

SECURITIES AND EXCHANGE BOARD OF INDIA

DIRECTION UNDER SECTION 11B, READ WITH SECTION 11 AND 11D OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992. AGAINST M/S. DELTA ALLIANCE INVESTMENTS AND ITS PROPRIETOR MS. SANTA CHAKRABORTY.

1. Securities and Exchange Board of India (SEBI) has come across an advertisement published in one of the newspapers, by M/s Delta Alliance Investments (hereinafter referred to as "Delta Investments", having its office at 34/3, Ashokenagar, 3rd Floor, N.S.C. Bose Road, Kolkata-700 040) offering assured monthly returns on investments in the securities market.
2. On inquiry, it was found that Delta Investments is a proprietorship concern of one Ms. Santa Chakraborty. Discussions with Ms. Santa Chakraborty revealed that the investors interested in availing of the services of Delta Investments have to first enter into an agreement with Delta Investments, enabling it to manage their portfolio. The said agreement stipulates, inter alia, as under:
 - i. A trading account is to be opened by the investor with a NSE member.
 - ii. A minimum sum of Rs.2,00,000/- is to be deposited by the investor in the online account.
 - iii. Investors have to submit password and user id of both equity and derivatives market to Delta Investments.
 - iv. Investors authorize Delta Investments to execute transactions of buy and sell of securities on their behalf.
 - v. Investors have to pay 60% of profits as consultancy fee to Delta Investments.
 - vi. 100% of loss to be borne by Delta Investments.
 - vii. Investors authorize Delta Investments to operate their beneficiary account and internet on-line trading account and to issue delivery slips on their behalf to POA Holder i.e., Delta Investments.
3. Perusal of a copy of the brochure and client agreement form collected from one of the business executives of Delta Investments and the discussions held with Ms. Santa Chakraborty make it evident that the services offered by Delta Investments would amount to offering services of a "portfolio manager", as defined in Rule 2(e) of the SEBI (Portfolio Managers) Rules, 1993. Hence, it appears that Delta Investments is engaged in the activity of portfolio manager, without registering itself with SEBI as such.
4. From the advertisement issued by Delta Investments in Ananda Bazar Patrika on January 18, 2004, it is observed that it is offering monthly returns of upto Rs.10,000 on investments of Rs.2,00,000, to investors in the securities market and this appears to be an exaggerated claim with the intention to dupe the small investors.
5. It may be noted here that previously SEBI had come across advertisements issued by an entity named M/s Delta Alliance Financial Services (hereinafter referred to as the "Delta Financial") in the Economic Times on various dates i.e. December 8, 2003, December 19, 2003 etc, wherein they had offered high assured monthly returns on investments made by investors in the securities market. The services offered by Delta Financial to their clients were similar to those now being offered by Delta Investments and ranged from providing assistance to their clients to open accounts with any NSE stock broker(s), buying/selling shares of the clients on their behalf, dealing with brokers for execution of transactions of their clients, refund of money in case of loss incurred by the clients, assured monthly returns to the clients, etc.
6. SEBI had, in the interest of the investors and to safeguard the integrity of the market, issued directions under Sections 11, 11B and 11D of the SEBI Act, 1992, on January 2, 2004, against Delta Financial and its proprietor Shri Rajeev Kapoor, directing them to cease and desist from acting as an unregistered portfolio manager and from accepting deposits from and managing the portfolio of the investors and also from publishing any advertisement luring the investors to invest in securities market. Delta Financial and its proprietor Shri Rajeev Kapoor were also restrained from buying, selling or dealing in securities market in any manner, directly or indirectly, with immediate effect until further orders.
7. A visit to the office of Delta Investments by SEBI officials on January 20, 2004 revealed that although the proprietor of Delta Investments is one Ms. Santa Chakraborty, Shri Rajeev Kapoor, proprietor of Delta Financial, was present at the premises of Delta Investments. During discussions with Ms. Santa Chakraborty and Shri Rajeev Kapoor, it was learnt that the operations of Delta Investments are similar to that of Delta Financial. Further, it was found that the business executives of Delta Investments were approaching prospective clients for procuring business.
8. It appears from the above that Shri Rajeev Kapoor, proprietor of Delta Financial, is carrying on similar activities in the name of Delta Investments, for which he was restrained by SEBI vide order dated January 2, 2004. It is also noted that both the entities are having the same address and telephone numbers. Further, the words "Delta Alliance" have been printed in similar manner in the advertisements of both Delta Investments and Delta Financial. In addition, the presence of Shri Rajeev Kapoor at the premises of Delta Investments also strengthens the view that both the entities are inter-connected.
9. It is clear that by carrying on similar activities in the name of another entity, Shri Rajeev Kapoor is bypassing the directions issued to him vide SEBI's order dated January 2, 2004.
10. Pursuant to SEBI's visit to their offices, Delta Investments had submitted an undated letter on January 20, 2004 to SEBI, stating that their advertisement was published inadvertently. They had also stated that they are in the process of applying through a NSE member to get themselves registered with SEBI as a sub-broker, pending which they shall not carry on their business. However, it was found that subsequently another advertisement appeared in "The Telegraph" on January 24, 2004 where an un-named entity, having same telephone numbers as those of Delta Investments, invited investments assuring

