

**PROCEEDINGS OF THE COMPETENT AUTHORITY &
ADDITIONAL CHIEF SECRETARY TO GOVERNMENT,
BANNING OF UNREGULATED DEPOSIT SCHEMES ACT
UNDER SECTION 7(3) OF THE BUDS ACT (2019)**

PRESENT: Sri. BISHWANATH SINHA IAS

HOME (SC) DEPARTMENT

SC3/345/2023-Home Dated,Thiruvananthapuram (08-04-2025)

Sub: Home Department - Banning of Unregulated Deposit Schemes Act, 2019 - Provisional attachment of all movable & immovable properties of M/s Kovilakom Chits and Financial Services Limited, Thrissur - Orders Reissued.

Ref: 1.G.O(P) No. 69/2020/Home, dated 18.12.2020 published as S.R.O No.887/2020.

2.G.O(Rt) No.2959/2020/Home, dated 22.12.2020 published as S.R.O No. 894/2020.

3.Letter No. D3 - 7939/2023/EOW (1) dated 29.02.2024 from the Additional Director General of Police (Crimes).

4.Proceedings No. SC3/345/2023/Home dated 02/05/2024.

5. Judgment in WP(C)No.22737/2024-Home dated 05/11/2024 by the Hon.High Court of Kerala.

6. Judgment in CrI.M.P. 4358/2024 & CrI. M.P. 4359/2024 dated 28.01.2025 of the Additional Sessions Court III, Thrissur.

ORDER

The Additional Director General of Police (Crimes) as per third paper above conducted an enquiry into the complaint against Kovilakom Chits and Financial Services Limited, Thrissur that the firm had defaulted repayment of money to the subscribers of Chit conducted by the firm and filed a report as follows:

Kovilakam Chits and Financial Services Pvt Ltd incorporated with the Registrar of Companies on 13-08-1996 has its head office at

Kovilakam Tower, Variam Lane, Thrissur and a branch office at David House No.160-A, Lane 9-10, Greater Kailash, Kunjuwani Bypass, Sainik Colony P.O, Jammu, Pin -180001 which was registered as per "The Jammu & Kashmir Shops & Establishments Act 1966". There was no law to regulate chits in Jammu and Kashmir until 23-07-2016 on which date Jammu and Kashmir Chit Fund Act came into existence. Prima facie, it is seen that the company operated its branch at Jammu only to escape from the legal mandates of Chit Rules and regulations in Kerala and other parts of India. All the subscribers of the Chit belongs to the State of Kerala and all the transactions related to the Chit were being carried out in Thrissur and its surroundings. It is evident that the company started an office at Jammu to operate chits in Kerala. The Company deceived the subscribers and made them believe that Chit was operating legally from its Jammu Branch. The Company continued to operate and collect subscriptions even after the commencement of BUDS Act, 2019. The Company started C7 Pooval Chitty on 21-06-2010 and enrolled 748 subscribers, most of them from Kerala, claiming that the Chitty had been started from its Branch at Jammu. The Company collected a total amount of about 90 crores from the subscribers and about four crores is pending to be disbursed to subscribers even after the maturity of the Chit. It is found that about 300 persons failed to repay cash to the Company and 300 cases filed by the Company are pending in different Courts. It is also reported that the company owns 16.5 Cents of land and an office building at Varriam Lane, Thrissur and 55 Cents of land at Tripprayar. The Inspector General of Registration reported that the chit is not registered from Kerala.

The date of validity of the chit schemes conducted by the firm ended on 21.06.2021 and they have also failed to repay the amount. The non repayment of money collected from the subscribers of the chit scheme amount to violation of the provisions of Banning of Unregulated Deposit Schemes Act, 2019, there is reason to proceed against the Company Kovilakam Chits and Financial Services Private Ltd. and its Directors under section 7(3) of BUDS Act.

