National Stock Exchange of India
Circular

Department: Investigation	
Download Ref No: NSE/INVG/54427	Date: November 14, 2022
Circular Ref. No: 172/2022	

To All NSE Members

Sub: Final order in the matter of Meridian Capital Research, Proprietor–Mr.Marvadi Rupeshbhai Babubhai

SEBI vide its Order no. WTM/SM/WRO/WRO/21189/2022-23 dated November 14, 2022, has hereby debarred the below entity from accessing the securities market, directly or indirectly and are prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever, for a period of two (2) years from the date of this order or till the expiry of two (2) years from the date of completion of refunds to complainants/investors along with depositing of balance amounts, if any, with SEBI as directed in sub-paragraph (i) and (v) of the SEBI order, whichever is later.

Sr. No.	Name of the Entity	PAN
1	Mr. Marvadi Rupeshbhai Babubhai Proprietor: Meridian Capital Research	DTUPM2592D

This Order shall come into force with immediate effect.

The detailed order is available on SEBI website (http://www.sebi.gov.in). Further, the consolidated list of such entities is available on the Exchange website http://www.nseindia.com home page under "Home-Regulation-Members-Action against Members-Regulatory Actions".

Members are advised to take note of the above and ensure compliance.
In case of any further queries, members are requested to contact the following officials:

Mr. Akshit Sachdeva (Extension: 23346), Mr. Atish Agarwal (Extension: 26026)
Direct No: 022-26598417/18 Fax: 022-26598195

National Stock Exchange of India

For and on behalf of

National Stock Exchange of India Limited

Atish Agarwal
Senior Manager

ANNEXURE: Final order in the matter of Meridian Capital Research, Proprietor–Mr.Marvadi Rupeshbhai Babubhai

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: S. K. MOHANTY, WHOLE TIME MEMBER

ORDER

UNDER SECTION 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF MERIDIAN CAPITAL RESEARCH, PROPRIETOR – MR. MARVADI RUPESHBHAI BABUBHAI

In respect of:

Sr. No.	Name of the Noticee	PAN
1.	**Mr. Marvadi Rupeshbhai Babubhai** **Proprietor: Meridian Capital Research**	**DTUPM2592D**

Background

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") received a complaint (for short "***Complaint 1***") on June 11, 2018 from one K Sheela Singh c/o Anuradha Singh (hereinafter referred to as "***Complainant 1***") against Meridian Capital Research (for short "***Meridian***") and its Proprietor **Mr. Marvadi Rupeshbhai Babubhai** (for short ***"Rupesh"***) (hereinafter collectively referred to as the "***Noticees***") wherein, *inter alia*, it was stated that the *Noticees* have asked for a payment of INR 1,35,000/- from the *Complainant 1* through their "Senior Citizen Plan" while assuring profitable returns of 45%. However, neither any return of 45% was received nor the *Noticees* have returned the amount charged by them as a fee for providing 45 % as assured return by them which they failed to do. Upon receipt of the aforesaid complaint, SEBI initiated an examination into the matter. During the examination, SEBI came across one more complaint (for short

"***Complaint 2***") from another Complainant (for short "***Complainant 2***") against the *Noticees* posted on www.pathlegal.in vide a post dated January 16, 2018. Further, following has been, *inter alia*, revealed during the examination with respect to the activities of the *Noticees:*

a) It was gathered from the *Complaint 2* that one of the executive of the *Meridian* offered a scheme to invest INR 1,00,000/- with the *Noticees* for a return of INR 40,000 within a period of 3 months. Subsequent to the deposit of the INR 1,00,000/- in the IDBI Bank account number 2061102000005104 of the *Noticees* by the *Complainant 2* on 27.12.2017, the *Noticees* did not refund the amount to the *Complainant 2* with the said return as assured.

