

**BEFORE SECURITIES AND EXCHANGE BOARD OF INDIA****ORDER IN RESPECT OF APPLICATION SUBMITTED BY MULTIBAGGER SECURITIES RESEARCH & ADVISORY PVT. LTD. SEEKING REGISTRATION AS A PORTFOLIO MANAGER UNDER SECURITIES AND EXCHANGE BOARD OF INDIA (PORTFOLIO MANAGERS) REGULATIONS, 2020**

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1. Multibagger Securities Research & Advisory Pvt. Ltd. (PAN No. AAKCM8779K) (hereinafter referred to as MSRAPL) submitted an application for registration as Portfolio Manager with Securities and Exchange Board of India ("SEBI") on 30.10.2020 (Reference Number-84309). MSRAPL is also registered with SEBI as an Investment Adviser (IA) since 29.05.2017 (SEBI Registration no. INA100007736) with Shri Manish Kumar Goyal (PAN No. AHWPG4252B) as its Principal Officer and its Director, Shri Manish Kumar Goyal is also registered with SEBI as an individual Research Analyst since 16.05.2017 (SEBI Registration no. INH100004775).
  2. While processing the application for registration of MSRAPL as a Portfolio Manager, it prima facie appeared to SEBI that:
    - a. The details of shareholding of MSRAPL are as under:

Name	Designation	Total no. of shares hold	Total percentage of holding	As on date
Shri Manish Kumar Goyal	Principal Officer of MSRAPL, registered Investment Adviser with SEBI and Director	4200000	80%	16/10/2020
Shri Shailesh Goyal	Director	1050000	20%	16/10/2020

- b. MSRAPL, in its application, has informed that Shri Manish Kumar Goyal shall be the proposed Principal Officer for the PMS activity as well. As per the PAN details, Shri Suresh Kumar Goyal is the father of both Manish Kumar Goyal and Shailesh Goyal (PAN No. ALHPG8755E). Therefore, Shri Manish Kumar Goyal and Shri Shailesh Goyal are brothers.

- c. With regard to experience details of proposed Principal Officer, Shri Manish Kumar Goyal, the following details were mentioned in the application:

Company Name	Designation	Area of Work	Nature of Work	Experience (yrs)
Ranbaxy Laboratories Ltd.	Finance Manager	Research & Development	Budgetary Exercise & Cost Monitoring	June 2006 to January 2010
Manish Goel & Co.	Proprietor	Professional Services*	Accounts, Audit, Taxation	June 2011 to March 2017
Multibagger Securities Research & Advisory Pvt. Ltd.	Principal Officer and Director	Investment Adviser	Stock Market Advisory	May 29, 2017 till the filing of application i.e. on October 30, 2020
Independent Stock Market Investing	-	-	Investing and Trading	2008 till date
Independent Research Analyst	-	-	Advised to market investors by giving them multibagger value picks	November 2011 to March 2014

\*In the application, it is claimed that provided investment advice to the clients, incidental to professional services rendered to them.

- Upon perusal of the aforesaid information, it was observed that Mr. Manish Kumar Goyal who was proposed as a Principal Officer of MSRAPL has experience of around 3.5 years working as Principal officer of MSRAPL, Investment Adviser registered with SEBI and not fulfilled the criteria as mandated under regulation 7 (2) (d) (ii) of SEBI (Portfolio Managers) Regulations, 2020 ("PMS Regulations") which provides that the Principal Officer of the applicant has experience of at least five years in related activities in the securities market including the experience as a Portfolio Manager, Stock Broker, Investment Advisor, Research Analyst and as a Fund Manager.
- In view of the above, SEBI vide emails dated 24.11.2020, 24.12.2020 and 09.02.2021 sought relevant supporting documents from MSRAPL towards the work experience of its proposed Principal Officer, Shri Manish Kumar Goyal including experience letter, along with form 16 issued by the respective entity and/or self-employment by virtue of registration as an intermediary.

5. MSRAPL vide its response dated February 16, 2021 submitted inter-alia as under:

Sr. No.	Role	Description	Total Experience	Supporting Documents
1.	Investment Advisor	Founder & Director of MSRAPL, SEBI registered Investment Advisor for the period from March 2017 to till date	Appx. 3 years 11 months	Experience Certificate
2.	Research Analyst	Independent Research Analyst (November 2011 to March 2014)	Appx. 2 years and 4 months	Screen shot of various recommendations available in public domain along with research reports
3.	Investment Advisor	Independent Investment Advisor for the period from August 2011 to February 2013	Appx. 1 year and 6 months	Screen shot of various independent investment advice
4.	Stock Broker	Worked with Maco Securities Pvt. Ltd., Bangalore (SEBI registered Stock Broker/Sub-Broker) for the period from August 2004 to May 2006	Appx. 1 year and 10 months	Experience certificate along with from 16

6. With regard to work experience of Shri. Manish Kumar Goyal, in the application filed with SEBI, MSRAPL has mentioned that during the period from June 2011 to March 2017, Mr. Manish Kumar Goyal started practice and provided professional services including accounts, audit certification, returns, and client taxation matter for the purpose of tax planning and also provided investment advice to the clients, incidental to professional services rendered to them. In view of the same, the said experience could not be counted.
7. MSRAPL vide its response dated 16.02.2021 submitted i.e. after a gap of nearly three months, information about Shri Manish Kumar Goyal's employment with M/s Maco Securities Pvt. Ltd. along with Form 16. The said Form 16 did not contain any substantial information viz., tax

Deduction at Source by the employer, submission of the same to the Income Tax Authorities, etc. therefore, veracity of Form 16 could not be established as the same is not a documents submitted to the Income Tax Authorities. Since the information submitted by MSRAPL w.r.t experience requirements was not satisfactory, MSRAPL, vide emails/letters dated 12.07.2021, 30.07.2021, 03.08.2021 and 16.08.2021 was advised to submit appropriate substantiating documents like bank account statement of Shri Manish Kumar Goyal for the period 01.08.2004 to 30.05.2006, towards the proof of salary drawn by him from M/s Maco Securities Pvt. Ltd.

