

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

UNDER SECTION 12(3) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 27 OF SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008

In respect of:

S. No.	Name of the Intermediary	SEBI Registration no./ PAN
1.	Amrapali Aadya Trading and Investment Private Limited	Portfolio Manager Reg. no.: INP000004862 PAN: AAECA3909P

In the matter of Amrapali Aadya Trading and Investment Private Limited

A. BACKGROUND:

1. Amrapali Aadya Trading and Investment Private Limited (hereinafter referred to as “**Noticee**”/ “**Company**”) is registered with Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) as a Portfolio Manager with registration no. INP000004862.
2. SEBI vide Master Circular for Portfolio Managers dated March 20, 2023 (“**Master Circular**”) mandated all SEBI registered Portfolio Managers to submit certain certificates and confirmation of compliances to SEBI annually within the specified timeline. SEBI observed that the Noticee failed to file these reports and net worth certificates for the Financial Years (FY) 2021-22 and 2022-23 despite advisories and reminders issued to it.

3. Accordingly, enquiry proceedings under SEBI (Intermediaries) Regulations, 2008 (“**Intermediaries Regulations**”) read with Regulation 41 of SEBI (Portfolio Managers) Regulations, 2020 (“**PMS Regulations**”) and Section 12(3) of the SEBI Act, 1992 (“**SEBI Act**”) were initiated against the Noticee and a Designated Authority (hereinafter referred to as “**DA**”) was appointed on March 07, 2024 to enquire into the alleged violations by the Noticee. The DA issued a show cause notice dated March 15, 2024 to the Noticee under regulation 25 of Intermediaries Regulations to show cause as to why appropriate recommendation should not be made against it in terms of Regulation 26 of the Intermediaries Regulations for the alleged violations given in the table below.

Table 1

S. No.	Alleged violations	Regulatory Provisions
1.	Failure to submit improvement in Corporate Governance Report.	Regulation 33 of PMS Regulations read with clauses 5.2.1.1, 5.2.1.2, 5.2.2.4, and 5.3.1 of Master Circular.
2.	Failure to submit Certificate of compliance with PMS Regulations and circulars issued thereunder.	
3.	Failure to submit Report on audit of firm level performance data.	
4.	Failure to submit Certification of Net worth	
5.	Failure to fulfil ‘fit and proper’ person criteria	Regulation 7(2)(j) and 8 of PMS Regulations.

4. Pursuant to the transfer of DA, another DA was appointed on July 29, 2024. The Show Cause Notice sent to the Noticee through Speed Post with Acknowledgement Due (SPAD) and through Market Infrastructure Institutions (MIIs) returned undelivered. Thereafter, the Show Cause Notice and hearing notice dated September 06, 2024 granting an opportunity of personal hearing on September 26, 2024 were served on the Noticee by way of Public notice dated September 14, 2024 in Hindustan (New Delhi) and Times of India (New Delhi).

However, the Noticee neither appeared for the hearing nor filed any reply to the SCN.

5. Thereafter, upon completion of the enquiry, the DA submitted an Enquiry Report dated December 02, 2024 (hereinafter referred to as “**Enquiry Report**”) wherein the DA concluded that all the violations alleged against the Noticee were established and recommended cancellation of Certificate of Registration of the Noticee as Portfolio Manager.

