

## Creating awareness - Investor education and Protection Series

(Beware of Ponzi schemes and unregulated Deposit/Collective Investment schemes – 3)

### **Plantation scam – Your money grows along with the growth of teak tree!**

*Kamakhya Nr Singh<sup>1</sup>,*

The message was clear:

- a) Investment in plantation can be a money spinner!
- b) If you have money and don't know where and how to make investment in plantation, we will guide you. If you also thought that plantation requires huge investment, we will simplify it for you by arranging only small investment by you!
- c) What is the solution provided by us for meeting your investment goal while making investment in the plantation sector – you can start with low amount of investment and still earn from the growth in the value of teak tree
- d) Additional avenue – not keen on investment in plantation – no problem. Keep the investment simple – get back your principle and 150% of your invested amount after 6 years.

This was how gullible investors were lured by the schemes of one of the most prominent plantation operator, Anubhav Plantation.

Anubhav group had floated three major schemes for investors. These were:

- a) Anubhav Teak Farm Scheme – Option A,
- b) Anubhav Teak Farm Scheme – Option B and
- c) Good Earth Unit Scheme.

Details of the schemes are given below:

<b>Scheme</b>	<b>Detail of the scheme</b>
Anubhav Teak Farm Scheme – Option A	<ul style="list-style-type: none"><li>• Tenure of the scheme- 20 years</li><li>• Minimum amount of investment – INR 6000</li><li>• Maximum amount of investment – INR 60000</li><li>• Rate of return – investor would get 300 sq feet land with three teak saplings for each INR 6000 investment</li><li>• Schedule of return – investors were promised to be paid INR 1000 in each year for first 6 years and additional INR 6000 at end of 6<sup>th</sup> year and INR 12000 at end of 12<sup>th</sup> year. Finally at the end of 20<sup>th</sup> year, the investor was to be paid INR 3 lakhs or 40 cubic feet of teak as per his preference</li></ul>
Anubhav Teak Farm Scheme – Option B	All features of this scheme were similar to the first scheme/option, except the payback amount. In this scheme the investors were promised to get INR 15000 at the end of the 6 <sup>th</sup> year.

---

<sup>1</sup> IEPFA Chair Professor, IICA

<p>Good Earth Unit Scheme</p>	<ul style="list-style-type: none"> <li>• Tenure of the scheme- 20 years</li> <li>• Minimum amount of investment – INR 6000</li> <li>• Rate of return and schedule of return was very attractive. With investment of INR 6000, the investor was provided outright ownership of the land, as well as a 5-years lease of 100 sq. ft. In turn, the investor was to sublet the land to Anubhav and the investor was promised to be paid INR 500 bi-annually. The investor was also promised to be paid INR 5000 at the end of 5<sup>th</sup> year and a bonus of 1.13 cubic meter of teak, valued at INR 1 lakh at the end of 20<sup>th</sup> year.</li> </ul>
-------------------------------	---

Source: <https://www.icmrindia.org/free%20resources/casestudies/Finance%20freecasestudy2.htm>

Undoubtedly, the bait for investor was very attractive!

-----

By the time the offices of Anubhav group of companies started shutting down and the cheques issued by Anubhav Plantation started bouncing in 1997-98, it was too late for investors of Anubhav Plantation to realise that they had been duped! Investors lodged complaint at police station regarding bouncing of cheque and default in repayment as majority of the investors were left cheated through Anubhav Group’s teak plantation schemes. Later, on the invite of company, thousands of investors went to company head quarter to collect their money, only to find that the office was locked! Investors could only demonstrate in front of the office in frustration. The main accused, C Natesan, Chairman, Anubhav Group had already gone underground. Other directors of the company claimed innocence and ignorance!



Natesan, a commerce graduate and a dropout from chartered accountancy course, fantasised about gaudy lifestyle with branded car, luxurious office and other comfort of life. With his big dream, Natesan started his career in 1983 by launching a consultancy firm, 'Yours Faithfully Consultancy'. One year later, in 1984, Natesan entered in a construction business with three other partners. After three years, he closed the previous one and set up Anubhav Foundation, which became the parent company of his future businesses and companies. In 1992, Anubhav Plantation Ltd. Was founded as a public limited company. Over the years, Anubhav Group expanded itself in different sectors like, media, advertisement, export, resorts, finance and investment etc. Anubhav Home Pvt Ltd., Anubhav finance & Investments, Anubhav Communications & Advertising Pvt Ltd., Anubhav Royal Orchards & Exports, Anubhav Green Farms & Resorts Pvt Ltd., Anubhav Agro and others were under the umbrella of Anubhav Group. Under these companies, the Anubhav group owned and operated 254 finance firms, including 95 firms of Anubhav finance investments, 169 firms of Anubhav Dhan Varsha and one firm each of Anubhav Agro and Housing developers. Furthermore, the plantation companies themselves had several companies under them. By 1998, through operation in different sectors the Group became an INR 250 crore group, apart from its teak-plantation schemes. The group also built up a network of 91 offices across the country, had a staff strength of 1800 persons and had its headquarter in Chennai.