8. In order to ascertain the work experience of Shri Manish Kumar Goyal, as the experience with M/s Maco Securities Pvt. Ltd. was not forthcoming except the purported experience letter dated 30.12.2006 and an email dated 17.08.2021 from Maco Securities Pvt. Ltd. confirming his employment from August 2004 to May 2006, Shri. Manish Kumar Goyal's last work experience with the registered Company M/s Sun Pharmaceuticals Industries Ltd. (erstwhile Ranbaxy Laboratories Ltd. and hereinafter referred to as "SPIL") as mentioned in the application, vide emails dated 08.09.2021 and 09.09.2021, SPIL was requested to provide documents submitted by Shri Manish Kumar Goyal to SPIL including relieving/experience certificates from his previous employers.
9. SPIL, vide email dated 09.09.2021, submitted the copy of 'Resignation letter' dated 'Nil' of Shri Manish Kumar Goyal submitted to his previous employer "S.C. & Associates" along with acknowledgement. It was further informed vide another email dated 09.09.2021 by SPIL that as per the information available with their HR department, the details of working of Mr. Manish Kumar Goyal are as under:

Sr. No.	Name of the Firm	Period of Service
1.	Mitra, Gupta and Aggarwal, Delhi (CA Firm), Delhi	August 2005 to April 04, 2006
2.	S.C. & Associates (CA Firm), Delhi	April 05, 2006 to June 18, 2006

10. Thus, upon perusal of the aforesaid information, it was noted that MSRAPL's submission of email as well as experience letter of Mr. Manish Kumar Goyal with Maco Securities Pvt. Ltd. from August 2004 to May 2006 were misleading. On the contrary, as per aforesaid details Mr. Manish Kumar Goyal was actually working in the aforesaid CA firms which were based in Delhi and not in Maco Securities Pvt. Ltd. which was based in Bangalore.
11. As mentioned above, MSRAPL is registered with SEBI as an Investment Adviser (IA) (Regn No- INA100007736) with Shri Manish Kumar Goyal as its Principal Officer and Director and Shri Manish Kumar Goyal is registered with SEBI as a Research Analyst (RA) in individual capacity (Regn No- INH100004775). In this regard, MSRAPL was advised, vide emails and through SI

Portal dated 12.07.2021, 30.07.2021, 03.08.2021 and 16.08.2021 to submit an undertaking that the proposed principal officer i.e. Shri Manish Kumar Goyal shall surrender his RA registration and shall also relinquish his employment / position as the Principal Officer in MSRAPL as Investment Advisor. The said undertaking was required in order to ensure the independence of the Applicant's proposed activities, avoid possible conflict of interest and maintain arms' length distance between the applicant's present and proposed activities and other business activities. MSRAPL vide correspondence dated August 18, 2021 replied that such requirement is not logical and is counterintuitive.

12. In view of the above, SEBI formed prima facie view that the applicant was not a fit and proper person to be registered as a Portfolio Manager. Accordingly, SEBI issued a notice NRO/PMS/AK/NK/14102/2022 dated 31.03.2022 (hereinafter referred to as "SCN") asking the applicant to show cause as to why its application for registration as a Portfolio Manager should not be rejected.

13. MSRAPL replied vide letter dated 23.04.2022 (received through e-mail) to the show cause notice and, inter-alia, made the following submissions:

- a. *With regard to the allegation that applicant has misrepresented and deliberately submitted false information regarding experience of Principal Officer of the applicant, Applicant had submitted experience information of Principal officer in 4 different categories which is reproduced below:*
  - i. *working as Investment Advisor/ Principal officer of Multibagger Securities Research & Advisory Pvt. Ltd. since its incorporation i.e. 02.03.2017.*
  - ii. *worked as Investment Advisor for appx. 1 year 6 months before Securities and Exchange Board of India (Investment Advisors) Regulations, 2013 came into existence.*
  - iii. *worked as Research Analyst for appx. 2 year 4 months before Securities and Exchange Board of India (Research Analyst) Regulations, 2014 came into existence.*
  - iv. *worked as Assistant Manager with MACO securities Pvt. Ltd. for appx. 1 year 10 months.*
- b. *Hence, in totality, the Principal officer holds experience of far more than 5 years in Securities Market as required in Regulation 7(2)(d)(ii) of PMS regulation. For every category of experience, the applicant has submitted documentary evidence along with the application and in its further correspondence with SEBI. SCN doesn't state as to which information has been falsely submitted; hence it appears to be vague allegation without any valid basis.*
- c. *It is worthwhile to note that as on date, experience of Principal Officer i.e. Mr. Manish Goyal in Multibagger Securities Research & Advisory Pvt. Ltd. itself is more than 5 years.*
- d. *With regard to advised of SEBI to the applicant for submission of undertaking that the proposed Principal officer i.e. Mr. Manish Goel shall surrender its R.A. registration and shall also relinquish his employment or position as the Principal officer in the applicants' registration as I. A., it was submitted that no PMS regulation and/ or any other regulation of SEBI prohibit a person to have dual position at the same time. In our earlier reply dated August 18, 2021 also, we had submitted that such a requirement is not logical*

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*Order in respect of application submitted by Multibagger Securities Research & Advisory Pvt. Ltd.*

*and is counterintuitive. This is against principle of natural justice also. In the absence of any law, such requirement of undertaking by your office may be termed as Arbitrary and thereby leads to infringement of fundamental rights of a person i.e. Freedom of business under article 19 of constitution.*

- e. Moreover, Regulation 6 of PMS regulation requires the applicant to furnish information or clarification regarding matters relevant to his activity of a portfolio manager for the purposes of the disposal of the application. It is worthwhile to note that applicant had furnished all information, as and when required by SEBI. Regarding submission of undertaking also, it had furnished reply many times, as and when required, with proper explanation and justification as to why it cannot be submitted. Here, it would be erroneous to state that the applicant has failed to fulfil the conditions of registration in terms of Regulations 6(1) of PMS Regulation., hence can be termed a vague allegations without any valid basis.*
- f. Lastly, provisions of 'fit and proper person' as specified in the schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 have been also vaguely invoked without any valid basis which is grossly unfair, biased, arbitrary and unlawful on the part of regulator.*

