

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

DIRECTIONS UNDER SECTIONS 11(1), 11(4)(b) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AGAINST CREDENT PORTFOLIO MANAGEMENT PRIVATE LIMITED AND ITS DIRECTORS, MR. AMARANJAY KUMAR AND MR. MRITUNJAY KUMAR

1. The Securities and Exchange Board of India (hereinafter referred to as SEBI) received a complaint dated March 15, 2010 from one Rajendra S. Rathore (hereinafter referred to as the complainant) against Mr. Amaranjay Kumar, director, Credent Portfolio Management Private Limited [at 214-215, Vikasdeep, Laxmi Nagar District Centre, Vikas Marg, Delhi-110092] in respect of malpractices and misappropriation of funds. Credent Portfolio Management Private Limited is hereinafter referred to as Credent. The complainant stated that he had issued eleven cheques aggregating to ₹29,65,000/- to Mr. Amaranjay Kumar, for the purchase of shares, as given below:

Name of Bank	Date	Cheque no.	Amount (₹ in lakhs)	Issued to
Bank of India	September 9, 2006	696914	2.00	CFS Financial Services Private Limited
	March 2, 2008	70080	2.15	Amaranjay Kumar
ICICI Bank	November 8, 2006	638284	6.00	CFS Financial Services Private Limited
	November 8, 2006	638288	2.00	CFS Financial Services Private Limited
	April 19, 2007	823239	1.50	Credent
	April 19, 2007	823240	1.50	Credent
	November 11, 2007	835912	5.00	Credent
	November 23, 2007	835916	2.00	Credent
	November 23, 2007	835917	2.00	Credent
	November 23, 2007	835918	2.00	Credent
	December 26, 2007	843851	3.50	Credent
	Total		29.65	

2. In the said complaint, it was also stated that Mr. Amaranjay Kumar had transferred shares worth ₹3,10,271/- from the demat account of the complainant (no. IN 302902-4377669) maintained with ICICI Bank Limited to his demat account (no. IN 301918) maintained with CFS Financial Services Private Limited and demat account (no. IN 300966) maintained with Globe Capital Market Limited. As per the complaint, Mr. Amaranjay Kumar had also

transferred shares from the demat account (no. 10027267) of the complainant maintained with Vivek Financial Focus Limited, to his demat accounts maintained with CFS Financial Services Private Limited and Globe Capital Market Limited. The copies of relevant bank statements and the demat account statements furnished by the complainant were also perused by SEBI and the following were observed from the said statements.

- i. 50 shares of Indiabulls Financial Services Limited and 25 shares of Siemens Limited were transferred from the demat account of the complainant to the clearing member, CFS Financial Services Private Limited. Further, the following shares of the complainant were also transferred to the demat account of Mrs. Manju Deveshwar and Mr. Indra Mohan Deveshwar (maintained with Globe Capital Market Limited-DP ID IN300966)

Table I

S. No.	Name of the scrip	No. of Shares
1.	3I Infotech Limited	200
2.	Gitanjali Gems Ltd.	175
3.	Hindustan Zinc	20
4.	Lanco Infratech	150
5.	ONGC	25
6.	Parsvnath Developers Ltd.	20
7.	Reliance Petroleum Ltd.	290
8.	Tech Mahindra Limited	16

- ii. Shares were also transferred from other demat accounts (no. IN300861/10027267) of the complainant maintained with Vivek Financial Services Private Limited to the following demat accounts, as given below:

Table II

Transfer to Demat A/c. No. 10045049 (DP: CFS Financial Services Private Limited)

S. No.	Name of the scrip	No. of Shares
1.	HCL Technology	50
2.	HDFC	200
3.	Hindustan Lever	330
4.	ICICI Bank	40
5.	Zee Telefilms	100

Table III

Transfer to Demat A/c. No. 10175802 (DP: Globe Capital Market Limited)

