demanded."

- iii. Further, Hon'ble High Court of Judicature of Rajasthan at Jaipur in the matter of *M/s. Avon Reckon Pvt. Ltd. & OR's Vs. Union of India & OR's* (D.B.Civil WP No.5135/2010 Raj HC) has held that:

"...Perusal of the provisions of Sections 11(4) & 11(B) shows that the Board is given powers to take few measures either pending investigation or enquiry or on its completion. The Second Proviso to Section 11, however, makes it clear that either before or after passing of the orders, intermediaries or persons concerned would be given opportunity of hearing. In the light of aforesaid, it cannot be said that there is absolute elimination of the principles of natural justice. Even if, the facts of this case are looked into, after passing the impugned order, petitioners were called upon to submit their objections within a period of 21 days. This is to provide opportunity of hearing to the petitioners before final decision is taken. Hence, in this case itself absolute elimination of principles of natural justice does not exist. The fact, however, remains as to whether post-decisional hearing can be a substitute for pre-decisional hearing. It is a settled law that unless a statutory provision either specifically or by necessary implication excludes the application of principles of natural justice, the requirement of giving reasonable opportunity exists before an order is made. The case herein is that by statutory provision, principles of natural justice are adhered to after orders are passed. This is to achieve the object of SEBI Act. Interim orders are passed by the Court, Tribunal and Quasi Judicial Authority in given facts and circumstances of the case showing urgency or emergent situation. This cannot be said to be elimination of the principles of natural justice or if ex-parte orders are passed, then to say that objections thereupon would amount to post-decisional hearing. Second Proviso to Section 11 of the SEBI Act provides adequate safeguards for adhering to the principles of natural justice, which otherwise is a case herein also..."

- iv. I, therefore, find that the Interim Order in the present case was in accordance with the provisions of law envisaged in the SEBI Act and was not in disregard of the principles of natural justice. It is also pertinent to mention that the Interim Order has been passed based on the findings of the preliminary inquiry to achieve the objectives of investor protection and safeguarding the market integrity by enforcing the provisions of the SEBI Act and CIS Regulations. I, therefore, do not agree with the contentions of the Entities in this regard.

C. SEBI's jurisdictional overreach and misinterpretation of the LLP Act

- i. The Entities have contended that SEBI is not the jurisdictional authority under the LLP Act and by issuing the Interim Order, SEBI has usurped the jurisdiction of other authorities under the LLP Act. Further, the usage of the LLP Structure is a commercial decision taken by the Entities and duly accepted by the Partners who have full understanding of the business model and the structure. It is a settled position in law that business judgments cannot be questioned by the courts including SEBI.
- ii. With regard to these submissions, I note that there is no dispute that the provisions of LLP Act are not administered by SEBI but in the present case, crux of the matter is that the LLP structure has been used by the Entities to raise funds from investors, which has been *prima facie* found to be in violation of the provisions of securities laws, which are administered by SEBI. On careful examination of the provisions of SEBI Act and CIS Regulations, I find that SEBI Act and CIS Regulations apply to all 'collective investment schemes' that satisfy the four conditions under section 11AA (2), irrespective of any form, structure or asset class. In this context, it is pertinent to refer to the observations of Hon'ble Supreme Court of India in the matter of *Osiens Connoisseurs of Art Private Limited vs SEBI*¹³ wherein Hon'ble Supreme Court observed the following:

¹³ (2020) 16 SCC 745

“The statutory scheme, therefore, is that, if a collective investment scheme, as defined, is to be floated by a person, it could only be done in the form of a collective investment management company and in no other form.”

“Once the statutory scheme becomes clear, it is clear that the collective investment scheme that was being carried on by the appellants in the form of a private Trust would be in the teeth of the Statute read with the CIS Regulations and would thus be illegal”.

- iii. The core issue in the matter is whether the instant scheme / arrangement operated by the Entities *prima facie* meets the conditions of a CIS. In light of the above observations of the Apex Court, once the four conditions specified under section 11AA(2) of the SEBI Act are met, the Entities cannot take shelter of a LLP structure to question the jurisdiction of SEBI. In view of the above, the submissions of the Entities on jurisdictional overreach are not acceptable. It is also needless to say that any commercial decision taken by an entity must be within the confines of existing laws.

D. The business of the Entities has been recognized by Government Agencies:

The Entities have also submitted that the Interim Order is against the doctrine of legitimate expectations and the Entities are running the business with the blessing of the Central and State Governments. In my view, such a contention cannot come to the rescue of the Entities and has little relevance/ impact on the present proceedings. It is not the case of the Entities that they are a government undertaking. I find that merely entering into Memorandum of Association or receiving funds/ token of appreciation, etc. from government cannot legalize the activities undertaken by the Entities. The Government Authorities such as the Department of Agriculture and Farmers Welfare, Government of India and Department of Planning and Transformation, Government of Nagaland, etc. have not gone into the aspect of the fund raising model adopted by the Entities being

in violation of the securities laws. Therefore, the recognition of any kind received from the aforesaid authorities, can in no manner be considered as a validation of the fund-raising model /structure adopted by the Entities. I, therefore, do not find any merit in the submissions of the Entities in this regard.

