

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Section 12(3) of Securities and Exchange Board of India Act, 1992 read with Regulation 23 and 26 of Securities and Exchange Board of India (Intermediaries) Regulations, 2008 and Regulation 28 of Securities and Exchange Board of India (Investment Advisers) Regulations, 2013

In respect of:

Name of the Noticee	SEBI Registration No.	PAN
Investment Research Advisor Proprietor: Amit Gangrade	INA000003387	AVRPG8196P

BACKGROUND:

1. Investment Research Advisor, Proprietor - Amit Gangrade (hereinafter referred to as “**Noticee**”) is registered with Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) as an Investment Adviser (hereinafter referred to as “**IA**”) under SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as “**IA Regulations**”) having registration number INA000003387, with effect from August 24, 2015.
2. Pursuant to receipt of various complaints against the Noticee, SEBI initiated an inspection into the affairs of the Noticee which has not been commenced in view of an email dated March 9, 2020 from Ms. Kanupriya Gangrade (wife of Amit Gangrade) informing that Amit Gangrade is under custody of Crime Branch, Indore and data server and other records relevant for the inspection were under custody of Crime Branch. Based on the documents and information available on records, an examination in the matter was conducted

and on the basis of the examination, SEBI initiated enquiry proceedings against the Noticee in terms of Chapter V of SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as “**Intermediaries Regulations**”), a Designated Authority (hereinafter referred to as “**DA**”) was appointed under Regulation 24 of the Intermediaries Regulations to enquire into the following violations alleged against the Noticee:

- I. Regulation 16(a), (b) and Regulation 17(a) of IA Regulation for not doing risk profiling and suitability analysis of the client.
 - II. SEBI Circular dated December 27, 2019 read with Clause 5 of Code of Conduct as specified in Third Schedule of IA Regulations read with regulation 15(9) of IA Regulations for failure to display status of complaints on website and not transparent in providing adequate information to the clients to take informed decisions; and SEBI Circular dated December 18, 2014 read with Regulation 21(1) of IA Regulations for non-submission of Action Taken Report (“**ATR**”) or delayed submission of ATR.
 - III. Regulation 6(b) and Regulation 7(2) read with Regulation 13(a) of IA Regulations for running investment advisory activity without having NISM certification.
 - IV. Regulation 15(1), Clause 1 and 2 and 6 of Code of Conduct as specified in Third Schedule of IA Regulations read with regulation 15(9) of IA Regulations, Regulation 3(a), (b), (c), (d), 4(2)(o) and 4(2)(s) SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”) read with Section 12A(a), (b) and (c) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) for promising assured / guaranteed returns to the clients, charging unreasonable fees in an arbitrary manner, defrauded clients in collusion with another unregistered connected entity.
3. An earlier order dated April 26, 2023 under Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) of the SEBI Act, following directions were issued against the Noticee (who was Noticee No. 1 in the said proceedings):

- a. *“Noticee Nos. 1 and 2 are restrained from accessing the securities market, directly or indirectly and prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever, for a period of three years from the date of this order;*
- b. *Noticee Nos. 1 and 2 shall not undertake, either directly or indirectly, investment advisory services or any activity in the securities market, for a period of three years from the date of this order;*
- c. *Noticee Nos. 1 and 2 are restrained for a period of three years from holding any position of Director or key managerial personnel in any listed company or any intermediary registered with SEBI, and from associating with any listed public company or a public company which intends to raise money from the public or any intermediary registered with SEBI;*
- d. *Noticee No. 1 is directed to resolve all complaints pending against it in SEBI’s SCORES portal or otherwise within a period of one month from the date of this order and furnish a compliance report to SEBI;*
- e. *Noticee Nos. 1 and 2 are directed to jointly refund Rs. 1,53,75,252/- (Rupees One Crore Fifty Three Lakhs Seventy Five Thousand Two Hundred and Fifty Two) received as consideration from investors/clients, in respect of the unauthorized investment advisory activities, as detailed hereinafter;*
- f. *Noticee Nos. 1 and 2 shall cause to 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 15 days from the date of this order;*

- g. Noticee Nos. 1 and 2 shall accept refund claims/requests for a period of 3 months from the date of public notice, as directed under para 50 (f) above;*
- h. Noticee Nos. 1 and 2 shall within a period of four months from the date of public notice, as directed under para 50 (f) above, carry out and complete the refund exercise;*
- i. Upon expiry of 4 months from the date of public notice, any balance amount which remains with Noticee Nos. 1 and 2, due to their inability to contact the investor or otherwise, as directed in para 50 (h) above, shall be deposited in a dedicated escrow account, to be maintained by Noticee Nos. 1 and 2 and utilized only for the purpose of refund to clients. Thereafter, the amount lying in the said escrow account shall be transferred to the Investors Protection and Education Fund maintained by SEBI;*
- j. The refunds 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 refunds;*
- k. Noticee Nos. 1 and 2 are hereby prohibited from selling their assets, properties including mutual funds/shares/securities held by them in demat and physical form except for the purpose of effecting refunds as directed above. Further, the banks are directed to allow debit from the bank accounts of Noticee Nos. 1 and 2 only for the purpose of making refunds to the clients;*
- l. After completing the aforesaid repayments, Noticee Nos. 1 and 2 shall file a report of such completion with SEBI addressed to the Division Chief, Division of Post-Inspection Enforcement Action, Market Intermediaries Regulations and Supervision Department, 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 four months from the date of public notice, as directed above, duly certified by an independent Chartered Accountant and the direction at para 50(k) above shall cease to operate upon filing of such report;

m. The Noticees are hereby imposed with monetary penalty as provided hereunder:

Noticee	Violation	Provisions under which penalty imposed	Amount of Penalty (INR)
Noticee Nos. 1 and 2 (Jointly)	Regulation 3(a), (b), (c), (d) and 4(2)(o) and 4(2)(s) of PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act	15HA of SEBI Act, 1992	5,00,000/-
Noticee No. 1	SEBI Circular dated December 18, 2014 read with Regulation 21(1) of IA Regulations	15C of SEBI Act, 1992	2,00,000/-
	Regulation 6(b) and 7(2) read with Regulation 13(a) of IA Regulations	15HB of SEBI Act, 1992	1,00,000/-
	Regulation 15(1), Clause 1 and 2 of Code of Conduct as specified in Third Schedule of IA Regulations read with regulation 15(9) of IA Regulations	15HB/15EB of SEBI Act, 1992*	2,00,000/-
	Total		10,00,000/-

** Section 15HB of SEBI Act, 1992 (for violations prior to March 08, 2019) and Section 15EB of SEBI Act, 1992 thereafter"*

ENQUIRY BY THE DESIGNATED AUTHORITY:

- The DA had issued a Show Cause Notice dated December 21, 2021 (hereinafter referred to as "**SCN**") under Regulation 25(1) of the Intermediaries Regulations, calling upon the Noticee to show cause as to why appropriate recommendations for the alleged violations should not be made

against it. The Noticee vide email dated February 11, 2022 submitted its reply to SCN and hearing was held on October 11, 2022. Thereafter, upon completion of the enquiry, an Enquiry Report dated October 18, 2022 (hereinafter referred to as “**Enquiry Report**”) was submitted by the DA with the following recommendation:

“I find that the instant enquiry proceedings initiated vide the SCN dated December 21, 2021 against the Noticee viz. M/S. Investment Research Advisor is a fit case for recommending punitive action in the form of cancellation of the certificate of registration as specified under Regulation 23 and Regulation 26(1)(ii) of the Intermediaries Regulations read with Regulation 28 of IA Regulations. Therefore, in terms of aforesaid Regulations, I recommend that the registration of the Noticee, i.e., M/S. Investment Research Advisor [Registration No. INA000003387] as an Investment Advisor be cancelled.”

POST ENQUIRY PROCEEDINGS:

5. A post-enquiry Show Cause Notice dated October 25, 2022 (hereinafter referred to as “**Post Enquiry SCN**”) was issued to the Noticee enclosing a copy of the Enquiry Report submitted by the DA and calling upon him to show cause as to why actions as recommended by the DA should not be imposed against the Noticee in terms of Regulation 27 of the Intermediaries Regulations.
6. The Post Enquiry SCN was sent to the Noticee via speed post and vide email dated October 27, 2022 and the Noticee has submitted its reply to Post Enquiry SCN vide email dated November 15, 2022.
7. The Noticee was granted an opportunity of personal hearing on December 15, 2022. The Noticee’s request for adjournment, vide email dated December 11, 2022, was granted. The hearing was later held on March 09, 2023 through video conferencing which was attended by Mr. Abhishek Mishra, Company Secretary for the Noticee. The submissions made earlier vide email dated

November 15, 2022 were reiterated during the hearing. The submissions of the Noticee will be taken up issue-wise and dealt with suitably in the later part of this order.

CONSIDERATION OF ISSUES AND FINDINGS:

8. I note that the SCN contains multiple allegations against the Noticee, and for the sake of convenience and clarity, I shall deal with each of the allegations separately in the following paragraphs.

Allegation I – Failure to do risk profiling and suitability analysis of a client

9. It is alleged in the SCN that the Noticee has not followed the procedure detailed in the Regulation 16(a) and 16 (b) read with Regulation 17(a) of IA Regulations relating to the risk profiling and suitability assessment of clients in respect of a client named R. Nadiya.
10. The provisions of the IA Regulations alleged to have been violated are reproduced hereunder:

Risk profiling.

16. Investment adviser shall ensure that,-

(a) it obtains from the client, such information as is necessary for the purpose of giving investment advice, including the following:-

(i) age

(ii) investment objectives including time for which they wish to stay invested, the purposes of the investment;

(iii) income details;

(iv) existing investments/ assets;

(v) risk appetite / tolerance;

(vi) liability / borrowing details.