S. No.	Name of the scrip	No. of Shares
1.	GTL	80
2.	MRPL	400
3.	Parsvnath Developers Ltd	20
4.	Reliance Com. Ltd.	18
5.	Reliance Industries Ltd.	18
6.	Satyam Computers Serv.	50

3. From the copy of the statement dated July 28, 2009 issued by Credent, as furnished by the complainant, shares acquired for ₹8,02,500/- (from February to July, 2007) were later on sold for ₹13,74,850 (in April 2008). It was mentioned in the said statement that there was a profit of ₹5,72,350/- on the said transactions. It was stated that, 400 shares of DLF Limited and 200 shares of Tata Consultancy Services Limited (worth ₹1,79,800/- as per the complainant) were missing from the demat account of the complainant. As per the statement dated July 10, 2009 (statement provided by Mr. Amaranjay Kumar/Credent giving information about the latest value of shares purchased for the complainant), Credent had shares worth ₹16,33,800/- of the complainant. It was contended that a cheque of ₹ 2.50 lakhs dated October 20, 2009 issued by Credent towards partial payment of sale of shares had bounced. Though, the said cheque was re-deposited on January 7, 2010, as per the request of Mr. Amaranjay Kumar, it was dishonoured again. It was alleged that he had told Mr. Amaranjay Kumar to sell his shares and to send him a final statement, which has not been complied with. It is the grievance of the complainant that Mr. Amarnjay Kumar/Credent had misappropriated his funds and fraudulently transferred his shares from his demat account into his own account for personal gains. In view of the above, SEBI conducted a preliminary inquiry into the activities of Credent. An official of SEBI was sent to the office of Credent as a decoy customer, who had met Mr. Neeraj Kumar Sharma, Assistant Manager (Investment) of the said entity. During the meeting, the official was lured to invest his money with them and was assured decent returns on the investment. SEBI also gathered that Credent has a website “www.credentinvest.com” to lure the general public to investment with them. The said website also mentioned that “*Credent, Portfolio Manager offers discretionary portfolio management services.*” However, no such entity is registered as a portfolio manager with SEBI.

4. SEBI had also obtained information from the National Securities Depository Limited (hereinafter referred to as NSDL) seeking the transaction details of the statements of the following demat accounts:

- (a) No. 10045049 (mentioned in Table II at paragraph 2) maintained with CFS Financial Services Private Limited, and
- (b) No. 10175802 (mentioned in Table III at paragraph 2) with Globe Capital Market Limited.

5. From the details so obtained, it is observed that the demat account no. 10045049 pertains to Mr. Amaranjay Kumar and the account no. 10175802 is that of Mrs. Manju Deveshvar and Mr. Indra Mohan Deveshvar. It was also observed that all the shares transferred from the account of the complainant were lying in the account no. 10175802. Therefore, Mrs. Manju Deveshvar and Mr. Indra Mohan Deveshvar were advised to inform the nature of transactions and their association with Mr. Amaranjay Kumar of Credent. Mrs. Manju Deveshvar and Mr. Indra Mohan Deveshvar, vide letter received by SEBI on July 12, 2010, *inter alia* stated the following:

- (i) They are senior citizens aged around 75 years and are with their daughter in the United States of America (USA). They had been dealing in Mutual Funds through Mr. Amaranjay Kumar of Credent from the year 2003.
- (ii) In October 2006 (just prior to their leaving for USA) they had filled application forms for investment in mutual funds and relevant cheques worth of ₹6-7 lakhs were handed over to Mr. Amaranjay Kumar. However, on their return to India in June 2007, they realized that Mr. Amarnjay Kumar had used their cheques to invest in funds in his own name and also in the name of one Raj Bala Jain, wherein he himself was the 2nd holder. Incidentally, this amount was redeemed by them the very next day.
- (iii) They had many demat accounts individually, jointly and also with their two daughters. Mr. Amarnjay Kumar on the pretext of consolidating their holding, obtained signed transfer forms (as they were leaving to USA) wherein details of recipient were kept blank. On their return, they found that Mr. Amarnjay Kumar had also misappropriated their shares.
- (iv) In August 2007, Mr. Amarnjay Kumar gave statements of 3 investments in ICICI Prudential Mutual Fund made in their name. When they tried to redeem the same, their redemption request was rejected as their signatures did not tally with the signatures in the application forms. On further enquiry, they found that, their signatures on the applications were forged. Also, a cheque of another person named 'Mr. Mehta' was used for said investment. It was stated that when Mr. Mehta came to know about Mr. Amaranjay's fraud, he got the said investment blocked. Later, Mr. Mehta wrote to ICICI Prudential Mutual Fund that the said investments could be released since he had been compensated by Mr. Amarnjay Kumar. Mr. Deveshwar had stated that they were able to get 2