E. SEBI has no jurisdiction since there are no marketable securities:

- i. The Entities have contended that for the purpose of any scheme to come within an ambit of a 'collective investment scheme', there has to be units or some instrument being issued to the investors. In the business model adopted by them, no units or instruments have been issued and therefore, the business operations conducted by the Entities and the schemes floated do not fall under the definition of 'securities' and are not under the purview of SEBI. Further, limited partnership interests in agriculture, cannot fall under the category of 'securities' as defined in SCRA.
- ii. In this context, I note that the expression 'collective investment scheme' is defined in the SEBI Act from the perspective of the scheme or arrangement and not from the perspective of the asset class. None of the provisions in the SEBI Act indicate that scope of the SEBI Act and CIS Regulations is limited to the plantation/agro companies or to any specific asset class. Even the investment restrictions/obligations imposed by the CIS Regulations do not specify the asset classes wherein the entities offering the scheme or arrangement should invest, as is the case with the mutual funds.
- iii. On careful examination of the provisions of SEBI Act and CIS Regulations, I find that SEBI Act and CIS Regulations apply to all 'collective investment schemes' that satisfy the four conditions section 11AA (2), irrespective of the asset class and the issuance of any units or instruments. I further note that Hon'ble Supreme

Court of India in the **P.G.F Limited & Ors. vs UOI & Anr.**¹⁴ ("PGFL case"), while analyzing the scope of sub-section (2) of section 11AA of the SEBI Act, held that:-

"..sub-section (2) of Section 11 AA, which defines a collective investment scheme disclose that it is not restricted to any particular commercial activity such as in a shop or any other commercial establishment or even agricultural operation or transportation or shipping or entertainment industry etc. The definition only seeks to ascertain and identify any scheme or arrangement, irrespective of the nature of business, which attracts investors to invest their funds at the instance of someone else who comes forward to promote such scheme or arrangement in any field and such scheme or arrangement provides for the various consequences to result there from."

- iv. I further note that Hon'ble Supreme Court in the PGFL case (*supra*) has also emphasized that essential elements for determining the nature of a scheme or arrangement under section 11AA are the investment and 'rights and entitlement' of the investors, rather than the unit or instrument or document involved in the scheme. In this regard, I draw reference to the following observations of Hon'ble Supreme Court in the PGFL case:

"It has to be borne in mind that by seeking to cover any scheme or arrangement by way of collective investment scheme either in the field of agricultural or any other commercial activity, the purport is only to ensure that the scheme providing for investment in the form of rupee, anna or paise gets registered with the authority concerned and the provision would further seek to regulate such schemes in order to ensure that any such investment based on any promise under the scheme or arrangement is truly operated upon in a lawful manner and that by operating such scheme or arrangement the person who makes the investment is able to really reap the benefit and that he is not defrauded."

¹⁴ MANU/SC/0247/2013

- v. In light of the above discussion and law laid down by Hon'ble Supreme Court noted above, the arguments of the Entities on the jurisdiction of SEBI, are not tenable. I also note that in light of the clear position of law laid down by Hon'ble Supreme Court in the PGFL case, the judgments sought to be relied upon by the Entities in support of their submission cannot come to their avail.

F. No Prima Facie Case made out to demonstrate that the schemes of the Entities are CIS

- i. The Entities have contended that the schemes being offered by the Entities do not fall within the definition of a 'CIS'. They have also sought to advance their submissions under the four ingredients of section 11AA of the SEBI Act.

On pooling of funds

- ii. With regard to the first condition on pooling, the Entities have stated that there is no pooling of funds. The amount collected is capital contribution by interested partners, with each partner being entitled to a share in the LLP's capital and profits depending on the extent of capital contributed. Further, the interest of partners cannot be considered as 'investment' and such partners duly made under the LLP Act cannot be considered as 'investors'. I find that the above submissions made by the Entities are in contradiction to the claims made by Growpital on its website prior to the Interim Order, wherein it claimed to offer investment opportunity in alternative asset classes and compared itself to a mutual fund.
- iii. It was also brought out in the Interim Order that the LLP structure, which does not place any upper cap on the number of partners who can be on-boarded in an LLP and on the capital contribution that can be made by a partner, was mis-used to run a veiled investment scheme. In this context, it is relevant to mention that the Entities have submitted that there are no tangible assets owned by the ZF

Project LLPs and the lands for farming are provided by Yotta Agro Ventures Pvt. Ltd. and the LLPs are used to deploy funds for growing and selling of crops. This kind of structuring makes it clear that the LLPs are mere conduits for pooling of funds in the guise of 'capital contribution', and actual operations are carried out through Yotta Agro Ventures Pvt. Ltd.

