

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

Under Sections 11(1), 11(4) and 11B (1) of the Securities and Exchange Board of India Act, 1992 read with regulation 3(1) of the SEBI (Research Analyst) Regulations, 2014

In respect of:

The Noticee	PAN
MR Capital (Proprietor Saddam Hussain)	AFLPH4418M

In the matter of Unregistered Research Analyst Services

1. Securities and Exchange Board of India (“SEBI”) received a complaint dated May 19, 2016 from K Subramanian (hereinafter referred to ‘**complainant**’) inter-alia alleging that MR Capital, proprietor Saddam Hussain (hereinafter referred to as “**MR Capital**” or “**Noticee**”) having website www.mrcapital.in (hereinafter referred to “**MR Capital website**”), provided stock specific recommendation to buy and sell in the securities and consequently incurred loss because of his recommendations. Pursuant thereto, SEBI conducted examination into the affairs of MR Capital.
2. On the basis of findings of examination, a show cause notice dated August 05, 2021 (“hereinafter referred to as “**SCN**”), was issued to the Noticee, calling upon him to show cause as to why suitable directions under sections 11(1), 11B(1) and 11(4), of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) should not be issued against him for violation of section 12(1) of the SEBI Act read with regulation 3(1) of the SEBI (Research Analyst) Regulations, 2014 (hereinafter referred to as “**RA Regulations**”).

Service of Show Cause Notice

3. During the examination of the matter, SEBI had sought Know Your Client ('KYC') documents from the State Bank of India pertaining to the Bank account no. 35640835169 of the Noticee. From the KYC documents, the address of the Noticee was found to be, H.No. 227, Teacher Colony, Ward No. 6, Chakla, Chandauli, UP-232101 ("Address No. 1"). Further, MR Capital Website disclosed the address as 61, H Sector, Mayur Vihar Colony, Ashoka Garden, Bhopal, Pin-462023 ("Address No. 2"). The SCN was accordingly sent to the Noticee at both the aforesaid addresses. The SCN to both the addresses returned undelivered. The SCN was also sent to the Noticee vide email dated October 28, 2021 at email id info@mrcapital.com, which was mentioned at the website of the Noticee. The said email also failed to get delivered.
4. I note from the records available before me that attempts were made to serve the SCN to the Noticee through Speed Post at the addresses available in the records of SEBI as well as by email. The delivery of speed post acknowledgement due ("SPAD") failed with remarks "Item Returned Addressee Left without instructions" / "refused". I also note that the SCN was served upon the Noticee by way of newspaper publication on February 18, 2022 in the Bhopal and Varanasi Editions of The Times of India and Nai Dunia. However, the Noticee neither filed any reply/objections to the SCN nor sought any personal hearing.

Opportunity of personal Hearing

5. Pursuant to the issuance of the SCN, hearing notice dated April 8, 2022 was sent to the Noticee to inform the scheduled date of hearing by the Whole Time Member of SEBI on June 08, 2022. Since the hearing notice returned undelivered, newspaper publications were made in Hindustan Times, Times of India and Dainik Jagran on April 27, 2022. No appearance was made by the Noticee on the scheduled date of hearing. Another opportunity was granted to the Noticee by Whole Time Member on August 11, 2022. In this regard, hearing notice dated July 21, 2022 was sent to the Noticee. While the hearing notice to Address No. 2 returned undelivered, the hearing notice to Address No. 1 was delivered but

returned to SEBI as per the Speed Post tracking records available. No appearance was made by the Noticee on the scheduled date of hearing.

6. Meanwhile, the SEBI (Delegation of Statutory and Financial Powers) Order, 2019 (hereinafter referred to as “DoP”) was amended and serial number 19A was inserted in Part A-Delegation of Regulatory Powers and Statutory Functions, Chapter-I: Delegation of Powers and Functions under the Act with effect from July 25, 2022. Vide the same, issuing of directions/ orders under Section 11(1), 11(4), 11(4A), 11B(1), 11B(2), 11D or any regulations framed by SEBI (where no interim, confirmatory or revocation order is envisaged in the matter) was delegated inter alia to Chief General Managers (CGM) of SEBI. Subsequently, in view of redistribution of cases amongst quasi-judicial authorities of SEBI, in August 2022, the matter was allocated to me.
7. Thereafter, the Noticee was granted another opportunity of personal hearing on November 15, 2022. The hearing notice was sent to the Noticee at the aforesaid two addresses through letter and email, dated October 28, 2022, both of which returned undelivered. The hearing notice was thereafter served upon the Noticee by way of newspaper publication on November 10, 2022 in English Editions of ‘The Times of India’ at Bhopal and Lucknow, in Hindi Editions of ‘Patrika’ at Bhopal and in Hindi Editions of ‘Dainik Jagran’ at Varanasi.
8. Mr. Devdeep Singh, Advocate, (hereinafter referred to as the ‘**Authorized Representative**’ / ‘**AR**’), had appeared through video conferencing on November 15, 2022 and sought adjournment. Meanwhile, on December 02, 2022 the AR of the Noticee submitted reply to the SCN dated August 05, 2021. On the scheduled hearing date December 08, 2022, AR of the Noticee appeared through video conferencing and reiterated the submissions made on December 02, 2022.