- 1) K S Sadanandan
- 2) Phbeey Dheeran
- 3) Anil Kumar

- 4) Anoop
- 5) Ajaykumar
- 6) Usha
- 7) Renjith
- 8) Meera Wilson

Since the firm had accepted deposits offering higher returns and subsequently failed to return the amount as promised, provisional attachment order as per 4th paper above was issued attaching the properties of the above firm.

Now the Government Pleader has unofficially informed that cases are coming up for hearing in connection with the Kovilakam Chits and Financial Services Pvt Ltd and has requested to reissue the Provisional Attachment Order.

As per the judgment in reference 5th cited, the Hon'ble High Court directed the Additional Sessions Court III, Thrissur, to determine whether the Competent Authority is permitted to initiate fresh proceedings or re-issue a previously issued provisional attachment order.

In compliance with this directive, the Additional Sessions Court III, Thrissur, in its judgment in reference 6th cited, held that the Competent Authority is fully justified in reissuing the provisional attachment order.

Therefore, it is concluded that there are no legal impediments to reissuing a provisional attachment order in cases where the application for making the order absolute was not filed before the respective designated courts within the prescribed time.

Therefore, in exercise of powers conferred under Section 7(3) of the BUDS Act, 2019, I hereby reissue the proceedings referred to as the 4th paper above to safeguard the interests of innocent depositors. Accordingly, all movable and immovable properties, along with any deposits held by the Deposit Taker, as well as any money or property

acquired either in the name of the Deposit Taker or in the name of any other person on their behalf, are hereby attached again.

The Inspector General of the Registration Department is hereby directed to freeze the sale, mortgage, or any other transaction of immovable properties of the firm and the Deposit Taker, if not already done. The Transport Commissioner, Motor Vehicles Department, is directed to seize all vehicles owned by the firm, the Deposit Taker, its partners, or allied firms and to take necessary steps to prohibit the transfer of vehicle registrations and report to the respective District Collectors, if not already done.

The Lead Bank Managers of all Districts concerned/Registrar of Co-operative Societies/General Managers of KSFE/ District Managers of KFC and all other financial institutions are directed to take necessary steps to freeze all the accounts of the financial institution and its allied firms. Police Authorities shall identify the accounts of the firm and the deposit takers and take action to freeze the accounts by intimating the provisional attachment orders to the respective Banks where the accounts are maintained. The Police shall also report the details of the current/ any future accused persons from time to time directly to the concerned District Collectors for provisionally attaching the properties within the stipulated time limit.

The District Collectors appointed as officers to assist the Competent Authority under section 7(2) of BUDS Act are directed to serve the copy of the provisional attachment to the owner of the property or any person who claims to be in possession of the property or any other person who has an interest in the said property and to prepare and maintain details of the properties so attached and the expenditure incurred in this regard.

The District Collectors are further directed to publish the order of provisional attachment in a leading newspaper, both in Malayalam and English, having wide circulation in the area or jurisdiction in which the Deposit Taker is located.

The District Collectors appointed as officers to assist the Competent Authority under section 7(2) of BUDS Act are directed to issue attachment orders separately against the properties of the accused and file application with particulars of the attachment effected before the

Designated Courts constituted read as 2nd paper above, of the respective District, within the stipulated time of 30 days for making the provisional attachment absolute and for permission to sell the property so attached by public auction or, if necessary, by private sale according to section 14 of the BUDS Act, 2019.

The above order shall not be applicable to districts where the designated courts have already confirmed the provisional attachment order. In such cases, the District Collectors shall proceed with the sale of properties in accordance with Section 14 of the BUDS Act.

(Sd.)
BISHWANATH SINHA

Forwarded/By order

Section Officer.

To:

The State Police Chief
All District Collectors
The Additional Director General of Police (Crimes)
The Inspector General of Police (EOW), Police Headquarters
All District Police Chiefs
The Inspector General of Registration Department
The Transport Commissioner
The Registrar of Co-operative Societies
The Lead Bank Managers.
General Managers of KSFE/District Managers of KFC (through District Collectors)
I & PR (Web & New Media) Department.
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