b) It was gathered during the examination that payment had been made by the *Complainant 1* and *2* in IDBI Bank account no. 2061102000005104. From further examination it was revealed that the aforementioned IDBI Bank account no. 2061102000005104 pertained to the *Noticees.*

c) From the analysis of the statement of the aforementioned IDBI bank account, it was observed that the total amount received by the *Noticees* in the above bank account stood at INR 13,17,450/- during the period commencing from September 25, 2017 till May 23, 2018. It was further observed that the aforementioned account was inactive and the last transaction in the said account was observed on March 28, 2018.

d) It was further gathered from the brochure received from the *Complainant 1* claimed to have been provided by the *Noticees* stating therein that "*Under the portfolio management services offered by Meridian Capital Research investments <u>the funds of the client will be managed by</u> a team of experienced professionals comprising of strategists, technical analysts, quantitative analysts, statisticians, specialists in derivative products, etc. The portfolio manager's investment philosophy underlines maximizing the risk-adjusted returns depending on the client's risk tolerance*"

e) The examination of the activities of the *Noticees* coupled with the credit entries received in the IDBI bank account of the *Noticees*, it was noticed that the *Noticees* have held themselves out as Portfolio Managers and received fees from the investors against providing Portfolio Management Services (for short "***PMS***" for short) whereas the said PMS activities were rendered without obtaining a registration under SEBI (Portfolio Managers) Regulations, 1993 (hereinafter referred to as the "***PMS Regulations, 1993***").

Show Cause Notice, Reply and Hearing

2. On the basis of the aforesaid observations, the evidence gathered during the examination and considering the nature of the activities apparently undertaken by the *Noticees*, a Show Cause Notice dated March 04, 2022 (hereinafter referred to as "**SCN**") was issued by SEBI against the *Noticees*. It is alleged in the SCN that the *Noticees* have carried out PMS activities without obtaining registration of SEBI and the *Noticees,* by engaging in such acts of rendering PMS activities without having registration are alleged to be in violation of the provisions of Section 12(1) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred as '*SEBI Act, 1992'*) read with regulation 3 of *PMS Regulations, 1993*.

3. I note from the records available before me that the SCN was attempted to be served upon the *Noticees* through SPAD on their address at "*Shop no.3, First Floor, Shreeji Estate, Naroda, Ahmedabad-382330*" (available in the IDBI bank account KYC) and "*F-102, Swaminarayan Park, Khari kenal pase, Naroda, Ahmedabad, Gujarat-382330*" (available in the Aadhaar Card of the *Rupesh* as available with SEBI. Since, the aforesaid SCN return undelivered, the SCN has been serviced upon the *Noticees* through newspaper publication dated May 06, 2022 in 'Times of India – Ahmedabad Edition', 'Sandesh Ahmedabad - Ahmedabad Edition' and 'Gujarat Vaibhav - Ahmedabad Edition'. In addition to the above, the SCN was also published on SEBI's website on June 28, 2022. However, the *Noticees* have neither filed any reply/objections to the SCN nor have sought any personal hearing.

Nevertheless, in conformity with the principles of natural justice, an opportunity of personal hearing was provided to the *Noticees* by scheduling the personal hearing on October 13, 2022. I note that the hearing notice for the aforesaid hearing was the served upon the *Noticees* through newspaper publication dated October 07, 2022 in 'Times of India – Ahmedabad Edition', 'Gujarat Samachar, Ahmedabad - Ahmedabad Edition' and 'Gujarat Vaibhav - Ahmedabad Edition'. I note that none of the *Noticees*, nor anyone on behalf of them appeared on the scheduled date of hearing. Under the circumstances, I observe that the principles of natural justice have been adequately complied with in the present matter, and the *Noticees* have preferred not to participate in the present proceedings before me for the reason best known to them. Under the circumstances I am constrained to deal with the matter on merit based on the material available on record, basis which the SCN was issued to the *Noticees.*