funds redeemed. However, the third account was still frozen by ICICI Prudential Mutual Fund.

- (v) It was stated that to compensate for this fraud, Mr. Amaranjay Kumar had issued cheques for different amounts and also transferred shares (which actually belong to the complainant) in their demat account number 10175801 maintained with Globe Capital Market Limited in July 2007. It was also informed that all the cheques issued by Mr. Amarnjay Kumar were later dishonoured.

6. Thus, from the foregoing, it is *prima facie* noticed that Mr. Amaranjay Kumar had not only misappropriated the funds of Mrs. Manju Deveshvar and Mr. Indra Mohan Deveshvar, but had also wrongly transferred the securities of the complainant to their demat account. Therefore, a letter dated March 29, 2010 was issued to Credent by SEBI requiring it to provide its profile in detail, name of directors, balance sheets from 2005-06 onwards and details pertaining to the transactions of the complainant. In response, Credent had only submitted an incomplete reply. From the said reply, it was observed that the directors of Credent are Mr. Mritunjay Kumar and Mr. Amaranjay Kumar. In the balance sheet of Credent as on March 31, 2008, it had shown a receipt of an advance of ₹13,55,000 from the complainant. The entity had also provided a statement of accounts from its books, relevant entries are given below:

Table IV

Cheque No.	Date	Amount (₹)	Cheque No.	Date	Amount (₹)
823239 &40	19.04.07	3,00,000	22845	14.06.07	3,00,000
187873	24.07.07	2,00,000	34785	28.02.08	2,95,000
	12.11.07	5,00,000	42160	07.05.08	2,00,000
835917	26.11.07	2,00,000	42162	10.05.08	4,00,000
835956	27.11.07	2,00,000	42164	12.05.08	5,00,000
836918	28.11.07	2,00,000	474262	11.06.09	80,000
843851	27.12.07	3,50,000	474300	26.06.09	1,00,000
			486401	29.06.09	80,000
		19,50,000			19,55,000

7. As Credent had not submitted the complete information as required by SEBI, a reminder dated July 1, 2010 was sent advising it to confirm to SEBI whether it had obtained registration as Portfolio Manager from SEBI and if not, reasons for the same. It was also asked to provide details of all other transactions entered with the complainant and explaining the nature of each transaction. Credent was also required to provide the details of all the customers from whom it had taken advances or received funds. Credent was further advised to disclose all the bank accounts operated by it from

January 1, 2006 till date and to provide bank statements for all the accounts for the said period. Credent, vide letter dated July 14, 2010 stated that the word 'portfolio management services' on its website is totally by mistake of the developer of its website. However, as the website mentions Credent as a Portfolio Manager, offering discretionary portfolio management and that its name "Credent Portfolio Management Private Limited" also reflected that its core activity is of portfolio management, the submission that the same was a mistake of the website developer, is not convincing. Therefore, Credent cannot put the onus of using the words "portfolio management services" appearing on its website, on the developer. Mr. Amaranjay Kumar, further submitted that, since July 19, 2010, he had made the following payments to the complainant.

