

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/NH/YK/2024-25/31190]**

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of:

Noticee	PAN	Registration Number
Pritam Prabodh Deuskar	ALFPD0936Q	INH000005397

In the matter of Pritam Prabodh Deuskar, Research Analyst

FACTS OF THE CASE

1. Pritam Prabodh Deuskar (hereinafter referred to as “**Noticee**”) has been registered with the Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) as a research analyst since November 09, 2017. The registration number of the Noticee is INH000005397. SEBI had undertaken an inspection of the Noticee on June 25, 2024. The inspecting team visited the principal business place/registered office of the Noticee, i.e., D1-706, Mayur Kilbil Society, Dhanori, Pune – 411 015, on June 25, 2024. However, the Noticee was not present at the said address. In this regard, the Noticee vide e-mail dated July 15, 2024, submitted that he had changed the address in June, 2024 which was C601, Link Palace, Goregaon East, Mumbai – 400 063. Thereafter, the Noticee was advised to visit the SEBI office along with the documents required for the said inspection. Subsequently, correspondences between the Noticee and the SEBI inspecting team were held through e-mails. The inspection was conducted for the period from April 01, 2023, to May 31, 2024 (hereinafter referred to as “**Inspection period/IP**”). However, wherever necessary, reference to period outside the IP has been made.
2. Post the culmination of the aforesaid inspection, an inspection report (hereinafter referred to as ‘**IR**’) was prepared. The findings of the said inspection were

communicated to the Noticee by SEBI vide letter dated October 03, 2024. In response to the findings in the Inspection Report, the Noticee submitted his reply vide e-mail dated October 17, 2024. After the receipt of the reply to the Inspection Report, a Post Inspection Analysis report (hereinafter referred to as '**PIA**') was prepared.

3. Based on the findings of Inspection conducted by SEBI and the response dated October 17, 2024, submitted to SEBI, certain non-compliances of Securities and Exchange Board of India (Research Analysts) Regulations, 2014 (hereinafter referred to as "**RA Regulations**") were alleged. The extracts of the violations alleged to have been committed by the Noticee and corresponding provisions of the securities law are given in the table below:

Table 1

Charges (Summarized)	Alleged Violations
The Noticee had failed to conduct annual audit in respect of compliance with RA Regulations for FYs 2023-24, 2022-23, and 2021-22 till the information related to annual audit was sought by SEBI from the Noticee. Therefore, it is alleged that the Noticee had failed to act diligently with respect to the requirements of conducting annual audit until the submission of information related to the annual audit was sought by SEBI.	Regulation 25(3) of RA Regulations and clauses 2 and 7 of Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations.

APPOINTMENT OF ADJUDICATING OFFICER

4. SEBI had appointed the undersigned as the Adjudicating Officer (hereinafter referred to as "**AO**") in the matter vide communique dated December 12, 2024 under Section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to

as “**SEBI Act**”) read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “**Adjudication Rules**”), to inquire into and adjudge under the provisions of the Section 15EB of the SEBI Act for the aforementioned violations of the provisions of law alleged to have been committed by the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. Show Cause Notice ref no. SEBI/EAD-2/NH/YK/39328/2024 dated December 20, 2024 (hereinafter referred to as “**SCN**”) was served upon the Noticee in terms of Rule 4 of the Adjudication Rules read with Section 15-I of the SEBI Act to show cause as to why an inquiry should not be held against the Noticee and why penalty, if any, not be imposed on it in terms of the provisions of the Section 15EB of the SEBI Act for the violations alleged to have been committed by the Noticee.

6. The SCN dated December 20, 2024, *inter alia*, alleged the following:

“

- *During the course of the inspection, vide e-mails dated July 05, 2024, and July 26, 2024, SEBI had sought details of the annual audit from the Noticee.*
- *In this regard, the Noticee vide email dated July 15, 2024, submitted the annual audit report for FY 2023-24. It was observed that the said report was dated July 15, 2024.*
- *Further, with respect to annual audit reports for FYs 2022-23 and 2021-22, the Noticee vide email dated August 14, 2024, submitted the audit reports for FYs 2022-23 and 2021-22. It was observed that the said reports were dated August 14, 2024.*
- *In view of the above, it was alleged that the Noticee had failed to conduct annual audit in respect of compliance with RA Regulations for FYs 2023-24, 2022-23, and 2021-22 till the information related to annual audit was sought by SEBI from the Noticee. Therefore, it is alleged that the Noticee had failed to act diligently and was non-compliant with respect to the requirements of conducting annual audit until the submission of information related to the annual audit was sought by SEBI and*

thereby, violated the provisions of Regulation 25(3) of RA Regulations and clauses 2 and 7 of Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations.