Anubhav Plantation investment scheme started its journey in 1992. With the liberalization of Indian economy in 1991, investment in agricultural commodities was allowed to private entities. Previously, before liberalization, investment in agricultural commodities was only permitted for National Bank for Agriculture and Rural Development (NABARD). Thus, when investment in agricultural commodities was allowed to private entities was allowed by the government, Natesan saw it as an opportunity to mint money by enticing gullible investors. Natesan also developed association with World Wildlife Fund for Nature (WWF) to convey positive image of the company in front of investors. Along with this positive image of the company, factors like high return of the investment, helpful behaviour of the company's employees, exemption of tax on the return of investment (as it was agriculture income), etc. attracted the investors in hordes. Employees were trained to convince investors for showing high charge/cost for teak plantation and maintenance as compared to the price quoted by NABARD. They gave explanation that they were charging the extra amount for de-weeding, and applying fertilizer and for maintaining the sapling for next 20 years to get quality teak. Not only the cost and maintenance of teak sapling/tree was quoted very high, even the yield of teak plantation was quoted very high (as compared to, for example, the yield quoted by NABARD) to illustrate the very high returns to investors.

Anubhav plantation plan was not the only one. During the early 1990's, businesses around teak plantations mushroomed in southern India. During January to September 1992, 40 such companies registered in Madras and eight in Bangalore. Most of the companies did not have adequate crop insurance and none of them were able to live up to their promises. As pointed out by a CRISIL Report, the risks associated with the plantation investment scheme were too many. The report had stated that factors like inadequate equity base, over dependence on retail fund, erratic cash inflows, excessive expenditure for raising resources, huge gap in asset liability, lack of standard accounting practices, etc. made the investment dubious. Lack of any industry regulation also made it difficult for investors to make distinction between fly-by-night

operators and a genuine player. During mid-1990s, media coverage described Anubhav group as an example of a successful company and termed it as a role-model company among more than 500 other teak and agro-based companies listed by SEBI. The media also portrayed a larger-than-life image of Natesan himself. To add to the frenzy of return from investment, Natesan also portrayed plans of going into manufacturing of furniture from teak wood in future. It was not only that he portrayed rosy picture of his future plans, but also he inflated his financial figures like income earned out of the activities of Anubhav Plantation. For example, in 1996–97, the company posted a net profit of only INR 38.69 lakh, while its plantation income amounted to INR 35.32 crore<sup>2</sup>.

All glitter around the schemes of Anubhav Plantation came to end in January, 1998 when cheques issued by the company to its investors began to bounce. A large number of investors from different cities across the country like Mumbai, Chennai, Pune, Shimla, Trichy, Sangli and other places started facing same problem with the company. Eventually, Anubhav was accused of having duped large number of investors, with total amount of accumulated amount standing at around INR 400 crore. Media termed it as “Great Plantation Scam”. The investigation revealed that in the plantation investment scheme, old investors used to get their return out of investment by the new investors. When the company failed to channelize adequate new investor towards the scheme, the bubble of investment burst and the scam came in front of all. Even when the investigation authorities were carrying out their job of investigating the scam, a number of investors formed their own city based support and action group to get their investment refund. Subsequently, Natesan, the chairman and managing director of Anubhav group was caught by the police and placed in judicial custody. A charge-sheet in his criminal case (No. 20501 of 1999) was filed. Madras High Court appointed, M. Ravindran, as liquidator to try and repay, at least in part, the depositors of Anubhav Plantations. After seven years of judicial custody, Natesan was released on bail in 2007. Schemers like Natesan got away lightly because they were operating in a legal no man’s land. As the companies were apparently engaged in agricultural activities, they were not governed by the Reserve Bank of India (RBI). Further, as these companies did not issue tradable securities, they escaped from the purview of SEBI as well.

Investment of about INR100 Crore of 31,431 depositors was refunded, while refund to 2044 depositors has not yet been made<sup>3</sup>.

-----

---

<sup>2</sup> [https://wikivisually.com/wiki/Anubhav\\_Plantations](https://wikivisually.com/wiki/Anubhav_Plantations)

<sup>3</sup> [https://en.wikipedia.org/wiki/Anubhav\\_Plantations#](https://en.wikipedia.org/wiki/Anubhav_Plantations#)

## **Role of IEPFA**

IEPF **Authority (IEPFA)** has been set up under the Ministry of Corporate Affairs, Government of India as a **statutory body** under the provisions of section 125 of the Companies Act 2013. IEPFA was established on 7th September, 2016 primarily for administration of Investor Education and Protection Fund.

The Authority is entrusted with the responsibility of administration of the Investor Education Protection Fund (IEPF), making refunds of shares, unclaimed dividends, matured deposits/debentures etc. to investors and promoting awareness among investors.