(b) it has a process for assessing the risk a client is willing and able to take, including:

(i) assessing a client's capacity for absorbing loss;

(ii) identifying whether client is unwilling or unable to accept the risk of loss of capital;

(iii) appropriately interpreting client responses to questions and not attributing inappropriate weight to certain answers.

.....

Suitability.

17. Investment adviser shall ensure that, -

(a) All investments on which investment advice is provided is appropriate to the risk profile of the client;

11. The Noticee has submitted that he always carried out the risk profiling of his clients and provided the product which were suitable and appropriate to the client. He carried out the risk profiling of R. Nadiya which is available in the records submitted to Crime Branch, Indore. He is unable to submit the records as the Crime Branch, Indore had seized the systems of the Noticee in which all the client's data was stored and maintained.
12. I note that the allegation is based on the written statement made by Pooja Patidar, compliance manager of the Noticee. I note that the said statement was submitted pursuant to visit by Pooja Patidar along with Vaibhav Gangrade (quality and compliance executive) and Sudeep Gangrade (team leader and operation manager) in the SEBI Indore Local Office on November 20, 2019 on being called by SEBI to resolve the complaint filed by R. Nadiya. Pooja Patidar, Sudeep Gangrade and Amit Gangrade had handed over their statements in writing to SEBI. As per the statement of Pooja Patidar, she has admitted that the service was provided to R. Nadiya without doing Risk Profiling and Suitability Assessment. The Noticee has contended that the submissions taken by SEBI from Pooja Patidar, Sudeep Gangrade and the Noticee on their visit to the SEBI Office on November 20, 2019 were under threat/coercion/undue influence of the SEBI officer and thus, the same should not be taken on record. In this regard, it is my view that the Noticee is coming up with this defence which is an afterthought as neither he nor any other

person who made the submissions raised this issue for such a prolonged period.

13. Therefore, in the absence of documents to support risk profiling having been done and based on the statement given by representative of the Noticee, I find that the Noticee has violated Regulation 16(a) and 16 (b) read with Regulation 17(a) of IA Regulations.

Allegation II – Non-redressal of Investor grievances and non-disclosure of status of complaints on website

14. It is alleged in the SCN that the Noticee did not file or delayed in filing the Action Taken Report, thereby, violating the SEBI Circular dated December 18, 2014 read with Regulation 21(1) of IA Regulations. It is also alleged that the Noticee failed to display status of complaints on his website which is in violation of SEBI Circular dated December 27, 2019 read with Clause 5 of Code of Conduct as specified in Third Schedule of IA Regulations read with regulation 15(9) of IA Regulations
15. The provisions of the SEBI Circulars and IA regulations alleged to have been violated are reproduced hereunder:
 - i. As per Regulation 21 of IA Regulations, the Noticee No. 1 was required to redress clients' grievances promptly. SEBI's Circular CIR/OIAE/2014 dated December 18, 2014 also states that registered intermediaries, to whom complaints are forwarded through SCORES, shall take immediate efforts on receipt of a complaint, for its resolution, within thirty days.
 - ii. Clause 1(iv) of SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2019/169 dated December 27, 2019 reads as follows:

(iv) Display of complaints status on website

In order to bring more transparency and enable the investors to take informed decision regarding availing of advisory services, IAs shall display the following information on the homepage (without scrolling) of

their website/mobile app. The information should be displayed properly using font size of 12 or above and made available on monthly basis (within 7 days of end of the previous month):

Number of complaints					Reasons for pendency
At the beginning of the month	Received during the month	Resolved during the month	Pending during the month		

iii. **IA Regulations**

General responsibility.

15.(9) *An investment adviser shall abide by Code of Conduct as specified in Third Schedule.*

THIRD SCHEDULE

Securities and Exchange Board of India (Investment Advisers) Regulations, 2013

[See sub-regulation (9) of regulation 15]

CODE OF CONDUCT FOR INVESTMENT ADVISER

5.Information to its clients

An investment adviser shall make adequate disclosures of relevant material information while dealing with its clients.

16. It is alleged that 19 complaints were pending against the Noticee on SCORES platform as on June 05, 2020. Of these, in 6 complaints, the Noticee had failed to file ATR and in another set of 2 complaints, ATR was filed after thirty days of receipt of complaint. In this regard, the Noticee has submitted that he stopped his operations from November, 2019 and since he was in the custody of the Crime Branch from March, 2020 to June, 2020, he did not display the complaints' status on the website and was not able to submit the ATR on the SEBI SCORES Portal. Post release from the custody of Crime Branch, he updated the website and submitted the ATR for all pending complaints on June 20, 2022.