Reply of the Noticee

9. The summary of the Noticee's reply is given below:

- i. There was inordinate delay of more than five years and no reason attributed to such delay in the SCN, as the complaint is dated May 19, 2016 and the SCN was received in October 2022.
- ii. The Noticee denied the allegations with respect to providing advice for buy-sale of securities and also stated that the complaint did not allege that the Noticee received any fees/payment in exchange of providing advice. The Noticee further submitted that he was an edutech company and was in the business of providing educational product in fundamental analysis, technical analysis for stock commodities and derivatives, education products in security markets and calls, if any made to the complainant was for educational and academic purposes only. The Noticee stated further that he was unable to pay rent to landlord and because of which the landlord confiscated all his computer, equipment, machineries and sold the same to recover his dues. He has lost all the data along with server to substantiate his case. He closed his business in the year 2018.
- iii. The Noticee submitted that the screenshots of the website 'mrcapital.in' are taken from the web.archive.org, which is B2B website and purportedly takes screenshots of other websites. The website, archive.org, is neither a government website nor authorized source of information. There are no details as who has hosted the website, who was managing and controlling the same, whether there was any traffic on the website and the period for which the website was active. He further submitted that in the year 2016, certain individual from Bhopal had contacted him through business friends and offered to start a new venture in partnership relating to advising business which was not concluded. He mentioned that those individual (s) might have developed / hosted the said website for testing purposes. He denied having any knowledge, control or connections with the said website.

Consideration of Issues

10. Before proceeding to consider the case on merits, I would like to deal with the contention of the Noticee pertaining to the delay in issuance of SCN. I note that SEBI received a complaint against the Noticee vide email dated May 19, 2016. I find that the allegation against the Noticee is that of carrying out of activities of an unregistered research analyst. The evidence culled out in this case are information collated from various sources including banks and details contained in the MR Capital website that has been obtained from <https://web.archive.org>. I do see that there is some delay on the side of SEBI. Now the question is whether such delay in initiation of proceeding should lead to dropping of the proceedings against the Noticee or should it be tested whether delay has caused any prejudice to the Noticee.
11. I note that the Noticee has agitated the issue of delay limiting it to the period from the complaint till the receipt of the SCN. However, the Noticee has not given explanation for its non-cooperation with respect to the service of the SCN which was issued in August 2021. I note that SEBI attempted to serve the SCN on the Noticee through email as well as post which returned undelivered. Thereafter, SEBI served the SCN on the Noticee through publication in newspaper. However, no response was received. The service of SCN thus took more than one year and two months. Subsequently, when hearing notice was served on the Noticee through publication in the newspaper in November 2022, the Noticee approached Indore Local Office of SEBI to enquire about proceedings in the present matter. I note that the Noticee failed to explain as to why the service was not happening. I find that the Noticee has also contributed to the delay caused in conclusion of the present matter. Moreover, the allegation in the complaint is that of carrying out Research Analyst activity, without the registration mandated under the law. If the said allegation is established, then it is not an act which can be dropped merely on the ground of delay, especially when a complaint has been received by SEBI.

12. I have considered the allegations made in the SCN, reply/submission of the Noticee dated December 02, 2022, the KYC documents, bank statements, archived copy of web-pages of the MR Capital website and other material available on record.

13. Having thus decided on delay, I now proceed to examine whether the Noticee engaged in Research Analyst activity or not. The definition of 'Research Analyst' as given in Regulation 2(1)(u) of the RA Regulations is as follows:

“(u) “research analyst” means a person who is primarily responsible for, -

- i. preparation or publication of the content of the research report; or*
- ii. providing research report; or*
- iii. making 'buy/sell/hold' recommendation; or*
- iv. giving price target; or*
- v. offering an opinion concerning public offer,*

with respect to securities that are listed or to be listed in a stock exchange, whether or not any such person has the job title of 'research analyst' and includes any other entities engaged in issuance of research report or research analysis.