B. SHOW CAUSE NOTICE, REPLY AND HEARING

6. Based on the Enquiry Report, a Post-Enquiry Show Cause Notice dated December 24, 2024 (hereinafter referred to as “**SCN**”) was issued to the Noticee, enclosing a copy of the Enquiry Report, calling upon it to show cause in terms of regulation 27(1) of the Intermediaries regulations as to why action as recommended by the DA or any other action in terms of the Intermediaries Regulations should not be taken against the Noticee.
7. The SCN and Hearing notice granting an opportunity of hearing on February 04, 2025 were served on the Noticee by way of Public notice dated January 03, 2025 in Hindustan Times (New Delhi) and Dainik Jagran (New Delhi). The Noticee failed to appear before me on the date of the hearing and no reply was received. Thereafter, it was learnt that the Noticee had an appeal pending before the Hon'ble Securities Appellate Tribunal (“**SAT**”) in respect of another SEBI Order passed against it. Accordingly, *vide* email dated February 20, 2025, a clarification was sought from the Noticee's Authorised Representative (“**AR**”) before the Hon'ble SAT regarding receipt of SCN and hearing notice issued to the Noticee in the instant matter. In response, *vide* emails dated February 25, 2025 and March 06, 2025, the AR informed that the Noticee had not received the SCN and that the AR would receive the SCN on behalf of the Noticee. The SCN was served on the AR by way of email/ letter on March 13, 2025.
8. Though an opportunity of personal hearing was granted to the Noticee on April 29, 2025, the AR sought adjournment. Subsequently, another opportunity of personal

hearing was granted to the Noticee on June 04, 2025. On the said date, the AR appeared before me and reiterated the submissions made *vide* letter dated June 02, 2025.

9. The contentions raised in the written submission dated June 02, 2025 are summarised below.

9.1. The DA SCN dated March 15, 2024 was not received by the Noticee nor was it informed about the enquiry proceedings. The Noticee had filed appeals before the Hon'ble SAT challenging SEBI 11B Order dated August 6, 2021 and Adjudication order dated April 28, 2022. These appeals were filed on March 31, 2022 and September 15, 2022 respectively; pleadings are complete in these appeals and this is known to SEBI, which is the Respondent in the appeals.

9.2. SEBI was well aware of the correspondence address of the Noticee and its MD when the DA SCN was issued. SEBI was also well aware from the pleadings in the appeals and through other means that the office address of the Noticee was no longer valid because banks had attached and sold the said property. SEBI was also aware that the MD of the Noticee was imprisoned at Tihar jail till May 2024. Therefore, the failure and refusal of SEBI to serve the DA SCN at the correspondence address mentioned in the appeals or even on the advocates on record before SAT shows a complete disregard on the part of the Ld. DA for the principles of natural justice. The Enquiry report having failed to comply with the requirements of natural justice is unsustainable in law and the recommendation therein ought not to be accepted by the Competent Authority.

9.3. The Noticee has no clients registered with it for Portfolio Manager and the Noticee did not do any business as a Portfolio Manager.

9.4. The DA observed that the Noticee was a stock broker registered with SEBI, however, the said registration was cancelled by SEBI vide order dated November 14, 2022 after the Noticee was expelled as a trading member by NSE. The SEBI 11B Order and the Adjudication Order, which were passed based on the same reasons for expulsion by NSE, are under challenge before the SAT. Therefore, as on date, not only is the basis for considering the Noticee

as not “fit and proper” is sub judice and therefore, not final, any proceeding based on the said allegations/ findings may be in violation of principle of res judicata. The present proceedings are not based on any adverse order passed in respect of the Noticee’s activities as a Portfolio Manager.

9.5. The Noticee has been prohibited from accessing the securities market and from buying, selling or otherwise dealing in securities vide ad interim ex parte order dated August 22, 2017. This order and subsequent orders effectively prevented the Noticee from carrying on business as a stock broker and this in turn led to inter alia default in repayment of loans to banks and financial institutions as well as settlement of accounts with clients. As a result, the properties belonging to the Noticee including office premises at which the registered office was situated was attached and seized by banks. As a result of the inability of the Noticee to settle accounts, clients filed criminal cases at various places and this resulted in the arrest and imprisonment of Noticee’s Managing Director, Sanjeeva Sinha in Tihar Jail till May 31, 2024. SEBI and the DA were well aware that the business of the Noticee came to a standstill and also are aware that in the above circumstances, the Noticee could not have responded to their emails or notices sent on the “last known address”, yet the Ld. DA failed to consider such extenuating circumstances while considering the alleged failure to submit certificates and report for FYs 2021-22 and 2022-23 and alleged non response to communication from SEBI and BSE.