- iv. In view of the above, the submission of the Entities on the first condition of "pooling of contribution or payments", stipulated in Section 11AA(2)(i) of the SEBI Act, cannot be accepted.

On contributions or payments being made by the investors with a view to receive profits, income, produce or property

- v. The Entities have agreed that every partner who has entered into the LLP, only enters into the same to earn profits. The profits from LLP are shared with the partner but loss borne by them is "zero". It is however contended that the distribution of profits amongst partners is capped to the net profits of the LLP at any given time and "will in no event be higher than the net profits of the LLP" and the condition of Section 11AA(2)(ii) of SEBI Act is not met.
- vi. In this regard, I note that the condition under Section 11AA(2)(ii) of SEBI Act states that the investors contribute with a view of receive profits or income. The Entities have admitted in their submissions that every investor / partner of the LLP has a view to earn profits. The argument on a cap on the profits that can be distributed amongst partners (to the extent of net profits of LLP) is irrelevant since the aforesaid condition only requires that the intent of an investor should be to receive profits, without delving into any thresholds or even the fact of actual receipt of profits.

- vii. Thus, I am of the view that the conditions as stipulated in Section 11AA(2)(ii) of the SEBI Act are *prima facie* fulfilled and the submissions made by the Entities in that regard are devoid of any merit.

On the contribution or investment being managed on behalf of the investors, with no day-to-day control of investors over the management and operations of the scheme or arrangement

- viii. The Entities have contended that the purpose of the LLP structure is so that all partners are not involved in the day-to-day running of the LLP and only the “designated partner” is in charge of day-to-day operations. It is contended that the partners of the LLP have a say in the running of the LLP. In this regard, the Entities have referred to the following provisions of the LLP Agreement:
- a. The partners in the LLP have the ability to change the designated partner subject to consent by majority of 50% of the partners. As per Clause 3.2 of the Supplementary Agreement, the partners with 75% of majority can change Farm Silo tech LLP as Designated Partner.
 - b. The LLP cannot take a loan with higher priority debt than its partner’s debt unless consent is provided by majority of 60% of the partners.
- ix. The Entities have also contended that the partners have complete oversight on their investment, through a dedicated WhatsApp community. Further, documents such as updated supplementary agreement of LLPs, and audited financials are regularly shared with partners. While farm locations are not made public, they are shared with partners on a one-on-one basis.
- x. It has been further submitted that the partners and individuals involved substantially were financially literate, having business acumen and the fundamental requirement for a CIS, which entails sole reliance on the efforts of

the seller or third parties for returns on investment, is absent. Furthermore, a number of investors have made substantial contributions of ₹ 10 lakhs to ₹ 6.25 crores, and actively engage in the management of the activities, including questioning, seeking information, and satisfying themselves with the operations and management.

xi. With regard to the aforesaid submissions made by the Entities, I observe the following:

- a. The Entities in their submissions have drawn reference to the clauses in the LLP agreements, which require consent of investors / partners such as taking loan with higher priority than partner's debt, ability to change the designated partner, etc. As also mentioned in the Interim Order, none of the clauses appear to provide the partners with the right to have day-to-day control over the management and operation of the ZF Project LLPs. It is also not the case of the Entities that the investors / partners have a say in approval of any farming operations related decisions (for instance, those above a certain monetary threshold).
- b. To elaborate, taking the case of public shareholders of a listed entity, the shareholders are vested with voting rights on issues such as appointment and removal of Board of Directors, on loans and investments made by a company above certain thresholds, related party transactions, etc. These rights are designed to safeguard the interests of the shareholders and give them a say in the operations of the company, especially in areas of potential conflict of interest. However, the fact remains that control of the company vests with the promoters, and shareholders, in general, do not dictate the commercial decisions of the company. Similarly, in the instant case, merely providing certain rights to investors / partners of the LLP (which may be invoked only in rare cases) cannot be construed to confer day to day control over the management and operations of the scheme or arrangement. In

fact, the Entities have themselves submitted that the partners are not involved in the day-to-day operations of the LLP.

- c. The contention that investors can ask questions and receive documents such as financials, is also not sufficient to establish the fact of day-to-day control over management and operations. Again drawing the parallel to a listed company, public shareholders have the right to question the management along-with right to timely and complete disclosures of the functioning of the company, without exercising control.
- d. With regard to the location of the farms, the Entity has stated that these details are shared with investors / partners only when the same are specifically sought. In this context, I note that there are complaints which appear to indicate a general lack of information of the operations being undertaken, on part of the complaining investors. Extracts of few of these complaints (as shared by the Entities) is placed below:
 - *As a LLP Partner I demand:... You have not revealed where and all you have leased the lands.*
 - *I need transparency, plz provide all the name of partners and your land location. Then I will definitely support you.*
 - *I'm deeply concerned about the proficiency and legal expertise of your lawyers for this case. Are they internal, or external? In tomorrow's webinar that was cancelled why did GP not bring their legal team on to explain further. There are hundreds of people in the GP whatsapp community who are also demanding answers.*
- e. The Entities have also contended that the partners and individuals involved substantially have business acumen and there is no sole reliance on the efforts of the seller or third parties for returns. Additionally, they have stated that a number of investors having made substantial contributions actively