- It was observed that the aforesaid findings were communicated to the Noticee by SEBI vide letter dated October 03, 2024. The Noticee vide e-mail dated October 17, 2024 had, inter alia, stated as under in respect of the aforesaid findings in the IR/PIA: "It is submitted that there was an inadvertent delay in conducting the Annual Audit. However, when SEBI requested the details of the Annual Audit for the period from FY 2021-22 to FY 2023-24, I ensured that the audit was conducted in compliance with the RA Regulation and carried out by a member of the Institute of Chartered Accountants of India. It may be appreciated that the annual audit report of 2023-2024 was filed well within time (i.e. before 30th September 2024)*

While I acknowledge the delay in conducting the Annual Audit, I would like to explain that this occurred due to my personal circumstances. During the relevant period, I was preoccupied with my mother's health issues, which required frequent hospital visits and considerable attention on my part.

I undertake and confirm & deeply re-assure that I will henceforth conduct the Annual Audit in strict accordance with the stipulations outlined under the RA Regulation. I am committed to ensuring compliance with all relevant requirements and will take all necessary steps to maintain the integrity and timeliness of the auditing process moving forward."

- In this regard, it was observed from the PIA that with respect to the aforementioned findings in the IR, the Noticee had, inter alia, in his reply submitted that there was an inadvertent delay in conducting the annual audit. The Noticee further submitted that the audit was conducted in compliance with the RA Regulations when SEBI asked for the details of the annual audit for the FYs 2021-22 to 2023-24. In this regard, it was observed from the PIA that the Noticee was advised to provide the annual audit report for the period of inspection, i.e., April 01, 2023 to May 31, 2024, vide email dated July 05, 2024 (enclosed as Annexure 6). In response, the Noticee vide email*

dated July 15, 2024, submitted the annual audit report for FY 2023-24 which was dated July 15, 2024. Subsequently, the Noticee was also advised to provide the audit report for the period from April 01, 2021 to March 31, 2023 vide email dated July 26, 2024. In response, the Noticee vide email dated August 14, 2024, submitted the audit reports for FYs 2022-23 and 2021-22 which were dated August 14, 2024. Therefore, it was alleged that the Noticee had failed to carry out the annual audit in respect of compliance with RA Regulations for the FY 2023-24 before seeking of information by SEBI and the same was carried out only when the information of the same was sought by SEBI. Further, when the Noticee provided the audit report for FY 2023-24 vide email dated July 15, 2024, he had not carried out annual audit for FYs 2022-23 and 2021-22 as the date on the said annual audit reports was August 14, 2024. The audits for the FYs 2022-23 and 2021-22 were carried out only when additional information with respect to annual audit for FYs 2022-23 and 2021-22 was sought by SEBI from the Noticee vide email dated July 26, 2024.

- It was further observed from the PIA that with respect to the aforementioned findings in the IR, the Noticee had, inter alia, in his reply further submitted that he was preoccupied with his mother's health issues, which required frequent hospital visits and considerable attention. In this regard, it was observed from PIA that the Noticee was able to carry out the annual audit for all three financial years within a span of few days after the information was sought by SEBI. Hence, the reply of the Noticee in this regard cannot be accepted.*
- In view of the above, it is alleged that the Noticee had failed to conduct annual audit in respect of compliance with RA Regulations for FYs 2023-24, 2022-23, and 2021-22 till the information related to annual audit was sought by SEBI from the Noticee. Therefore, it is alleged that the Noticee had failed to act diligently and was non-compliant with respect to the requirements of conducting annual audit until the submission of information related to the annual audit was sought by SEBI and thereby, violated the provisions of Regulation 25(3) of RA Regulations and clauses 2*

and 7 of Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations.”

7. The SCN dated December 20, 2024, along with annexures was served upon the Noticee in the following manner as mentioned below:

Table 2

Sr. No.	Mode of Delivery of SCN	Addresses/ E-mail IDs¹	Remarks
1.	Through E-mail.	<i>pr....gmail.com;</i>	Digitally Signed SCN duly delivered on December 20, 2024. The Noticee vide e-mail dated December 22, 2024, acknowledged the receipt of the SCN.
2.	Through Hand Delivery	<i>C-.....Mumbai – 400 063</i>	Delivered on December 23, 2024. Acknowledgment of receipt of SCN available on record.

