भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

By Speed Post A.D.

GENERAL MANAGER &
ADJUDICATING OFFICER

EAD/EAD5/MC/CB/20708/2/2018
July 24, 2018

Maitreya Services Pvt. Ltd.
[PAN – AABCM9358H]
Maitreya Bhavan,
Pandit Din Dayal Nagar,
Navghar Manikpur Road,
Behind ICICI Bank,
Vasai (West) – 401 202
(Maharashtra)

Mrs. Varsha Madhusudan Satpalkar
[PAN – ACEPS9276L]
Indrakunj, Second Floor,
Behind Balaji Hospital,
Virar,
Mumbai – 401 303
(Maharashtra)

Mr. Janardan Arvind Parulekar
[PAN – AKNPP6001B]
Indrakunj, Second Floor,
Behind Balaji Hospital,
Virar,
Mumbai – 401 303
(Maharashtra)

Show Cause Notice under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 in the matter of Maitreya Services Pvt. Ltd.

1. Securities and Exchange Board of India (hereinafter referred to as, the "***SEBI***") initiated adjudication proceedings under Section 15D(a) and Section 15HB of the Securities and Exchange Board of India Act, 1992 (hereinafter be referred to as, the "***SEBI Act***"), for the violations of Section 12(1B) of the SEBI Act & Regulation 3 of the SEBI (Collective Investment Schemes) Regulations, 1999 (hereinafter be referred to as, the "***CIS Regulations***") and directions issued in SEBI Order No. WTM/RKA/CIS/07/2013 dated March 25, 2013 (hereinafter be referred to as, the "***SEBI Order***") alleged to have been committed by Maitreya Services Pvt. Ltd. (hereinafter be referred to as, the "***Noticee 1***" or "***MSPL***") and its directors, *viz*. Mrs. Varsha Madhusudan Satpalkar (hereinafter be referred to as, the "***Noticee 2***") & Mr. Janardan Arvind Parulekar (hereinafter be referred to as, the "***Noticee 3***"). The Noticee 1-3 shall hereinafter collectively be referred to as, the "***Noticees***".

2. Mr. Suresh Gupta was appointed as Adjudicating Officer *vide* Order dated June 21, 2016 to inquire into and adjudge under Section 15D (a) and Section 15HB of the SEBI Act, the aforesaid alleged violations against the Noticees. Subsequently, the undersigned was appointed as Adjudicating Officer vide Order dated April 26, 2018 in the instant matter. Copies of the communique dated July 29, 2016 appointing the erstwhile Adjudicating Officer and communique dated May 23, 2018 appointing the undersigned as Adjudicating Officer are enclosed herewith as **Annexure 1 & 2** respectively.

3. SEBI received a letter dated September 21, 2010 from the Income Tax Department (hereinafter, the "***ITD***") informing SEBI of suspicious transactions in the nature of running an unregistered Collective Investment Scheme (hereinafter be referred to as, the "***CIS***") by the Noticee 1 resulting into serious contraventions of various provision of the SEBI Act and Regulations. The ITD also forwarded certain documents including copy of statements of the Noticee 2 which were recorded on June 21, 2010, June 25, 2010 and July 02, 2010 under Section 131 of the Income Tax Act, 1961.

4. On perusal of reference received from the ITD, SEBI carried out examination in the activities and operations of the Noticee 1. To ascertain whether the activities and operations of the Noticee 1 would fall within the ambit of the CIS Regulations, SEBI sought certain documents from the Noticee 1 pertaining to memorandum and articles of association of the MSPL, details of its past and present directors, details of various schemes / offers made to the public and relevant application forms submitted and registration letters issued thereunder, details of funds mobilized from investors under those schemes / offers, details of regulatory approvals obtained by the Noticee etc. *vide* several letters, particularly those dated October 13, 2010, November 18, 2010, December 01, 2010, January 11, 2011 and May 19, 2011. The copies of the above mentioned letters are enclosed herewith as, **Annexure 3**.

5. The Noticee 1, in its reply dated December 02, 2010 and December 20, 2010 (copies of which are enclosed herewith as, **Annexure 4**), provided SEBI with copies of Memorandum & Articles of Association of the MSPL and details of present and past directors of the MSPL only. Further, the Noticee 1, in its reply dated December 20, 2010 submitted a copy of sample "Land Unit Certificate" issued by the MSPL to its prospective investors. Thereafter, SEBI, vide letter dated May 19, 2011 (copy of which is already enclosed as Annexure 3 above) advised the Noticee 1 to submit all information sought by letters mentioned in paragraph 4 hereinabove. SEBI also addressed a letter dated June 09, 2011 (copy of which is enclosed herewith as, **Annexure 5**) seeking details of scheme wise information of investments made by

investors, year-wise number of customers, and details of various plans / schemes under which money was mobilized from the public and terms and conditions of the repayment thereof. SEBI also sought sample copies of the registration letter and allotment letter issued to and the agreement letters(s) / contracts entered into by the investors who subscribed to the MSPL's schemes.

6. Thereafter, the Noticee 1 provided details of various plans / schemes and year wise details of number of investors *vide* its letter dated June 30, 2011 (copy of which is enclosed herewith as, **Annexure 6**). Upon examination of the information submitted by the Noticee 1, it was observed that the Noticee 1 collected money from public for plots of land under various plans which differed on the basis of (a) number of instalments to be made by the investors, and, (b) the period of time in which these payments were made by the investors to the Noticee 1.

7. It was also observed during the examination of information submitted by the Noticee 1 that during the years 1998-99 to 2010-11, it allegedly launched 41 schemes under the Land Plot Plans wherein, it received `13,313,653,291/- from 2,697,408 customers. A year-wise statement detailing collection of money from all 41 schemes as submitted by the Noticee 1 is given in the table as under:

Year	No. of customers from whom money is received	Amount received from such customers (`)	No. of outstanding customers to whom money is to be paid	Promised amount due to be paid by the respective year end (`)	Amount repaid in the respective year (`)		No. of customer to whom money was yet to be paid	Balance Amount outstanding by respective year end to be paid (`)
					Principal	Benefit paid		
		&	#	#	#		$	$
1998-99	1,054	782,235	1,054	782,235	-	-	1,054	782,235
1999-00	15,176	24,084,945	15,691	22,652,908	2,214,272	258,227	15,691	22,652,908
2000-01	44,765	91,080,730	54,857	91,777,744	21,955,894	4,039,444	54,857	91,777,744
2001-02	81,163	220,789,080	124,325	260,299,605	52,267,219	10,752,207	124,325	260,299,605
2002-03	113,214	330,835,214	214,603	479,836,785	111,298,034	21,506,968	214,603	479,836,785
2003-04	203,748	650,006,703	379,265	926,031,730	203,811,758	36,564,150	379,265	926,031,730
2004-05	239,718	873,957,074	549,024	1,400,600,408	399,388,396	68,688,009	549,024	1,400,600,408
2005-06	332,800	1,213,806,750	805,136	2,154,879,249	459,527,908	68,717,549	805,136	2,154,879,249
2006-07	420,241	1,630,480,765	1,117,922	3,092,152,306	693,207,709	126,296,423	1,117,922	3,092,152,306
2007-08	529,936	2,052,982,125	1,580,594	4,653,767,527	491,366,903	168,503,513	1,580,594	4,653,767,527
2008-09	625,549	2,690,166,945	2,087,757	6,421,291,755	922,642,718	268,572,227	2,087,757	6,421,291,755
2009-10	90,044	2,198,213,225	2,052,873	7,628,582,243	990,922,737	334,716,668	2,052,873	7,628,582,243
2010-2011	-	1,336,467,500	1,957,721	8,044,967,344	920,082,399	205,999,239	1,957,721	**8,044,967,344**
Total	**2,697,408**	**13,313,653,291**			**5,268,685,947**	**1,314,614,625**		

Notes:

& *Investors initially pay 25% of value of the plot booked and balance payable if they opt for the plot.*

भारतीय प्रतिभूति और विनिमय बोर्ड अधिनियम, 1992 के अधीन भारसाधित
Charged under Securities and Exchange Board of India Act, 1992

* *Due Date for exercising option of allotment of land/plot or refund with benefit varies with each investors and date of investment.*

\# *Refund is due to customers on completion of booking amount and contingent to their not exercising option of allotment of land/ plot, after a specified period. Due date for refund varies from customer to customer as per their start date. Benefit amount is based on their date of investments and this amount is paid as compensation for land appreciation during the interim period.*

$ *Cumulative as on 31st March of each year.*

8. SEBI also examined the Application Form (available in the Annexure 7 referred to in the paragraph 6 hereinabove) for allotment of land unit and unit certificate issued by the Noticee 1 to one of its investors / applicants along with a Memorandum of Understanding entered into between them. Upon examination, it was observed that under the terms and conditions of the plan / scheme, the Noticee 1 would either allot land unit or would refund the money to an investor / applicant at his option on full investment being made. It was also observed that after allotment an investor / applicant had no right to participate in the development of the land unit and the Noticee 1 exclusively looked after the development of the land unit. It was also observed that under the terms and conditions of the plan / scheme, an investor / applicant would not be entitled to take possession custody of any product / output from the said land unit and it would remain exclusive property of the Noticee 1. The plan / scheme also entailed that allotment of land under the scheme would entirely be at discretion of the Noticee 1 and it would have right to reject any application without assigning any reason.

9. Thus, it was observed in the examination of the plans / schemes run by the Noticee 1 that through such plans / schemes, the Noticee 1 allegedly collected contributions from investors and pooled and utilized these contributions under the pretext of development of properties by construction of buildings, both commercial and residential. It was also observed in the examination of the aforesaid plans / schemes that the applicants / investors made contributions / investments in the aforesaid plans / schemes with a view to receive profits, income, produce or property. It was also observed that contributions / investments collected under the plans / schemes by the Noticee 1 were managed solely by the Noticee 1 on behalf of the applicants / investors and the applicants / investors did not have any day-to-day control over the management or operation of the aforesaid plans / schemes.

10. In view of the aforesaid, it is alleged that the Noticee 1 carried out a Collective Investment Scheme which is defined under Section 11AA of the SEBI Act, relevant portion of which reads as under:

SEBI Act

Collective Investment Scheme

11AA. *(1) Any scheme or arrangement which satisfies the conditions referred to in sub-section (2) shall be a collective investment scheme:*

...

(2) Any scheme or arrangement made or offered by any person under which, -

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

..."

11. Section 12(1B) of the SEBI Act requires any person sponsoring or causing to be sponsored or carrying on or causing to be carrying on any collective investment scheme to obtain a certificate of registration from SEBI in accordance with the CIS Regulations. However, it is alleged that no such registration was sought by the Noticee 1 from SEBI and it, allegedly, carried on a collective investment scheme without registration. The Noticee 2 and Noticee 3 are the directors of the MSPL / Noticee 1 and therefore, were also carrying on aforesaid collective investment scheme without obtaining registration from SEBI. The aforesaid alleged act of carrying on an unregistered collective investment scheme by the Noticees is in contravention of Section 12(1B) of the SEBI Act and Regulation 3 of the CIS Regulations, texts of which read as under:

SEBI Act

*"**Registration of stock brokers, sub-brokers, share transfer agents etc.***

12. ....

(1B) 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 the section 30.

...."

CIS Regulations

No person other than Collective Investment Management Company to launch collective investment scheme

3. *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.*

12. The aforesaid alleged violation of Section 12(1B) of the SEBI Act and Regulation 3 of the CIS Regulations, *if established,* would make the Noticees liable for monetary penalty under Section 15D(a) of the SEBI Act (as applicable in 2013), text of which is reproduced as under:

SEBI Act

Penalty for certain defaults in case of mutual funds:

15D. *If any person, who is –*

(a) required under this Act or any rules or regulations made thereunder to obtain a certificate of registration from the Board for sponsoring or carrying on any collective investment scheme, including mutual funds, sponsors or carries on any collective investment scheme, including mutual funds, without obtaining such certificate of registration, he shall be liable to a penalty of one lakh rupees for each day during which he sponsors or carries on any such collective investment scheme including mutual funds, or one crore rupees, whichever is less.

.....)

13. It is also observed that SEBI, in exercise of powers conferred under Section 11B and 19 of the SEBI Act read with Regulation 65 read with 73 of the CIS Regulations issued

directions to Noticees *vide* the SEBI Order dated March 25, 2013 (copy of which is enclosed herewith as, **Annexure 7**), wherein it directed:

"

(a). Maitreya Services Pvt. Ltd. to wind up its existing collective investment schemes and refund the money collected by it under the schemes with returns which are due to the investors as per the terms of offer within a period of three months from the date of this order (emphasis supplied) and submit a winding up and repayment report to SEBI in accordance with the CIS regulations failing which the following actions shall follow:

i. SEBI would initiate prosecution proceedings under section 24 and adjudication proceedings under Chapter VI of the Securities and Exchange Board of India Act, 1992, against Maitreya Services Pvt. Ltd. and its directors, namely, Mrs. Varsha Madhusudan Satpalkar and Mr. Janardan Arvind Parulekar;

……"

14. Aggrieved by the SEBI Order, the Noticees filed an appeal No. 88 of 2013 in the Hon'ble Securities Appellate Tribunal (hereinafter be referred to as, the "***Hon'ble SAT***"). Hon'ble SAT, *vide* order dated July 23, 2013, dismissed the appeal filed by the Noticees but modified the SEBI Order by extending the time frame for refund of money collected by the Noticee 1 from three months to six months on a condition that the Noticees shall submit a report to SEBI after the expiry of six months, giving accurate details regarding progress made while executing the repayment in question.

15. The Noticees filed a Review Application No. 6 of 2013 in Appeal No. 88 of 2013 for recalling the order dated July 23, 2013 by the Hon'ble SAT. Hon'ble SAT, while partly allowing the Review Application, passed an order on August 28, 2013 wherein it extended the time frame of 6 months granted vide order dated July 23, 2013 to 18 months on the condition that the Noticees shall duly report the developments to SEBI after every 6 months.

16. Thus, it is observed from the aforesaid paragraphs that the Noticees were required to refund the money collected by it under the schemes with returns which are due to the investors within 18 months from the passing of SEBI Order dated March 25, 2013. In order to ascertain the status of the aforesaid repayment, SEBI, *vide* e-mail dated December 13, 2017 (copy of which is enclosed herewith as, **Annexure 8**) called upon *Venu and Viany, Chartered Accountants* to submit the outstanding amount to be repaid

by the Noticee 1 as on September 25, 2014, i.e. 18 months from the passing of the SEBI Order.

17. In its reply dated December 29, 2017, *Venu and Vinay, Chartered Accountants* submitted that as on September 25, 2014, `2,98,38,58,905/- was yet to be paid to 11,37,485 investors. A copy of the concurrent audit report carried out by *Venu and Vinay, Chartered Accountants* for the period April 2009 – December 2015 submitted along with a compact disk ("**CD**") vide reply dated December 29, 2017 is enclosed herewith as, **Annexure 9**.

18. In view of the aforesaid, it is alleged that the Noticees had failed to comply with the directions issued under SEBI Order dated March 25, 2013 as 11,37,485 investors were yet to be repaid `2,98,38,58,905/- on the expiry of 18 months, i.e. on September 25, 2014. The aforesaid non-compliance, if established, would make the Noticees liable for penalty under Section 15HB of the SEBI Act, text of which is reproduced as under:

> ***SEBI Act***
> *"**Penalty for contravention where no separate penalty has been provided.***
> ***15HB.** Whoever fails to comply with any provisions of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees."*

19. Therefore, you are called upon to show cause as to why an inquiry should not be held against you in terms of Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 read with Section 15-I of the SEBI Act, 1992 and why penalty, if any, should not be imposed on you under Section 15D (a) and 15HB of the SEBI Act, 1992 for the aforesaid alleged violations.

20. Your reply, if any, should reach the undersigned, at the address given below, within 14 days from the date of receipt of this Notice, failing which it shall be presumed that you have no reply to submit and the matter would be further proceeded with on the basis of the evidence available on record in terms of Rule 4 (7) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995. You may also send your reply by way of e-mail to maninderc@sebi.gov.in and chandanb@sebi.gov.in. In case if you desire to avail the opportunity of personal hearing, you may indicate the same in your reply.

भारतीय प्रतिभूति
और विनिमय बोर्ड

Securities and Exchange Board of India

Securities and Exchange Board of India,
Plot No. C-4A, 'G' Block,
Bandra Kurla Complex, Bandra (East)
Mumbai- 400 051

21. Further, you are required to keep the undersigned informed of any change in your address for correspondence till the conclusion of this proceedings. You are also required to submit a photocopy of your Income Tax Permanent Account Number Card (PAN card), contact details viz. Name of Person (s) with designation, current Telephone / Fax Numbers / E-mail IDs for records.

Cheema

MANINDER CHEEMA
ADJUDICATING OFFICER

Enclosures: All referred Annexures in the SCN are placed inside a Compact Disc (CD)

1. Annexure 1 – Copy of the communique dated July 29, 2016 appointing the erstwhile Adjudicating Officer
2. Annexure 2 – Copy of the communique dated May 23, 2018 appointing the current Adjudicating Officer
3. Annexure 3 – Copies of letters issued by SEBI dated October 13, 2010, November 18, 2010, December 01, 2010, January 11, 2011 and May 19, 2011 addressed to the Noticee 1
4. Annexure 4 – Copies of letters furnished by the Noticee 1 to SEBI dated December 02, 2010 and December 20, 2010.
5. Annexure 5 – Copy of SEBI letter dated June 09, 2011 issued to the Noticee 1.
6. Annexure 6 – Copy of letter dated June 30, 2011 furnished by the Noticee 1 to SEBI.
7. Annexure 7 – Copy of SEBI Order dated March 25, 2013.
8. Annexure 8 – Copy of e-mail correspondence between SEBI and *Venu and Vinay, Chartered Accountants* dated December 13, 2017.
9. Annexure 9 – Copy of Audit Report dated December 29, 2017 along with CD furnished by *Venu and Vinay, Chartered Accountants*.