17. From the material available on record, I note the following with respect to the 8 complaints for which the allegation has been made:

S.No.	Complaint No.	Complainant Name	Date of receipt of complaint	Due date of filing ATR	Date of ATR filing by Noticee No. 1
1	SEBIE/MP20/0000902/1	Mahesh Jadav	14/04/2020	15/05/2020	06/09/2021
2	SEBIE/MP20/0000755/1	Kailas Dattatraya Shinde	18/03/2020	12/05/2020	06/09/2021
3	DEACM/P/2020/00094	Desh Deepak Dubey	06/03/2020	21/05/2020	Disposed of on 07/07/2020
4	PMOPG/D/2020/0062742	Desh Deepak Dubay	27/02/2020	21/05/2020	Disposed of on 07/07/2020
5	SEBIP/MP20/0000084/1	Ahmed Guth	25/02/2020	02/12/2020	No ATR filed
6	SEBIE/MP20/0000539/1	Mukesh Kumar Gandhi	22/02/2020	02/12/2020	No ATR filed
7	SEBIP/MP20/0000025/1	Nitesh Kumar Thakur	21/01/2020	23/02/2020	28/02/2020
8	SEBIP/MP20/0000011/1	Tarun Khandelwal	08/01/2020	23/02/2020	28/02/2020

18. From the above table, I note that the said complaints were received during the period January 2020 to April 2020. I note that in 2 instances (Sr. No. 7 and 8), the delay in filing ATR is only 5 days. I also note that the Noticee has not filed ATR in 2 instances (Sr. No. 5 and 6). Further, in 2 instances (Sr. No. 1 and 2), ATR has been filed in September 2021 i.e. delay of more than one year since release from judicial custody. The remaining 2 complaints were disposed of by SEBI in July 2020 as the complainant had submitted multiple duplicate complaints and the main complaints were under process.
19. In view of the above, I find that the Noticee has not filed ATR in 2 instances and delayed in filing ATR in 4 instances. I find that these 6 complaints are still pending to be resolved. In terms of the said circular, the registered intermediaries are mandatorily required to resolve the complaints, forwarded to them through SCORES, promptly within thirty days of its receipt. In view of

the same, I find that the Noticee has violated SEBI Circular dated December 18, 2014 read with Regulation 21(1) of IA Regulations by not filing ATR and not resolving the complaints in a timely manner.

20. It is also alleged that the status of 18 complaints pending against the Noticee, as per data from SCORES on May 19, 2020, were not displayed on its website. In this regard, the Noticee has submitted that he was in custody during March 2020 to June 2020 and post release from custody, he had updated the website. I accept the submission of the Noticee as it was not possible for him to update the website while being in judicial custody. Thus, I find the allegation in this respect to be non-maintainable.

Allegation III – Non-possession of valid NISM Certification

21. It is alleged that the Noticee did not possess NISM Level-1 certification during the period March 5, 2018 to September 15, 2018 and did not possess NISM Level-2 certification during the period April 30, 2018 to September 29, 2018 and thereby, violated Regulation 6(b) and Regulation 7(2) read with Regulation 13(a) of IA Regulations.
22. The provisions of the IA regulations alleged to have been violated are reproduced hereunder:

Consideration of application and eligibility criteria.

6.*For the purpose of the grant of certificate the Board shall take into account all matters which are relevant to the grant of certificate of registration and in particular the following, namely, —*

.....

18[(b)in case the applicant is an individual, he and all persons associated with investment advice are appropriately qualified and certified as specified in regulation 7;]

Qualification and certification requirement.

(2) An individual investment adviser or principal officer of a non-individual investment adviser, registered under these regulations and persons associated with investment advice shall have, at all times a certification on

financial planning or fund or asset or portfolio management or investment advisory services-

(a)from NISM; or

(b)from any other organization or institution including Financial Planning Standards Board of India or any recognized stock exchange in India provided such certification is accredited by NISM:

Provided that fresh certification must be obtained before expiry of the validity of the existing certification to ensure continuity in compliance with certification requirements:

Provided further that fresh certification before expiry of the validity of the existing certification shall not be obtained through a CPE program.]

Conditions of certificate.

13.The certificate granted under regulation 9 shall, inter alia, be subject to the following conditions:-

(a) the investment adviser shall abide by the provisions of the Act and these regulations;

23. In this regard, the Noticee agreed that he was not having valid NISM certificates during the period March, 2018 to September, 2018. He stated that he has not provided any advisory services during that period except to one client, Ms. Archana Krishna, to whom he refunded the fees collected.
24. I note that the registration criteria for an investment advisor as laid down in the IA Regulations inter-alia provides that the persons associated with investment advice shall have, at all times a certification on financial planning or fund or asset or portfolio management or investment advisory services from NISM, etc. These requirements in the IA Regulations are aimed at ensuring that the interest of investors is protected and the entity granted with the registration is qualified enough to do so. As the Noticee has admitted to the allegation, I find that the Noticee was in violation of Regulation 6(b) and Regulation 7(2) read with Regulation 13(a) of IA Regulations.