engage in the management of the activities. In this context, I note that business acumen or knowledge of farming does not appear to be a pre-condition for becoming a partner / investors in the ZF Project LLPs. It is also not the contention of the Entities that an investor / partner gets an undivided interest in a farm that he / she can manage. It is pertinent to highlight that the Entities have not brought out anything to show that the agreement which an investor would enter into at the time of making investment would vary depending on the size of his investment. Further, there is no material to suggest that the LLP agreements confer any exclusive rights to big-ticket investors in the management and operations. It is also noteworthy that as per the submissions made by the Entities, the farming lands are leased / owned by Yotta Agro Ventures Pvt. Ltd. and not the ZF Project LLPs.

- f. Entities have also submitted that as per the LLP agreement, any property acquired from the funds of the LLP is vested in the name of the partners and thus, there is no apprehension that the Entities will usurp the property. In this regard, I have perused the material submitted by the Entities in relation to the assets owned by them, which reveals that the farm assets have been shown to be owned by Yotta Agro Ventures Pvt. Ltd. and none of the three LLPs have any ownership over the same. Further, the Entities have failed to submit anything to substantiate their claims that any property was in fact in the name of the Partners.
- g. It is also a matter of record that the land under cultivation/ available to the Entities was spread across the country including the states of Assam, Maharashtra, Rajasthan Nagaland, Madhya Pradesh, Karnataka, Chhattisgarh, etc. As per the submissions made by the Entities, they were managing approximately 13,000 acres of land across the aforementioned states. It is also not disputed that the investors/ partners involved also numbered over 5,200. In view of such large numbers and the land in issue

being spread across the nation, I am of the view that a day to day management was practically impossible for the investors / partners of the LLPs.

- h. At this juncture, I deem it fit to place reliance on the decision of Hon'ble Supreme Court in the PGFL case, wherein also, the land and the investors involved were spread across the country. The relevant extract of the said judgment is as under:

"...Having regard to the location of the lands sold in units to the customers, which are located in different states while the customers are stated to be from different parts of the country it is well-neigh possible for the customers to have day to day control over the management and operation of the scheme/arrangement...."

- xii. In view of the above discussions, I am of the view that the conditions as stipulated in Section 11AA(2)(iii) and (iv) of the SEBI Act are *prima facie* fulfilled and the submissions made by the Entities in that regard are not tenable.

G. SEBI Order is leading to losses/ damages to the farm operations and ultimately to the partners

The Entities have made a submission that it is not clear as to whose interest SEBI is trying to protect since if the Interim Order is not revoked, there will be a massive erosion of the capital contribution of the partners. In this regard, I note that the Interim Order has clearly recorded that the urgent need to ensure that additional funds are not mobilized through the Growpital platform under its scheme / arrangement / plans and to safeguard the assets acquired from the funds of the investing public until full facts and materials are brought out and final decision is taken in the matter. In view of the same, the submission of the Entities that it is not clear as to whose interest is SEBI trying to protect is also not tenable. As

stated in the Interim Order, in absence of the directions issued therein, many prospective investors might have got lured and would have fallen for the promise of assured profits made by the Entities. Further, the Entities were also planning to conduct a 'pre-IPO' equity funding round (as claimed by Mr. Rituraj Sharma) which would have led to involvement of multiple other investors. Accordingly, the present proceedings seek to ensure that the interest of the present and prospective investors/ partners is safeguarded and the hard earned money of such investors is safe and secure.

ASSESSMENT OF THE ENTITIES' PROPOSAL:

25. Hon'ble SAT, vide the order dated April 16, 2024 had directed SEBI to consider the *Proposal* submitted by the Entities and pass an order on the same by April 26, 2024. In this context, I note that an amount of approximately ₹ 46.5 crores is currently frozen in the bank accounts of the ZF Project LLPs, Farm Silo Tech LLP and Yotta Agro Ventures Pvt. Ltd. and ₹ 6 crores (approx.) is lying with Cashfree Payments India Ltd. The Entities propose to utilize ₹ 25.5 crores out of the said amount for the farming operations. This amount has been obtained from investors / partners as capital contribution. Without prejudice to the findings recorded in the previous paragraphs, I now proceed to examine the *Proposal* submitted by the Entities:

25.1. At the outset, I note that vide email dated April 22, 2024, the Entities were asked to submit details of the break-up of utilization of ₹ 25.5 crores proposed to be utilized; however, they have given a generic reply that this amount shall be used as working capital without providing any basis for computation of the same. No break-up in terms of current assets and liabilities or specific details of expenses, suppliers etc., has been provided. The Entities also replied that the utilization is as per the projections (Reference: Table 1 below), which however, indicate a total expense requirement of ₹ 64.3 crores. I thus note that the Entities have not given clarity on the schedule of utilization, the specific items for which these funds of ₹25.5 crores will be used, and the farm locations / crops where the funds shall

be utilized along-with break-up. I also note that the Entities have sought permission to settle outstanding vendor bills in excess of the aforementioned amount, without giving any details of such vendors.