9.6. Since the Noticee has no clients or business on the portfolio management side, compliance reports and audit reports on performance are not meaningful and at best it could have submitted “nil” reports. Therefore, no harm or prejudice has been caused to investors or to the regulatory function of SEBI by non-submission of reports by them. The Noticee has prayed that the recommendation of the DA may not be accepted and no penalty or adverse regulatory action may be imposed on it.

9.7. The Noticee has submitted that considering the Noticee’s adverse financial position, its severely damaged reputation and the directions passed against it vide 11B order, it does not foresee any possibility of starting business as a Portfolio Manager and hence, wishes to surrender its registration as such and

prays that it may be permitted to do so. The Noticee has prayed that the present proceedings may be disposed of with a direction to consider its application for surrender of its registration as a Portfolio Manager.

C. CONSIDERATION OF ISSUES AND FINDINGS

10. I have perused the Enquiry Report, SCN, reply of the Noticee and other material available on record. Before moving forward to examine the charges, it is necessary to mention the relevant legal provisions and the same are reproduced below for reference:

SEBI (Portfolio Managers) Regulations, 2020

Consideration of application.

7.

(2) *Without prejudice to the generality of the foregoing provisions, the Board shall consider whether: -*

.....

(i) *the applicant is a fit and proper person;*

Criteria for fit and proper person.

8. *For the purposes of determining whether an applicant or the portfolio manager is a fit and proper person, the Board may take into account the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.*

Disclosures to the Board.

33. *The Board may ask portfolio manager to disclose any information as and when required including the following: -*

(a) *particulars regarding the management of a portfolio;*

(b) *any change in the information or particulars previously furnished, which have a bearing on the certificate granted to him;*

(c) *the names of the clients whose portfolio it has manager;*

(d) *particulars relating to the net worth requirement as specified in regulation 9.*

Liability for action in case of default.

41. A portfolio manager who contravenes any of the provisions of the Act, rules or regulations framed thereunder shall be liable for one or more action specified therein including the action under Chapter V of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

SEBI Master Circular No. SEBI/HO/IMD/IMD-POD-1/P/CIR/2023/38 dated March 20, 2023

5.2 Submission of compliance reports by Portfolio Manager

5.2.1 With effect from Financial year 2019-20, Portfolio Managers are required to submit the following information to SEBI:

5.2.1.1 A certificate from the qualified Chartered Accountant certifying the net-worth as on March 31, every year based on audited account within 6 months from the end of Financial Year.

5.2.1.2 A certificate of compliance with PM Regulations and circulars issued thereunder, duly signed by the Principal Officer, within 60 days of end of each financial year. Further, details of non-compliance along with the corrective actions, if any, duly approved by Board of the Portfolio Manager.

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5.2.2 Submission of Corporate Governance Report:

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5.2.2.4 Portfolio Managers shall report to SEBI on compliance with the provisions of the above guidelines while submitting the annual reports. The report should reach SEBI within thirty days from the end of the financial year.

5.2.3 Firm-level performance reporting by Portfolio Managers

5.2.3.1 The firm-level performance data of Portfolio Managers shall be audited annually. Confirmation of compliance with paragraph 4.5.3 of this Master Circular shall be reported to SEBI within sixty days of end of each financial year. The said report to SEBI shall be certified by the Directors/ Partners of the Portfolio Manager or by person(s) authorized by the Board of Directors/Partners of the Portfolio Manager.