8. The Noticee has submitted his reply against the SCN vide e-mail dated December 30, 2024. The reply of the Noticee is discussed in the subsequent paragraphs under different headings for ease of discussion. In the interest of natural justice, an opportunity of hearing was granted to the Noticee on January 23, 2025, vide hearing notice dated January 06, 2025, which was subsequently rescheduled to February 04, 2025. On the scheduled date of the personal hearing, i.e., February 04, 2025, the Noticee appeared along with his Authorised Representative, viz. Mr. Ashishchandra Rao from Economic Laws Practice (hereinafter referred to as “AR”) through video-conferencing, who reiterated the submissions made by the Noticee vide letter dated December 30, 2024. Further, AR also requested for additional time of one day to make further submissions in the matter which was acceded to, and the Noticee was advised

¹ E-mail ID and address excised for the sake of confidentiality.

to file his additional submissions, if any, latest by February 05, 2025. The Noticee, vide e-mail dated February 05, 2025, submitted his additional submissions, which are also discussed in the subsequent paragraphs under different headings for ease of discussion.

CONSIDERATION OF ISSUES

9. I have carefully perused the charges levelled against the Noticee in the SCN, his replies and the material/documents available on record. In the instant matter, the following issues arise for consideration and determination: -

- I. Whether Noticee has failed to conduct annual audit for FYs 2023-24, 2022-23, and 2021-22 till the information related to annual audit was sought by SEBI from the Noticee and thereby, violated provisions of RA Regulations?**
- II. Does the violation, if any, on the part of the Noticee attract monetary penalty under Section 15EB of SEBI Act?**
- III. If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors stipulated in section 15J of the SEBI Act?**

10. Before proceeding further, it is pertinent to refer the relevant provisions of law, allegedly violated by the Noticee. The same are reproduced hereunder:

“RA Regulations

General responsibility.

24.

(2) Research analyst or research entity shall abide by Code of Conduct as specified in Third Schedule.

Maintenance of records.

25.

(3) Research analyst or research entity shall conduct annual audit in respect of compliance with these regulations from a member of Institute of Chartered Accountants of India or Institute of Company Secretaries of India.

THIRD SCHEDULE

[See sub-regulation (2) of regulation 24]

CODE OF CONDUCT FOR RESEARCH ANALYST

2. Diligence

Research analyst or research entity shall act with due skill, care and diligence and shall ensure that the research report is prepared after thorough analysis.

.....

7. Compliance

Research analyst or research entity shall comply with all regulatory requirements applicable to the conduct of its business activities.”

11. Issue I - Whether Noticee has failed to conduct annual audit for FYs 2023-24, 2022-23, and 2021-22 till the information related to annual audit was sought by SEBI from the Noticee and thereby, violated provisions of RA Regulations?

11.1. It was alleged in the SCN that the Noticee had failed to conduct annual audit in respect of compliance with RA Regulations for FYs 2023-24, 2022-23, and 2021-22 till the information related to annual audit was sought by SEBI from the Noticee.

11.2. In response to the above allegations, the Noticee in his replies has, *inter alia*, stated:

“It is respectfully submitted that there was an inadvertent delay in conducting the Annual Audit for the relevant period. However, upon SEBI's request for the details of the Annual Audit for the period from FY 2021-22 to FY 2023-24, I took immediate action to ensure that the audit was conducted in full compliance with the RA Regulations. The audit was carried out by a qualified member of the Institute of Chartered Accountants of India, as per the requirements of the RA Regulations.

Pertinently, the Annual Audit report for FY 2023-24 was filed well within the stipulated deadline, specifically before the September 30, 2024. Therefore, the allegation regarding non-compliance with the RA Regulations for FY 2023-24 should not stand, as the audit was conducted in due time and in full compliance with the RA Regulations. Should there be any perceived violation under the RA Regulations, I submit that it was an inadvertent lapse, with no sinister intent or oblique motive. The delay was purely a result of unforeseen circumstances and was not intentional or aimed at circumventing regulatory requirements.