Allegation IV – Alleged violation of PFUTP Regulations and Code of Conduct for IA

25. It is alleged that the Noticee has promised assured / guaranteed returns to the clients, has charged unreasonable fees in an arbitrary manner and defrauded the clients in collusion with an unregistered entity, namely, Algo System, Proprietor – Sudeep Gangrade, and thereby violated Regulation 15(1), Clause 1 and 2 and 6 of Code of Conduct as specified in Third Schedule of IA Regulations read with regulation 15(9) of IA Regulations, Regulation 3(a), (b), (c), (d), 4(2)(o) and 4(2)(s) of PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act. As there are multiple allegations leading to the violation of PFUTP Regulations, the issue is considered under separate sub-headings, after extracting the relevant provisions of law.
26. The provisions of the IA regulations, PFUTP Regulations and SEBI Act alleged to have been violated are reproduced hereunder:

IA Regulations.

General responsibility.

- 15.** (1) *An investment adviser shall act in a fiduciary capacity towards its clients and shall disclose all conflicts of interests as and when they arise.*

.....

- (9) *An investment adviser shall abide by Code of Conduct as specified in Third Schedule.*

THIRD SCHEDULE

Securities and Exchange Board of India (Investment Advisers) Regulations, 2013
[See sub-regulation (9) of regulation 15]

CODE OF CONDUCT FOR INVESTMENT ADVISER

1.Honesty and fairness

An investment adviser shall act honestly, fairly and in the best interests of its clients and in the integrity of the market.

2.Diligence

An investment adviser shall act with due skill, care and diligence in the best interests of its clients and shall ensure that its advice is offered after thorough analysis and taking into account available alternatives.

6.Fair and reasonable charges

An investment adviser advising a client may charge fees, subject to any ceiling as may be specified by the Board, if any. The investment adviser shall ensure that fees charged to the clients is fair and reasonable.

SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003

2(1) (c) “fraud” includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—

- 1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;*
- 2) a suggestion as to a fact which is not true by one who does not believe it to be true;*
- 3) an active concealment of a fact by a person having knowledge or belief of the fact;*
- 4) a promise made without any intention of performing it;*
- 5) a representation made in a reckless and careless manner whether it be true or false;*
- 6) any such act or omission as any other law specifically declares to be fraudulent,*
- 7) deceptive behaviour by a person depriving another of informed consent or full participation,*
- 8) a false statement made without reasonable ground for believing it to be true.*

- 9) *the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.*

And “fraudulent” shall be construed accordingly;

Nothing contained in this clause shall apply to any general comments made in good faith in regard to—

- (a) the economic policy of the government*
- (b) the economic situation of the country*
- (c) trends in the securities market;*
- (d) any other matter of a like nature*

whether such comments are made in public or in private;

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;*
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

4. Prohibition of manipulative, fraudulent and unfair trade practices

- (2) Dealing in securities shall be deemed to be a [manipulative] fraudulent or an unfair trade practice if it involves [any of the following]:-*

.....

(o) [fraudulent inducement of any person by a market participant to deal in securities with the objective of enhancing his brokerage or commission or income;]

.....

(s) *mis-selling of securities or services relating to securities market;*

Explanation- For the purpose of this clause, "mis-selling" means sale of securities or services relating to securities market by any person, directly or indirectly, by—

- (i) knowingly making a false or misleading statement, or*
- (ii) knowingly concealing or omitting material facts, or*
- (iii) knowingly concealing the associated risk, or*
- (iv) not taking reasonable care to ensure suitability of the securities or service to the buyer}}*

Securities and Exchange Board of India Act, 1992

12A. *No person shall directly or indirectly—*

- a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;*
- b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;*
- c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

(a) Charging unreasonable amount of fees from clients

27. SEBI received complaints in its SCORES platform from Ms. Archana Krishna and Mr. Avinash Mishra dated April 12, 2019 and June 01, 2018, respectively. From the documents submitted along with the said complaints including email

correspondence with the Noticee, it was observed that the following amount has been charged for 'Personal Client Group (PCG) Plan' from the clients:

Table -A

S. No.	Service (Tenure)	Client Name	Amount of Service (Rs.)
1	PCG Plan (6 months)	Avinash Mishra	9,00,000/-
2	PCG Plan (9 months)	Archana Krishna	2,75,000/-
3	PCG Plan (1 year)	Archana Krishna	2,75,000/-

28. Based on the above, it was alleged in the SCN that the Noticee has charged unfair and unreasonable fees in an arbitrary manner and defrauded its clients and thereby, violated Regulation 15(1) of IA Regulations, Clause 1, 2 and 6 of Code of Conduct as specified in Third Schedule of IA Regulations read with regulation 15(9) of IA Regulations, Regulation 3(a), (b), (c), (d) and 4(2)(o) of PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act.
29. In this regard, the Noticee has submitted that the complaints by Archana Krishna and Avinash Mishra are duly resolved. Fees charged from them were for the advisory services and they have paid fees with their own will and consent and they were neither forced nor were deceived in any manner whatsoever. Moreover, the Noticee submitted that he has refunded the service amount paid by them. The fees quoted to Archana Krishna was covered under the special offer availed by her and hence, the fees quoted to her differs from the fees quoted to Avinash Mishra. The IA Regulations had not prescribed quantum of fees to be charged from clients at that point in time and it merely specified that the fees should be fair and reasonable. Hence, according to him the fees charged for the services provided were fair and reasonable. Further, the provision related to the fees to be charged from the client came into effect from 1st April, 2021 onwards, post which the Noticee has duly followed that and has charged fees from the client within the limit specified by SEBI.