Table V

Date of Pay Order	Pay Order No.	Bank	Amount (₹)
July 14, 2010	061722	Axis Bank Limited	70,000
July 19, 2010	061877	Axis Bank Limited	90,000
July 19, 2010	061876	Axis Bank Limited	90,000
July 19, 2010	061878	Axis Bank Limited	70,000
July 22, 2010	061980	Axis Bank Limited	1,00,000
August 02, 2010	062260	Axis Bank Limited	1,25,000
August 10, 2010	062490	Axis Bank Limited	1,50,000
August 11, 2010	062519	Axis Bank Limited	50,000
Total			7,45,000

However, the above payments would not fully settle the claims of the complainant to his full satisfaction, as it is the case of the complainant that he is yet to receive ₹16,33,800/- from Mr. Amaranjay Kumar/Credent. Further, from the facts stated above, there is a *prima facie* case to infer that the shares/funds of the complainant and Mrs. Manju Deveshwar and Mr. Indra Mohan Deveshwar, could have been misused and misappropriated. Further, Mr. Amaranjay Kumar has also failed to provide full and satisfactory details as sought by SEBI, vide letter dated July 1, 2010. Apart from the complainant, Mrs. Manju Deveshwar and Mr. Indra Mohan Deveshwar, further examination into the matter may lead to many such instances where the client's funds/securities could have been misused by Mr. Amaranjay Kumar/Credent.

8. Further, it also came to the notice of SEBI that Credent had trading terminals installed at its office. Credent is not a SEBI registered stock broker

or a sub-broker affiliated to any of the registered stock brokers. Enquiries with the National Stock Exchange of India Limited (hereinafter referred to as NSE), revealed that the said terminals belonged to one of its members, Adroit Financial Services Limited, which had provided them to its sub-broker, Credent Securities, and its authorized person is Mr. Mritunjay Kumar. It is pertinent to note that Mr. Mritunjay Kumar is another director in Credent. As per the information obtained from Adroit Financial Services Limited, Credent Securities is managing three trading terminals at 214-215, Vikasdeep, Laxmi Nagar District Centre, Vikas Marg, Delhi and one trading terminal at G-103, PC Colony, Opp. UCO Bank, Mall Road, Kaukar Bagh, Patna. As a sub-broker, Credent Securities had 433 clients from Delhi, UP, Haryana and Bihar. Therefore, it could be possible that Credent is managing the portfolio accounts of the said clients, without any registration from SEBI. It is also noted that Credent had been dealing with Adroit Financial Services Limited since January 2009 and prior to that, Credent had dealt through CFS Financial Services Private Limited (member, NSE). SEBI also sought necessary information from CFS Financial Services Private Limited, which had, vide letter dated July 2, 2010 informed that the complainant was introduced to them by Mr. Amaranjay Kumar and further stated that Mr. Amaranjay Kumar had also introduced other clients to it.

9. A perusal of the member client agreement dated September 1, 2006 between CFS Financial Services Private Limited and the complainant, shows that Mr. Amaranjay Kumar (of Credent) has been authorized to

- a. place orders for sale/purchase of securities,
- b. collect cheques/contract notes
- c. deliver depository instructions
- d. receive statements of account, balance confirmation certificates and
- e. issue any other instruction in respect of accounts including retaining any balance in the accounts towards margin.

It has also been observed from the ledger account of the complainant that CFS Financial Services Private Limited had not given credit of two cheques dated November 8, 2006 and bearing no. 638284 for ₹6lakhs and another

cheque bearing no. 638288 for ₹2 lakhs. It is noted that the complainant had issued cheques in favour of CFS Financial Services Private Limited and thus, ideally the credits should have been given to the complainant in his ledger account. However, the credits were given in favour of Mr. Amaranjay Kumar. The said facts have been admitted by CFS Financial Services Private Limited in its letter dated July 16, 2010 to SEBI. The payment to CFS Financial Services Private Limited appears to have been made at the behest of Mr. Amaranjay Kumar, as it has been admitted by CFS Financial Services Private Limited that the trading in the account of the complainant is managed by none other than Mr. Amaranjay Kumar.