14. In the interest of principles of natural justice, vide Hearing Notice dated 05.05.2022 MSRAPL was granted an opportunity of personal hearing on 18.05.2022. Upon receipt of SCN, MSRAPL vide email dated 13.05.2021 requested for adjournment and sought inspection of documents inter-alia mentioning statements of witness, and other records which were relied upon by SEBI while making allegations on MSRAPL in the impugned SCN. Acceding to its request, MSRAPL was granted inspection of documents on 21.06.2022 at SEBI NRO. Shri Shailesh Goyal, director, MSRAPL inspected the documents and requested for copies of all the documents shown to him. After inspection of all the documents, acceding to the request of Shri Shailesh Goyal, Director of MSRAPL, all the copies of documents sought were provided to him.
15. Pursuant to the inspection of documents, MSRAPL, vide hearing notice dated 22.07.2022, was granted an opportunity of personal hearing on 05.08.2022.
16. Shri Shailesh Goyal, Director, MSRAPL had appeared for the personal hearing on 05.08.2022 and informed that he shall file Written Submissions to SEBI in the matter. MSRAPL, vide letter dated 09.08.2022 (received vide e-mail dated 09.08.2022) inter-alia made the following submissions:
  - a. As on date experience of Mr. Manish Goel as SEBI registered Research Analyst (INH100004775) in itself is more than 5 years i.e. w.e.f. 16<sup>th</sup> May 2017 which fulfils the eligibility criteria of 5 years' experience of Principal Officer in securities market.*
  - b. As SEBI registered Investment Advisor, Multibagger Securities Research & Advisory Pvt. Ltd. has zero complaint against it, this itself proves excellent track record of the company.*
  - c. Multibagger Securities is a professionally managed company wherein, both of its directors i.e. Mr. Manish Goel and Mr. Shailesh Goyal are professionals being chartered accountant and company secretary / Law graduate, respectively, who possess highest respect and regard to the laws of land.*
  - d. Further, after resigning from Ranbaxy Laboratories Ltd, in 2010, Mr Manish Goel chose stock market investing, equity research and advisory as his main carrier. With overall experience of around a decade across*

- equity research and advisory, Mr. Manish Goel is presently serving as director of Multibagger Securities Research & Advisory Pvt. Ltd.
- e. *It came to our knowledge that some SEBI official(s) independently visited 'Maco Securities Pvt. Ltd ("Maco Securities")', Bangalore office to cross verify stock broking exp. certificate and it was duly confirmed to SEBI officials by MACO office that Mr. Manish Goel worked there. Employment of Mr. Manish Goel was duly confirmed by Director of Maco Securities through his registered email id. Duly signed Experience certificate along with Form 16 was also submitted to SEBI office. All these documents/ office visits are sufficient to prove the veracity of experience certificate.*
  - f. *Even though for a moment, if we keep aside experience certificate of MACO securities, experience of Mr. Manish Goel in capital or securities market is far more than 5 years.*
    - i. *He is SEBI registered Research analyst wef 16.05.2017.*
    - ii. *He is Stock advisor of Multibagger Securities Research & Advisory Pvt. Ltd wef 02.03.2017*
    - iii. *He worked as investment advisor for appx 1 year 6 months before Securities and Exchange Board of India (Investment Advisors) Regulation, 2013 came into existence.*
    - iv. *He worked as Research Analyst for appx 2 year 4 months before Securities and Exchange Board of India (Research Analyst) Regulation, 2014 came into existence*
  - g. *Also, it may be noted that regarding buy/sell recommendation on Social Media, SEBI, itself admitted in Anirudh Sethi order dated 16.03.2018, Trustline Securities Ltd order dated 23.06.2022 and various other orders that buy/ sell recommendation on Social media falls under the definition of RA activity.*
  - h. *SEBI advised the applicant to submit an undertaking that the proposed principal officer i.e. Mr. Manish Goel shall surrender its RA registration and shall also relinquish his employment or position as the principal officer in the applicant's registration as LA. In this respect, it may be noted that we have already submitted our response many times to SEBI NRO office that No PMS regulation and/ or any other regulation of SEBI prohibit a person to have dual position at the same time. In our earlier reply dated August 18, 2021 also, we had submitted that such a requirement is not logical and is counterintuitive. This is against principal of natural justice also.*
  - i. *In the absence of any law, such requirement of undertaking by SEBI NRO office may be termed as Arbitrary and thereby leads to infringement of fundamental rights of a person i.e. Freedom of business under article 19 of constitution.*
  - j. *In support of our aforesaid arguments, it may be noted that from the website of Stallion Asset, it appears that Stallion Assets (INH000002582) was providing R.A. services from 01.04.2016 till 02.09.2019 and at that time Mr. Amit Jeswani was it's proprietor. Later on stallion Asset was merged with Stallion Assets Pvt. Ltd. (SAPL) on 02.09.2019. SAPL got PMS license (INP000006129) on 31.08.2018. at the time when Principal officer Mr. Amit Jeswani of SAPL was himself research analyst in his individual capacity in the name of his proprietorship firm, Stallion Asset. Why conflict of interest / arm's length points was not raised at the time of giving PMS license to SAPL.*