30. I note from the email dated December 01, 2018 sent by the Noticee to Archana Krishna states that there was a “special offer” extended to her. I further note that the Noticee has made payment of Rs. 4,75,000 to Archana Krishna on August 21, 2019 and September 02, 2019. As per the SCORES platform, I note that the complaint of Archana Krishna was closed on the next day i.e. September 03, 2019 with the remark *“As informed by complainant, the matter is resolved.”* I also note that the Noticee has made payment of Rs. 1,50,000 to Avinash Mishra on September 04, 2019. As per the SCORES platform, I note that the complaint of Avinash Mishra was also closed with the remark *“The complainant has informed that he has mutually settle the complaint with the IA.”* Thus, I find that both the complainants have been provided refunds by the Noticee to their satisfaction. Considering the same and that the allegation is based on merely 3 instances which is not a large enough sample to establish violation against the Noticee, in respect of Code of Conduct as well as fraud, I find that the allegations in this regard are not maintainable.

(b) Promising Assured / guaranteed return to the clients

31. It is alleged in the SCN that the Noticee has indicated assured unrealistic returns and lured clients to make bigger investment and thus did not deal with his clients honestly and fairly and thereby, violated Regulation 15(1) read with Clause 1 and 2 of Code of Conduct as specified in Third Schedule of IA Regulations read with regulation 15(9) of IA Regulations, Regulation 3(a), (b), (c), (d) and 4(2)(o) and 4(2)(s) of PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act.
32. I note that the complainants, as noted above, also alleged that the Noticee was offering assured returns to its clients for availing its services and pay advisory fees for the same. The extracts/ excerpts of the email correspondence between the Noticee and complainants in this regard are as under:

Table -B

Date of email	Name of Clients	Content of email
28-03-2018	Avinash Mishra	<p><u>“Personal Client Group (PCG) Plan:-</u></p> <p><i>...The plan is offer for 6 month in which you will receive around 1.5 lac per day for a mandatory trading of 20,000 in quantity.”</i></p> <p>“Service Feature:</p> <ul style="list-style-type: none"><i>• In this pack we will provide you 6 month service with the minimum return of 1.2-1.5 lac per day initially.”</i>
01-12-2018	Archana Krishna	<p><i>“..Our efforts are to provide you more & more profit in every trade.”</i></p> <p><u>“Personal Client Group (PCG) Plan:-</u></p> <p>...</p> <p>Service Feature:</p> <ul style="list-style-type: none"><i>• Commodity :- Intraday, Positional Equity, BTST/STBT Services with return of 2% basis of our past performance.”</i>

33. From the above, I find that the Noticee was promising assured profits to its clients by providing declarations such as “we will provide you 6 month service with the minimum return of 1.2-1.5 lac per day initially” and “Intraday, Positional Equity, BTST/STBT Services with return of 2% basis of our past performance”. I am of the opinion that promising assured profit in securities market amounts to misrepresentation and misleading the investors. Inducing investors to deal in securities with false promises constitutes ‘fraud’ under the PFUTP Regulations. I also find that the Noticee has not made any submissions to defend the allegation. I also note that making promises of “assured returns” has been held to attract the provisions of PFUTP Regulations in terms of Order of Hon’ble SAT dated December 12, 2022 in the matter of MSS Trading System Centre, which was providing unregistered

portfolio management services without obtaining the certificate of registration. Extending the same analogy, I find that the Noticee has violated Regulation 3(a) and 3(d) of PFUTP Regulations read with Section 12A(c) of SEBI Act, 1992. I find that violation of Regulation 4(2)(o) and 4(2)(s) of PFUTP Regulations is not applicable in this case since the instances of violations have been found to have occurred in the year 2018 whereas the said provisions were incorporated w.e.f February 01, 2019.

34. The Noticee, being a registered IA, is aware of the fact that there cannot be “assured/guaranteed returns” in the securities market. As established above, the Noticee has made representations to its clients promising such assured returns and thus failed in its responsibility to act in fiduciary capacity towards its clients. Accordingly, I find that the Noticee has also violated Regulation 15(1), Clause 1 and 2 of Code of Conduct as specified in Third Schedule of IA Regulations read with regulation 15(9) of IA Regulations.

