

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

IN THE MATTER OF APPLICATION FOR GRANT OF CERTIFICATE OF REGISTRATION BY CREDITCAPITAL ASSET MANAGEMENT COMPANY LIMITED, AS A PORTFOLIO MANAGER.

1. Creditcapital Asset Management Company Limited, a company having its registered office at Mumbai (hereinafter referred to as 'the applicant company') submitted an application dated March 04, 2004, to Securities and Exchange Board of India (hereinafter referred to as 'SEBI'), for registration under SEBI (Portfolio Managers) Regulations, 1993 (hereinafter referred to as 'the said regulations'), for the purpose of carrying on the activities of a Portfolio Manager. As per the said application, the directors of the applicant company are Shri J. P. Kundra, Shri P. Murari, Shri M G Gupta, Shri Lalit Bhasin, Shri Maharaja Jai Singh and Shri R K Gupta.
2. While processing the aforesaid application, it was observed that the applicant company is registered with SEBI, under the provisions of SEBI (Mutual Funds) Regulations, 1996, as an Asset Management company, managing the schemes of Taurus Mutual Fund. It was also noted that the following entities were the associates of the applicant company :
 - i. HB Securities Ltd., a member of National Stock Exchange of India Ltd. and Delhi Stock Exchange.
 - ii. RRB Master Securities Delhi Ltd., a member of National Stock Exchange of India Ltd. and Delhi Stock Exchange
 - iii. Bhasin Share & Stock Brokers Ltd., a member of Delhi Stock Exchange
 - iv. Raja Ram Bhasin Share & Stock Brokers Ltd., a member of Delhi Stock Exchange
 - v. HB Prima Capital Ltd., a member of Over The Counter Exchange of India
 - vi. RRB Master Holdings Ltd., a member of Over The Counter Exchange of India.
3. While considering the application, it was noted that the following actions had been initiated/concluded pending against the applicant and/or its associates :
 - (i) four enquiry proceedings had been initiated against H B Securities Ltd., an associate of the applicant company, on November 19, 2003 and March 31, 2004
 - (ii) one enquiry proceeding was initiated against RRB Master Holdings Ltd., an associate of the applicant company, on March 31, 2004
 - (iii) a warning was issued on May 25, 2001 against H B Portfolio Ltd., promoter of the applicant company
 - (iv) Shri Lalit Bhasin, one of the directors of the applicant, is also a director of H B Stockholdings Ltd., against whom enquiry proceedings had been initiated on March 29, 2000.
 - (v) enquiry proceedings were initiated on September 25, 2003, against Ratnabali Capital Markets Ltd. Shri J P Kundra, director of Ratnabali Capital Markets Ltd. is also one of the directors of the applicant company.
4. It was also noted that the applicant company had failed to fulfill the networth criteria separately for Mutual Fund and Portfolio Management Services, as specified under the said Regulations.
5. In view of the multiple enquiries proceedings pending against the associates of the applicant company, the warning issued by SEBI against the promoter of the applicant company and the enquiry proceedings initiated against H B Stockholdings Ltd. and Ratnabali Capital Markets Ltd., in which the directors of the applicant company namely Shri Lalit Bhasin and Shri J P Kundra are directors, respectively, SEBI formed a prima facie view that the certificate of registration to the applicant company cannot be granted as it did not fulfill the criteria laid down in regulation 6(2)(k) and regulation 6(2)(g) of the said Regulations.
6. The same was informed to the applicant company by SEBI vide letter dated August 06, 2004. The applicant company vide letter dated August 13, 2004 *inter alia* replied that it had already taken necessary steps for redeeming the preferential share capital and that its sponsor and associates had agreed to induct fresh equity share capital of Rs. 2.5 crores and as such the applicant company would continue to maintain the networth of more than Rs. 10.5 crores all the time, as required in terms of the Regulations.
7. An opportunity of personal hearing was granted to the applicant company to explain its stand on the above issues, on August 26, 2004. Shri R K Gupta, the director of the applicant company appeared on the said date and made submissions before me.
8. With respect to the networth, it was re-iterated that the applicant company had submitted that it had already taken necessary steps for redeeming the preferential share capital and the sponsor and its associates had agreed to induct fresh equity share capital of Rs. 2.5 crores and as such the applicant company would continue to maintain the networth of more than Rs. 10.5 crores all the time.

9. As regards the proceedings initiated by SEBI against its associates and other entities, it was submitted that the said proceedings were pending before the various authorities of SEBI.
10. I have perused the application for the certificate of registration, the reply and oral submissions made on behalf of the applicant company. As per regulation 6(2)(g) of the said Regulations, while examining the application for certificate of registration, SEBI has to consider as to whether the applicant company has fulfilled the capital adequacy requirements specified in regulation 7 of the said Regulations. As per the audited accounts for the year ended March 31, 2003, the networth of the applicant company in terms of the said Regulations is Rs. 7,93,78,950/- and as per the auditor's certificate dated June 01, 2004, based on unaudited results, the networth of the applicant company as on December 31, 2003 was Rs. 8,53, 25,011/-. Thus, the networth of the applicant company falls below the requirement of Rs. 10.5 crores, as required to fulfill the networth criteria separately for the two registrations.
11. Further, as per regulation 6(2)(k) of the said Regulations, SEBI has to consider whether the grant of certificate of registration is in the interest of investors. I have noted that SEBI had already initiated a number of enquiry/ adjudication proceedings against the associates of the applicant company/against companies which have common directors with the applicant, as mentioned at para 3 above. I have also noted that SEBI had issued a warning on May 25, 2001 to the promoter of the applicant company, HB Portfolio Ltd. to be careful in future in ensuring the compliance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.
12. In view of the multiple legal proceedings pending against the company, I am of the view that granting a fresh registration to the applicant company, to act in a new capacity in the securities market, is not desirable, at this point of time. In addition, the applicant has also not fulfilled the networth criteria as laid down under regulation 6(2) (g) of the said Regulations. Therefore, I am of the view that grant of certificate of registration as a portfolio manager, to the applicant company, at this stage, is not in the interest of the securities market.
13. Therefore, pursuant to the powers conferred upon me under section 19 of Securities and Exchange Board of India Act 1992, read with Regulation 10 of SEBI (Portfolio Manager) Regulations, 1993, I hereby reject the application for submitted by Creditcapital Asset Management Company Limited, for registration as a Portfolio Manager.

Place: Mumbai	A K Batra
Date: October 8, 2004	Whole Time Member
	Securities and Exchange Board of India