10. Further, there were electronic mail (e-mail) correspondence between the complainant and Mr. Amaranjay Kumar. A perusal of the contents of said e-mails *prima facie* brings out the mis-handling of the funds and securities by Mr. Amaranjay Kumar, as stated below:

a. The e-mail dated June 12, 2009 sent by the complainant to Mr. Amaranjay Kumar acknowledging the receipt of a cheque for ₹80,000/- for the sale of shares of Essar Oil. It was stated by the complainant that he was supposed to receive over ₹88,000/- which he understood was the sale price. It was also mentioned that the said amount was from the proceeds of sale of his shares and was received after considerable delay and follow-up. No contract note was provided. It was mentioned in the said e-mail that during last one and a half year, many shares have been removed from his demat account, for which Credent was not authorized. The complainant has asked for return of the said shares alongwith details of utilization of his shares. The complainant further stated that cheques totaling ₹29.65 lakhs were provided to Mr. Amaranjay Kumar in last 3 years. The complainant has asked detailed account of shares purchased for the said amount along with contract notes. It was also stated that a cheque of ₹2 lakhs dated July 23, 2007 was issued from Standard Chartered Bank account of his wife, Mrs. Renu Rathore. The complainant has asked

detailed account of shares purchased for the said amount along with contract notes.

In response to the said e-mail, Mr. Amaranjay Kumar, vide his e-mail dated June 24, 2009 had stated to the complainant that *“As per today talk ur account & details should be cleared by 10/7/2009.”*

b. I also note from the e-mail dated April 18, 2010 sent by the complainant, pursuant to his discussion with Mr. Amaranjay Kumar wherein it was noted that ₹26.65 lakhs were due after considering (a) the funds and securities given along with interest thereupon and (b) ₹7.96 lakhs received by the complainant (till April 18, 2010). The complainant had asked for return of his funds. In response, Mr. Amaranjay Kumar, vide e-mail dated April 19, 2010 had stated that *“2-3 lakhs more this month and balance in next 4 months.”* The complainant also provided copy of an e-mail dated October 17, 2007 issued by Mr. Amaranjay Kumar from his e-mail account kumaramaranjay@gmail.com. The said e-mail contains 2 files viz. (a) shares held for the complainant and (b) transactions in the account of the complainant in 2007-08. It was noted that shares stated to have been purchased by Mr. Amaranjay Kumar for the complainant were not reflected in the ledger account of the complainant maintained with CFS Financial Services Private Limited. For example, 200 shares of DLF Limited was stated to have been purchased on July 5, 2007, 1300 shares of GMR Infra were stated to have been purchased on July 27, 2007. These shares were not purchased through CFS Financial Services Private Limited. It appears that there is no other stock broker through which Mr. Amaranjay Kumar/Credent have dealt in shares other than CFS Financial Services Private Limited. This implies that shares stated to have been purchased by Mr. Amaranjay Kumar/Credent for the complainant were never purchased. *Prima facie*, this is a fraudulent act on the part of Mr. Amaranjay Kumar/Credent.

11. Further, a perusal of the ledger account of the complainant in the books of CFS Financial Services Private Limited shows that substantial trading had been executed in the capital market segment and the Futures &

Options segment by Mr. Amaranjay Kumar/Credent. Despite, trading through the account of the complainant, the said transactions were not disclosed by Mr. Amaranjay Kumar/Credent to the complainant. As already mentioned above in this Order, the trading/demat accounts of the complainant were managed by Mr. Amaranjay Kumar/Credent.

12. On basis of the above analysis, *prima facie*, it is observed that Credent had acted as portfolio manager on behalf of the complainant without obtaining registration from SEBI. This is, *prima facie*, in violation of Section 12(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 3 of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993. Credent and its director, Mr. Amaranjay Kumar had *prima facie* mishandled the funds and securities of the complainant and also that of Mrs. Manju Deveshvar and Mr. Indra Mohan Deveshvar. Credent and Mr. Amaranjay Kumar have wrongfully usurped funds/securities by not transferring them back despite repeated requests by the complainant. Further, Credent/Mr. Amaranjay Kumar also appears to have played a fraud on the said clients by not informing them of their dealings in the funds and securities entrusted by the said clients.

