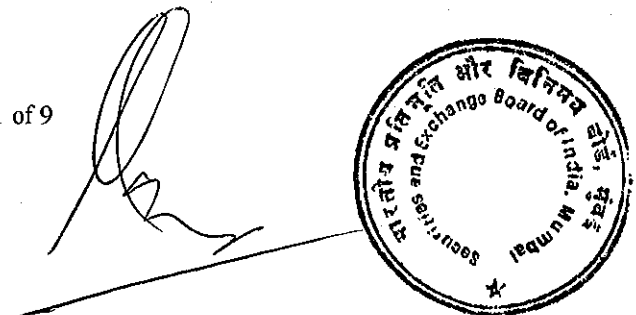


**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: S. RAMAN, WHOLE TIME MEMBER**

ORDER

Under Sections 11(1), 11(4)(b), 11B and 11D of the Securities and Exchange Board of India Act, 1992, against Alderbrooke Portfolio Management Services Pvt. Ltd. (PAN No. AAICA8270H) and its Directors, viz. Mr. Anandkumar Kanubhai Ravat (PAN No. AIMPR9602D) and Mr. Jalpeshkumar Amrutlal Makhwana (PAN No. AXLPM4291R).

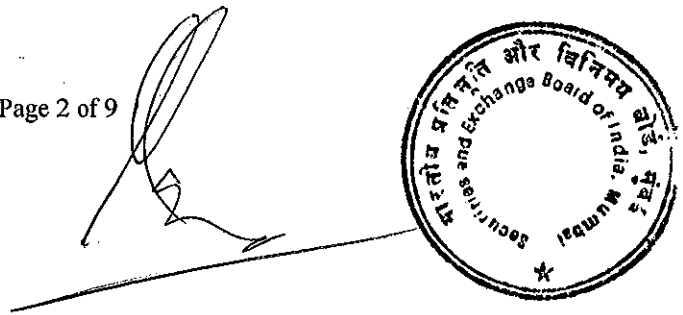
1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") received a complaint against Alderbrooke Portfolio Management Services Pvt. Ltd. (hereinafter referred to as "APMS") alleging that,
 - APMS is offering various financial products/services for individual and corporate clients with guaranteed returns.
 - APMS is offering monthly returns in the range of 2 to 4% for corporate clients and 3.5% or more for individual accounts.
2. On preliminary examination, it was found that APMS is not registered with SEBI in any capacity and is a client of the stock broker, Sharekhan Ltd. As a matter of further inquiry, SEBI, vide several letters dated November 26, 2012, July 23, 2013, August 07, 2013, August 19, 2013 and October 03, 2013 *inter alia* sought following information from APMS,
 - i. Information regarding its address, registered office, phone numbers etc.
 - ii. Details of its activities, details of shareholders/directors etc.
 - iii. Details of SEBI registration, if registered.
 - iv. Name of all the brokers with whom APMS is registered as a client along with the client codes.
 - v. Details of all demat accounts held in the name of APMS.
 - vi. Relation with the stock brokers Sharekhan Ltd. and JM Financial Services Ltd.



- vii. Basis of offering guaranteed monthly returns
- viii. Copies of subscription forms, offer documents, research report and other reports/documents,
- ix. Copy of audited annual accounts for the financial year 2010-11 and 2011-2012.
- x. Details of clients (names and addresses), details of services provided to each of the clients and amount invested by each of the clients.
- xi. Details of hedging activities undertaken during last one year and the details of the activities done in the proprietary account or accounts of other clients,
- xii. Copies of Memorandum of Understanding (MOU) entered with the clients and the details of the activities based on the MOU,
- xiii. Year-wise details of total number of clients, total amount of money mobilized and deployed from the clients and total asset under management as on July 2013 etc. in tabular format.

2.1 In reply to the aforesaid letters, APMS, vide letters dated December 15, 2012, August 01, 2013, August 12, 2013, August 24, 2013 and October 14, 2013 *inter alia* provided the following information,

- i. APMS neither offered any product with guaranteed monthly return nor did they provide any kind of portfolio management services,
- ii. APMS is a registered client of the broker, Sharekhan Ltd.,
- iii. The corporate address, names and phone numbers of all directors of APMS,
- iv. In respect of its activities, it stated that they are doing "*hedging in financial market*" and "*MOU based on mutual consent*".
- v. The details of the MOU based activities and hedging in financial markets.
- vi. Names and addresses of clients
- vii. Some copies of "MOU" executed between APMS and its clients,
- viii. Table indicating year-wise details of total number of clients (both corporate and individual) amount of money mobilized and deployed from the clients (MOU based service) and total asset under management as on July 2013.



ix. Details of clients (names and addresses), details of services provided to each of the clients and amount invested by them.