25.2. The Entities vide email dated April 22, 2024 were also advised to submit details of expenses incurred for farming (with farm-wise break-up) since inception till FY 2023 - 24. The Entities, vide email dated April 23, 2024, have submitted over 600 invoices / payment vouchers for ZF Project 1 and ZF Project 2 LLPs which add up to not more than ₹ 30 crores. Further, out of this amount, over ₹ 28 crores has been paid to one entity for the sole purpose of “organic manure and inputs”. However, the amount claimed to be allocated for farming activities as per their submissions made vide their earlier letter dated February 23, 2024 and also indicated during the hearing on April 22, 2024 is much higher at ₹149 crores. Thus, their submissions on the actual utilization of the funds for farming expenses, appear to be deficient and contradictory.

25.3. The Entities have submitted a 5 year plan to generate revenues and profits from farming operations, using the aforementioned ₹ 25.5 crores. The Entity was advised to submit assumptions underlying these projections. However, no information in this regard was submitted. The Entities also claim that Yotta Agro has receivables to the tune of ₹ 32 crores. An extract of their proposal for FY 2024 – 25 is reproduced below:

Table 1 – Farm projections

	Year 1 (2024-25)
Total Farm Area (Acres)	12200
INVESTMENT	
Project Investment	₹255,000,000
REVENUE	
Revenue from Sale of Farm Produce	₹778,000,000

Table 1 – Farm projections (continued)

EXPENSES	
CORE TEAM	₹12,000,000
Execution	₹1,200,000
BD	₹1,200,000
Marketing	₹1,200,000
Finance	₹1,200,000
Central Farm Operations	₹1,200,000
Central Agronomy	₹1,200,000
Technology	₹1,200,000
HR	₹1,200,000
Business Analytics	₹1,200,000
Chief of Staff	₹1,200,000
ADMIN EXPENSES	₹5,375,000
Accounting Fees	₹600,000
Office Rent	₹1,500,000
Consumables	₹25,000
Legal Fees	₹1,200,000
Printing & Stationery	₹50,000
Travel Allowance	₹1,500,000
Advertising & Marketing	₹500,000
FARM EXPENSES	₹616,300,000
Land Lease	₹64,500,000
Farm Operations (Farm Workers, Land Preparation etc)	₹369,500,000
Farm Inputs (Pesticides, Fertilisers, etc)	₹126,000,000
Post Harvest Management (Grading, Sorting, packaging etc)	₹38,700,000
Farm Capex (Irrigation Infra, Machinery, IoT etc)	₹12,300,000
Training & Development	₹5,300,000
OPERATIONS COST	₹9,500,000
Tech Team (Product development, IoT Data Capturing etc)	₹500,000
BD Team	₹1,500,000
Marketing Team	₹500,000
Finance & Compliance Team	₹2,000,000
Central Farm Operations Team	₹1,500,000
Central Agronomy Team	₹1,500,000
HR Team	₹1,000,000
Business Analytics (Dashboard, MIS)	₹1,000,000
TOTAL EXPENSES	₹643,175,000
PROFIT	₹134,825,000
Capital infusion in ZF LLPs	₹67,412,500

25.4. The Entities were advised to submit a break-up of the projected revenues from sale of farm produce for FY 2024-25 (₹ 77,80,00,000, as mentioned at Table 1)

with the location of farms from which the revenue is proposed to be generated.
The information submitted by the Entities is given in the following table:

Table 2 – Farm locations and revenues (projected)

S. No.	Location of the farm	Proposed area under cultivation (in acres)	Proposed Revenue (₹)	Percentage of total revenue projection
1	Tseminyu, Nagaland	5,100	₹30,00,00,000	39%
2	Village - Gangewadi (Dhotri), Dist - Solapur, Maharashtra	100	₹2,50,00,000	3%
3	Village - Musti, Dist - Solapur, Maharashtra	200	₹3,80,00,000	5%
4	Village - Gandhora, Osmanabad, Maharashtra	52	₹1,00,00,000	1%
5	Village - Gandhora, Osmanabad, Maharashtra	50	₹70,00,000	1%
6	Village - Boremani, Solapur, Maharashtra	52	₹70,00,000	1%
	Village - Dhangadmau, Rawatbhata, Rajasthan	32	₹25,00,000	0%
7	Village - Phaltan, Satara, Maharashtra	45	₹1,30,00,000	2%
8	Chandana Tea Estate, Udalgiri, Assam	1,096	₹9,10,00,000	12%
9	Amluckie Tea Estate, Nagaon, Rangagora, Assam	3,764	₹19,50,00,000	25%
10	Loongsoong tea estate, Assam	1,504	₹7,80,00,000	10%
11	Coffee estate, Koppa Hosur, Chikmangalur, Karnataka	65	₹50,00,000	1%
12	Coffee estate, Vastara, Chikmangalur, Karnataka	103	₹65,00,000	1%
		12,163	₹77,80,00,000	100%