Consideration of Issues and Findings

4. Before I proceed further to decide on the issue to be adjudicated, it is worthwhile mentioning here that the *PMS Regulations, 1993* has been repealed by the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 (hereinafter referred to as "*PMS Regulations, 2020*"). However, regulation 42 of the *PMS Regulations, 2020* saves and enables the continuation of proceedings for any alleged violations of provisions of the *PMS Regulations, 1993.*

5. After considering the charges levelled in the instant matter as spelt out in the SCN, it leads me to examine the following issue:

- *Whether the acts of the Noticees as imputed in the SCN, have resulted in the violation of the provisions of SEBI Act, 1992 read with PMS Regulations, 1993 and PMS Regulations, 2020 while providing services related Portfolio Management without having the necessary registration to carry out such activities.*

6. Before adverting to the facts of the case to deal the aforesaid issue, it is apposite to refer to the relevant provisions of law, the violations of which have

been alleged against the *Noticees* in the SCN. Such provisions are reproduced herein for ready reference:

<u>SEBI Act, 1992</u>

Section 12 (1): "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:"

<u>PMS Regulations, 1993</u>

Regulation 2(ca) "portfolio" means the total holdings of securities belonging to

any person;

Regulation 2(cb) "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.

Regulation 3: "No person shall act as a portfolio manager unless it has obtained a certificate of registration from the Board under these regulations."

<u>PMS Regulations, 2020</u>

Regulation 42. (1) The Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, shall stand repealed from the date on which these regulations come into force.

(2) Notwithstanding such repeal, –

(a) anything done or any action taken or purported to have been done or taken including registration or approval granted, fees collected, registration or approval, suspended or cancelled, any adjudication, enquiry or investigation commenced or show-cause notice issued under the repealed

regulations, prior to such repeal, shall be deemed to have been done or taken under the corresponding provisions of these regulations;

(b) any application made to the Board under the repealed regulations, prior to such repeal, and pending before it shall be deemed to have been made under the corresponding provisions of these regulations;

(c) the previous operation of the repealed regulations or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the repealed regulations, any penalty, incurred in respect of any violation committed against the repealed regulations, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the repealed regulations has never been repealed;

(3) After the repeal of Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, any reference thereto in any other regulations made, guidelines or circulars issued thereunder by the Board shall be deemed to be a reference to the corresponding provisions of these regulations.

7. The SCN has alleged that the *Noticees* have asked the investors to transfer money of their bank account under an understanding that the *Noticees* would undertake various acts on behalf of the investors to manage or administer the investment of goods, funds or securities on their behalf. The above acts were undertaken by the *Noticees*, despite the fact they were not registered with SEBI in any capacity and the above acts which amounted to rendering of PMS were undertaken by, the *Noticees* without having any registration from SEBI. In this regard, as stated in the preceding paragraphs, SEBI received a complaint from the *Complaint 1*, *inter alia*, alleging that on the basis of assurance given by the *Noticees*, *Complainant 1* had paid an amount of INR 1,35,000/- to the *Noticees* for investment to be made on his behalf as it was assured by the *Noticees* that the above investment would fetch the *Complainant 1* a return of 45% on the principle sum.

The said complaint was supported by a copy of the brochure issued to the *Complainant* 1 by the *Noticees*. From a further scrutiny of the aforesaid brochure, it emerged that the *Noticees* have made the following claims through the said brochure: -

a) *"We at Meridian Capital Research invest your resources into stocks from different sectors, depending on your risk-return profile."*

b) *"It is all about your money, being managed by experts, while you continue with your routine life."*

c) *"Under the portfolio management services offered by Meridian Capital Research investments the funds of the client will be managed by a team of experienced professionals comprising of strategists, technical analysts, quantitative analysts, statisticians, specialists in derivative products, etc. The portfolio manager's investment philosophy underlines maximizing the risk-adjusted returns depending on the client's risk tolerance."*

d) *"the products offered by the portfolio manager are based on the various research techniques as mentioned above. Our company trade behalf of customers in company's demat account."*

8. From the aforesaid facts, I note that *the Meridian*, which is the proprietorship concerns of *Rupesh* has allegedly disclosed itself to be engaged in rendering PMS relating to securities market. It has further been claimed that it is a firm comprising of experts where the funds of investors are managed under the supervision of persons having expertise in investment and trading relating to stock and other products of securities market. At this juncture, it is pertinent to look at the definition of Portfolio Manager as articulated in regulation 2 (cb) of the *PMS Regulations, 1993* which states that 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 clients, as the case may be".