Explanation. - The term also includes any associated person who reports directly or indirectly to such a research analyst in connection with activities provided above;”

14. I find that the website www.mrcapital.in is not active currently. I note that the allegations in the SCN have been made on the basis of archived pages of the MR Capital website, downloaded from the website with the domain name web.archive.org. From the same, I note that MR Capital website revealed the following information:

“...we are independent research house and intend to carve a niche for ourselves by developing a set of customized and tailor made products. We believe in market research for capital both technical and fundamental.

MR Capital does research in all part of the market and provides service for Equity, Future & Option, Commodity, Currency and Investment. Also we do research on global market.....

...MR Capital will tell you the right time to Enter into the market with your full capacity and when to Exit also....

.....MR Capital Services is a independent equity research and advisory Company which offers fail-safe Stock Market Recommendations for your valued Investments in the Share Market. MR Capital is a pure play Financial Market Research and Consulting Company. We are an eminent player in the research space, focusing on fundamental and technical analysis to convert raw data and information into expert judgments, with real time data and research, delivering real time analysis and recommendations to Customers in Equity, Derivative, Commodity and Currency, using all digital platforms.....

....We have a team of highly Qualified and Experienced Research Analysts who are skilled and impeccable in their Analysis. Our Analysts, using their Experience and latest Software Tools, are able to predict the movements in share market on time with high accuracy. We offer a wide range of services to accommodate demands of every investor, trader or a broker. With MR Capital, you are reassured of highly precise Stock Tips and unparalleled 24x7.....

...Bank Details:

Name of Account holder	Bank Name	Account number
MR Capital, Habibganj Bhopal	SBI Bank	35640835169

..Services and Pricing Details:

Sr. N.	Package	Price in ₹			
		Monthly	Quarterly	Half Yearly	Yearly
Intraday Plans					
1	Intraday Cash	10,000	20,000	35,000	50,000
2	Intraday Options	10,000	15,000	25,000	35,000
3	Intraday Future	10,000	20,000	35,000	50,000
Positional Plans					
4	Cash Positional	12,000	25,000	40,000	55,000
5	Option Positional	10,000	20,000	30,000	40,000
6	Future Positional	12,000	25,000	40,000	60,000
Index					
7	Index Option	10,000	15,000	25,000	35,000
8	Index Future	10,000	20,000	35,000	50,000
Forex & Commodity					
10	Forex	10,000	20,000	30,000	40,000
11	Commodities	10,000	15,000	25,000	35,000
Personalised					
12	Personalised Services	30,000	50,000	75,000	1,00,000

... The website has address: 61, H Sector, Mayur Vihar Colony, Ashoka Garden, Bhopal, Pin-462023

...The website has contact numbers +917553318201 and email details-info@mrcapital.com”

15. From the above, I note that the MR Capital website made claims that the Noticee is an independent equity research and advisory company and offering guaranteed stock market recommendations for investments in the securities market. The Noticee further claims to be an eminent player in the research space, focusing on fundamental and technical analysis to convert raw data and information into expert judgments, with real time data and research, delivering real time analysis and recommendations to customers in Equity, Derivative, Commodity and Currency, using all digital platforms. It is also stated to have a team of highly qualified and experienced Research Analysts who are skilled and impeccable in their analysis. The website further claims to offer a wide range of services to accommodate demands of every investor, trader or a broker. It also claimed to be doing research on global market. It has made claim to recommend the right time to Enter into the market with full capacity and when to Exit from the market. It claims to provide services on monthly, quarterly, half-yearly and yearly basis with price ranging from ₹10,000 to ₹1,00,000. In view of the above, I find that the Noticee was engaged in the business of providing buy/sell recommendations to customers in equity, derivative, commodity and currency segments of securities market. I also find that the Noticee has represented to the public at large that it is an experienced research analyst and has engaged in the business of research and advisory on securities market. From the information claimed by the Noticee at the website www.mrcapital.in, it is noted that the Noticee was holding out to be a “research analyst” .