- k. *Regarding conflict of interest as presumed by SEBI NRO office, it may be noted that this situation is arisen only when service provider sells financial products/ services that earn commission to him by the producer of that financial product. In this case, seller of products may not act in the interest of the client, but concentrate on selling of only those products that earn higher commission to him. The situation cannot arise in our case as we are not distributor of any financial product.*
  - l. *Lastly, as advised by SEBI, Multibagger Securities may consider changing Principal officer of LA division If PMS registration is granted to it.*
  - m. *MSRAPL vide email dated 10.08.2022 had made further submissions. It has been inter-alia stated that in order to address SEBI's apprehension of 'conflict of interest' in future between Research Analyst activity of Mr. Manish Goel and Portfolio Management Services activities of Multibagger Securities Research & Advisory Pvt. Ltd., we are ready to submit an undertaking to the effect that we will ensure that no conflict of interest takes place between 'Research analyst' activity of Mr. Manish Goel and activities of 'Portfolio Management Services' division of Multibagger Securities Research & Advisory Pvt. Ltd. of which Principal officer is Mr. Manish Goel.*
17. During the course of hearing held on 05.08.2022, Shri Shailesh Goyal, Director, MSRAPL had raised the issue that the SCN dated 31.03.2022 doesn't state that, as to which information had been falsely submitted by them with respect to work experience. I note that pursuant to inspection held on 21.06.2022, following documents with respect to work experience of Shri Manish Kumar Goyal were provided to MSRAPL / Shri Sailesh Goyal compliance officer, which were relied upon by SEBI.
- (a) Information sought by SEBI from SPIL (Sun Pharmaceutical Industries Limited) and response of SPIL received on 09.09.2021.
  - (b) MSRAPL submissions through advocate received through email on 18.08.2021 & on SEBI Intermediary Portal.
  - (c) MSRAPL letter dated 16.02.2021 uploaded on SEBI Intermediary Portal.
- However, in the interest of principle of natural justice the above documents were once again provided to MSRAPL, vide SEBI letter dated 09.09.2022
18. SEBI in its letter dated 09.09.2022 has mentioned that in the SCN dated 31.03.2022 it has been inter-alia, alleged that MSRAPL have been found to have misrepresented and deliberately submitted false information regarding experience of principal officer of the applicant. Vide letter dated 16.02.2021 and attachments, thereunder, as uploaded by MSRAPL in the SI portal, it has been informed by MSRAPL and its compliance officer that during the period 01.08.2004 to 30.05.2006, Shri Manish Kumar Goyal was employed with MACO Securities Pvt. Ltd., whereas, SPIL vide email dated 09.09.2021 has informed that Shri Manish Goyal was working with CA firm, S. C. Associates from 05.04.2006. Shri Manish Kumar Goyal resigned from S. C. Associates



on 01.06.2006. Copy of resignation letter given by Shri Manish Kumar Goyal to S. C. Associates has also been provided by SPIL. Prior to the same, Shri Manish Kumar Goyal had worked with CA firm, Mitra, Gupta and Aggarwal in Delhi from August 2005 to 4th April, 2006. In view of the same, MSRAPL was advised to make further submissions, if any by 14.09.2022 failing which SEBI shall proceed further in the said matter.

19. Vide email dated 10.09.2022, Shri Manish Kumar Goyal, Director, MSRAPL has inter-alia submitted as under:

*“...They deny & rebut all the allegations mentioned in the SCN and in the letter dated 09.09.2022 as baseless. Further, they have complied with all the provisions of SEBI Portfolio Manager Regulations and already provided to SEBI many times all supporting documents including Form 16, Experience certificate, email from Maco Securities etc. Further, it has been stated that it came to their notice that in the middle of December 2021, SEBI sent some officials to them for onsite verification of the employment of Shri Manish Kumar Goyal with Maco Securities in 2005/2006. It was also noted that physical verification was successful and Maco Securities confirmed employment of Shri Manish Kumar Goyal in 2005/2006 with them. In this regard, please explain for what purpose you made that physical verification if you were not to consider that in any of your letters/SCNs/exchanges?”*

20. I am of the view that principles of natural justice have been followed in the matter by granting the applicant an opportunity of replying to the SCN, inspection of the documents, opportunity of personal hearing and making further submissions, if any on the alleged violations. Therefore, I deem it appropriate to decide the matter on the basis of material available on record and replies/submissions made by MSRAPL.

## **CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS**

21. On perusal of the material available on record, the SCN issued and the reply/submissions of MSRAPL, the following issue arise for consideration before me:

**Issue: Whether or not MSRAPL is a fit and proper person for granting the certificate of registration as a Portfolio Manager under PMS Regulations?**

22. Before proceeding further, it is pertinent to refer to the relevant provisions of the PMS Regulations and the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 ("Intermediaries Regulations"), which read as under:

### ***"PORTFOLIO MANAGERS REGULATIONS –***

#### ***Consideration of application.***

7. (1).....

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

*(a).....*

*(b).....*

(c).....

(d) the principal officer of the applicant has—

(i) a professional qualification in finance, law, accountancy or business management from a university or an institution recognized by the Central Government or any State Government or a foreign university or a professional qualification by completing a Post Graduate Program in the Securities Market (Portfolio Management) from NISM of a duration not less than one year or a professional qualification by obtaining a CFA charter from the CFA institute;

(ii) experience of at least five years in related activities in the securities market including in a portfolio manager, stock broker, investment advisor, research analyst or as a fund manager; and

(iii) the relevant NISM certification as specified by the Board from time to time

Provided that at least 2 years of relevant experience is in portfolio management or investment advisory services or in the areas related to fund management

***Furnishing of further information, clarification and personal representation.***

6. (1) The Board may require the applicant to furnish further information or clarification regarding matters relevant to his activity of a portfolio manager for the purposes of disposal of the application.

***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.

**Schedule II of Intermediaries Regulations:**

*"For the purpose of determining as to whether an applicant or the intermediary is a 'fit and proper person' the Board may take account of any consideration as it deems fit, including but not limited to the following criteria in relation to the applicant or the intermediary, the principal officer and the key management persons by whatever name called –*

*(a) integrity, reputation and character;*

*(b) absence of convictions and restraint orders;*

*(c) competence including financial solvency and networth.*

*(d) absence of categorization as a wilful defaulter."*

23. As per regulation 7 (2) (d) (ii) of PMS Regulations, the Principal Officer of the applicant required to have experience of at least five years in related activities in the securities market including in a portfolio manager, stock broker, investment advisor, research analyst or as a fund manager. The following information was submitted by MSRAPL in support of the experience of proposed Principal Officer Shri. Manish Kumar Goyal:

Sr. No.	Role	Description	Total Experience	Supporting Documents
1.	Investment Advisor	Founder & Director of MSRAPL, SEBI registered Investment Advisor for the period from March 2017 to till date	Appx. 3 years 11 months	Experience Certificate
2.	Research Analyst	Independent Research Analyst (November 2011 to March 2014)	Appx. 2 years and 4 months	Screen shot of various recommendations available in public domain along with research reports
3.	Investment Advisor	Independent Investment Advisor for the period from August 2011 to February 2013	Appx. 1 year and 6 months	Screen shot of various independent investment advice
4.	Stock Broker	Worked with Maco Securities Pvt. Ltd., Bangalore (SEBI registered Stock Broker/Sub-Broker) for the period from August 2004 to May 2006	Appx. 1 year and 10 months	Experience certificate along with from 16

24. From the aforesaid information submitted by MSRAPL, it is noted that Shri Manish Kumar Goyal was working as a Principal Officer of MSRAPL, SEBI registered Investment Adviser, since its incorporation i.e. 02.03.2017 and also worked as an Investment Advisor for appx. 1 year 6 months before the promulgation of SEBI IA Regulations, 2013 and has also worked as Research Analyst for approximately 2 years 4 months before the promulgation of SEBI Research Analyst Regulations, 2014 and in support of the same, MSRAPL has submitted screen shots of various recommendations available in public domain along with research reports and screen shots of

various independent investment advice. It is the submission of MSRAPL that even if SEBI keep aside the experience certificate of Maco Securities Pvt. Ltd., the experience of Shri Manish Kumar is far more than 5 years.

25. As per available records, the shareholding of MSRAPL is as under:

Name	Designation	Total no. of shares hold	Total percentage of holding	As on date
Shri Manish Kumar Goyal	Principal Officer of MSRAPL, registered Investment Adviser with SEBI and Director	4200000	80%	16/10/2020
Shri Shailesh Goyal	Director	1050000	20%	16/10/2020

26. As per Regulation 7 of PMS Regulations, while granting a certificate of registration the Board shall take into account all matters which it deems relevant to the activities relating to portfolio management including considering whether or not the applicant entity is a 'fit and proper person'. Further, as per Regulation 8 of PMS Regulations, SEBI may take into account the criteria specified in Schedule II of Intermediaries Regulations for determining whether an applicant entity is a 'fit and proper person'. A combined reading of the above provisions of 'fit and proper person' makes it amply clear that while considering any application for grant of registration as any intermediary, the applicant has to pass the test of being a 'fit and proper person'. For the purpose of performing such test, it is necessary to apply the eligibility criteria on the applicant entity as well as the persons who hold responsible positions in the body corporate and/or are in a position to influence the decision making process. In this regard, the reference is made to definition of "Control" under regulation 2(e) of Intermediaries Regulations which provides that control in relation to an intermediary shall include the power to, directly or indirectly, control the management or policy decisions of such intermediary by person or persons acting individually or in concert.

27. Upon a consideration of the preceding paragraphs, it is noted that Shri Manish Kumar Goyal and Shri Shailesh Goyal holds 80% and 20% respectively holds shareholding of MSRAPL and are brothers. Further, I find that Shri Manish Kumar Goyal and Shri Shailesh Goyal are the only two shareholders of MSRAPL and hold an important position to exercise control and influence over the activities of MSRAPL. The directing mind and will of a company is found out by the factor of substantial controlling interest. In the facts of the instant matter, Shri Manish Kumar Goyal and Shri Shailesh Goyal enjoy controlling interest and represent the directing mind and will of

MSRAPL. Such substantial controlling interest entailing significant influence will also extend to Shri Manish Kumar Goyal and Shri Shailesh Goyal since they are the only founders/ Promoters of MSRAPL. Therefore, for the purpose of determining whether MSRAPL is a 'fit and proper person', the criteria as contained in Schedule II of the Intermediaries Regulations shall be extended to include Shri Manish Kumar Goyal and Shri Shailesh Goyal.

28. In this regard, it may be appropriate to refer to the following observations of the Hon'ble Securities Appellate Tribunal ("Hon'ble SAT") in the matter of 63 Moons Technologies Limited Vs SEBI (Misc. Application No.538 of 2020 and Appeal No.500 of 2020) decided on April 15, 2021 :

***"24. In this regard, the expression integrity, reputation and character has been examined by this Tribunal in the case of Jermyn Capital LLC vs. SEBI decided on 6th September, 2006 wherein this Tribunal held:-***

***"A reading of the aforesaid provisions of the Regulations makes it abundantly clear that the concept of a fit and proper person has a very wide amplitude as the name fit and proper person itself suggests. The Board can take into account any consideration as it deems fit for the purpose of determining whether an applicant or an intermediary seeking registration is a fit and proper person or not. The framers of the Regulations have consciously given such wide powers because of their concern to keep the market clean and free from undesirable elements. It can take into account the financial integrity of the applicant and its competence. Absence of convictions or civil liabilities would be another relevant consideration which could weigh with the Board. Good reputation and character of the applicant is a very material consideration which must necessarily weigh in the mind of the Board in this regard. Reputation is what others perceive of you. In other words, it is the subjective opinion or impression of others about a person and that, according to the Regulations, has to be good. This impression or opinion is generally formed on the basis of the association he has with others and/or on the basis of his past conduct. A person is known by the company he keeps. In the very nature of things, there cannot be any direct evidence in regard to the reputation of a person whether he be an individual or a body corporate. In the case of a body corporate or a firm, the reputation of its whole time director(s) or managing partner(s) would come into focus. The Board as a regulator has been assigned a statutory duty to protect the integrity of the securities market and also interest of investors in securities apart from promoting the development of and regulating the market by such measures as it may think fit. It is in the discharge of this statutory obligation that the Board has framed the Regulations with a view to keep the market place safe for the investors to invest by keeping the undesirable elements out.***

***The Regulations apply across to all sets of regulations and all intermediaries of the securities market including those who associate themselves with the market and they all have to satisfy the criteria of fit and proper person before they could be registered under any of the relevant regulations and this criteria they must continue to satisfy throughout the period of validity of their registration and throughout the period they associate with the market. The purpose of the Regulations is to achieve the aforesaid objects and make the securities market a safe place to invest. One bad element cannot only pollute the***