9. In the light of the aforesaid definitions and the content published on the brochure of the *Noticees* (that was given by the *Noticees* to *Complainant 1*) as well as the allegations imputed in the *SCN*, I note that the *Noticees*, through their brochure were making enough disclosure about themselves to hold out themselves as a portfolio manager thereby fulfilling all the ingredients of a Portfolio Manager as defined under regulation 2 (cb) of the *PMS Regulations, 1993.* As noted above, the *Noticees* through their brochure have disclosed that they have teams comprising of professionals who manage the investment or direct the investment in stocks or other related products. In the light of the above definition, on examining the acts allegedly committed by the *Noticees*, it has been found that the *Noticees* have asked their investors including the complainants to part with their money/fund to the *Noticees* and further have assured that the investment or deployment of their funds in the securities market product would fetch astronomical returns upto 45%. The records before me also clearly suggest that the *Noticees* have collected money from various investors, which also gets substantiated from the credit entries found in the IDBI bank account of the *Noticees*. A perusal of the bank account statement also shows the receipt of amount by the *Noticees* from the *Complainant 1* and *2* which for the sake of reference are tabulated below:

Complainant	**Amount alleged to be transferred by complainants (Rs)**	**Date of transaction**	**Credit amount reflected in MCR IDBI account (Rs)**	**Transaction details**
Anuradha Singh	1,20,000/-	15-02-2018	1,20,000/-	NEFT-KARBN18046137561-

				ANURADHA
Google search complaint	1,00,000/-	27-12-2017	1,00,000/-	NEFT-N361170438670436-ANAMIKA

10. Considering the above mentioned narrations and details regarding the PMS activities disclosed by the *Noticees* themselves in the brochure supplied by the *Noticees*, to the *Complainant 1* alongwith the bank statement of the *Noticees* wherein credits of huge amounts have been found representing amounts received from various entities including the funds received from the *Complainants 1* and *2*, it now constrain me to record that the aforesaid acts of the *Noticees* satisfy the necessary ingredients to hold that such acts fall squarely within the ambit of PMS. In this respect, it is further observed that subsequent to the issuance of the SCN, the *Noticees* have also not contested the aforesaid facts and allegations made in the SCN. Therefore, in the absence any information or explanation contrary to the facts alleged in the SCN, I see no reason to record any observations contrary to the allegations made in the SCN and therefore, unambiguously hold that *Noticees* were engaged in acts of a PMS and in the process, have induced investors to part with their funds and deposit the same in the IDBI Bank Account belonging to the *Noticees,* to earn returns on their investments as assured to them by the *Noticees*.

11. I note that as per the extant regulatory framework, any person carrying out PMS activities has to first obtain registration from SEBI as required under the regulation 3 of *PMS Regulations, 1993.* I also note that various safeguards have been provided under *PMS Regulations, 1993*, including the conditions pertaining to net worth requirement and continued minimum professional qualification and net-worth requirement for providing PMS service, etc. to protect the interest of the investors availing such PMS services. However, as observed above, *Noticees* have not even applied for a registration from SEBI under the *PMS Regulations, 1993.*