16. The website of the Noticee mentions phone number 7553318201 and email details-info@mrcapital.com in its contact details. It also mentions names of the Noticee, MR Capital and its bank account details under the head of SBI Bank a/c no. 35640835169. I note that complainant vide email dated May 19, 2016 alleged that Saddam Hussein of MR Capital (www.mrcapital.in) having mobile number 9620877646 called him on May 09, 2016 and recommended to buy 1000 shares

of Signet Industries at around ₹33 as target was ₹38. The Complainant has brought 150 shares. The Noticee again called him on May 10, 2016 and recommended to book profit in the scrip at ₹37 and send 20% of the profit in the bank account of the Noticee. The Noticee again on May 10, 2016 recommended to buy 500 shares of Mangalam Drugs at around ₹229 as target was ₹280, the complainant has brought 500 shares and incurred loss by selling at around ₹219 per share. The complainant provided the bank account details sent to him by the Noticee. I find that the Bank account details mentioned in the complaint are same as the one shown in the webpages of MR Capital website. From the KYC documents provided by the bank, I note that Saddam Hussain was proprietor of MR Capital as per Certificate under Madhya Pradesh Shops and Establishment Act, 1958. From the bank statement, I note that large number of credit transactions for a total sum of ₹15,34,657.31 were made into the bank account, during the period March 17, 2016 to September 30, 2018. I also take note of the fact that credits of varying amounts ranging from ₹1,000 – ₹50,000 have been received in the said bank account during this period from different individuals on a regular basis. Apart from defending the charges on the ground of delay and non-reliability of the source website from which information has been extracted by SEBI, the Noticee has not produced any other evidence to show that during 2016 to 2018, he was actually conducting edutech business. It was also not explained as to how his bank account details appeared in the MR Capital website. Despite furnishing the Bank statement to the Noticee as an annexure to the SCN, there is no explanation regarding the source of credits received in his bank account apart from the contention that he was conducting edutech business. The expression “edutech” has been used to state that the Noticee was providing educational product in fundamental analysis, technical analysis for stocks and derivatives, educational products in securities market and calls etc. The Noticee has made buy/sell/hold recommendation and the same can easily be camouflaged by stating that the Noticee was educating the clients and not making recommendations. In view of the above, I note that the Noticee was acting as a research analyst without obtaining certificate of registration from SEBI and the fees or consideration received in the account with State Bank of India was towards stock specific recommendation to buy / sell or enter / exit in the securities market.

17. The Noticee has contended that the screenshots of the website 'mrcapital.in' have been taken from the web.archive.org, which is neither a government website nor authorized source of information. Further, the Noticee has contended that individuals, who had approached him in 2016 in connection with starting a new venture in partnership relating to advising business, might have developed/hosted the said website for testing purpose. I note that there is no officially designated or authorized website for verifying details of non- active websites. Further, I note that the Noticee is not consistent in his submissions. On one hand, the Noticee is questioning the veracity of the contents of the MR Capital website taken from the web.archive.org. At the same time, the Noticee has submitted that the aforesaid individuals might have developed/hosted the said website. I note that the Noticee has failed to provide details such as name and address of individuals who had approached him in connection with the advising venture. Further, the Noticee has failed to furnish details as to nature of business in respect of which he was approached by the aforesaid individuals and the defence is quite evasive in total. The Noticee has also not disputed that the said bank accounts do not belong to him. It cannot be a coincidence that the contents of the MR Capital website relate to research and advisory business and the Noticee was also involved in research activities related to securities market, as alleged in the complaint. I also find that the content published on MR Capital website is silent on "edutech" activity. In view of the above facts and going by the preponderances of probabilities, I find that the MR Capital website in all probability belonged to the Noticee. Accordingly, I reject the contention of the Noticee that the contents available on the MR Capital website were uploaded by the aforesaid individuals and that he had no knowledge of the same. Thus, I find that the MR Capital website belonged to the Noticee.

18. I note that Regulation 2(1)(u) of the RA Regulations provides that a research analyst means a person who is primarily responsible for *inter-alia* making 'buy/sell/hold' recommendation or giving price target. As noted above, the Noticee was engaged in the business providing securities specific recommendation along with price target for buying and selling of the securities and therefore acted as 'research analyst' within the meaning of Regulation 2(1)(u) of the RA Regulations.

19. I also note that it is imperative that any person carrying out research analyst activities has to necessarily obtain registration from SEBI and conduct their activities in accordance with the provisions of SEBI Act and Regulations framed thereunder. Section 12(1) of the SEBI Act reads as under:

Registration of stock brokers, sub-brokers, share transfer agents, etc.

12. (1) No stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act.