25.5. For the sake of completeness, the response of the Entities to a specific query on revenues generated from farming operations (since inception to FY2023-24) with farm-wise break-up is placed below:

Table 3 – Revenue details submitted by the Entities

Farm Name	Crop Name	Revenue in FY24 YTD	Crop Time
Gurgaon, Gurugram	Amla	₹2,23,126	Jan 2023 - Jan 2024
	Bitter gourd	₹38,856	Aug 2023 - Nov 2023
	Bottle gourd	₹29,605	Aug 2023 - Nov 2023
	Cucumber	₹1,890	Aug 2023 - Nov 2023
	Lemon	₹900	Jan 2023 - Jan 2024
Chhattisgarh, Bemetara, Berla - Bachedi	Papaya	₹78,696	Dec 2022 - Nov 2023
	cotton seeds	₹19,29,659	July 2023 - Jan 2024
Rajasthan, Bhilwara, Bijolia - Bijolia	Bengal Gram(Chana)	₹77,550	Nov 2022 - Mar 2023
Rajasthan, Bhilwara, Bijolia - Keshuvilas	Paddy	₹2,13,816	July 2023 - Nov 2023
	Soyabean	₹79,500	Aug 2023 - Nov 2023
	Soya Doc	₹12,16,715	Aug 2023 - Nov 2023
	Gram	₹59,26,851	Nov 2022 - Mar 2023
Rajasthan, Bundi, Lakheri - Dhagariya	Apple Ber	₹7,08,044	Mar 2023 - Mar 2024
Chhattisgarh, Bemetara, Berla - Chongikhapri	Banana	₹1,00,679	Jan 2023 - Jan 2024
	Coriander Leaf	₹88,307	Sept 2023 - Dec 2023
	cotton seeds	₹57,13,883	July 2023 - Jan 2024

Table 3 – Revenue details submitted by the Entities (continued)

Karnataka, Chikmaglur, Koppa - Hosur	Fire Wood	₹40,660	Jan 2023 - Jan 2024
	Fresh Arecanut Raw	₹61,360	Jan 2023 - Jan 2024
Rajasthan, Kota, Pipalda - Badodiya	Guava	₹9,22,108	Mar 2023 - Mar 2024
	Guava	₹27,54,014	Mar 2023 - Mar 2024
	Guava-Pink Taiwan	₹39,927	Mar 2023 - Mar 2024
Rajasthan, Jaipur	Amla	₹8,02,464	Jan 2023 - Jan 2024
	Bitter Gaurd	₹27,867	Aug 2023 - Nov 2023
	Bottle Gourd	₹14,890	Aug 2023 - Nov 2023
Haryana, Jhajjar, Jhajjar - Bhatehra	Shrimp	₹7,59,721	Aug 2023 - Nov 2023
Rajasthan, Pali, Pali - Dayalpur	Barahi Dates	₹4,10,705	Mar 2023 - Mar 2024
	Moong (Green Gram)	₹2,36,764	July 2023 - Nov 2023
	Pearl Millet	₹89,380	July 2023 - Nov 2023
Madhya Pradesh, Raisen, Sultanpur - Chitoda Bhagaspur	Moong	₹40,07,000	Mar 2023 - June 2023
Goatway	Live Goat	₹2,18,102	Jan 2023 - Jan 2024
Gujarat, Anand, Anand	Mustard	₹3,12,50,000	Nov 2022 - Mar 2023
Maharashtra, Osmanabad, Ambejavalage - Mauje	Geranium Leaves	₹1,00,19,075	Dec 2022 - Dec 2023
	Grapes	₹9,56,215	Feb 2023 - Feb 2024
Maharashtra, Satara, Phaltan - Chaudharwadi	Onion	₹36,00,000	July 2023 - May 2024
Punjab, Ropar, Abiana Kalan - Nangal	Baby Spinach	₹2,09,802	Mar 2023 - Mar 2024
	Lettuce	₹91,066	Mar 2023 - Mar 2024
Rajasthan, Barmer, Chauhtan - Taratara Math	Watermelon	₹1,88,000	Jan 2023 - April 2023
	Jeera Seeds	₹61,67,80,962	Nov 2022 - Mar 2023
Rajasthan, Jaipur, Kanota	DDGs	₹60,57,008	Nov 2022 - Mar 2023
	Barley	₹4,94,142	Nov 2022 - Mar 2023
Rajasthan, Kota	Turmeric	₹41,56,834	Mar 2023 - Mar 2024
	Maida	₹50,04,171	Nov 2022 - Mar 2023
	Wheat Flour	₹17,91,718	Nov 2022 - Mar 2023
	Wheat seeds	₹2,15,00,082	Nov 2022 - Mar 2023
Uttar Pradesh, Agra	Potato 3797	₹10,61,154	Nov 2022 - Mar 2023
Uttar Pradesh, Kanpur, Shivrajpur	Potato	₹83,59,522	Nov 2022 - Mar 2023
		₹73,83,32,788	