While I acknowledge the delay in conducting the Annual Audit, I would like to place on record that this delay was due to personal reasons. During the period in question, I was dealing with significant family health issues, particularly my mother's declining health, which required my full attention and frequent hospital visits. These personal responsibilities temporarily affected my ability to adhere to the usual timeline for the audit. Copy of the documents evidencing the hospital visits and copy of the death certificate is enclosed as Annexure A (Colly).

It is a fact that during the relevant time, I was preoccupied with my mother's treatment, which led to an inadvertent delay in filing the annual audit. However, as soon as SEBI sought details from me, I immediately requested my accountant to finalize the audit. Taking swift corrective steps to address an unintentional oversight cannot be viewed adversely, as it was a bona fide effort on my part to ensure full compliance.”

- 11.3. From the aforesaid, it is noted that the Noticee has admitted that there was a delay in conducting Annual Audit for FYs 2021-22, and 2022-23, and therefore, the Annual Audit for FYs 2021-22, and 2022-23, were not done. The Noticee submitted that delay was due to personal reasons. The Noticee submitted that he was dealing with his mother's declining health, which required his attention and frequent hospital visits and that they affected his ability to adhere to the usual timeline for the audit. The Noticee has submitted a copy of hospital admission forms and bills along with his reply. The documents submitted by the Noticee indicate that the patient was admitted

in the hospital on July 23, 2024. However, it is noted that the present proceedings relate to compliance with the requirement of conducting Annual Audit for the FYs 2021-22, and 2022-23. Hence, this submission of the Noticee cannot be accepted as a valid reason for non-compliance with the requirement of conducting Annual Audit.

11.4. In view of the aforesaid discussion, it is established that the Noticee had failed to conduct annual audit for FYs 2022-23, and 2021-22 till the information related to annual audit was sought by SEBI from the Noticee. However, I have taken note of the submissions of the Noticee that he has taken remedial measure by conducting and submitting annual audit reports dated August 14, 2024, for FYs 2021-22, and 2022-23, when SEBI inspection team has sought the details of the annual audit from the Noticee. It is also noted that PIA has also observed that the Noticee has conducted annual audit for FYs 2021-22, and 2022-23, though it was done only after SEBI sought details regarding the same.

11.5. In respect of Annual Audit for FY 2023-24, the Noticee submitted that the same was conducted well within the stipulated time, i.e., before September 30, 2024. In this regard, from the material on record, it is noted that the SEBI inspection team vide e-mail dated July 05, 2024, had sought details of annual audit from the Noticee and vide e-mail dated July 15, 2024, the Noticee had submitted the annual audit report for FY 2023-24 which was dated July 15, 2024. Therefore, submission of the Noticee in respect of annual audit for FY 2023-24 is accepted.

11.6. In view of the above, it is established that the Noticee had violated the provisions of Regulation 25(3) of RA Regulations and clauses 2 and 7 of Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations in respect of annual audit for FYs 2021-22, and 2022-23.

12. Issue II - Does the violation, if any, on the part of the Noticee attract monetary penalty under Section 15EB of the SEBI Act?

12.1. As discussed in the preceding paragraphs, it has been established that the Noticee had violated the provisions of the law as alleged in the SCN for FYs 2021-22, and 2022-23. Accordingly, the question that now arises for consideration is whether the Noticee is liable for payment of a monetary penalty in terms of Section 15EB of the SEBI Act.

12.2. The Noticee, in his replies has, *inter alia*, stated:

“That the alleged violation is at the highest a technical procedural and venial breach..... the identification of such minor defaults should not lead to penal consequences. Only in cases where serious lapses or violations are identified which involve a clear breach of regulations or pose a substantial risk to the integrity of the securities market or detrimental to the investors, it would be appropriate for SEBI to consider initiating penal action. Therefore, SEBI should take punitive measures only in instances of significant and material non-compliance, not in response to minor issues that has no impact of the interest of investors.”

12.3. In this regard, it is noted that the Noticee has also placed reliance on the orders of the Hon'ble SAT in the matter of Religare Securities Limited vs. SEBI (Appeal No. 23/2011), and UPSE Securities Limited vs. SEBI (Appeal No. 109 of 2011). The Noticee has also provided reference to the SEBI order passed in the matter of Gaurav Sarda, Research Analyst wherein a penalty of Rs. 3,00,000 was imposed on the Research Analyst for the violation of RA Regulations.