13. Further, the preliminary findings of SEBI points out that Credent/Mr. Amaranjay Kumar is operating a "Ponzi scheme" which is a fraudulent investment operation that pays returns to their existing investors from the money paid by subsequent investors, rather than from any actual profit earned. As brought out above, the funds of the complainant were used for making payment to Mrs. Manju Deveshvar and Mr. Indra Mohan Deveshvar. Their funds were in turn misused by Mr. Amarnjay Kumar and when Mrs. Manju Deveshvar and Mr. Indra Mohan Deveshvar confronted Mr. Amarnjay Kumar regarding the said misappropriation, the funds of one Mehta were wrongly used for making investment in name of Mrs. Manju Deveshvar and Mr. Indra Mohan Deveshvar. The records being maintained by Credent/Mr. Amaranjay Kumar also appears to be to be bogus and falsified. Even, the information provided to SEBI appears to be false, as brought above in this

Order. The above instances again shows fraudulent act by Credent/Mr. Amaranjay Kumar.

14. It is *prima facie* found that Credent Portfolio Management Private Limited is soliciting the general public to invest with them and also offering portfolio management services without obtaining registration from SEBI as is required. Thus, the activities of Credent Portfolio Management Private Limited and its directors namely, Mr. Amaranjay Kumar and Mr. Mritunanjay Kumar are *prima facie* in violation of Section 12(1) of Securities and Exchange Board of India Act, 1992 read with Regulation 3 of Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993 and Section 12A(c) of the Securities and Exchange Board of India Act, 1992 read with Regulations 3(a),(c)(d) & 4(1) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003. Under the facts and circumstances as stated above, it is therefore incumbent upon SEBI to take emergent and remedial steps to safeguard the interests of the investors and the orderly development of the securities market in preventing Credent from soliciting money from the public without due registration from SEBI. The role of the stock brokers, namely, Adroit Financial Services Limited and CFS Financial Services Private Limited, is being examined separately by SEBI.

15. In view of the foregoing, I, in exercise of powers conferred upon me under Sections 11(1) and 11(4)(b) read with Sections 11B and 19 of the Securities and Exchange Board of India Act, 1992, in order to prevent the affairs of Credent Portfolio Management Private Limited being conducted in a manner detrimental to the interests of the investors and securities market, in any manner whatsoever, pending investigation and passing of further orders, hereby direct as under:

- a. Credent Portfolio Management Private Limited (Permanent Account Number AABCC8971A) and its directors, Mr. Amaranjay Kumar (Permanent Account Number ALOPK4231E) and Mr. Mritunanjay Kumar (Permanent Account Number AIQPK7501G) are restrained from

accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities or being associated with the securities market in any manner.

- b. Credent Portfolio Management Private Limited and its directors, Mr. Amaranjay Kumar and Mr. Mritunjay Kumar are directed not to mobilize funds from the public or offer any portfolio management services.
- c. Credent Portfolio Management Private Limited and its directors, Mr. Amaranjay Kumar and Mr. Mritunjay Kumar are further directed to resolve all pending complaints against them.

16. A copy of this order shall be forwarded to the Bombay Stock Exchange Limited, the National Stock Exchange of India Limited, National Securities Depository Limited and the Central Depository Services (India) Limited.

17. The persons/entity against whom this Order is issued, if aggrieved, may file their objections to the Securities and Exchange Board of India within thirty days of this Order and, if they so desire, avail themselves of an opportunity of personal hearing before the Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai-400051, on a date and time to be fixed on a specific request, to be received in this behalf from such entity/persons.

18. This Order shall come into force with immediate effect.

DR. K. M. ABRAHAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

PLACE: MUMBAI
DATE: OCTOBER 11, 2010