20. The expression “*such other intermediary who may be associated with securities market*” in the above definition covers Research Analyst with effect from November 29, 2014 being the date on which the RA Regulations were brought into force. In terms of the RA Regulations, any contravention of the provisions of SEBI Act, regulations or circulars by a research analyst shall be dealt with in the manner provided under SEBI Act or SEBI (Intermediaries) Regulations, 2008. As per Regulation 3(1) of RA Regulations, the registration of the research analyst is mandatory. It provides that, “*On and from the commencement of these regulations, no person shall act as a research analyst or research entity or hold itself out as a research analyst unless he has obtained a certificate of registration from the Board under these regulations*”. I also note that for seeking a certificate of registration for acting as a research analyst adviser, an entity is also required to satisfy inter-alia certain minimum professional qualifications and mandatory net worth requirements. These requirements are intended to safeguard the interest of investors and curb the perpetration of unregistered entities entering in the field of research analyst and prevent unscrupulous market practices.

21. The activities of the Noticee, as brought out above, seen in the backdrop of the aforesaid provisions show that the Noticee was acting as research analyst, without holding the requisite certificate of registration, as mandated. Thus, I find the

Noticee has violated the provisions of Section 12(1) of SEBI Act read with Regulation 3(1) of the RA Regulations. I am, therefore, inclined to pass suitable directions against the Noticee under section 11(1), 11B(1) and 11(4) of the SEBI Act. I note from the records that the Noticee has received a sum of ₹15,34,657 (Rupees Fifteen Lakh Thirty Four Thousand Six Hundred Fifty Seven) during the period from March 17, 2016 to September 30, 2018. In the absence of other evidence to show that the Noticee was in fact carrying out edutech activities coupled with the facts of the complaint and the contents in the website of the Noticee, I am inclined to treat the credits as fees or consideration towards research activity.

22. I note that in the matter of Eprofitzone Fincap Consultant Private Limited, Hon'ble Securities Appellate Tribunal vide its order dated August 25, 2022 had upheld the direction of refund of amount to the clients, collected as consideration by an unregistered investment advisor. Although the instant case pertains to an unregistered research analyst, I find that the said order shall *mutatis mutandis* apply to the facts in the instant case too. Therefore, the Noticee is liable to refund the amounts, collected as fees, charges or commission or otherwise, to the clients in respect of the unregistered research analyst activity.

Directions

23. In order to protect the interest of the investors and secure the market integrity, in terms of powers delegated upon me under Section 19 of the SEBI Act, 1992 and Sections 11(1), 11(4) and 11B (1) of the SEBI Act, I do hereby issue the following directions:
- a. The Noticee shall refund the money received as fees, charges or commission or otherwise from investors/clients, in respect of his unauthorized research analyst activities, as detailed hereinafter;
 - b. The Noticee shall issue a public notice in all editions of two National Dailies (one English and one Hindi) and in one local daily with wide circulation, about this Order and invite claims giving details of modalities for refund, including

the details of contact person such as names, addresses and contact details of person to be approached for refund, within 30 days from the date of this Order;

- c. A copy of such publication shall be forwarded to SEBI addressed to the Division Chief, Division of Post-Inspection Enforcement Action, Market Intermediaries Regulation and Supervision Department (MIRSD), SEBI, SEBI Bhavan II, Plot No. C7, G Block, Bandra Kurla Complex, Bandra (East) Mumbai –400051, within 7 days from the date of publication.
- d. The Noticee shall accept refund claims / requests for a period of 3 (three) months from the date of public notice, as directed under sub-para (a) above.
- e. The Noticee shall within a period of 6 (six) months from the date of public notice, as directed under sub-para (a) above, carry out and complete the refund exercise;
- f. The repayments to the claimants shall be effected only through Bank Demand Draft or Pay Order or electronic fund transfer or through any other appropriate banking channels, which ensures audit trails to identify the beneficiaries of repayments;
- g. After completing the repayments to the claimants, if any, the Noticee shall file a report of such completion with SEBI addressed to the Division Chief, Division of Post-Inspection Enforcement Action, Market Intermediaries Regulation and Supervision Department (MIRSD), SEBI, SEBI Bhavan II, Plot No. C7,G Block, Bandra Kurla Complex, Bandra (East) Mumbai –400051, within a period of 15 days, after expiry of 6 (six) months from the date of publication, as directed above, duly certified by an Independent Chartered Accountant.
- h. The Noticee shall not undertake, either directly or indirectly, research analyst activity in the securities market without obtaining a certificate of registration from SEBI as required under the securities laws.

24. This order shall come into force with immediate effect.

25. A copy of this order shall be sent to the Noticee.

Date: January 31, 2023

Place: Mumbai

Sd/-

GEETHA G

CHIEF GENERAL MANAGER

SECURITIES AND EXCHANGE BOARD OF INDIA