3. I have perused the complaint received by SEBI, correspondence exchanged between SEBI and APMS, alongwith the documents contained therein and other materials available on record. In this context, it is observed that the issue for determination in the instant matter is whether APMS is offering services of portfolio management to its clients by entering into agreement/MOU with the clients and managing their portfolio/funds without obtaining registration from SEBI as a portfolio manager.

3.1 On an examination of the material available on record, it is observed that:

3.1.1 APMS is a private limited Company (CIN: U74140GJ2010PTC059749), incorporated on March 3, 2010, having its registered office at 207, Platinum Complex, Jayshri Road, Junagadh-362001 and is a registered client of the stock broker Sharekhan Ltd. Mr. Anandkumar Ravat and Mr. Jalpeshkumar Makwana are the Directors of APMS.

3.1.2 The investors interested in availing the services of APMS are made to enter into an "MOU" with APMS, enabling it to manage their funds. It is further observed from the details furnished by APMS vide its letter dated August 1, 2013 that the trading activities are carried out either through the trading account of APMS or through the individual account of the client.

3.1.3 The following clauses are noted from the sample copy of the "MOU" entered into between APMS and its client,

- a) *"First Party, Alderbrooke Portfolio Management Service Pvt. Ltd. is an institute associated with fund management business.*
- b) *Second party is an investor with an intention of investing in Alderbrooke Portfolio Management Service Pvt. Ltd.'s corporate account.*
- c) *Financial inputs from second party,*



Rs., by cheque No.....dated.....as a capital investment by cheque.

d) Contract Term : 1st Feb 2013 to 5th Feb. 2014

e) For the knowledge of second party, Alderbrooke Portfolio Management Service Pvt. Ltd. may use the above fund in a separate individual trading account of any director of Alderbrooke Portfolio Management Service Pvt. Ltd. for trading purpose, in case F&O trading is not enabled with Alderbrooke Portfolio Management Service Pvt. Ltd's trading account.

f) **Capital Liability**

First party is liable to return above mentioned capital amount of Rs. For the fulfillment of security for above mentioned capital liability, first party gives following cheques [post dated]

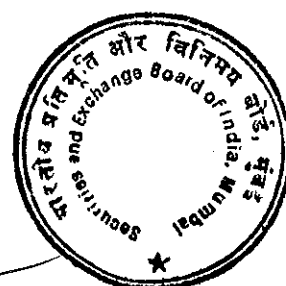
g) **Other Liability**

First party is liable to pay other liable amount of Rs./- every month by the virtue of part of other liability as decided between both party understandings. For the fulfillment of above mentioned liabilities of Rs./- first party agrees to transfer Rs. 2000/- on or before 5th date of each month from March 2013 to Feb. 2014"

3.1.4 It is further observed that APMS in the letter dated August 1, 2013 states that it carries out transactions in derivative segments by hedging mainly with nifty options. Vide the said letter, APMS states, "We do three things to hedge their positions, in financial market to safeguard the position and to sustain the volatility of the financial market,

- Selling the options, to receive premium,
- Buying the options to safeguard the positions,
- Rollover the options to extend the desire outcomes"

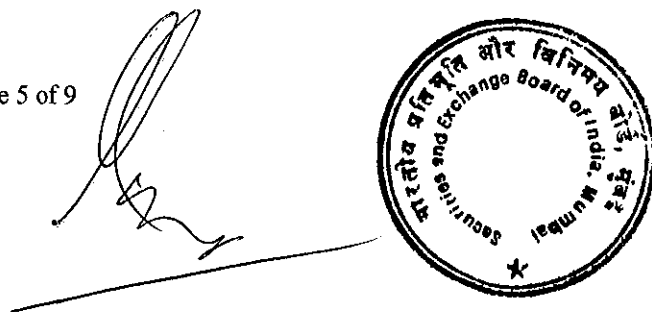
3.1.5 On examination of the aforementioned clauses contained in the "MOU" and the submissions made by APMS in its letter dated August 1, 2013, the following are observed,



- a) APMS is collecting funds from investors and manages their funds by investing in cash as well as in the derivative segment.
- b) The trading in F&O segment on behalf of clients are also done through the separate individual trading account of any director of APMS, in case F&O trading is not enabled with APMS's trading account.
- c) APMS undertakes to return the initial invested amount to the client and for that purpose a post dated cheque is given to the client.
- d) APMS is offering guaranteed monthly returns to the investors.