*market but can play havoc with it which could be detrimental to the interests of the innocent investors. In this background, the Board may, in a given case, be justified in keeping a doubtful character or an undesirable element out from the market rather than running the risk of allowing the market to be polluted. We may hasten to add here that when the Board decides to debar an entity from accessing the capital market on the ground that he/it is not a fit and proper person it must have some reasonable basis for saying so. The Board cannot give the entity a bad name and debar it. When such an action of the Board is brought to challenge, it (the Board) will have to show the material on the basis of which it concluded that the entity concerned was not a fit and proper person or that it did not enjoy a good reputation in the securities market. The basis of the action will have to be judged from the point of view of a reasonable and prudent man. In other words, the test would be what a prudent man concerned with the securities market thinks of the entity” .....*

*26. The purity and integrity of the securities market has to be maintained at all times. It cannot be allowed to be tarnished by unscrupulous persons. Persons of doubtful character or undesirable persons should be kept out of the securities market. There is no place for them. In the instant case, there is sufficient material for the respondent to come to a conclusion that the appellant is not a fit and proper person.*

*27. We are of the opinion that the concept of integrity, reputation and character is very wide and cannot be given a restrictive meaning. The basic behaviour can be taken into consideration and considering the misconduct and the fraud that was committed by Jignesh Shah in the FMC market is an indicator to the authority to reject the renewal application. We do not find any error in this regard.”*

29. In view of the aforesaid observations of the Hon’ble SAT and the provisions of schedule II of the Intermediaries Regulations, MSRAPL and its directors/promoters namely, Shri Manish Kumar Goyal and Shri Shailesh Goyal have to pass the test of fit and proper person to grant the registration of portfolio manager.
30. I find from the records that MSRAPL registered with SEBI as an Investment Adviser on 29.05.2017 (SEBI Registration no. INA100007736) with Shri Manish Kumar Goyal as its Principal Officer and Director. Shri. Manish Kumar Goyal is also registered with SEBI as an Individual Research Analyst since 16.06.2017. In view of the same, I am cognizant of the fact that as on today’s date Shri Manish Kumar Goyal fulfills the experience criteria of five years as required under regulation 7(2)(d) of PMS Regulations.
31. I find from the documents available on records that during the processing of an application for registration, MSRAPL vide its response dated 16.02.2021 provided the experience certificate dated December 30, 2006 of Shri Manish Kumar Goyal issued on the letter head of M/s Maco Securities PVT. Limited along with Form 16. However, the Form 16 submitted by MSRAPL did not contain any substantial evidence in the form of proof that whether Tax Deduction at Source (TDS) was deducted by M/s Maco Securities Pvt. Ltd. and whether the TDS was submitted to the Income

Tax authorities, etc. Further, it was noted that the name on the PAN card was mentioned as Manish Kumar Goyal whereas on the Form 16, the name was mentioned as “Manish Goyal” even though the PAN card number i.e. AHWPG4252B mentioned on both documents was same. In view of the same, SEBI vide emails/letter dated 12.07.2021, 30.07.2021, 03.08.2021 and 16.08.2021 advised MSRAPL to submit appropriate substantial documents like bank account statements of Shri Manish Kumar Goyal for the period from 01.08.2004 to 30.05.2006 towards the proof of salary drawn by him from M/s Maco Securities Pvt. Ltd.

32. MSRAPL, vide email dated 18.08.2021 through its Compliance officer inter-alia stated that the non-availability of the bank statements due to efflux of substantial time, however, MSRAPL had provided the copy of an email dated 17.08.2021 received from Maco Securities Pvt. Ltd. inter-alia confirming that Shri Manish Kumar Goyal was employed with Maco Securities Pvt. Ltd.
33. Since the authentic information about the work experience of Shri Manish Kumar Goyal with M/s Maco Securities Pvt. Ltd. was not forthcoming except the purported experience letter dated 30.12.2006 submitted vide email dated 16.02.2021, Form 16 without TDS and an email dated 17.08.2021 from Maco Securities Pvt. Ltd. confirming his employment from August 2004 to May 2006, in view of the same, as mentioned in the registration application filed by MSRAPL that Shri. Manish Kumar Goyal’s last work experience was with SPIL, in order to ascertain the authenticity of the work experience, SPIL vide emails dated 08.09.2021 and 09.09.2021 was requested to provide documents submitted by Shri Manish Kumar Goyal to SPIL including relieving/experience certificates from his previous employers.
34. SPIL, vide email dated 09.09.2021, submitted the copy of ‘Resignation letter’ dated ‘Nil’ of Shri Manish Kumar Goyal submitted to his previous employer “S.C. & Associates” along with acknowledgement. It was further informed vide another email dated 09.09.2021 by SPIL that as per the information available with their HR department, the details of working of Mr. Manish Kumar Goyal are as under:

<b>Sr. No.</b>	<b>Name of the Firm</b>	<b>Period of Service</b>
1.	Mitra, Gupta and Aggarwal, Delhi (CA Firm), Delhi	August 2005 to April 04, 2006
2.	S.C. & Associates (CA Firm), Delhi	April 05, 2006 to June 18, 2006

35. Thus, upon perusal of the aforesaid information, it was noted that MSRAPL’s submission of email as well as experience letter of Mr. Manish Kumar Goyal with Maco Securities Pvt. Ltd. from August 2004 to May 2006 were misleading. On the contrary, as per aforesaid details Mr. Manish Kumar Goyal was actually working in the aforesaid CA firms which were based in Delhi and not in Maco Securities Pvt. Ltd. which was based in Bangalore.