- 11.** The Noticee has submitted that SEBI was aware that its office address was no longer valid, as the said property had been attached and sold by Banks. Further, the Noticee contended that SEBI was also aware that the MD of the Noticee company was imprisoned at Tihar jail until May 2024. The Noticee has argued that the DA failed to comply with the requirements of natural justice and, therefore, the DA report is unsustainable in law.
- 12.** In this regard, I note that Regulation 11(c) of the PMS Regulations requires that a registered portfolio manager must promptly inform SEBI in writing of any material changes in previously submitted information. The Noticee failed to inform SEBI about its change in address. The obligation under the Regulation continued to apply to the Noticee considering that its registration was in force. The DA issued the show cause notice dated March 15, 2024, to the address which was provided by the Noticee itself. When the notice returned undelivered, attempts were made to serve the notice through MIs and was later served by way of public notice. In any case, while the DA under regulation 26 of the Intermediaries Regulations recommends measures that may be taken against the Noticee, the quasi-judicial order is passed by the Competent Authority after providing all relevant documents and an opportunity of personal hearing to the Noticee. *Vide* SCN dated December 24, 2024, the Noticee was provided with a copy of the Enquiry Report and an opportunity of making both written submission and personal hearing was granted and availed by the Noticee. Under the Intermediaries Regulations, I am required to pass orders after considering the facts and circumstances of the case, material on record and the written submissions, if any. I have considered all the allegations and replies of the Noticee on merits and am passing this quasi-judicial order basis the same. Pursuant to notice issued by the DA, the Enquiry report was prepared containing the conclusions/recommendations arrived at by the DA. This Enquiry Report was made available to the Noticee as an annexure to the SCN which was received, acknowledged and responded to by the Noticee. Therefore, even assuming that the Report is 'unsustainable' on the ground that the notice issued by the DA was not received by the Noticee, the fact remains that the Enquiry Report is only recommendatory in nature, and that principles of natural justice have been fully adhered to in the quasi-judicial proceedings before me. Therefore, I find that

there is no prejudice caused to the Noticee and I do not find any merit in the aforesaid contention.

13. I shall now proceed to adjudicate the violations alleged in the SCN one by one.

I. Failure to submit periodical reports and certificates to SEBI for FY 2021-22 and FY 2022-23:

14. I note that Regulation 33 of PMS Regulations provides that SEBI may ask a Portfolio Manager to disclose any information as and when required. In this regard, *vide* Master Circular, SEBI *inter alia* mandated Portfolio Managers to submit the following certificates/ reports within the specified timelines:

- 14.1.** 'Net worth certificate' as of March 31 of each financial year from a qualified Chartered Accountant, based on audited accounts, within six months from the financial year-end.
- 14.2.** Certificate of 'compliance with PMS Regulations and circulars', within 60 days of the end of the financial year, including details of non-compliance and corrective actions.
- 14.3.** 'Report on Improvement in Corporate Governance' within 30 days from the end of the financial year.
- 14.4.** 'Report on Audit of Firm-level Performance Data' within 60 days of the end of the financial year, certified by the Directors/ Partners or their authorized representatives.

15. Regulation 9 of PMS Regulations stipulates the minimum net worth requirement for any applicant seeking registration as a portfolio manager. In terms of Regulation 11(e) of PMS Regulations, any certificate of registration granted is subject to the portfolio manager maintaining the net worth specified in Regulation 9 at all times during the period of certificate. SEBI mandates portfolio managers to maintain a specific net worth to ensure operational solvency and safeguarding client interests. The minimum net worth compliance is monitored by SEBI *inter alia* through the periodic submissions.