3.1.6 It is observed that APMS has commenced this activity/service since October 16, 2010. The clientele of APMS comprises of both individual and corporate clients. It can be observed from the information provided by APMS, vide letter dated August 24, 2013, that it has offered the aforesaid services to the large number of investors. It is observed that during the year 2011-12, it has mobilized ₹3.68 crores from 169 investors (50 individual investors and 119 corporate investors). The funds mobilized increased to ₹17.94 crores and the number of investors increased to 1208 investors (104 individual investors and 1104 corporate clients) during the year 2012-13. It is also noted that APMS has mobilized ₹5.98 crores from 441 clients (i.e. 24 individuals and 417 corporate clients) during the period April 01, 2013 to July 31, 2013. Further, on perusal of the letter dated October 14, 2013 received from APMS, it is observed that as on October 01, 2013, there are total 2106 clients registered with APMS who have invested amounts ranging between ₹10,000 to ₹50,00,000 with APMS.

3.2 From the aforesaid features and characteristics of the services offered by APMS and the various clauses in the "MOU" entered into between APMS and the clients as reproduced in the Paragraph No. 3.1.3 above, it is *prima facie* observed that APMS collects funds from the investors who are interested in availing the services of APMS on execution of the "MOU"/agreement and undertakes to manage their funds by investing in cash as well as derivative segment. Under these facts and



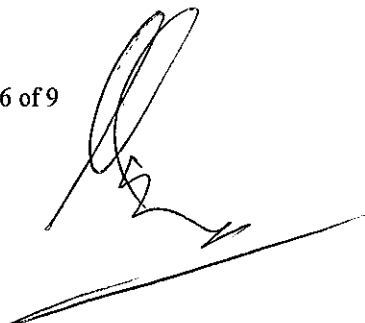
circumstances, it is observed that the services offered by APMS amount to offering services of a "portfolio manager", as defined in Regulation 2(cb) of the SEBI (Portfolio Managers) Regulations, 1993 (hereinafter referred to as "PMS Regulations"). Regulation 2(cb) of PMS Regulations defines a Portfolio Manager as:

"portfolio manager" means any person who pursuant to a contract or arrangement with a client, advises or directs or undertakes on behalf of the client (whether as a discretionary portfolio manager or otherwise) the management or administration of a portfolio of securities or the funds of the client, as the case may be'

3.2.1 Further, it is observed that APMS uses the name, "Portfolio Management Services Pvt. Ltd." which itself is reflective of its core activity of offering portfolio management services. It appears that the intention of APMS is to lure a large number of innocent/gullible investors, by assuring them guaranteed high returns.

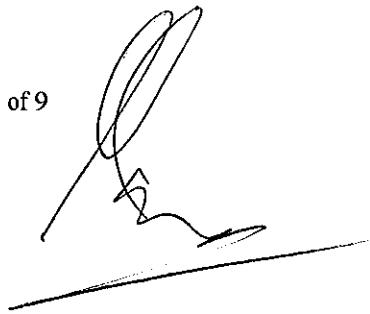
4. It is observed that in order to examine the genuineness of the activities and to ensure that no investors are defrauded, it is imperative that any entity carrying out portfolio management activities have to necessarily obtain registration from SEBI and conduct its activities in accordance with the provisions of PMS Regulations. Section 12(1) of the SEBI Act, 1992, reads, *"No stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act"*. Similarly, Regulation-3 of PMS Regulations, also provides *"No person shall act as portfolio manager unless he holds a certificate granted by the Board under these regulations"*.