25.6. From the above Table 2, I observe that as per the projections, at least 85% of the revenues for FY 2024-25 will be derived from land parcels in Assam and Nagaland. I, however, note that no submissions have been made of any revenues that have been derived in the past from these areas (Reference – Table 3). From the data submitted at Table 3, I note that 84% (₹61.7 crores out of a total of ₹73.8 crores) of the total revenues were derived from a single crop of jeera seeds farmed on a location in Barmer, Rajasthan with acreage of 75 acres. It thus appears that the projected revenues are proposed to be generated through areas and crops which till now have not yielded any revenues.

25.7. I also note a lack of clarity around the actual revenues generated from farming operations. While SEBI vide email dated April 22, 2024 had specifically sought

information on farm location-wise revenue generated since inception, the Entities appear to have submitted the information only for FY 2023-24. The total revenues (reference – Table 3) add to ₹ 73.8 crores. This figure is however unaudited. The number of unique crops for which information is submitted is 42; however, the Interim Order had noted that the Entities claim to grow over 70+ crops. Further, the revenue numbers contradict the submissions made by Mr. Rituraj Sharma in one of his videos in December 2023 wherein he told investors / partners that revenues of ₹ 110 crores have been closed for the first 9 months of FY 2023-24 and another ₹ 250 to 300 crores are expected to be closed over the next 3 months. The submitted revenue numbers therefore fall far short of the claims made by Mr. Rituraj Sharma (QR code for viewing the video, as submitted by the Entities is placed below, reference – 15 seconds onwards):



25.8. Given that 74% of the projected revenues is proposed to be generated from Nagaland and 2 tea estates in Assam (refer sl. Nos. 1, 9 and 10 in Table 2), it becomes necessary to discuss the supporting documents provided by the Entities with regard to these land parcels.

- i. The Entities have claimed proposed area of cultivation of 5,100 acres in Tseminyu, Nagaland with a proposed revenue of ₹ 30 crores (Reference – Table 2). In this regard, the Entities have submitted a Memorandum of Association (MoA) entered into on August 18, 2023 between the Government of Nagaland, District Planning and Development Board (“DPDB”) and Yotta

Agro Ventures Private Ltd., for improvement of the agriculture economy in the State of Nagaland. I note that the MoA does not contain any actual/ identified details of land on which farming would take place, and only states that as per the MoA, DPDB shall provide assistance in identifying locations for project implementation. The Entities in their own admission have stated that land cleaning is in progress for 600 acres, and land demarcation is in progress for 4,400 acres of land. Further, the Entities have not submitted any evidence of specific farm locations or actual allotment of land by the Nagaland authorities.

- ii. With respect to land parcels in Assam, I note that there are two tea estates (Amluckie Tea Estate and Loongsoong tea estate) where the Entities have a proposed area of cultivation of 5,268 acres projected to contribute a total of ₹ 27.30 crores of revenue (Reference – Table 2). In this regard, the Entities have shared Operational Partnership Agreements entered into on October 16, 2023 between Bokahola Tea Company Pvt. Ltd. (“Bokahola”) and Yotta Agro Ventures Private Ltd. The Agreement states that Bokahola has won a tender to take lease on the two tea gardens from Assam Tea Corporation Ltd. (“ATCL”). The Agreement also states that the lease deed for the gardens is in the process of being executed and is expected to be executed shortly. I note that no other document and no update has been provided by the Entities with respect to execution of the lease deed. It thus appears that the lease deeds for the two tea estates are yet to be executed.
- iii. In view of the above, of the proposed cultivation of 12,200 acres (Reference – Table 1), the claim of at least 10,368 acres is not backed by sufficient evidence. I also note that these lands are expected to contribute 74% of the total projected revenue for FY 2024-2025. It therefore appears that a significant proportion of the expected revenue is based on unsubstantiated assumptions.

- 25.9. In view of the above, I note that the Entities' past performance and experience is not in sync with the projections, they do not appear to have actual land allocation in Nagaland and Assam and they have been unable to detail the manner in which the funds, if released, will be actually utilized. There is also a lack of clarity on the actual revenues obtained till date from farming operations (with contradictory claims having been made by Mr. Rituraj Sharma) and the utilization of funds contributed by the investors / partners. Further, the basis or assumptions underlying the financial projections provided in the proposal have not been furnished.
26. The Entities have been representing that their crops have suffered damage due to the freeze on access to their bank accounts and the conduct of farming operations would be in the interest of investors / partners. They have also submitted a survey where maximum investors / partners have voted for business continuity. The issue before me is to determine whether based on the submissions of the Entities, it would be appropriate to release funds belonging to investors / partners. In this context, as noted in the preceding paragraphs, the submissions made by the Entities with respect to the allegations on running an illegal and unregistered CIS, are not satisfactory. Further, even keeping aside this issue, the *Proposal* submitted by the Entities is not backed by sufficient rationale and basis. It suffers from a lack of clarity on fund utilization which raises concerns about transparency and accountability on how the funds will be used. Furthermore, the *Proposal's* vague nature creates uncertainty about its viability and potential risks. Thus, in the absence of compelling evidence, the Entities have failed to provide a satisfactory justification to show that the release of any funds, which have in any case been *prima facie* mobilized through illegal means, would be in the interests of the investors / partners.
27. Entities have vehemently argued that the directions under the Interim Order have shut down the business of the Entities, thereby causing significant losses and harm to the interest of investors / partners. In this regard, I find it necessary to reiterate that the present proceedings seek to ensure that the funds that are available with the Entities