(c) Defrauded clients in collusion with another unregistered connected entity

35. It is alleged in the SCN that the Noticee has defrauded clients in collusion with Algo System, Proprietor – Sudeep Gangrade and thereby, violated Regulation 15(1) read with Clause 1 and 2 of Code of Conduct as specified in Third Schedule of IA Regulations read with regulation 15(9) of IA Regulations, Regulation 3(a), (b), (c), (d) and 4(2)(o) and 4(2)(s) of PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act.
36. I note that the allegation is based on two complaints made by R. Nadiya on November 20, 2019 and Dinesh Singh on February 03, 2020 wherein they had alleged that Noticee Nos. 1 and 2 had defrauded them by collecting payments for trading in securities market.
37. In this regard, the Noticee has submitted that R. Nadiya had taken advisory services in Equity Cash Segment by paying a fees of Rs.57,000 and he has no knowledge about the amount paid into the account of Algo System. It is also submitted that Sudeep Gangrade is a cousin brother of the Noticee and was working as an employee under the Noticee. He was having some

information that Sudeep Gangrade is running a part time business in the name of Algo System. However, he had no idea of him running a parallel IA business from the same premises and defrauding his clients. The Noticee got the knowledge of the same when R. Nadiya submitted a complaint on SCORES platform. He was not aware regarding his name being submitted as a nominee in the account opening form of Algo System. He submitted that the amounts transferred between the Noticee and Sudeep Gangrade were related to some family matters. The reason for transfers were provided as home furnishing amount, personal loan taken by Sudeep Gangrade from the Noticee and refund of amounts to R. Nadiya. He further submitted that he has not mobilized funds from clients and as a result has not done any fraudulent activity and has not violated any provisions of PFUTP Regulations.

38. I note that it is admitted that the Noticee is the brother of Sudeep Gangrade who was working as an employee of the Noticee. I also note from the KYC documents of ICICI Bank Account No. 657405601184 belonging to Sudeep Gangrade that he is shown as the Proprietor of Algo System and as the brother of Amit Gangrade. As noted above, statements in writing were submitted by the Noticee and Sudeep Gangrade to SEBI on November 20, 2019, wherein their nexus while dealing with clients was accepted. It was also admitted that the Noticee and Sudeep Gangrade have dealt with R. Nadiya in a fraudulent manner and the initial payment was taken from the client in the account of the Noticee and then the client was shifted to Algo System operated by Sudeep Gangrade. It was also admitted by the Noticee that he has employed similar *modus operandi* with more than 15 clients. I note that the Noticee has in his later submissions denied that he was aware of the business run by Sudeep Gangrade from the same premises. I reject this submission as an afterthought by the Noticee and rely on the written submission made on November 20, 2019 wherein the connection between the two of them was admitted. In the statement, Sudeep Gangrade had stated that the Noticee was aware of the activity carried out by him.
39. I note that the banking transactions between the Noticee and Sudeep Gangrade also provide an indication of their business connection. I note that

R. Nadiya has made payment of Rs. 57,000/- to the Noticee (ICICI Bank Account No. 144101503646) and Rs. 11,07,000/- to Algo System (ICICI Bank Account No. 657405601184). It is also noted that a total amount of Rs. 62,90,300/- was transferred to the aforesaid bank account of Amit Gangrade (ICICI Bank Account No. 144101503646) from the bank account of Algo System (ICICI Bank Account No. 657405601184) during August 30, 2019 to November 18, 2019. Some of the transactions between the said two bank accounts are depicted below:

Table -C

Account Name	Account Number	Date of Transaction	Narration	Debit Amount	Credit Amount
ALGO SYSTEM	237005500304	25-07-2019	RTGS-BARBR52019072500793579DINE-SH SINGH SO SURESH		300000.00
ALGO SYSTEM	237005500304	26-07-2019	INF/021399697701/i	899000.00	
AMIT GANGRADE	144101503646	26-07-2019	INF/021399697701/i		899000.00
ALGO SYSTEM	237005500304	05-08-2019	RTGS-BARBR52019080500477001DINE-SH SINGH SO SURESH		300000.00
ALGO SYSTEM	237005500304	05-08-2019	NE-FT-BARBQ19217896954-DINESH SINGH SO SURESH SINGH		200000.00
ALGO SYSTEM	237005500304	05-08-2019	INF/021422402071/i	500000.00	
AMIT GANGRADE	144101503646	05-08-2019	INF/021422402071/i		500000.00
ALGO SYSTEM	237005500304	09-08-2019	UPI/922148251072/Payment from Ph/9826676422@ybVBa		1.00
ALGO SYSTEM	237005500304	12-08-2019	UP 1/922244181194/Payment from Ph/9826676422@ybl/Ba		20000.00
ALGO SYSTEM	237005500304	12-08-2019	UPI/922233706243/Payment from Ph/9826676422@ybl/Ba		20000.00
ALGO SYSTEM	237005500304	20-08-2019	UPI/923216771315/Payment from Ph/9826676422@ybl/Ba		20000.00
ALGO SYSTEM	237005500304	20-08-2019	UPI/923232420731/Payment from Ph/9826676422@ybl/Ba		20000.00
ALGO SYSTEM	237005500304	22-08-2019	INF1021464232331/i	103000.00	
AMIT GANGRADE	144101503646	22-08-2019	INF1021464232331/i		103000.00
ALGO SYSTEM	237005500304	27-08-2019	RTGS-BARBR52019082700958235-DINESH SINGH SO SURESH		900000.00

ALGO SYSTEM	237005500304	27-08-2019	INF/021474072581/i	900000.00	
AMIT GANGRADE	144101503646	27-08-2019	INF1021474072581/i		900000.00
ALGO SYSTEM	237005500304	31-08-2019	UPI/924317092551/Payment from Th/9826676422@ybl/Ba		15000.00
ALGO SYSTEM	237005500304	03-09-2019	INF/INFT/021493165961/a/i	160000.00	
AMIT GANGRADE	144101503646	03-09-2019	INF/INFT/021493165961/a/i		160000.00

40. While the Noticee has submitted that the banking transactions between the two were for personal reasons, I do not find it acceptable as the aforesaid banking transactions indicate that the payments received by Algo System from the clients was immediately transferred to the bank account of the Noticee. From the Table C above, it is seen that payments made by Dinesh Singh were credited into the bank account of Algo System and the same amount was subsequently transferred to the bank account of Amit Gangrade. For instance, the amount of Rs. 50,000 paid by Dinesh Singh to Algo System in two tranches on August 05, 2019 was transferred on the same day to the bank account of Amit Gangrade. Similar instances are seen to have occurred a number of times as depicted in Table C above. Thus, based on the aforesaid facts and circumstances, I find that the Noticee has colluded with Sudeep Gangrade while providing investment advisory services. Such act was not fair and transparent to the clients of the Noticee and thus, he has not acted in a fiduciary capacity while dealing with his clients. Thus, I find that the Noticee has violated Regulation 15(1) read with Clause 1 and 2 of Code of Conduct as specified in Third Schedule of IA Regulations read with regulation 15(9) of IA Regulations.
41. From the above, I find that the Noticee in collusion with Sudeep Gangrade has employed the *modus operandi* of receiving payments in the accounts of unregistered entity (Algo System) and later transferring the same to the registered entity. The nature of connection between them and their transactions show that the Noticee which was a registered IA was hand in

glove with the unregistered proprietary firm while carrying out fraudulent dealings with the clients. Thus, I find that the Noticee has defrauded clients and thereby, violated the provisions of PFUTP Regulations.

CONCLUSION:

42. As noted above, parallel proceedings under Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) of the SEBI Act, 1992 had been initiated against the Noticee and Sudeep Gangrade in the matter, which was disposed of earlier vide my Order dated April 26, 2023. The directions included restraining the Noticee from accessing the securities market and prohibiting from buying, selling or otherwise dealing in securities, directly or indirectly in any manner whatsoever, for a period of three years from the date of the order. The Noticee was also directed to refund Rs. 1,53,75,252/- to the clients and imposed a monetary penalty of Rs.10 lakh under Section 15C, 15HA, 15HB and 15EB of the SEBI Act, 1992.
43. On an evaluation of the entire facts and circumstances, I find that the Noticee has not followed the procedure detailed in the Regulation 16(a) and 16 (b) read with Regulation 17(a) of IA Regulations relating to the risk profiling and suitability assessment of clients in respect of a client named R. Nadiya. The Noticee did not file or delayed in filing the ATR, thereby, violating the SEBI Circular dated December 18, 2014 read with Regulation 21(1) of IA Regulations. I also find that the Noticee did not possess NISM Level-1 and NISM Level-2 certifications during certain period of its registration as an IA which was mandated in terms of Regulation 6(b) and Regulation 7(2) read with Regulation 13(a) of IA Regulations. Most significantly, I find that the Noticee violated the provisions of PFUTP Regulations and the Code of Conduct of IA Regulations by promising assured profit in securities market, inducing investors to deal in securities and colluding with an unregistered entity while providing investment advisory services to defraud its clients.
44. Thus, the gravity of the breaches of statutory provisions committed by the Noticee indicates that the conduct of the Noticee is not in the interest of the

securities market. I am, therefore, of the view that cancellation of certificate of registration, as recommended by DA, would be commensurate to the violations established.

ORDER:

45. In view of the foregoing, in exercise of the powers conferred upon me in terms of Section 12(3) of SEBI Act, 1992 and Section 19 of the SEBI Act read with Regulation 23 and 27 of SEBI (Intermediaries) Regulations, 2008 and Regulation 28 of SEBI (Investment Advisers) Regulations, 2013, and in the interest of investors in the securities market, I do hereby cancel the certificate of registration granted to Investment Research Advisor, Proprietor - Amit Gangrade having SEBI Registration number - INA000003387.
46. This order shall come into force with immediate effect.
47. A copy of this order shall be sent to the Noticee and BSE Administration and Supervision Ltd.

Date: May 19, 2023

Place: Mumbai

Sd/-

GEETHA G.

CHIEF GENERAL MANAGER

SECURITIES AND EXCHANGE BOARD OF INDIA