36. In the interest of principles of natural justice, acceding to the request of MSRAPL, the inspection of documents granted on 21.06.2022. Shri. Shailesh Goyal, Director of MSRAPL on 21.06.2022 took the inspection of total 33 documents including the information sought by SEBI from SPIL and response dated 09.09.2021 received from SPIL.
37. Pursuant to the inspection of documents, MSRAPL, vide hearing notice dated 22.07.2022, was granted an opportunity of personal hearing on 05.08.2022. Shri Shailesh Goyal, Director, MSRAPL had appeared for the personal hearing on 05.08.2022 and informed that he shall file written submissions to SEBI in the matter. During the course of hearing, Shri Shailesh Goyal, Director, MSRAPL had raised the issue that in the SCN dated 31.03.2022, SEBI had not stated that as to which information has been falsely submitted by them with respect to work experience. I note that during the course of inspection held on 21.06.2022, total 33 documents including following documents related to work experience of Shri Manish Kumar Goyal were provided to MSRAPL / Shri Shailesh Goyal compliance officer, which were relied upon by SEBI:
- a. Information sought by SEBI from SPIL (Sun Pharmaceutical Industries Limited) and response of SPIL received on 09.09.2021.
  - b. MSRAPL submissions through advocate received through email on 18.08.2021 & on SEBI Intermediary Portal.
  - c. MSRAPL letter dated 16.02.2021 uploaded on SEBI Intermediary Portal.
38. However, in the interest of principle of natural justice, SEBI vide its letter dated 09.09.2022 informed MSRAPL that in the SCN dated 31.03.2022 it has been inter-alia, alleged that MSRAPL have been found to have misrepresented and deliberately submitted false information regarding experience of Principal Officer of the applicant. Vide letter dated 16.02.2021 and attachments, thereunder, as uploaded by MSRAPL on the SEBI Intermediary Portal, it has been informed by MSRAPL and its compliance officer that during the period 01.08.2004 to 30.05.2006, Shri Manish Kumar Goyal was employed with MACO Securities Pvt. Ltd., whereas, SPIL vide email dated 09.09.2021 has informed that Shri Manish Goyal was working with CA firm, S. C. Associates from 05.04.2006. Shri Manish Kumar Goyal resigned from S. C. Associates on 01.06.2006. Copy of resignation letter given by Shri Manish Kumar Goyal to S. C. Associates has also been provided by SPIL. Prior to the same, Shri Manish Kumar Goyal had worked with CA firm, Mitra, Gupta and Aggarwal in Delhi from August 2005 to 04.04.2006. In view of the same, MSRAPL was advised to make further submissions, if any by 14.09.2022, failing which SEBI shall proceed further in the said matter. Along with said SEBI letter, once again the documents mentioned at aforesaid paragraph no. 37 (a), (b) and (c) were provided to MSRAPL.
39. Vide email dated 10.09.2022, Shri Manish Kumar Goyal, Director, MSRAPL has inter-alia submitted as under:



*“...They deny and rebut all the allegations mentioned in the SCN and in the letter dated 09.09.2022 as baseless. Further, they have complied with all the provisions of SEBI Portfolio Manager Regulations and already provided to SEBI many times all supporting documents including Form 16, Experience certificate, email from Maco Securities etc. Further, it has been stated that it came to their notice that in the middle of December 2021, SEBI sent some officials to them for onsite verification of the employment of Shri Manish Kumar Goyal with Maco Securities in 2005/2006. It was also noted that physical verification was successful and Maco Securities confirmed employment of Shri Manish Kumar Goyal in 2005/2006 with them. In this regard, please explain for what purpose you made that physical verification if you were not to consider that in any of your letters/ SCNs/ exchanges?”*

40. In view of the above, I find that MSRAPL through its director Mr. Shailesh Goyal vide email dated 16.02.2021 has submitted the purported experience letter dated 30.12.2006 and Forms 16 without TDS. Further, from the email dated 17.08.2021, I have noticed that Mr. Manish Kumar Goyal has sought the confirmation of his employment from Maco Securities Pvt. Ltd. at 5:29 p.m. through his email ID i.e. [mnshgoyal@gmail.com](mailto:mnshgoyal@gmail.com) and immediately at 5:38 p.m. on the same day within 8 minutes got the confirmation of his employment from Maco Securities Pvt. Ltd. through email ID i.e. [sureshbajaj65@gmail.com](mailto:sureshbajaj65@gmail.com). I find that, other than experience letter dated 31.12.2006 and Forms 16, there was no other document on record till the email dated 17.08.2021 showing the experience of Shri. Manish Kumar Goyal received from Maco Securities Pvt. Ltd. I note that within 8 minutes, Maco Securities Pvt. Ltd. has confirmed the employment of Shri Manish Kumar Goyal for the period way back to August 2004 to May 2006 which in turn was submitted to SEBI. I have also noted that from time to time, Mr. Manish Kumar Goyal and Shri. Shailesh Goyal has submitted the information to SEBI including the replies/clarifications.
41. I have also noted the fact that MSRAPL has not been able to provide the bank statements supporting the salary received by Mr. Manish Kumar Goyal from Maco Securities Pvt. Ltd. and merely stated that due to efflux of time, they are unable to provide it. I find from the documents/replies that Mr. Manish Kumar Goyal claims to be Chartered Accountant and claims to have received various awards due to his exemplary contribution towards society and impeccable track record in the field of investing and advisory and at the same time, fails to provide the bank statement showing the evidence of his salary from M/s Maco Securities Pvt. Ltd. on the ground of efflux of time is something which is not reasonable to accept. Further, there is no document/evidence shown by Mr. Manish Kumar Goyal or Shri Shailesh Goyal that they have taken any efforts to obtain the said bank statement/s.

42. With regard to work experience of Mr. Manish Kumar Goyal, I find the following contradictions:

Sr. No.	Name of the Firm	Period of Service	Remarks
1.	Worked with Maco Securities Pvt. Ltd., Bangalore (SEBI registered Stock	August 2004 to May 2006	Information submitted by MSRAPL

	Broker/Sub-Broker) for the period from August 2004 to May 2006		
2.	Mitra, Gupta and Aggarwal, Delhi (CA Firm), Delhi	August 2005 to April 04, 2006	Information obtained by SEBI from Sun Pharmaceutical Industries Ltd.
3.	S.C. & Associates (CA Firm), Delhi	April 05, 2006 to June 18, 2006	

43. Upon perusal of the aforesaid information, it is noted that the work experience of Mr. Manish Kumar Goyal is overlapping. It defies logic that Mr. Manish Kumar Goyal was working with Mitra, Gupta and Aggarwal (CA Firm) and S.C. & Associates (CA Firm) which were based in Delhi and Maco Securities Pvt. Ltd. which was based in Bangalore at the same time. Further, I find that all the above documents with regard to work experience were provided to MSRAPL and except for mere denial, no substantive evidence is put forth. In the absence any response from MSRAPL and non-availability of any material suggesting contrary, the only plausible conclusion is that MSRAPL through its directors/promoters namely, Shri. Manish Kumar Goyal and Shri. Shailesh Goyal has submitted false and misleading information with regard to work experience of Shri. Manish Kumar Goyal, proposed Principal officer to SEBI.