are not misused. Given the lack of clarity around revenues, the apparently exaggerated claims on the land under cultivation and the deficiencies in submission on fund utilization and financial projections, the balance of convenience lies in favor of continuance of the restraint against the Entities till the time the proceedings in the present matter are complete.

28. The Entities in their *Proposal* have also submitted that “*We seek the appointment of an official administrator nominated by SEBI to monitor our operations, thereby ensuring compliance while allowing us to resume our vital agricultural activities*”. I find that such a *Proposal* from the Entities can only be assessed in light of the holistic appreciation of the facts and circumstances of the case contained in the foregoing paragraphs. As has been discussed at length in the previous paragraphs, the Entities have not been able to satisfactorily rebut the *prima facie* allegations of the violations of the provision of SEBI Act, PFUTP Regulations and the CIS Regulations brought out in the Interim Order. Further, in light of the various inaccuracies, inconsistencies and lack of clarity in the Entities’ *Proposal* brought out in the preceding paragraphs, the *Proposal* as a whole does not inspire confidence. Thus, taking note of the *prima facie* violation of the securities laws and *Proposal*, which has been found to be deficient on multiple counts as already discussed, I am not inclined to accept the proposition of the Entities for appointment of an administrator by SEBI to monitor their operations.
29. With regard to the requests on unfreezing of personal accounts of individuals, I find merit in the submissions that funds are required for meeting day-to-day expenses, legal representation and payment of EMIs. Therefore, I am inclined to accept the *Proposal* of the Entities to the extent of lifting the freeze on individual accounts belonging to Mr. Rituraj Sharma, Ms. Gayatri Rinwa and Mr. Krishna Sharma. In this context, I find it relevant to tabulate the bank accounts of the aforesaid individuals frozen in pursuance of the Interim Order, along with the balance lying therein (as received from banks, as on January 31, 2024):

Table 4 – Particulars of bank accounts

S. No.	Entity	Bank	Account Number	Available balance (In INR)
1	Rituraj Sharma	AU Finance Bank	21*****67	-
2	Rituraj Sharma	AU Finance Bank	21*****92	-
3	Rituraj Sharma	ICICI Bank	67*****42	52,204
4	Rituraj Sharma	HDFC Bank	02*****90	62,479
5	Rituraj Sharma	Kotak Mahindra Bank	25*****57	21,77,586
6	Rituraj Sharma	HSBC	05*****06	1,53,162
7	Gayatri Rinwa	Axis Bank	91*****07	1,01,637
8	Gayatri Rinwa	Axis Bank	91*****74	2,14,333
9	Gayatri Rinwa	Axis Bank	92*****38	84,930
10	Gayatri Rinwa	Kotak Mahindra Bank	21*****59	52,142
11	Krishna Sharma	Yes Bank	07*****82	17
12	Krishna Sharma	HDFC Bank	50*****14	28,485
13	Krishna Sharma	HDFC Bank	50*****83	-
14	Krishna Sharma	Kotak Mahindra Bank	54*****45	1
15	Krishna Sharma	HSBC	05*****06	-

ORDER

30. Considering the material on record, oral and written submissions of the Entities and findings thereon mentioned in the preceding paragraphs, pending investigation, I, in exercise of the powers conferred upon me under Section 11(1), 11(4), 11B(1) and 11D read with Section 19 of SEBI Act, and Regulation 65 of CIS Regulations, hereby confirm the directions issued vide the Interim Order, till further orders, subject to the modification that the bank accounts of the individuals namely, Mr. Rituraj Sharma, Ms. Gayatri Rinwa and Mr. Krishna Sharma mentioned in Table 4 above, shall be unfrozen.

31. The above directions shall take effect immediately and shall be in force until further orders.
32. I note that a detailed investigation in the matter is in progress which may bring out additional acts of omission or commission, of the Entities, if any, in detail, depending on the material and after considering the facts and veracity of their submissions. The findings in the extant order are *prima facie* findings in a matter under investigation.
33. A copy of this order shall be served on all banks, recognized Stock Exchanges, depositories and registrar and share transfer agents to ensure compliance with the above directions.

Sd/-

Place: Mumbai

Date: April 26, 2024

**AMARJEET SINGH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**