12.4. All the submissions of the Noticee including case laws have been noted. In this regard, it is pertinent to note that the conduct of an annual audit is crucial for ensuring compliance with regulatory requirements, maintaining transparency, and upholding the integrity of research activities. Annual Audit is an important activity which also helps to identify gaps or deficiencies, in any, in complying with the

provisions of the RA Regulations, and ensures that Research Analysts are consistently following best practices related to disclosures, record-keeping, etc. Timely audits also enable early detection and rectification of compliance issues, if any. Moreover, it strengthens investor confidence by demonstrating a commitment to ethical standards and regulatory accountability, which is essential in maintaining trust in the financial markets. Therefore, delay in conducting annual audit cannot be dismissed as a casual exercise. In this context, I would like to take note of the order of the Hon'ble SAT in the matter of ***Religare Securities Ltd. vs. SEBI (Appeal No. 23 of 2011)***, which has been referred to by the Noticee in his replies. The relevant extract of the said order is reproduced below:

"... This will, of course, depend on the nature of the irregularity noticed and we hasten to add a caveat that it is not being suggested that if any serious lapse is found during the course of the inspection, the Board should not proceed against the delinquent..."

- 12.5. I further note that the judgment and orders relied on by the Noticee emanate from different factual matrix and hence, cannot be applied to facts of the present matter. Moreover, the Noticee has not been able to demonstrate as to how the cited orders were applicable in the instant matter. Therefore, the reliance placed by the Noticee in the aforementioned cases cannot be accepted in the present proceedings.
- 12.6. In view of the aforesaid discussions, it is established that the Noticee is liable for payment of a monetary penalty in terms of Section 15EB of the SEBI Act.
- 12.7. The text of the above said Section 15EB of the SEBI Act is reproduced below:
"Penalty for default in case of investment adviser and research analyst.
15EB. *Where an investment adviser or a research analyst fails to comply with the regulations made by the Board or directions issued by the Board, such investment adviser or research analyst shall be liable to penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees."*

Issue III - If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act?

13. While determining the quantum of penalty under section 15EB, it is important to consider the factors stipulated in section 15J of the SEBI Act, which reads as under:

“Factors to be taken into account while adjudging quantum of penalty.

15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely: —

- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
- (b) the amount of loss caused to an investor or group of investors as a result of the default;*
- (c) the repetitive nature of the default.”*

Factors Considered While Imposing Penalty

14. The material available on record has neither quantified the amount of disproportionate gain or unfair advantage, if any, made by the Noticee nor the amount of loss, if any, caused to an investor/clients as a result of the default of the Noticee. As regard the repetitive nature of the default, there is nothing on record to show that the nature of default by the Noticee is repetitive.
15. As discussed in preceding paragraphs, it has been established that the Noticee has not complied with the provisions of RA regulations regarding conduct of annual audit for FYs 2021-22, and 2022-23. The Noticee, being a registered research analyst, was under a statutory obligation to comply with the mandate of the RA Regulations in letter and spirit. The non-adherence on the part of the Noticee to the extant RA Regulations as brought out in the preceding paragraphs, clearly shows that the Noticee has failed to comply with the mandate of the RA Regulations diligently.

16. It is further noted from the material on record that the Noticee has taken remedial measure by conducting and submitting annual audit reports dated August 14, 2024, for FYs 2021-22, and 2022-23, when SEBI inspection team has sought the details of the annual audit from the Noticee. It is also noted that the Noticee, in his replies, *inter alia*, states as under:

“I hereby undertake to ensure that, going forward, I will conduct the Annual Audit in strict accordance with the stipulations set forth under the RA Regulations. I am fully committed to maintaining compliance with all regulatory requirements and will take all necessary measures to uphold the integrity and timeliness of the auditing process in the future.”

17. The aforementioned factors have been taken into consideration while adjudging the penalty.

E. ORDER

18. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in the preceding paragraphs, and in the exercise of powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose a monetary penalty on the Noticee as given in the table below:

Table 3

Penal Provision	Penalty Amount
Section 15EB of the SEBI Act	Rs. 1,00,000/- (Rupees One Lakh only)

19. I am of the view that the said penalty is commensurate with the lapses/omissions on part of the Noticee.

20. The Noticee shall remit/pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e., www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW.

21. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee and also to the SEBI

Date: February 11, 2025

Place: Mumbai

**N HARIHARAN
CHIEF GENERAL MANAGER
AND ADJUDICATING OFFICER**