44. In view of the same and as guided by the aforesaid observations of the Hon'ble SAT in paragraph 26 inter alia that ***“The purity and integrity of the securities market has to be maintained at all times. It cannot be allowed to be tarnished by unscrupulous persons. Persons of doubtful character or undesirable persons should be kept out of the securities market. There is no place for them.”*** and in terms of the provisions of schedule II of the Intermediaries Regulations, I am of the view that MSRAPL and its directors/promoters namely, Shri Manish Kumar Goyal and Shri Shailesh Goyal have failed to pass the test of fit and proper person of integrity, reputation and character to grant the registration of portfolio manager.

45. I note that it is the duty of SEBI to ensure that the securities market functions in a fair and free manner. In this regard, reference may be made to the following observations of the Hon'ble Supreme Court in its judgment dated April 26, 2013, in N. Narayanan v. Adjudicating Officer SEBI (Civil Appeal Nos.4112-4113 of 2013) wherein it held that:

***“1. India’s capital market in the recent times has witnessed tremendous growth, characterized particularly by increasing participation of public. Investors’ confidence in the capital market can be sustained largely by ensuring investors’ protection. Disclosure and transparency are the two pillars on which market integrity rests.***

.....

***33. Company though a legal entity cannot act by itself, it can act only through its Directors. They are expected to exercise their power on behalf of the company with utmost care, skill and diligence.***

.....

***A word of caution:***

***43. SEBI, the market regulator, has to deal sternly with companies and their Directors indulging in manipulative and deceptive devices, insider trading etc. or else they will be failing in their duty to promote orderly and healthy growth of the Securities market. Economic offence, people of this country should know, is a serious crime which, if not properly dealt with, as it should be, will affect not only country's economic growth, but also slow the inflow of foreign investment by genuine investors and also casts a slur on India's securities market. Message should go that our country will not tolerate "market abuse" and that we are governed by the "Rule of Law". Fraud, deceit, artificiality, SEBI should ensure, have no place in the securities market of this country and 'market security' is our motto."***

46. Under the SEBI Act, SEBI has been assigned a statutory duty to protect the interests of investors in securities and regulating the securities market by such measures as it may think fit. Accordingly, the Portfolio Managers Regulations and the Intermediaries Regulations, have been framed by SEBI in the discharge of this statutory obligation. The role of the Portfolio Manager as a market intermediary is indeed very crucial, especially as a portfolio manager, handles investments kept with him in fiduciary capacity. As envisaged in the 'fit and proper person' criteria, SEBI has to take into account the integrity, reputation and character of the applicant and also the persons who holds responsible positions in the applicant and/or are in a position to influence the decision making process. SEBI, therefore, has to take into account entities/individuals, who by virtue of their substantial shareholding in the companies controlling the applicant, are in a position to influence the activities of the applicant. Indeed, such a determination becomes very vital and imperative for ensuring the integrity of securities market.
47. In the present case, I am cognizant of the fact that as on today's date Shri Manish Kumar Goyal fulfills the experience criteria of five years as required under regulation 7 (2) (d) of PMS Regulations. Further, I have also taken into consideration the submission of MSRAPL that as advised by SEBI, it will consider changing Principal Officer of IA division if PMS registration is granted to it. However, as observed in the aforesaid paragraphs, by submitting the false and misleading information to SEBI, MSRAPL and its directors/promoters namely, Shri Manish Kumar Goyal and Shri Shailesh Goyal have failed to pass the test of fit and proper person of integrity, reputation and character to grant the registration as a portfolio manager. In view of the same, I cannot jeopardize the investors' interest/money in the hands of Shri. Manish Kumar Goyal

and Shri Shailesh Goyal, who are controlling the shareholding of 80% and 20% respectively of MSRAPL and represent the directing mind and will of MSRAPL.

48. In view of the above, I am of the view that MSRAPL and its directors/promoters namely, Shri Manish Kumar Goyal and Shri Shailesh Goyal are not fit and proper person to grant the registration as a Portfolio Manager to MSRAPL.

#### **Order**

49. Having regard to the above discussion, I, in exercise of the powers conferred upon me in terms of Section 19 of the SEBI Act read with regulation 13 (1) of PMS Regulations hereby reject the application filed by Multibagger Securities Research & Advisory Pvt. Ltd. (PAN No. AAKCM8779K) for registration of Portfolio Manager.

50. With regard to period of rejection of registration, I am guided by the following observations of Hon'ble SAT made in the matter of Geofin Comtrade Ltd. Vs SEBI (Appeal No. 214 of 2019 and other connected appeals decided on 09.06.2022:

*"33. In the instant case, we find that the application for grant of registration certificate has been rejected. Nothing has been stated as to how long the rejection of the application would continue. We are of the opinion that such rejection cannot continue indefinitely and if an application is rejected, a period should be prescribed within which the broker cannot apply for grant of a fresh registration certificate but after the expiry of the period he could file such an application."*

51. In view of the aforesaid observations of the Hon'ble SAT and considering the findings as mentioned in the preceding paragraphs, I direct that Multibagger Securities Research & Advisory Pvt. Ltd. shall not apply for fresh registration as a Portfolio Manager for the period of five years from the date of this order. However, Multibagger Securities Research & Advisory Pvt. Ltd. can apply for registration after the expiry of five years from the date of this order and thereafter, SEBI may consider the application for registration of Multibagger Securities Research & Advisory Pvt. Ltd., as a Portfolio Manager in accordance with applicable laws.

52. In terms of regulation 13 (2) of PMS Regulations, a copy of this order shall be sent to Multibagger Securities Research & Advisory Pvt. Ltd.

**DATE: 18.11.2022**  
**PLACE: MUMBAI**

**Sd/-**  
**MANOJ KUMAR**  
**EXECUTIVE DIRECTOR**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**