- 16.** I note that the accuracy of information/ statistics pertaining to portfolio managers prepared by SEBI is *inter alia* based on faithful and timely reporting by the respective portfolio managers. For the consolidated data to be accurate and complete, it is necessary that all registered portfolio managers submit their periodic reports within the stipulated timeline.
- 17.** I note that the Noticee failed to submit the aforesaid certificate/ compliance reports for FY 2021-22 and FY 2022-23. *Vide* emails dated August 17, 2022 & October 12, 2022, SEBI advised all the registered Portfolio Managers to submit aforesaid certificate/ compliance reports for FY 2021-22. Pursuant to the advisories, SEBI had issued multiple reminders to the Noticee through email/ letter on November 17, 2022, November 24, 2022 and July 13, 2023. The letters sent to the Noticee returned undelivered and the Noticee has also failed to submit the Compliance reports and net worth certificate with SEBI for FY 2021-22 and 2022-23.
- 18.** While the Noticee has not denied the allegation, it has submitted that the DA failed to consider extenuating circumstances (*office closure, MD imprisonment*) for the alleged failure to submit certificates. It has further argued that, since it had no clients, the performance reports are not 'meaningful' and no harm was caused to investors or to regulatory function of SEBI by non-submission of reports. However, I note that the Master Circular does not carve out any exception for registered portfolio managers which do not have any clients. Thus, even in the absence of active business, the Noticee was obligated to file net worth certificate and 'NIL' compliance reports with SEBI. These periodic reports are essential for assessing capital adequacy, ongoing compliance and market transparency. Hence, avoiding submission of such reports on the grounds that it is 'meaningless', is unjustified and without merit.
- 19.** Accordingly, I find that the failure of the Noticee to submit the reports/ certificates as detailed above for FY 2021-22 and 2022-23 constitutes a violation of Regulation 33 of PMS Regulations, read with clauses 5.2.1.1, 5.2.1.2, 5.2.2.4 and 5.3.1 of Master Circular.

II. Failure to fulfil 'fit and proper' person criteria:

20. Regulation 7(2)(j) and 8 of PMS Regulations stipulate that every registered entity must meet the 'fit and proper' person criteria specified in Schedule II of Intermediaries Regulations. The DA has concluded that the Noticee is no longer a 'fit and proper person' for holding a certificate of registration as a Portfolio Manager, due to the following observations.

20.1. Noticee's repeated non-compliance with regulatory reporting and disclosure requirements reflects poorly on its operational integrity and governance practices.

20.2. Noticee is not available at the address provided to SEBI.

20.3. Noticee was previously registered as a stockbroker with SEBI and defaulted in its obligations leading to expulsion from NSE.

20.4. Further, the Noticee's stock broker registration certificate was cancelled *vide* SEBI Order no. WTM/SM/NRO/NRO/21187/2022-23 dated November 14, 2022 for the following regulatory breaches.

20.4.1. Non-submission of information sought through summons by SEBI, which demonstrated lack of cooperation with regulatory authority impeding regulatory process.

20.4.2. Non-segregation of own and client securities and misuse of client securities, in breach of trust and a violation of investor protection norms.

20.4.3. Non-segregation and misutilisation of client funds, which indicated systemic misconduct of Noticee, compromising the safety of client assets.

20.4.4. Falsification of records, undermining the integrity of reliability of the securities market ecosystem.

20.4.5. Failure to carry out running account settlement in clear violation of regulations intended to ensure timely and accurate client account reconciliations.

20.4.6. Non-disclosure of demat accounts to the exchange aimed at hiding critical information from the Exchange, potentially facilitating misuse.

20.4.7. Non-redressal of investor grievances in complete disregard for investor interests and regulatory obligations.

20.5. SEBI has initiated recovery proceedings against the Noticee, which are presently pending.

21. The DA has observed that Noticee does not fulfill the 'fit and proper' criteria specified under clause 3(a) and 3(b)(iv) on account of the above mentioned observations.

22. I note that the requirement of being 'fit and proper' person is a continuing 'eligibility criteria'/ statutory requirement, which ought to be satisfied by all registered entities at all points in time. Clause (3) of Schedule II of the Intermediaries Regulations lay down a specific list of objective disqualifications which, *inter alia*, include the following:

“(3) For the purpose of determining as to whether any person is a ‘fit and proper person’, the Board may take into account any criteria as it deems fit, including but not limited to the following:

(a) Integrity, honesty, ethical behavior, reputation, fairness and character of the person;

(b) the person not incurring any of the following disqualifications:

.....

(iii) an order of restraint, prohibition or debarment has been passed against such person by the Board or any other regulatory authority or enforcement agency in any matter concerning securities laws or financial markets and such order is in force;

(iv) recovery proceedings have been initiated by the Board against such person and are pending;

.....