4.1 In this context, it is noted that APMS is not registered with SEBI in any capacity, neither as portfolio manager nor as a broker or a sub-broker affiliated to any brokers and the characteristics and features of the business activity being carried out by



APMS as discussed in the preceding paragraphs *prima facie* leads to the conclusion that APMS is providing services of portfolio management as defined in Regulation 2(cb) of the PMS Regulations to a large number of clients. It is further observed that for carrying out the portfolio management activities, APMS uses the trading accounts of its own directors for trading in F&O segment for its clients. Further, APMS guarantees high returns to the investors. In my view, these activities are in violation of various provisions of PMS Regulations, and can put investors at great risk. Further, in case of default by APMS in meeting its obligations to investors, the normal remedies available to investors while dealing with a SEBI registered intermediary such as invoking the grievance redressal mechanisms, referring the matters to appropriate forums such as arbitration etc. are not available in this case which can put investors at peril. It is observed that such activities are being carried on by APMS since October 16, 2010. Thus, the activities of APMS and its directors namely, Mr. Anandkumar Ravat and Mr. Jalpeshkumar Makwana 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.

5. Protecting the interests of investors is the first and foremost mandate for SEBI and therefore, steps have to be taken in the instant matter to prevent APMS from soliciting and collecting funds from investors and carrying on portfolio management services without due registration from SEBI. Allowing such activities to continue, might result in APMS luring more innocent investors to invest in the unauthorized services offered by APMS. Therefore, in order to ensure that APMS and its Directors do not collect any more funds from the public and indulge in unauthorized portfolio management activities until full facts and materials are brought and a final decision is taken in the matter, it becomes necessary for SEBI to take urgent preventive action. In the light of the same, I find no other alternative but to take recourse through an *ad interim ex-parte* order against APMS and its Directors for preventing them from



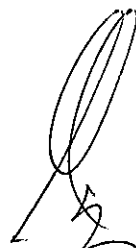
collecting funds and indulging in unauthorized portfolio management activities without obtaining registration from SEBI in accordance with law.

Order-

6. In view of the foregoing, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4) (b), 11B and 11D read with Section 19 of the SEBI Act, 1992, pending inquiry, hereby direct as under:

- i. Alderbrooke Portfolio Management Services Pvt. Ltd. (PAN No. AAICA8270H) and its Directors, viz. Mr. Anandkumar Kanubhai Ravat (PAN No. AIMPR9602D) and Mr. Jalpeshkumar Amrutlal Makwana (PAN No. AXLPM4291R) are restrained from accessing the securities market and further prohibited from buying, selling or dealing in the securities market, either directly or indirectly, or being associated with the securities market in any manner whatsoever, till further directions,
- ii. the aforesaid entities are further directed to:-
 - (a) cease and desist from acting as a portfolio manager and not to solicit or undertake such activity or any other activities in the securities market, directly or indirectly, in any manner whatsoever;
 - (b) immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, websites, etc. in relation to their portfolio management activities or any activities in the securities market.
 - (c) not to divert any funds raised from investors.

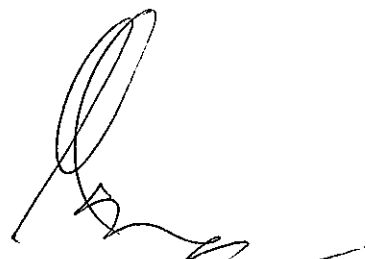
7. The abovementioned directions shall take effect immediately and shall be in force until further orders.



8. A copy of this order shall be forwarded to the Bombay Stock Exchange Ltd., the National Stock Exchange of India Ltd., MCX-Stock Exchange Ltd., National Securities Depository Limited and the Central Depository Services (India) Ltd.
9. The Stock Exchanges are directed to enable squaring off, at the earliest, any existing open position in the F&O segments, if any for APMS and its aforementioned Directors. Further, the concerned stock exchanges should also ensure that the said persons/entities do not take fresh positions or increase their open positions.
10. APMS and its abovementioned Directors shall within 15 days from the date of receipt of this Order may file their objections, if any to this order. APMS and its abovementioned Directors may also indicate, in such reply, whether they wish to avail an opportunity of personal hearing in the matter before SEBI at its Head Office at SEBI Bhavan, C4-A, G-Block, BKC, Bandra (East), Mumbai-400 051 on a date and time to be fixed on a specific request, to be received in this behalf from them.

Place: Mumbai

Date: December 20, 2013


S. RAMAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

