

SECURITIES AND EXCHANGE BOARD OF INDIA
ORDER

IN THE MATTER OF APPLICATION BY MANGAL KESHAV SECURITIES LIMITED FOR REGISTRATION AS PORTFOLIO MANAGER

WTMN/9/CFD/6/04

- 1.0 M/s. Mangal Keshav Securities Ltd. (hereinafter referred to as the applicant) is a company incorporated under the Companies Act, 1956 and a stock broker registered with SEBI under Certificates of Registration bearing Nos.INB010977431, INB230977432 and INF230977432. They are members of the Stock Exchange, Mumbai (hereinafter referred to as “BSE”) and the National Stock Exchange. The applicant has submitted an application for registration as Portfolio Manager on 8.5.2003.
- 2.0 The application for registration submitted by the applicant was considered by SEBI under the SEBI (Portfolio Managers) Regulations, 1993 (hereinafter referred to as “the said regulations”) and it was prima facie felt that it was not a fit case for granting registration. Consequently, in accordance with the requirement of Regulation 10(1) of the said regulations, a notice dated 21.11.2003 was issued to the applicant advising them to show cause why their application for registration should not be rejected. It was also mentioned in the notice that there were enquiry proceedings pending against the applicant as member of BSE. They were also advised that an opportunity of personal hearing would be granted on 9.12.2003.
- 3.0 The applicants however failed to appear before me on 9.12.2003 and instead vide their letter dated 3.12.2003 sought details of the investigations pending against them so that the same could be redressed to the satisfaction of SEBI. The said letter was received by SEBI only on 08.12.03. Since the alleged violations have already been brought to the

notice of the applicant vide show cause notices issued in the enquiry and other respective proceedings, I am of the view that no separate details in that regard needs to be furnished. In any case there was no denial of existence of the said proceedings by the applicant. I find that appropriate opportunity of hearing had been given to the applicant in compliance with the above regulation and also the principles of natural justice and the matter can be proceeded with.

4.0 I have carefully considered the application, facts and circumstances of the case and the reply of the applicant.

4.1 I note that Regulation 6 of the said regulations provides that :

“Consideration of application

6. (1) For considering the grant of certificate of registration to the applicant, the Board shall take into account all matters which it deems relevant to the activities relating to portfolio management.
- (2) Without prejudice to the generality of the foregoing provisions, the Board shall consider whether –
 - (a) the applicant is a body corporate;
 - (b) the applicant has the necessary infrastructure like adequate office space, equipments and the manpower to effectively discharge the activities of a portfolio manager;
 - (c) the principal officer of the applicant has the professional qualifications in finance, law, accountancy or business management from an institution recognized by the Government;
 - (d) the applicant has in its employment minimum of two persons who, between them, have at least

five years experience as portfolio manager or stock broker or investment manager or in the areas related to fund management;

- (e) any previous application for grant of certificate made by any person directly or indirectly connected with the applicant has been rejected by the Board;
- (f) any disciplinary action has been taken by the Board against a person directly or indirectly connected with the applicant under the Act or the Rules or the Regulations made thereunder.

Explanation – For the purposes of sub-clauses (e) and (f), the expression 'person directly or indirectly connected' means any person being an associate, subsidiary, inter-connected company or a company under the same management within the meaning of section 370(1B) of the Companies Act, 1956 or in the same group;

- (g) the applicant fulfils the capital adequacy requirements specified in regulation 7;
- (h) the applicant, its director, principal officer or the employee as specified in clause (d) is involved in any litigation connected with the securities market which has an adverse bearing on the business of the applicant;
- (i) the applicant, its director, principal officer or the employee as specified in clause (d) has at any time been convicted for any offence involving

moral turpitude or has been found guilty of any economic offence;

- (j) the applicant is a fit and proper person;
- (k) grant of certificate to the applicant is in the interest of investors.”

4.2 I note that the following proceedings have been initiated / concluded against the applicant, which were not disputed by the applicant:

1. Chairman, SEBI, vide his Order dated 19.8.99 directed that a warning be issued to the applicant regarding dealings for M/s. Spentra Investments in the scrips of BPL Ltd., Videocon International Ltd. and Sterlite Industries Ltd.
2. Chairman, SEBI vide his Order dated 16.5.2002 issued a warning to the applicant with regard to their dealings on behalf of clients in the scrip of Hitech Jewellery Investments Ltd.
3. Chairman, SEBI vide his order dated 19.9.2002 issued a warning to the applicant in respect of their dealings in the scrip of Amara Raja Batteries Ltd.
4. SEBI vide letter dated 6.2.2003 warned the applicant and advised them to desist from entering into structured deals in the light of such dealings on behalf of a client in the scrip of Electrolux Kelvinator Ltd.
5. In an enquiry against the applicant in respect of dealings in the scrip of Natural Expo Agro Industries Ltd., the enquiry

officer has recommended that a warning may be issued to the applicant.

6. Enquiry proceedings have been initiated against the applicant vide Orders dated 8.10.2003 and 10.12.2003 with respect to complaints received from investors and irregularities noticed in the course of inspection of the books of accounts and other records of the applicant.

It is noted that the applicant did not prefer to file any appeal in any of the above proceedings.

- 4.3 I note that the applicant has been warned in several instances by SEBI for irregularities observed in the course of their transactions in the shares of various companies. Further, two enquiries have been initiated against them based on investor complaints and irregularities observed during inspection which are still pending. Disciplinary actions taken / initiated by the Board against the applicant as a stock broker (more particularly described above in para 4.2) fall within clause (f) of Regulation 6(2) of the Regulations which have to be taken into account by the Board while considering the applicant's application.
- 4.4 This kind of repeated defaults and violations by any intermediary vitiate the orderly development of securities market. I am of the considered opinion that in view of several disciplinary actions taken / initiated by the Board against the applicant as a stock broker, it has to be examined under appropriate proceedings, whether the applicant is a fit and proper person to continue as a broker. Till such time, I am of the view that, it would not be in the interest of investors and orderly development of securities market to grant the applicant registration as a Portfolio Manager.

5.0 Therefore, I, in exercise of powers conferred on me under Section 19 of the SEBI Act and Regulation 10(1) of the said regulations do hereby reject the application for registration as Portfolio Manager submitted by M/s. Mangal Keshav Securities Ltd.

Place: Mumbai

Date: 18.06.2004

T M Nagarajan

Whole Time Member

Securities and Exchange Board of India