23. I note that SEBI had passed 11B Order dated August 6, 2021, Enquiry Order dated November 14, 2022, and adjudication order dated April 28, 2022, against the Noticee for the same violations detailed at paragraph 20.4 above. The Noticee has

argued that the findings of the Enquiry Order are under challenge before SAT on account of pending appeal against the SEBI 11B Order and the adjudication order. Therefore, the Noticee has contended that the basis for determining the Noticee as “fit and proper” is not final and the present proceeding to be in violation of the principle of res judicata. However, I note that as per SAT website, the Noticee has filed an appeal only against the adjudication order and not the SEBI 11B Order or the Enquiry Order, which resulted in cancellation of Noticee’s certificate of registration as a stock broker. Therefore, the basis for the present proceedings remains valid and unchallenged. Consequently, I do not find any merit in this contention of the Noticee.

24. The actions and omissions including serious regulatory breaches, misuse of client assets and falsification of records that led to the cancellation of certificate of registration of the Noticee as a stock broker seriously brings to question the character and integrity of the Noticee. Recovery proceedings have been initiated against the Noticee for non-payment of penalty imposed *vide* adjudication order dated April 28, 2022 and the same is pending. Therefore, I find that the disqualification stated in clauses 3(a) and 3(b)(iv) under Schedule II of the Intermediaries Regulations applies to the Noticee.

25. I also note that SEBI dated August 06, 2021 (“SEBI 11B Order”) *inter alia* passed directions under section 11B of the SEBI Act restraining the Noticee from accessing and dealing in the securities market for a period of 5 years from the date of the said order. Under clause 3(b)(iii) of Schedule II of the Intermediaries Regulations such orders of restraint or debarment are a specific and objective ground for disqualification from being a ‘fit and proper person’. While this specific provision has not been invoked for the purpose of these proceedings along with the other provisions of the aforesaid Schedule in the SCN, clearly the SEBI 11B order is also a relevant fact due to which the aforesaid provision would apply to the facts of this case.

26. The facts and circumstances clearly leads me to the conclusion that the Noticee has not satisfied the “fit and proper person” criteria specified in Schedule II to the

Intermediaries Regulations. Therefore, I find that the Noticee is not a 'fit and proper person' due to disqualification under clause 3 of the Schedule II of the Intermediaries Regulations. Consequently, the Noticee does not satisfy the conditions for registration specified under Regulations 7(2)(j) and 8 of the PMS regulations.

D. CONCLUSION

27. After having gone through the allegations and the reply of the Noticee, I find that the impugned acts and omissions of the Noticee constitutes a violation of Regulation 33 of PMS Regulations read with clauses 5.2.1.1, 5.2.1.2, 5.2.2.4, and 5.3.1 of Master Circular, Regulation 7(2)(j) and 8 of PMS Regulations, thereby making it liable for action under regulation 41 of PMS Regulations and section 12(3) of the SEBI Act. The Noticee has also admitted its failure to submit the compliance reports/ certificates as alleged. The Noticee has submitted that it never had any clients as a portfolio manager and it wishes to surrender its registration. Allowing an entity against which several enforcement orders have been passed and with a history of serious violations and disregard for regulatory norms, to exit without punitive consequences would undermine the integrity of SEBI's regulatory framework. The violations/ non-compliance by the Noticee are very serious and fundamentally question the desirability of permitting its registration to continue to be in force.

E. ORDER

28. In view of the aforesaid observations and findings, I, in exercise of the powers conferred upon me under Section 12(3) read with Section 19 of the SEBI Act and Regulation 27 of the Intermediaries Regulations, hereby cancel the certificate of registration of Amrapali Aadya Trading and Investment Private Limited (SEBI Registration no. INP000004862), as portfolio manager.

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

30.A copy of this Order shall be served upon the Noticee for information and necessary action.

Sd/-

ANANTH NARAYAN G.

DATE: AUGUST 19, 2025

WHOLE TIME MEMBER

PLACE: MUMBAI

SECURITIES AND EXCHANGE BOARD OF INDIA