12. In order to ensure protection of investors who avail portfolio management services, it is imperative that any person providing portfolio management services has to necessarily obtain registration from SEBI and has to conduct its activities in accordance with the provisions of the relevant *PMS Regulations, 1993.* In my view, unregistered portfolio managers like the *Noticees* in the present case, can put the interest of the investors at great risk by misleading them or misutilising their funds to the detriment of the interest of the investors. In the present case, *Noticees* in their brochure have, *inter alia,* mentioned that the products offered by the *Meridian* as a portfolio manager are based on various research techniques and *Meridian* further trades on behalf of its clients. Similarly, the *Noticees* have themselves, advertised in detail about their PMS services in their brochure declaring that "*Under the portfolio management services offered by Meridian Capital Research investments <u>the funds of the client will be managed by</u> a team of experienced professionals comprising of strategists, technical analysts, quantitative analysts, statisticians, specialists in derivative products, etc. The portfolio manager's investment philosophy underlines maximizing the risk-adjusted returns depending on the client's risk tolerance.*" As stated above, *SEBI Act, 1992* and *PMS Regulations, 1993* require an entity to hold a valid certificate of registration to act as portfolio manager. However, as already pointed out above, I find that the *Noticees* were not holding any certificate of registration from SEBI to act as portfolio manager. Thus, the claims/representations made by the *Noticees* to the investors through their brochure were blatantly misleading and were made only to allure the investors to avail portfolio management services being offered by the *Noticees*. The *Noticees* have knowingly misrepresented on the websites floated by them that they are experts in stock market analysis and are experienced in PMS. Thus, without even holding any registered Portfolio Manager certificate, the *Noticees* have offered their PMS, in an illegal manner to investors, with the objective of raising money from the investors by way of subscriptions to their various schemes.

13. I have already held that the materials available on record do not indicate the exact amount of fees collected by the *Noticees*, as a result of providing PMS service to investors, in violation of the provisions of the *PMS Regulations, 1993*. However, the *SCN* records that the *Noticees* have received credits worth INR 13.17 lacs (INR 13,17,450/-) in their IDBI Bank account number 2061102000005104 and this account number was also communicated to the investors to enable the investors to make payment to the *Noticees*. Therefore, in view of the foregoing discussions and the findings about the activity of the *Noticees*, by virtue of offering PMS to the investors and general public, without obtaining a registration from SEBI, the *Noticees* have acted in gross violation of Section 12(1) of *SEBI Act, 1992* read with regulation 3 of the *PMS Regulations, 1993* read with *PMS Regulations, 2020 and have* received a total amount of INR 13,17,450/-. during the period from September 25, 2017 till May 23, 2018 in lieu of their unregistered portfolio management services, as observed above, hence such illegal acts need to be dealt with firmly.

<u>Directions</u>

14. In view of the foregoing, I, in exercise of the powers conferred upon me in terms Sections 11 (1), 11(4) and 11B (1) read with Section 19 of the SEBI Act, 1992, hereby direct that:

i. The *Noticees* shall, within a period of three months from the date of this Order, refund the money (approximately INR 13.17 lacs as indicated at paragraph 13 of this Order) received from the clients / investors / complainants, as fees or consideration or in any other form, in respect of their unregistered portfolio management services;

ii. To give effect and implement the above direction, the *Noticees* shall issue public notice in all editions of two National Dailies (one English and one Hindi) and in one local daily with wide circulation, detailing the modalities for refund, including the details of their contact person such as names, addresses and contact details including email id and phone number, within 15 days of coming into force of this Order;

iii. The repayments to the clients/investors / complainants shall be effected only through Bank Demand Draft or Pay Order or electronic fund transfer or through any other appropriate banking channels, which ensures audit trails to identify the beneficiaries of repayments;

iv. After completing the refund as directed in sub-paragraph (i) above, within a further period of 15 days thereafter, the *Noticees* shall file a report detailing the amount refunded to SEBI addressed to the Division Chief, Division of Registration-2, Market Intermediaries Regulation and Supervision Department (MIRSD), Division of Registration-2, SEBI Bhavan II, Plot No. C7 G Block, Bandra Kurla Complex, Bandra (East) Mumbai –400051. The said report should be duly certified by an independent Chartered Accountant indicating entity wise details to whom refunds have been issued such as name, amount refunded, communication address, mobile numbers, telephone numbers, etc. alongwith the mode of payment by banking transactions duly supported by the certified copy of bank statements.;