60% return to the investors. It is clear from the above that Delta Investments is not adhering to its own promises given in its letter dated 20.01.04.

11. I have observed that the clients of Delta Investments are required to submit their user id & password/s (of accounts opened with online trading platforms) to it, in order to enable Delta Investments to execute transactions on behalf of the clients, in the cash as well as the derivatives segment of the exchange/s. By having the user ids & passwords of its clients, Delta Investments would be in a position to manage and/or administer both the portfolio of securities as well as funds of its clients. Under these circumstances, the possibility of misutilisation of the clients' portfolio by Delta Investments cannot be ruled out.
12. It appears that the intention of Delta Investments is to lure a large number of innocent / gullible investors of the eastern region of the country, by assuring them of high returns, an assurance that cannot be guaranteed with any degree of certainty. Needless to say, the entity's proposal is fraught with very high risks to investors who may chose to subscribe to one of their schemes. The entity is not registered with the Board in any capacity and in case of default by the entity in meeting its obligations to investors, the normal recourse available to investors may not be available in this case, which may put investors in great peril.
13. In view of the above facts and circumstances, I conclude that M/s. Delta Alliance Investments and its proprietor Ms.Santa Chakarabarty are guilty of illegally carrying on portfolio management activities. Allowing the continuation of such illegal portfolio management activities in the securities may induce innocent investors to invest in the schemes floated by M/s Delta Investments, Hence, it is imperative that such illegal activities are prevented/contained. Therefore, I find that it is a fit case for issue of directions against Delta Alliance Investments and its proprietor Ms.Santa Chakarabarty, whose conduct is detrimental to the interests of investors and of the securities market.
14. In view of the above, in the interests of investors and to safeguard the integrity of the securities market, in exercise of powers conferred upon me by Section 19 read with Sections 11B, 11 and 11D of the Securities and Exchange Board of India Act, 1992, I, hereby, direct the entity M/s. Delta Alliance Investments and its proprietor Ms. Santa Chakarabarty to cease the activity of managing the portfolio of the investors and accepting deposits from them and to desist from acting as an unregistered portfolio manager and from accepting deposits from and managing the portfolio of the investors and also from publishing any advertisement luring the investors to invest in securities market on the basis of exaggerated claims, an act which is detrimental to the interests of investors.
15. I also direct that the entity M/s. Delta Alliance Investments and its proprietor Ms. Santa Chakarabarty be restrained from buying, selling or dealing in securities market in any manner, directly or indirectly, with immediate effect until further orders. The entity will be given a post-decisional hearing on receipt of request.

A.K.BATRA

PLACE : MUMBAI

WHOLE TIME MEMBER

DATE : AUGUST 16th 2004

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