Apart from other agencies, with whom one can file complaints (such as with the local police office/Economic Offence Wing Office) or report regarding Ponzi schemes/unregulated deposits/illegal collective investment schemes, IEPFA also has a system for reporting such schemes/activities. Affected parties or aware investors and public in general can report such suspicious activities online at <https://www.iepfportal.in/suspicious-scheme.html>. Any information that one can provide about any fraud or scam could help in taking proactive steps and such schemes can be stopped before others fall victim to them. The website has details guidelines about the process of filing report. It also **ensures complete confidentiality** about the submitter of information.

Information on filing Guidance and Confidentiality related to submitted information is as under:

a. What information should be provided in the Form on the website?

The submission shall be addressed based on the accuracy and completeness of the information received.

The critical information that is required to take further action includes:

- A description of the scheme, contact information of the company/agency, details of the people involved in the collection of money, or making publicity of any such scheme.
- Any other relevant information, documentation or proof that one may have.

Any information that one provides must be truthful to the best of one's knowledge or belief.

b. What happens after the information is sent to the IEPFA?

Information received by the Authority would be scrutinized on the basis of details provided, proofs attached, and authenticity of the information would be ascertained. The matter may be referred to appropriate law enforcement organisation/ regulatory authority for further necessary action, if required.

The confidentiality about the details of the person reporting shall be maintained.

IEPFA has also come out with an indicative guideline (<https://www.iepfportal.in/suspicious-scheme-detail.html>) on how to protect oneself from Ponzi schemes. Indicated hereunder are the caution points:

- Beware of promise of higher returns:

Any scheme promising abnormally high returns should be considered with caution. At the very basic level, abnormally high returns promised by the fraudsters should serve as a red flag for investors. Beware of promises of unrealistic returns.

- Unknown Company:

You might have heard about a scheme promising higher returns, but are you also aware about the company and its credibility? If not, how can you put your hard-earned money into a company or organisation which is unknown to you?

Don't rely on reputation or word of mouth alone. One of the best ways to know about a company is doing your own research on internet or social media. If you do not find any reliable information on the net, it is better to steer clear.

- Track Record of Promoters:

They should have clean image in terms of delivering promises. If you are unable to find any information, then do a search on the internet.

- Registration Requirements:

If a person is planning to invest in a non-banking finance company (NBFC), then he/she should be well aware that every NBFC is required to be registered with the Reserve Bank of India (RBI). NBFCs are not allowed to use the name of the RBI in any manner.

- Ratings Assigned:

NBFCs which accept deposits should have minimum investment grade credit rating granted by an approved credit rating agency for deposit collection.

- Terms & Conditions:

The charges should be considered well before taking the final call. Understand your investments; keep copies of all the investment and communications.

- Take Informed Decision:

One should check for the past record of the schemes, management team, corresponding regulations & financial information. Your decision should never be guided by greed.

Check registration and background of individuals selling the investment. Do not trust anyone blindly in financial matters.

Remember that even if the promoters of an NBFC are of impeccable repute and the credit rating is good, there is risk on these deposits as they are unsecured and the risk of insolvency is there.

- Union Government model guidelines for states to curb Ponzi schemes:

The Union Government has issued model guidelines titled as "Direct Selling Guidelines 2016" framework for states to regulate direct selling and multi-level marketing businesses to protect consumers from Ponzi frauds.

## References:

1. Industrial Economist, [http://www.industrialeconomist.com/sector\\_news.php?page=7&&cid=1827](http://www.industrialeconomist.com/sector_news.php?page=7&&cid=1827). Accessed August 18, 2020
2. Indian Kannon, <https://indiankanoon.org/doc/107008121/> Accessed August 18, 2020
3. ICRM, IBS Center for Management Research <https://www.icmrindia.org/free%20resources/casestudies/Finance%20freecasestudyp3.htm>. Accessed August 18, 2020
4. Wikipedia, [https://en.wikipedia.org/wiki/Anubhav\\_Plantations#](https://en.wikipedia.org/wiki/Anubhav_Plantations#). Accessed August 18, 2020
5. [https://wikivisually.com/wiki/Anubhav\\_Plantations](https://wikivisually.com/wiki/Anubhav_Plantations). August 18, 2020
6. <https://www.outlookindia.com/outlookmoney/magazine/story/the-great-indian-financial-frauds-10>. Accessed August 18, 2020
7. Report a suspicious scheme: Investor Education and Protection Fund Authority <https://www.iepfportal.in/suspicious-scheme.html> Accessed Sep 11, 2020
8. Suspicious scheme detail: Investor Education and Protection Fund Authority <https://www.iepfportal.in/suspicious-scheme-detail.html> Accessed Sep 14, 2020

-----

## **Disclaimer**

The information related to the case contained herein is from publicly available data, public sources, social media, etc. We do not represent or undertake that it is accurate or complete and it should not be relied on as such. We shall not be, in anyway, responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Further, Views expressed in the blog strictly belong to the author and not to IEPFA/IICA.

This analysis and write-up is only for the assistance in creating awareness on financial scams and investor education and protection. It is not, in any way, intended to be and must not alone be taken as the basis for any investment decision. The discussions or views expressed may not be suitable for all investors. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice.

-----