v. The remaining balance amount, if any, (after returning to the investors / clients / complainants out of the said INR 13.17 lacs, in case claims so received fall short of the amount of INR 13.17 lacs) shall be deposited with SEBI which will be kept in an escrow account for a period of one year for distribution to clients/ complainants/ investors who were availing the investment advisory services from the *Noticees*. Thereafter, remaining balance amount if any, which could not be returned to the clients / investors / complainants, will be deposited in the Investors Protection and Education Fund maintained by SEBI;

vi. The *Noticees* are restrained from selling their assets, properties and holding of mutual funds/shares/securities held by them in demat and physical form except for the sole purpose of making the refunds as directed above. Further, the banks are directed to allow debit only for the purpose of making refunds to the clients/investors who were availing the portfolio management services from the *Noticees* as directed above and for the purpose of depositing the balance amount with SEBI, as directed in this Order, from the bank account of the *Noticees*;

vii. The *Noticees* are debarred from accessing the securities market, directly or indirectly and are prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever, for a period of 02 (two) years from the date of this Order or till the expiry of 02 (two) years from the date of completion of refunds to complainants/ investors along with depositing of balance amounts, if any, with SEBI as directed in sub-paragraph (i) and (v) above, whichever is later;

viii. Mr. Marvadi Rupeshbhai Babubhai is restrained from associating with any company whose securities are listed on a recognized stock exchange and any company which intends to raise money from the public, or any intermediary registered with SEBI in any capacity for a period of 02 (two) years from the date of this Order or till the expiry of 02 (two) years from the date of completion of refunds to complainants/ investors along with depositing of balance amounts, if any, with SEBI as directed in sub-paragraph (i) and (v) above, whichever is later;

ix. The *Noticees* shall not undertake, either during or after the expiry of the period of debarment/restraint as mentioned in sub-paragraph (vii) and (viii) above, either directly or indirectly, portfolio management services or any other activity in the securities market without obtaining a certificate of registration from SEBI as required under the securities law;

x. Upon submission of report on completion of refunds to complainants/ investors to SEBI and after depositing the balance money with SEBI, if any, the direction at sub-paragraph (vi) above shall cease to operate within 15 days thereafter;

xi. The *Noticees* shall resolve all the complaints pending against them and file a report of such resolution with SEBI addressed to the Division Chief, Division of Registration-2, Market Intermediaries Regulation and Supervision Department (MIRSD), Division of Registration-2, SEBI Bhavan II, Plot No. C7 G Block, Bandra Kurla Complex, Bandra (East) Mumbai –400051. The aforesaid report shall be filed along with the report as contemplated under sub-paragraph (iv) above, within a period of 30 days, from the date of this Order.

15. The direction for refund and depositing the balance amount with SEBI, as given in paragraph 14 (i) and 14 (v) above, does not preclude the clients/investors to pursue the other legal remedies available to them under any other law, against the Noticees for refund of money or deficiency in service before any appropriate forum of competent jurisdiction

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

17. Obligation of the *Noticees*, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange (s), as existing on the date of this Order, can take place irrespective of the restraint/prohibition imposed by this Order, only in respect of pending unsettled transactions, if any. Further, all open positions, if any, of the *Noticees* in the F & O segment of the stock exchange, are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.

18. It is further clarified that during the period of restraint, the existing holding of securities including the holding of units of mutual funds of the *Noticees* shall remain frozen.

19. A copy of this Order shall be served upon the *Noticees*. A copy of this Order shall also be forwarded to:

i. All the recognized Stock Exchanges, Depositories, Banks and Registrar and Transfer Agents for necessary compliance with the above directions; and

ii. The Government of Gujarat for action, if any.

Sd/-

DATE: NOVEMBER 14, 2022 **S. K. MOHANTY**

PLACE: MUMBAI **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA