

QJA/AA/WRO/WRO/29946/2023-24

SECURITIES AND EXCHANGE BOARD OF INDIA
ORDER

Under Section 12(3) of the Securities and Exchange Board of India Act, 1992 and under Regulation 27 of the SEBI (Intermediaries) Regulations, 2008 in respect of:

Sl. No.	Name of Noticee	PAN
1.	Star India Market Research (Proprietor Mr. Dharmendra Kumar)	AJZPL1369K

In the matter of Star India Market Research – Proprietor Mr. Dharmendra Kumar (SEBI Registration No. INA000003627)

BRIEF BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as SEBI) had conducted examination of Star India Market Research - Proprietor Mr. Dharmendra Kumar, a SEBI registered Investment Advisor having a registration No. INA000003627 (hereinafter referred to as the 'Noticee') in order to ascertain the violations, if any of the provisions of the Securities and Exchange Board of India, 1992 (SEBI Act, 1992), SEBI (Investment Adviser) Regulations, 2013 (IA Regulations), SEBI (Prohibition of Fraudulent and Unfair Trade Practices in Securities Market) Regulation, 2003 (PFUTP Regulations) and the rules and regulations framed thereunder. Based on the findings in the examination, enquiry proceedings were initiated against the Noticee by appointment of a Designated Authority (DA) for the various violations of the provisions of the IA Regulations and PFUTP Regulations and an Enquiry Report dated August 23, 2023 (hereinafter referred to as the Enquiry Report) has been submitted by the DA in terms of the

Regulation 27 of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 (hereinafter referred to as the Intermediaries Regulations).

2. I note that SEBI has also issued an interim order dated November 13, 2019 (hereinafter referred to as the 'interim order') against the Noticee, vide which, the following directions were passed against the Noticee:

"38....

- a. The Noticee and any other employee/ person working under him/ under his instructions shall cease and desist from soliciting/ acquiring any fresh clients for investment advisory services and undertaking the activity of acting and representing through any media (physical or digital) as an investment advisor, directly or indirectly, in any manner whatsoever till further directions.*
- b. The Noticee and any other employee/ person working under him/ under his instructions shall cease and desist from offering any new investment advisory services to its existing clients for which fresh payment is required to be made by these clients. It is clarified that the services for which the existing clients have already made payment to the Noticee shall be duly delivered to these clients and no renewal of these services shall be permitted.*
- c. The Noticee and any other employee/ person working under him/ under his instructions shall discharge all their obligations, as required under the SEBI (Investment Adviser) Regulations, 2013, towards the existing clients in respect of the investment advisory services that it has to deliver as mentioned in para 38 (b) above.*
- d. The Noticee shall circulate a copy of this Order to all its existing clients and display the contents of the same on its website immediately and directions including directions to cease and desist from soliciting/acquiring any fresh clients and offering new investment advisory services to existing clients were passed. As on date, the directions issued are in operation."*

ENQUIRY PROCEEDINGS

APPOINTMENT OF DESIGNATED AUTHORITY

3. SEBI initiated Enquiry proceedings under regulation 24 of the Intermediaries Regulations in the matter. In this regard, Designated Authority (hereinafter referred

to as DA) was appointed, vide Order dated February 01, 2023, in exercise of powers under regulation 24(2) of the Intermediaries Regulations, to enquire and submit a report giving recommendation in respect of the Noticee, under regulation 24 and 26 of the Intermediaries Regulations. The DA issued an SCN dated July 11, 2023 to the Noticee which was duly delivered through email and I note that no reply was received from the Noticee in this regard.

4. The DA, in his report dated August 23, 2023, has inter alia, observed the following with respect to the Noticee:
 - 4.1. Noticee promised target returns in violation of regulation 15(1) and clauses 1, 2, 5 and 8 as specified under Third Schedule of Code of Conduct for Investment Advisers (IAs) read with regulation 15(9) of the IA Regulations and regulation 3(a), (b), (c), (d), 4(2)(k) and (s) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter, referred to as the PFUTP Regulations) read with Section 12A(a), (b) and (c) of the SEBI Act.
 - 4.2. Noticee did not carry out and communicate risk profiling of clients in violation of Regulation 16(a) and 16(b) of the IA Regulations and clause 2 and 8 as specified in the Third Schedule read with regulation 15(9) of IA Regulations. Questions in the 'Risk Profile Questionnaire' were leading in violation of the provisions of regulation 16(d) of the IA Regulations.
 - 4.3. Noticee failed to carry out Suitability Assessment of its clients in violation of regulation 17 of the IA Regulations.
 - 4.4. Noticee sold products to clients without assessing their risk category and tolerance level in violation of regulation 15(1) and 17(a) of IA Regulations and clauses 1 and 8 as specified in the Third Schedule read with regulation 15(9) of IA Regulations.
 - 4.5. Noticee provided investment advice that were in disregard to clients' risk profile in violation of regulation 17(a), 17(e), regulation 15(9) of the IA Regulations read with clause 1 of the Code of Conduct under Third Schedule of the IA Regulations. Noticee sold HNI services to non-HNI clients in violation of regulation 16(b), 16(c) and 15(9) of the IA Regulations read with

clause 2 of the Code of Conduct specified for IAs under Third Schedule of the IA Regulations.

- 4.6. Noticee charged arbitrary fees from the clients, sold multiple products in short span of time to same client for future dates and also sold products for overlapping periods to defraud clients and to earn maximum fees in violation of regulation 15(1) and 15(9) read with clause 1, 2 and 6 of the Code of Conduct under Third Schedule of the IA Regulations. Further, Noticee induced its clients to trade in the market in violation of regulation 3(a), (b), (c), (d), 4(2)(o) and 4(2)(s) of the PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act.
- 4.7. The Noticee charged exorbitant fees from its clients to enhance its income in violation of Clauses 1, 2 and 6 of Code of Conduct in Third Schedule read with regulation 15(9) of the IA Regulations. Charging of high fees is not covered under the definition of “fraud” under PFUTP Regulations and hence, there is no violation of regulations 3(a), (b), (c) and (d) of the PFUTP Regulations read with section 12A(a), (b) and (c) of SEBI Act, in this regard. Noticee did not provide services after receipt of fees until additional payment was made so as to increase his income in violation of clauses 1, 2 and 6 of Code of Conduct as mentioned in Third Schedule read with regulation 15(9) of IA Regulations and regulations 3(a), (b), (c) and (d) of the PFUTP Regulations read with section 12A(a), (b) and (c) of SEBI Act.
- 4.8. Noticee failed to redress client complaints in violation of SEBI circular CIR/OIAE/2014 dated December 18, 2014 and regulation 21(1) and 28(f) of the IA Regulations.
- 4.9. Noticee did not furnish information sought by SEBI in violation of regulation 15(12) of IA Regulations.
- 4.10. Just the failure to confirm compliance by the Noticee with the directions of SEBI order alone cannot establish non-compliance by the Noticee with the SEBI order dated November 13, 2019.
- 4.11. Noticee had obtained registration from SEBI as an IA by submitting incorrect information in violation of regulation 13 of the IA Regulations and regulations 6(b) and 6(f) read with regulations 7(1)(b) and 13(a) of the IA Regulations.

5. Based on the aforesaid findings, the DA has recommended that “*the certificate of registration of Star India Market Research, bearing Registration No: INA000003627, may be cancelled.*”

SHOW CAUSE NOTICE, REPLY AND HEARING

6. Pursuant to submission of the Enquiry Report, a Post Enquiry Show Cause Notice dated September 06, 2023 (hereinafter referred to as the SCN) enclosing a copy of the Enquiry Report was sent to the Noticee directing it to respond as to why the recommendation made by the DA or any other action be not taken against it. The said SCN was attempted to be served upon the Noticee through Registered post on the three addresses available on record. The status of SCN issued to each address is as below:

Table 1

Address of Noticee	Delivery Status
Office No. 307, B Block, 3rd Floor, Corporate House, Beside DAVV University, Regal Square, Madhya Pradesh - 452001	Not delivered Addressee left without instruction
302, Mainashri Apartments, Nx Janki Nagar, Indore, Madhya Pradesh - 452001	Not delivered Insufficient Address
20 N X Janki Nagar, Indore, 18, 452001	Delivered on October 09, 2023 as per tracking sheet but AD card not received

7. However, no response was received from the Noticee.
8. As there was no response from the Noticee despite the SCN having been served on the Noticee, it was thought fit to provide the Noticee with an opportunity of personal hearing as required under regulation 27 of the Intermediaries Regulations. Hence, a personal hearing in the matter was scheduled on December 07, 2023 and the SCN cum Hearing Notice (HN) was served through newspaper publication upon the Noticee on November 25, 2023. This was done considering that the Noticee is a registered entity and non-serving of Notices through post at addresses available on record suggested that the Noticee was

attempting to delay/evade the proceedings on the scheduled dates. The Noticee was represented by his authorized representative (AR) Mr. Pulkit Mehta wherein the AR stated that the Noticee had not received the SCN and HN as the Noticee's offices had been seized by the State Police Department. However, he confirmed that, as on December 07, 2023, he was in receipt of the SCN and Enquiry Report along with all the Annexures. The Noticee was granted time till December 19, 2023 to file his reply to the SCN. However, no reply has been received. Under the circumstances, I find that the principles of natural justice have been complied with adequately in the present matter and the matter is fit to be proceeded with, based on the material available on record. Accordingly, the allegations made/findings recorded by the DA, against the Noticee are being dealt with in seriatim in the following paragraphs.

CONSIDERATION OF ISSUES AND FINDINGS

9. I have perused the post Enquiry SCN including the Enquiry Report and the Examination Report. Having considered the allegations levelled against the Noticee in the instant matter, I note that the following issues arise for consideration in the present proceeding:
 - 9.1. Whether the Noticee promised target returns to clients?
 - 9.2. Whether the Noticee failed to carry out and communicate risk profiling of clients? Whether improper risk profiling was done for certain clients? Were there leading questions in questionnaire for risk profiling?
 - 9.3. Whether the Noticee failed to carry out Suitability Assessment of clients?
 - 9.4. Whether products and services sold by Noticees to clients were without proper risk profiling and suitability assessment?
 - 9.5. Whether products offered to clients by Noticee were in disregard with the risk profile of the clients? Whether HNI services were offered to non-HNI clients by the Noticee?
 - 9.6. Whether fee was charged from clients arbitrarily by Noticee and services were sold by Noticee for future dates and overlapping periods?
 - 9.7. Whether fees charged by Noticee from clients was high compared with investment amounts and annual income of clients? Whether clients were

compelled to pay additional fees? Whether the Noticee failed to render service after receipt of fees?

9.8. Whether the Noticee failed to redress SCORES complaints?

9.9. Whether the Noticee failed to submit information sought by SEBI?

9.10. Whether the Noticee did not comply with SEBI order dated November 13, 2019?

9.11. Whether the Noticee submitted incorrect details to SEBI at the time of seeking registration as an IA?

10. I note that during the Enquiry, information and documents received from following complainants were examined:

Table 2

Sr. No.	Registration No	Complainant Name	Date of Receipt
1	SEBIE/MP21/0000438/1	Tripti Goyal	18/02/2021
2	SEBIE/MP21/0000394/1	Rajeev Kumar	07/02/2021
3	SEBIE/MP21/0000177/1	Vikram M Shah	26/12/2020
4	SEBIE/MP20/0001892/1	Yogesh Srinivas More	08/10/2020
5	SEBIE/MP20/0001729/1	Harnander Singh	08/08/2020
6	SEBIE/MP20/0001402/1	Pilli Bhaskhar	02/07/2020
7	SEBIE/MP20/0001346/1	Vikas Prajapat	22/06/2020
8	SEBIE/MP20/0001302/1	Venugopal	01/06/2020
9	SEBIE/MP20/0001248/1	Dasaradhi Pothuri	10/07/2020
10	SEBIE/MP20/0000739/1	Sunil Sukhadev Lokhande	15/02/2020
11	SEBIE/MP20/0000076/1	Nayan Vaghasia	07/12/2019
12	SEBIE/MP19/0002890/1	Pushkar Saxena	05/12/2019
13	SEBIE/MP19/0002754/1	T P Srinivasavaradan	25/11/2019
14	SEBIP/MP19/0000445/1	Jubaid Raza Saifi	08/08/2019
15	SEBIE/MP19/0002730/1	Raghunath Gadre	22/11/2019
16	SEBIE/MP19/0002460/1	Kuresh Sahu	21/09/2019
17	SEBIE/MP19/0002399/1	Prashant K Shabadi	12/09/2019
18	SEBIE/MP19/0002318/1	Karan Kumar /Self	30/08/2019

Sr. No.	Registration No	Complainant Name	Date of Receipt
19	SEBIP/MP19/0000377/1	Manoj Kumar	17/09/2019
20	SEBIE/MP19/0002158/1	Kinhikar Manoj Arvind	09/09/2019
21	SEBIE/MP19/0002090/1	Pradeep Singh Rawat	28/08/2019
22	SEBIE/MP20/0001992/1	Shakthiyvelan	28/10/2020
23	SEBIE/MP19/0000733/1	Mr. Mamidi Jibratan	05/06/2022

11. Further, additional details, such as risk profile assessment forms received from Noticee, Call recordings, payment invoices, etc., were received from the following complainants:

Table 3

Sr. No.	Registration No	Complainant Name
1	SEBIE/MP21/0000438/1	Tripti Goyal
2	SEBIE/MP21/0000394/1	Rajeev Kumar
3	SEBIE/MP21/0000177/1	Vikram M Shah
4	SEBIE/MP20/0001892/1	Yogesh Srinivas More
5	SEBIE/MP20/0001729/1	Harnander Singh
6	SEBIE/MP20/0001402/1	Pilli Bhaskhar
7	SEBIE/MP20/0001346/1	Vikas Prajapat
8	SEBIE/MP20/0001302/1	Venugopal
9	SEBIE/MP20/0001248/1	Dasaradhi Pothuri
10	SEBIE/MP20/0000739/1	Sunil Sukhadev Lokhande
11	SEBIE/MP19/0002890/1	Pushkar Saxena
12	SEBIE/MP19/0002754/1	T P Srinivasavaradan
13	SEBIE/MP19/0002730/1	Raghunath Gadre
14	SEBIE/MP19/0002090/1	Pradeep Singh Rawat
15	SEBIE/MP20/0001992/1	Shakthiyvelan
16	SEBIE/MP19/0000733/1	Mr. Mamidi Jibratan

12. Before dealing with the issues at hand, I deem it apposite to refer to the relevant provisions of law alleged to have been violated in the matter, extracts whereof are reproduced below:

“IA Regulations

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, —

(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;

.....

(f) whether the applicant, its partners, principal officer and persons associated with investment advice, if any, are fit and proper persons based on the criteria as specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008;

Qualification and certification requirement.

7.(1) An individual investment adviser or a principal officer of a non-individual investment adviser registered as an investment adviser under these regulations, shall have the following minimum qualification, at all times —

.....

(b) An experience of at least five years in activities relating to advice in financial products or securities or fund or asset or portfolio management;

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;

(b) the investment adviser shall forthwith inform the Board in writing, if any information or particulars previously submitted to the Board are found to be false or misleading in any material particular or if there is any material change in the information already submitted;

(c)the investment adviser, not being an individual, shall include the words 'investment adviser' in its name:

Provided that if the investment advisory service is being provided by a separately identifiable department or division or a subsidiary, then such separately identifiable department or division or subsidiary shall include the words 'investment adviser' in its name;

(d)individuals registered as investment advisers shall use the term 'investment adviser' in all their correspondences with their clients

(e) individuals registered as investment advisers whose number of clients exceed one hundred and fifty in total, shall apply for registration as non-individual investment adviser within such time as may be specified by the Board.

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

(12) Investment advisers shall furnish to the Board information and reports as may be specified by the Board from time to time.

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.

(c)where tools are used for risk profiling, it should be ensured that the tools are fit for the purpose and any limitations are identified and mitigated;

(d)any questions or description in any questionnaires used to establish the risk a client is willing and able to take are fair, clear and not misleading, and should ensure that:

(i) questionnaire is not vague or use double negatives or in a complex language that the client may not understand;

(ii)questionnaire is not structured in a way that it contains leading questions.

(e)risk profile of the client is communicated to the client after risk assessment is done;

(f)information provided by clients and their risk assessment is updated periodically.

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;

(b)It has a documented process for selecting investments based on client's investment objectives and financial situation;

(c)It understands the nature and risks of products or assets selected for clients;

(d)It has a reasonable basis for believing that a recommendation or transaction entered into:

(i)meets the client's investment objectives;

(ii)is such that the client is able to bear any related investment risks consistent with its investment objectives and risk tolerance;

(iii) is such that the client has the necessary experience and knowledge to understand the risks involved in the transaction.

(e) Whenever a recommendation is given to a client to purchase of a particular complex financial product, such recommendation or advice is based upon a reasonable assessment that the structure and risk reward profile of financial product is consistent with clients experience, knowledge, investment objectives, risk appetite and capacity for absorbing loss.

Redressal of client grievances.

21.(1) An investment adviser shall redress client grievances promptly.

Liability for action in case of default.

28. An investment adviser who –

.....

(f) fails to resolve the complaints of investors or fails to give a satisfactory reply to the Board in this behalf, shall be dealt with in the manner provided under the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

THIRD SCHEDULE

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.

5. Information to its clients

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

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. The

investment adviser shall ensure that fees charged to the clients is fair and reasonable.

8. Compliance

An investment adviser including its partners, principal officer and persons associated with investment advice shall comply with all regulatory requirements applicable to the conduct of its business activities so as to promote the best interests of clients and the integrity of the market.

PFUTP Regulations

3. 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

- (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*
- (2) Dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves any of the following:*

.....

- (k) disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading and which is designed or likely to influence the decision of investors dealing in securities;*

.....

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

Intermediaries Regulations

Recommendation of action

26. (1) After considering the material available on record and the reply, if any, the designated authority may by way of a report, recommend the following measures,—

- (i) disposing of the proceedings without any adverse action;*
- (ii) cancellation of the certificate of registration;*
- (iii) suspension of the certificate of registration for a specified period;*
- (iv) prohibition of the noticee from taking up any new assignment or contract or launching a new scheme for such the period as may be specified;*
- (v) debarment of an officer of the noticee from being employed or associated with any registered intermediary or other person associated with the securities market for such period as may be specified;*
- (vi) debarment of a branch or an office of the noticee from carrying out activities for such period as may be specified;*
- (vii) issuance of a regulatory censure to the noticee:*

Provided that in respect of the same certificate of registration, not more than five regulatory censures under these regulations may be recommended to be issued, thereafter, the action as detailed in clause (ii) to (vi) of this sub-regulation may be considered.

IA Regulations

Liability for action in case of default

28. An investment adviser who -

- (a) contravenes any of the provisions of the Act or any regulations or circulars issued thereunder;*
- (b) fails to furnish any information relating to its activity as an investment Adviser as required by the Board;*
- (c) furnishes to the Board information which is false or misleading in any material particular;*
- (d) does not submit periodic returns or reports as required by the Board;*

(e) does not co-operate in any enquiry, inspection or investigation conducted by the Board;

(f) fails to resolve the complaints of investors or fails to give a satisfactory reply to the Board in this behalf, shall be dealt with in the manner provided under the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.”

SEBI circular no. CIR/OIAE/2014 dated December 18, 2014

“9. All listed companies and SEBI registered intermediaries shall review their investors grievances redressal mechanism so as to further strengthen it and correct the existing shortcomings, if any. The listed companies and SEBI registered intermediaries to whom complaints are forwarded through SCORES, shall take immediate efforts on receipt of a complaint, for its resolution, within thirty days. The listed companies and SEBI registered intermediaries shall keep the complainant duly informed of the action taken thereon.

10. The listed companies and SEBI registered intermediaries shall update the ATR along with supporting documents, if any, electronically in SCORES. ATR in physical form need not be sent to SEBI. The proof of dispatch of the reply of the listed company/SEBI registered intermediary to the concerned investor should also be uploaded in SCORES and preserved by the listed company/SEBI registered intermediary, for future reference.

11. Action taken by the listed companies and SEBI registered intermediaries will not be considered as complete if the relevant details/ supporting documents are not uploaded in SCORES and consequently, the complaints will be treated as pending.

12. A complaint shall be treated as resolved/disposed/closed only when SEBI disposes/closes the complaint in SCORES. Hence, mere filing of ATR by a listed company or SEBI registered intermediary with respect to a complaint will not mean that the complaint is not pending against them.

13. Failure by listed companies and SEBI registered intermediaries to file ATR under SCORES within thirty days of date of receipt of the grievance shall not only be treated as failure to furnish information to SEBI but shall also be deemed to constitute non-redressal of investor grievance.”

Issue 1: Whether the Noticee promised high returns to clients?

13. The DA has concluded that target returns were promised by the Noticee to his clients.

14. I note that the Enquiry Report has taken on record a copy of brochure of Noticee, call recordings of conversation of a complainant Mr. Venugopal V J with the Noticee and police complaint filed by Ms. Tripti Goyal, another complainant. Relevant details from the said documents taken on record are reproduced below:

Brochure of Noticee for a product viz. 'Panel Service Plan' provided by Mr. Venugopal V J

"You may get 3 times profit of your subscription amount till then your service will be continuing" with service charges as Rs. 12,50,000.

Call recording provided by Mr. Venugopal V J

Employee of the Noticee explained about 'Panel Service Plan' offered by the Noticee and stated that *'Let me tell you few tricks which can earn a profit on daily basis without help of any advice'*.

Police Complaint dated October 03, 2019 provided by Ms. Tripti Goyal

The complaint notes that two officials of the Noticee had called Ms. Tripti Goyal on multiple instances and assured that she could earn Rs. 5 to 6 Lakh every month by investing Rs. 3 lakh.

15. Based on the above the DA has concluded that the Noticee, through its brochures and employees, was assuring accuracy of recommendations and high returns to his clients. Being a registered IA, the Noticee can be reasonably expected to know the fundamental principle of the securities market, that all investments in securities market are subject to market risks and that returns cannot be assured no matter how much and for how long the investment is made. Accordingly, the Noticee is expected to take due care in his communication with his clients and should refrain from such communication which is misleading and may influence decision of investors. In this context, I draw reference to the Order of the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "SAT") in the matter of *24 Carat Financial Services vs. SEBI* decided on January 18, 2023. Though the matter was

related to Research Analyst, one of the issues involved in the matter was related to the employees of the appellant, promising guaranteed returns to the prospective clients on investment of certain amounts. The Hon'ble Tribunal while adjudicating the said issue, held as follows: *"...Further guaranteed returns were promised quoting profit percentage or certain amount either monthly or on a daily basis. The action of promising guaranteed returns is patently against the principles of the securities market and not only manipulative but also fraudulent and violative of Regulations 3 and 4 of the PFUTP Regulations..."*

16. Hence, I agree with the finding of the DA that the noticee was assuring accuracy of recommendations and high returns to his clients and the act of assuring accuracy of recommendations and high returns from securities market by Noticee was fraudulent and done with the intention to bring in more customers. Hence, I concur with the DA the Noticee has violated regulation 15(1) of IA Regulations, clauses 1 and 2 of Code of Conduct for IA read with regulation 15(9) of IA Regulations. Further, as such practices were adhered to with the purpose of influencing the decision of the prospective clients to avail the services of the Noticee, I agree with the DA that the Noticee has violated regulation 15(1) and clauses 1, 2, 5 and 8 as specified under Third Schedule of Code of Conduct for IAs read with regulation 15(9) of the IA Regulations and regulation 3(a), (b), (c), (d), 4(2)(k) and (s) of the PFUTP Regulations read with Section 12A(a), (b) and (c) of the SEBI Act.

Issue 2: Whether the Noticee failed to carry out risk profiling of clients? Whether improper risk profiling was done for certain clients? Were there leading questions in questionnaire for risk profiling?

Whether the Noticee failed to carry out risk profiling of clients?

17. The DA has found that the Noticee did not carry out risk profiling of its clients. In this regard, I note that the Enquiry Report has taken on record emails dated April 18, 2022 and April 20, 2022, respectively, from two complainants viz., Mr. Dasaradhi Pothuri and Mr. Venugopal V J, stating that they did not receive any risk profile assessment form from the Noticee. Further, I note that, vide emails dated May 14 and 23, 2022, SEBI advised the Noticee to furnish copies of Risk

Profiling Forms (RPFs) of complainants but the Noticee failed to respond. Thus, I find that the IA has not acted in the best interest of the clients by not doing any risk profiling. Accordingly, I agree with the DA that the Noticee has violated regulation 16 of the IA Regulations.

Whether improper risk profiling was done for certain clients?

18. The DA has found that the Noticee has violated the provisions of Regulation 16(a) and 16(b) of the IA Regulations, and failed to abide by Code of Conduct for IA, resulting in violation of provisions of Clause 2 and 8 as specified in the Third Schedule read with Regulation 15(9) of IA Regulations by not carrying out risk profiling of clients.

19. In this regard, I note that the Enquiry Report has taken on record six instances with respect to six different clients detailed below:

Complainant 1: Sunil Lokhande

Table 4

	Risk Profile dated April 18, 2019	Risk Profile dated June 04, 2019
Risk Classification	Stock Option	Stock Cash Platinum
Segment/Risk	F & O/ High	Cash/Medium
Will you prefer medium risk, medium gain or high risk, high gain	Do Not Prefer	Prefer
When market is not performing well, would you like to invest in more risky investment, instead of less risky investment to earn high return?	Prefer	Indifferent
High risk is associated with high return, medium risk is associated with medium returns and low risk is associated with low returns? What risk you can bear (not prefer)?	High	Medium
In which of the following market segments have you traded previously?	Derivatives Stocks	Stock, Derivatives Stocks
With reference to above questionnaire clients profile is considered as	Aggressive	Moderate
Products sold After both risk profiles	Index Option and Option	Platinum Cash

The Enquiry Report has recorded that it was observed from the documents submitted by complainant Mr. Sunil Lokhande that:

- The Noticee carried out his risk profiling twice, i.e., on April 18, 2019 (RPF SL1) and June 04, 2019 (RPF SL2). However, in both the risk profiles, answers to various questions had changed. For instance, in response to same question ‘Will you prefer medium risk, medium gain or high risk, high gain’, answer changed from *Do not Prefer* to *Prefer*. Similarly, reply of question ‘When market is not performing well, would you like to invest in more risky investment, instead of less risky investment to earn high return?’ changed from *prefer* to *indifferent*.
- In RPF SL1 and 2, category of complainant was changed from Aggressive to Moderate and Segment/Risk of the client was modified to Cash/Medium from F&O/High.

Complainant: Tripti Goyal

Table 5

	Risk Profile dated November 19, 2018	Risk Profile dated December 22, 2018
Risk Classification	Stock Option Premium	Stock Cash Platinum
Segment/Risk	F & O/ High	Cash/Medium
In which of the following market segments have you traded previously?	Derivatives Stocks	Stock,
With reference to above questionnaire clients profile is considered as	Aggressive	Aggressive
Products sold After both risk profiles	Index Option and Option	Platinum Cash

The Enquiry Report has recorded that it was observed that the Noticee carried out risk profiling of Ms. Tripti Goyal twice, i.e., on November 19, 2018 (RPF T1) and December 22, 2018 (RPF T2). In both the risk profiles, answers of various questions had changed. As per RPF T1 as on November 19, 2018, Ms. Tripti Goyal

had traded previously in Derivative Stocks while as per RPF T2, as on December 22, 2018 she has traded previously in Stocks. Further, as per RPF T1 her Risk Classification was Stock Option Premium and as per RPF T2 her Risk Classification changed to Stock Cash Platinum.

Complainant: TPS Vardan

Table 6

	Risk Profile dated May 31, 2018	Risk Profile dated June 30, 2018
Risk Classification	Stock Cash	Blue Chip Tips
Investment Goal	Capital Appreciation	Regular Income
Proposed investment amount	Below 1 Lakh	2 to 5 Lakh
Market Value of Portfolio held	Below 1 Lakh	2 – 5 Lakh
Size of emergency fund	1-3 month income	3-6 month income
Products sold After both risk profiles	Stock Cash and Blue Chip Tips	Blue Chip Tips

The DA in his enquiry report has observed that the Noticee carried out risk profiling of Mr. TPS Vardan twice, i.e., on May 31, 2018 (RPF V1) and on June 30, 2018 (RPF V2). As per RPF V1, complainant's Risk Classification was Stock Cash and as per RPF V2 the Risk Classification changed to Blue Chip Tips. Further, investment goal was stated to be Capital Appreciation in RPF V1, which changed to Regular Income in RPF 2. It was further observed that there were changes in parameters like proposed investment amount, size of emergency fund and market value of portfolio held from RPF V1 to RPF V2.

Complainant: Pushkar Saxena

Table 7

	Risk Profile dated January 22, 2019	Risk Profile dated January 31, 2019
Risk Classification	Stock Cash	Nifty Option
Segment/Risk	Cash/Medium	F & O/ High
Will you prefer medium risk, medium gain or high risk, high gain	Prefer	Do Not Prefer

	Risk Profile dated January 22, 2019	Risk Profile dated January 31, 2019
When market is not performing well, would you like to invest in more risky investment, instead of less risky investment to earn high return?	Indifferent	Prefer
High risk is associated with high return, medium risk is associated with medium returns and low risk is associated with low returns? What risk you can bear (not prefer)?	Medium	High
In which of the following market segments have you traded previously?	Stocks	Stock, Derivatives Stocks
Proposed Investment Amount	Below 1 Lakh	1 to 2 Lakh
Market value of Portfolio Held	Below 1 Lakh	1 to 2 Lakh
With reference to above questionnaire clients profile is considered as	Moderate	Aggressive
Products sold After both risk profiles	Stock Cash	Index Option, HNI Tips

The DA has found in his enquiry report that based on the documents submitted by complainant, viz., Mr. Pushkar Saxena, the Noticee carried out his risk profiling twice, i.e., on January 22, 2019 (RPF P1) and on January 31, 2019 (RPF P2). It was observed that in both the risk profiles, answers to various questions had changed. For instance, in response to the same question '*Will you prefer medium risk, medium gain or high risk, high gain*', answer changed from *Prefer* to *Do not Prefer*. Similarly, reply of question '*When market is not performing well, would you like to invest in more risky investment, instead of less risky investment to earn high return?*' changed from *indifferent* to *prefer*. Further, reply to the question '*In which of the following market segments have you traded previously?*' changed to '*Stock, Derivatives*' from '*Only Stock*' in matter of 9 days. It was further observed that in RPF P1 and P2, category of complainant changed from Moderate to Aggressive and Segment/Risk of the client was modified to F&O/High from, Cash/Medium, earlier. After RPF P1, Noticee had sold product, viz., Stock Cash while after RPF P2, Noticee had sold products, viz., Index Option and HNI Tips.

Complainant: Sudhir Kumar Singh

Table 8

	Risk Profile dated November 20, 2018	Risk Profile dated November 23, 2018
Risk Classification	Stock Cash Premium	Star Bulls Eye Plan
Segment/Risk	Cash/Medium	Cash/Medium, F & O/ High
Will you prefer medium risk, medium gain or high risk, high gain	Prefer	Do Not Prefer
When market is not performing well, would you like to invest in more risky investment, instead of less risky investment to earn high return?	Indifferent	Prefer
High risk is associated with high return, medium risk is associated with medium returns and low risk is associated with low returns? What risk you can bear (not prefer)?	Medium	High
In which of the following market segments have you traded previously?	Stocks	Stock, Derivatives Stocks
With reference to above questionnaire clients profile is considered as	Moderate	Aggressive
Products sold After both risk profiles	Cash Premium	Star Bulls Eye Plan, Swing Trades

Based on the documents submitted by complainant Mr. Sudhir Kumar Singh, the DA has observed in his Enquiry Report that the Noticee had carried out his risk profiling twice, i.e., on January 22, 2019 (RPF S1) and on January 31, 2019 (RPF S2). In both the risk profiles, answers to various questions changed. For instance, in response to same question '*Will you prefer medium risk, medium gain or high risk, high gain*', answer changed from *Prefer* to *Do not Prefer*. Similarly, reply of question '*When market is not performing well, would you like to invest in more risky investment, instead of less risky investment to earn high return?*' changed from *indifferent* to *prefer*. Further, reply to the question '*In which of the following market segments have you traded previously?*' changed to '*Stock, Derivatives*' from '*Only Stock*' within 9 days from previous one. Further, in RPF S1 and S2, category of complainant changed from Moderate to Aggressive and Segment/Risk of the client

was modified to F&O/High from, Cash/Medium, earlier. After RPF S1, the Noticee sold product, viz., Stock Cash while after RPF S2, the Noticee sold products, viz., Index Option and HNI Tips.

Complainant: Mamidi Jibratan

Table 9

	Risk Profile dated December 28, 2017	Risk Profile dated January 10, 2018
Risk Classification	Stock Cash/Medium	HNI/ High
Segment/Risk	Cash/Medium	F & O/ High
In which of the following market segments have you traded previously?	Stocks	Derivatives Stocks
Products sold After both risk profiles	Stock Cash	HNI Tips

DA has observed in his Enquiry Report, based on the documents submitted by complainant Mr. Mamidi Jibratan, that the Noticee carried out his risk profiling twice, i.e., on December 28, 2017 (RPF J1) and on January 10, 2018 (RPF J2). In both the risk profiles, answers of various questions including preference for risk remained the same. However, risk classification of the complainant changed from '*Stock Cash/Medium*' to '*HNI/High*'. Further, Segment/Risk of the complainant changed from '*Cash/Medium*' to '*F&O/High*' and past trading experience changed from '*Stock*' to '*Derivative Stocks*' in matter of 2 weeks.

20. Further, the DA has observed that the Noticee changed risk profiling of the aforesaid 6 complainants in a span of 9 days to one month. Preferences and replies of clients also had been shown to have changed drastically. Category of clients had been changed from aggressive to moderate or vice versa and there were other significant changes in various parameters including preference for risk. It was observed that such significant changes in multiple parameters of various clients in

a short span of time showed that the Noticee had not carried out Risk profiling of clients properly in the first instance.

21. Regulation 16(a) of the IA Regulations, inter alia, states that an IA should ensure that it obtains from the client, such information as is necessary for the purpose of giving investment advice, including age, investment objectives, income details, existing investments/ assets and risk appetite/ tolerance. Regulation 16(b) of the IA Regulations states that IA is obligated to ensure that it has a process for assessing the risk a client is willing and able to take. Thus, I agree with the DA that the Noticee should have gathered required information about its prospective clients and processed that information to assess the risk a client was willing and able to take. However, as it was observed that the Noticee failed to carry out proper risk profiling at the first instance in 6 clients mentioned in above paragraphs, I concur with the DA that by not carrying out proper Risk profiling of clients, the Noticee violated the provisions of regulation 16(a) and 16(b) of the IA Regulations, and further, the Noticee failed to abide by Code of Conduct for IA, resulting in violation of provisions of Clause 2 and 8 as specified in the Third Schedule read with Regulation 15(9) of IA Regulations.

Were there leading questions in questionnaire for risk profiling?

22. The DA has found that the questions in the 'Risk Profile Questionnaire' were leading, such that they had been framed in a manner that would make the clients to answer in a particular manner. Further, the DA has found that such questions had been framed to make the clients fall in the high risk category so that they could be offered complex products like derivatives and therefore, the Noticee has violated the provisions of regulation 16(d) of IA Regulations.

23. In this regard, I note that the DA in his Enquiry Report has considered certain questions in the Risk Profiling Questionnaire of the Noticee. For instance,
Question 1: Would you invest, where a medium return is earned associated with medium risk, instead of a high return associated with high risk?
Question 2: When market is not performing well, would you like to invest in more risky investment, instead of less risky investment to earn high return?

Question 3: High risk is associated with high returns, medium risk is associated with medium returns and low risk is associated with low returns. What risk you can bear?

24. The DA has rightly concluded that questions 1 and 3, are leading questions. For instance, in question 1, the expression “medium return is earned associated with medium risk, instead of a high return associated with high risk” would inevitably lead the client to respond that he/she could bear high risk as it is associated with high return. It was observed that the correct question should have been ‘high risk involves greater chances of losses, Medium risk involves comparatively lesser chances of losses...’. The DA has recorded in the Enquiry Report that the Noticee should have made the client aware that taking high risk would mean chances of large amount of losses in the investment so that the client would have understood the risks associated with a high risk product.
25. Further, the DA has recorded that it was observed that question 2 stated above was also a leading question. The expressions ‘would you like to invest in more risky investment, instead of less risky investment to earn high return’ emphasise on high return associated with more risky investment and leads to a positive answer. It was observed that the question was designed in such a way to put possibility of profit on prominence and conceal associated possibility of high risk of losses.
26. Hence, I note that the finding of DA that the above mentioned questions in the Risk Profile Questionnaire were leading, such that they had been framed in a manner that it would be difficult for the clients to understand and provide an appropriate response is correct. I agree with the DA’s observations that such questions had been framed to make the clients fall in the high risk category so that they could be offered complex products like derivatives. Accordingly, the DA was right in concluding that the Noticee had violated regulation 16(d) of the IA Regulations, which, inter alia, says that questionnaire is not structured in a way that it contains leading questions.

Issue 3 - Whether the Noticee failed to carry out Suitability Assessment of clients?

27. The DA has found that the Noticee failed to carry out Suitability Assessment of its clients. In this regard, I note that the Enquiry Report has taken on record, emails dated April 14, 2022, wherein complainants were, inter alia, requested by SEBI to provide copies of Suitability Assessment received from the Noticee. However, none of the complainants were able to provide copies of suitability assessment carried out by the Noticee. Further, multiple complainants, viz., Mr. Pradeep Rawat, Mr. Rajeev Maurya, Ms. Dasaradhi Pothuri and Mr. Venugopal V J, had stated that they did not receive copies of Suitability Assessment from the Noticee.

28. In terms of regulation 17 of the IA Regulations, it is, inter alia, mandated that all investments on which investment advice is provided is appropriate to the risk profile of the client. It should be, inter alia, based on client's investment objectives and financial situation. Further, the investment advice should be such that the client is able to bear any related investment risks consistent with its investment objectives and risk tolerance. As several complainants alleged non-receipt of suitability assessment and the Noticee has not made any submission in his defence, I agree with the DA that the Noticee has violated regulation 17 of the IA Regulations by not providing copies of Suitability Assessment to his clients.

Issue 4 - Whether products and services sold by Noticees to clients were without proper risk profiling and suitability assessment?

29. The DA has found that the Noticee has sold products to clients without assessing their risk category and tolerance level. In this regard, the Enquiry Report has considered, invoices submitted by certain complainants and observed that complainants were sold various products on multiple occasions by the Noticee. Details of the products sold to the complainants are given below:

Table 10

Sl. No.	Name of Complainant	Products sold
1	Pradeep Rawat	Future Premium, Platinum Option, HNI Option Tips
2	Venu Gopal V J	Stock Cash, MCX Premium Services

Sl. No.	Name of Complainant	Products sold
3	Rajeev Maurya	Option , Platinum Option, Platinum Future, Option Premium

30. The Enquiry Report has recorded that the Noticee failed to carry out risk profiling of 6 of its clients and Suitability Assessment of all of its clients, and further, had been selling products to its clients without understanding whether that particular product is suitable for that client or not. Thus the Noticee is found to have not carried out Risk Profiling and suitability assessment of the clients and that, it had not sold products to clients as per their risk category and tolerance level.

31. I find that the aforesaid acts of the Noticee were in complete disregard to the responsibility entrusted on it under the provisions of IA Regulations to act in a fiduciary capacity and in the best interest of its clients. Therefore, I concur with the DA that the Noticee violated the provisions of regulation 15(1) which requires the IA to act in a fiduciary capacity towards its clients, Regulation 17(a) which requires an IA to provide investment advice based on client's risk profile and clauses 1 and 8 as specified in the Third Schedule read with regulation 15 of IA Regulations that require an IA to act in the best interest of its clients.

Issue 5 - Whether products offered to clients by Noticee were in disregard to the risk profile of the clients? Whether HNI services offered to non-HNI clients by the Noticee?

Whether products offered to clients by Noticee were incompatible with the risk profile of the clients?

32. The DA has found that the Noticee provided investment advice in disregard to the risk profile of its clients and that its recommendations were not based on clients' experience and capacity for absorbing loss.

33. In this regard, the Enquiry Report provides details of 6 clients as follows who had stated their gross annual incomes to be in the range of Rs. 1- 5 lakh and that they had little or no prior experience with trading in securities:

Table 11

Sr. No.	Client Name	Annual Income as per RPF (Rs.)	Products sold	Past Experience	No. of Dependents	Percentage of monthly income to pay debts
1	Mr Rajeev Kumar	1 to 5 Lakh	Option, Option Premium	Derivative, Very less Experience in Equity	1-3	0 to 20%
2	Mr Shakthiyvelan	1 to 5 Lakh	HNI Tips	Derivative, Very less Experience in Equity	1-3	Less than 20%
3	Mr Sunil Lokhande	1 to 5 Lakh	Index Option, Option	Derivative, Very less Experience in Equity	1-3	None
4	Mr TPS Varadan	1 to 5 Lakh	Blue Chip Tips	Stock, Very less Exp. in Equity	1-3	Less than 20%
5	Mr Harninder Singh	1 to 5 Lakh	Cash Premium	Stock, Very less Exp. in Equity	3+	Less than 20%
6	Ms Tripti Goyal	1 to 5 Lakh	Option Premium, Index Option	Derivative, Very less Experience in Equity	1-3	None

34. The Enquiry Report also notes that such clients had a gross annual income between Rs. 1 to 5 lakh and had to support 1 to 3 dependents, with 0-20% of their

monthly income used to pay debts. It was observed that considering little experience, annual income, number of dependents and debt, the risk bearing capacity of the aforementioned clients was limited, and the aforesaid clients were not suitable for derivative products, which are considered high risk due to the high leverage involved. However, it was observed that the Noticee had sold high risk products to the aforesaid clients on multiple occasions, irrespective of their low risk bearing capacities.

35. I find that being a registered IA, the Noticee had a fiduciary duty to take care of its clients, which included providing advice after exercising due skill, care and diligence of products based on the risk appetite of its clients, in their best interest. Hence, I concur with the DA that the Noticee has violated provisions of regulation 17(a) and 17(e) and regulation 15(9) of the IA Regulations read with clause 1 of the Code of Conduct specified for Investment Advisers under Third Schedule of the IA Regulations.

Whether HNI services offered to non-HNI clients by the Noticee?

36. The DA has found that the Noticee sold HNI services to non-HNI clients. In this regard, the Enquiry Report has taken on record details of a client Mr. Shakthiyvelan:

Table 12

Client Name	Annual Income as per RPF (Rs.)	Products sold	Past Experience	No. of Dependents	Percentage of monthly income to pay debts
Mr Shakthiyvelan	1 to 5 Lakh	HNI Tips	Derivative, Very less Experience in Equity	1-3	Less than 20%

37. The Enquiry Report has recorded that the product 'HNI Tips' was meant for High Networth Individuals (HNIs), based on the name of the product. HNIs, refers to high net-worth individuals who could be expected to have investible surplus of at least

Rs. 25 lakh or higher. It was observed on perusal of RPF of Mr. Shakthiyvelan, that he had a gross annual income of Rs. 1-5 lakh. Further, Mr. Shakthiyvelan had to support 1-3 dependents with less than 20% of his monthly income used to pay debts and he chose to invest Rs. 1-2 lakh in the market.

38. I find that as a registered IA, Noticee was obligated to act in a fiduciary capacity in the best interest of his clients after understanding their risk profile. However, he failed to do so by selling products meant for HNI Clients to non-HNI Clients. Accordingly, I concur with the DA that the Noticee has violated regulation 16(b) which requires an IA to have a process for assessing the risk a client is willing to take, 16(c) which requires that tools used for risk profiling by IA should be fit for the purpose and clause 2 of the Code of Conduct specified for IAs under Third Schedule read with regulation 15(9) of the IA Regulations which requires an IA to act with due skill, care and diligence.

Issue 6 - Whether fee was charged from clients arbitrarily by Noticee and services were sold by Noticee for future dates and overlapping periods?

39. The DA has found that the Noticee charged arbitrary fees from the clients, sold multiple products in short span of time to same client for future dates and also sold products for overlapping periods.

40. In this regard, I note that the Enquiry Report has taken on record that there were following discrepancies in respect of fees charged by the Noticee from its clients:

Complainant Rajeev Kumar

Table 13

Sl. No.	Payment Amount	Invoice Date	Service Duration		Product Name	Duration in Days
			Start Date	End Date		
1	3,500	26/03/2018	March 28, 2018	April 10, 2018	Option	12
2	19,000	27/03/2018	April 02, 2018	April 18, 2018	Option Premium	16

Sl. No.	Payment Amount	Invoice Date	Service Duration		Product Name	Duration in Days
			Start Date	End Date		
3	9,900	27/03/2018	Apr 19, 2018	Apr 30, 2018	Option Premium	11
4	28,900	28/03/2018	May, 01 2018	May, 31 2018	Option Premium	30
5	19,700	05/04/2018	Jun, 01 2018	Jun 19, 2018	Option Premium	19
6	2,70,000	16/04/2018	April 18, 2018	July 25, 2018	Platinum Option	97
7	1,66,800	23/04/2018	July 26, 2018	Sep 28, 2018	Platinum Option	52
8	74,000	23/04/2018	Oct. 01, 2018	April 25, 2019	Platinum Option	205
9	1,20,000	18/05/2018	April 26, 2019	June 03, 2019	Platinum Option	39
10	89,700	25/05/2018	June 04, 2019	July 03, 2019	Platinum Option	30
11	21,300	02/07/2018	July 04, 2019	July 11, 2019	Platinum Option	7
12	29,801	31/01/2019	Feb 04, 2019	Feb 14, 2019	Platinum Future	10

41. The DA has observed that for the product Option Premium, Noticee charged Rs. 9,900 for 11 days from the complainant, i.e., Mr. Rajeev Kumar (around Rs. 900 per day). Similarly, for 19 and 30 days, it charged amounts of Rs. 19,700 and Rs. 28,900, respectively, (around Rs. 1,000 per day). However, for 16 days, Noticee charged an amount of Rs. 19,000 (around Rs. 1,200 per day). Further, it was observed that for the product Platinum Option, Noticee charged Rs. 74,000 for 205 days (around Rs. 361 per day), while charging Rs. 2,70,000 for duration of 97 days (around Rs. 2,783.51 per day), which was significantly higher.

42. Further, the DA has observed that on March 26, 2018, the Noticee sold one product, viz., Option for the period March 28, 2018 to April 10, 2018. On March 27, 2018, Noticee sold another product for the period April 02 to April 18, 2018. It was further observed that on the same day, Noticee sold another product to same person for the period April 19 to April 30, 2018. Next day, i.e., on March 28, 2018, Noticee again sold product option premium to the complainant for the period May 01 to May 31, 2018. It was observed that such selling of products for the future periods kept going and on July 02, 2018, Noticee sold a product for a future period July 04 to July 11, 2019, which was one year ahead from the date of invoice.

43. The DA has also observed that on March 27, 28, 2018, and April 05, 2018, Noticee sold product Option Premium to the complainant for service duration April 19 to June 19, 2018. Subsequently, on April 16, 2018, Noticee sold product Platinum Option to complainant for service duration April 18, 2018 to July 25, 2018, which covered period April 19 to June 19, 2018, for which plan Option Premium was already active.

Complainant Sunil Sukhadev Lokhande

Table 14

Sl. No.	Invoice Date	Payment Amount (in Rs.)	Service Duration		Product Name
			Start Date	End Date	
1	April 20, 2019	9,333	May, 03 2019	May, 22 2019	Option
2	June 04, 2019	51,000	June 06, 2019	June 24, 2019	Platinum Cash
3	June 12, 2019	1,10,000	June 13, 2019	December 21, 2020	Index Option

44. The DA has observed that on June 12, 2019, Noticee sold the product, viz., Index Option for the period June 13, 2019 to December 21, 2020, which was for a period one year ahead from the date of invoice. It was further observed that on June 04, 2019, Noticee sold product Platinum Cash to the complainant, i.e.,

Mr. Sunil Sukhdev Lokhande for service duration June 06 to June 24, 2019. Subsequently, on June 12, 2019, Noticee sold product Index Option to the complainant for service duration June 13, 2019 to December 21, 2020, which covered period June 12 to June 24, 2019 for which plan Platinum Cash was already active.

Complainant TPS Vardan

Table 15

Sl. No.	Invoice Date	Payment Amount (Rs.)	Service Duration		Product Name	Duration in Days
			Start Date	End Date		
1	May 31, 2018	10,001	June 04, 2018	June 26, 2018	Stock Cash	22
2	June 12, 2018	15,045	July 02, 2018	July 10, 2018	Blue Chip Tips	8
3	June 15, 2018	21,664	July 11, 2018	July 18, 2018	Blue Chip Tips	7
4	June 15, 2018	70,000	July 19, 2018	August 07, 2018	Blue Chip Tips	19
5	June 20, 2018	70,000	August 08, 2018	August 27, 2018	Blue Chip Tips	19
6	June 25, 2018	1,00,000	August 28, 2018	September 26, 2018	Blue Chip Tips	29
7	June 29, 2018	1,29,339	September 27, 2018	November 07, 2018	Blue Chip Tips	41
8	June 30, 2018	2,05,000	November 08, 2018	February 04, 2019	Blue Chip Tips	88
9	July 02, 2018	68,000	February 05, 2019	February 25, 2019	Blue Chip Tips	20
10	July 02, 2018	2,000	February 26, 2019	February 26, 2019	Blue Chip Tips	1
11	July 17, 2018	4,56,164	February 27, 2019	September 16, 2019	Blue Chip Tips	201
12	Oct. 29, 2018	36,108	September 17, 2019	October 03, 2019	Blue Chip Tips	16

45. The DA has observed that for the invoice date June 12, 2018, in respect of the product Blue Chip Tips, the Noticee charged Rs. 15,045 for 8 days from complainant Mr. TPS Vardan (around Rs 1,880.63 per day). However, for the invoices dated June 15 and 20, 2018 pertaining to service duration of 19 days each, the Noticee charged an amount of Rs. 70,000 (around Rs. 3,684.21 per day),

which was significantly higher. It was observed that Noticee started selling its services to the complainant starting from May 31, 2018 when it sold complainant the product, viz., Stock Cash for the period June 04 to 26, 2018. However, before end of that service period on June 26, 2018, Noticee sold 5 more packages of the same product Blue Chip Tips for the period July 02, 2018 to September 26, 2018. Thereafter, on June 29, 2018 and June 30, 2018, Noticee sold Blue Chip Tips for the periods September 27, 2018 to November 07, 2018 and November 08, 2018 to February 04, 2019, respectively. Further, in month of July, 2018, Noticee sold Blue Chip Tips to the complainant, 3 more times for the period February 05, 2019 to September 16, 2019. On October 29, 2018, Noticee sold Blue Chip Tips to the complainant for the period September 17, 2019 to October 03, 2019, which was a period of almost one year ahead from the date of invoice.

Complainant Vikram Shah

Table 16

Sl. No.	Date	Amount (Rs.)	Service	Service Date		Duration in days
				From	To	
1	22-Feb-19	14,202	OPTION PREMIUM	27-Feb-19	11-Mar-19	12
2	26-Feb-19	64,192	OPTION PREMIUM	12-Mar-19	16-May-19	65
3	26-Feb-19	17,632	OPTION PREMIUM	17-May-19	04-Jun-19	18
4	27-Feb-19	57,291	OPTION PREMIUM	05-Jun-19	25-Jul-19	50
5	27-Feb-19	40,000	OPTION PREMIUM	26-Jul-19	23-Sep-19	59
6	28-Feb-19	1,06,683	STAR MULTIBAGGER	04-Mar-19	30-Apr-19	57
7	01-Mar-19	29,999	STAR MULTIBAGGER	01-May-19	16-May-19	15
8	02-Mar-19	31,080	STAR MULTIBAGGER	17-May-19	10-Jun-19	24
9	06-Mar-19	1,40,000	HNI TIPS	08-Mar-19	10-Apr-19	33
10	23-Mar-19	49,347	HNI TIPS	11-Apr-19	23-Apr-19	12

Sl. No.	Date	Amount (Rs.)	Service	Service Date		Duration in days
				From	To	
11	23-Mar-19	50,551	HNI TIPS	24-Apr-19	06-May-19	12
12	26-Mar-19	43,690	HNI TIPS	07-May-19	20-May-19	13
13	26-Mar-19	10,211	HNI TIPS	21-May-19	23-May-19	2
14	29-Mar-19	46,100	OPTION PREMIUM	24-Sep-19	04-Nov-19	41
15	31-May-19	35,050	HNI TIPS	03-Jun-19	10-Jun-19	7
16	31-May-19	7,136	HNI TIPS	11-Jun-19	12-Jun-19	1
17	18-Jun-19	14,333	STOCK CASH	19-Jun-19	22-Jul-19	33
18	08-Jul-19	20,003	STAR PARIVAR PACK	11-Jul-19	25-Jul-19	14
19	17-Jul-19	22,145	STAR PARIVAR PACK	26-Jul-19	19-Aug-19	24
	Total	7,99,645				

46. The DA has observed the following 3 instances where the Noticee has charged fees arbitrarily:

Instance 1 – For the product Option Premium, Noticee charged Rs. 40,000 from the complainant, viz., Mr. Vikram Shah for the period July 26, 2019 to September 23, 2019, i.e., 59 days (around Rs. 678 per day). However, for the same product, Noticee charged Rs. 64,192 for the period March 12, 2019 to May 16, 2019, i.e., 65 days (around Rs. 987.57 per day), which was significantly higher.

Instance 2 – For the product Star Multibagger, Noticee charged Rs. 31,080 from the complainant for the period May 17, 2019 to June 10, 2019, i.e., 24 days (around Rs. 1,295 per day). However, for the same product, Noticee charged Rs. 1,06,683 for the period March 04, 2019 to April 30, 2019, i.e., 57 days (around Rs. 1,871.63 per day), which was significantly higher.

Instance 3 – For the product HNI Tips, Noticee charged Rs. 43,690 from the complainant for the period May 07, 2019 to May 20, 2019, i.e., 13 days (around Rs. 3,360.77 per day). However, for the same product, Noticee charged

Rs. 1,40,000 for the period March 08, 2019 to April 10, 2019, i.e., 33 days (around Rs. 4,242.42 per day), which was significantly higher.

47. Further, the DA has observed that the Noticee sold multiple packages of product Option Premium to the complainant in the last week of February 2019 for different durations covering period February 27, 2019 to September 23, 2019. Thereafter, Noticee sold product, viz., Star Multibagger three times covering period March 04, 2019 to June 10, 2019, for which Product Option Premium was already active. Subsequently, Noticee sold product HNI Tips seven times for different durations covering the period March 08, 2019 to June 12, 2019, for which products Option Premium and Star Multibagger were already active. It was further observed that on July 2019, Noticee sold Star Parivar Pack two times covering the period July 11, 2019 to August 19, 2019, for which product Option Premium was already active.

Complainant Mamidi Jibratan

Table 17

Sl. No.	Date of invoice	Amount	Service start date	Service end date	Name of the Service	Duration in days
1	28/12/2017	18,054	08/01/2018	16/07/2018	STOCK CASH	189
2	02/01/2018	19,258	17/07/2018	25/02/2019	STOCK CASH	223
3	10/01/2018	42,126	11/01/2018	20/01/2018	HNI TIPS	9
4	10/01/2018	16,314	08/02/2018	14/02/2018	HNI TIPS	6
5	10/01/2018	16,314	15/02/2018	21/02/2018	HNI TIPS	6
6	10/01/2018	16,314	01/02/2018	07/02/2018	HNI TIPS	6
7	16/01/2018	18,054	22/02/2018	28/02/2018	HNI TIPS	6
8	16/01/2018	1,203	22/01/2018	29/01/2018	STOCK CASH	7
9	16/01/2018	5,416	30/01/2018	20/02/2018	STOCK CASH	21
10	18/01/2018	25,275	01/03/2018	08/03/2018	HNI TIPS	7

Sl. No.	Date of invoice	Amount	Service start date	Service end date	Name of the Service	Duration in days
11	20/01/2018	30,090	09/03/2018	19/03/2018	HNI TIPS	10
12	22/01/2018	1,20,360	20/03/2018	27/04/2018	HNI TIPS	38
13	23/01/2018	52,958	30/04/2018	14/05/2018	HNI TIPS	14
14	29/01/2018	66,198	18/06/2018	13/07/2018	HNI TIPS	25
15	29/01/2018	66,198	15/05/2018	31/05/2018	HNI TIPS	16
16	29/01/2018	66,198	01/06/2018	15/06/2018	HNI TIPS	14
17	06/02/2018	30,090	16/07/2018	24/07/2018	HNI TIPS	8
18	07/02/2018	30,090	25/07/2018	02/08/2018	HNI TIPS	8
19	13/02/2018	11,016	03/08/2018	21/08/2018	HNI TIPS	18
20	15/02/2018	2,01,001	22/08/2018	09/10/2018	HNI TIPS	48
21	15/02/2018	16,248	10/10/2018	16/10/2018	HNI TIPS	6
22	20/02/2018	40,320	17/10/2018	26/10/2018	HNI TIPS	9
23	20/02/2018	1,42,145	29/10/2018	14/01/2019	HNI TIPS	77
24	05/03/2018	2,40,118	15/01/2019	12/03/2019	HNI TIPS	56
25	09/04/2018	1,28,063	13/03/2019	10/04/2019	HNI TIPS	28
26	03/05/2018	72,095	04/05/2018	11/06/2018	CIRCUIT PLAN	38
27	07/05/2018	58,675	12/06/2018	11/07/2018	CIRCUIT PLAN (STOCK CASH)	29
28	25/05/2018	2,50,000	11/04/2019	03/06/2019	HNI TIPS	53

Sl. No	Date of invoice	Amount	Service start date	Service end date	Name of the Service	Duration in days
29	30/05/2018	3,20,000	04/06/2019	21/08/2019	HNI TIPS	78
30	31/05/2018	80,000	22/08/2019	09/09/2019	HNI TIPS	18
31	08/06/2018	1,11,111	10/09/2019	29/10/2019	HNI TIPS	49
32	10/07/2018	1,44,004	12/07/2018	05/10/2018	CIRCUIT PLAN (STOCK CASH)	85
33	31/07/2018	61,022	08/10/2018	22/10/2018	HNI TIPS	14
34	14/08/2018	1,90,168	27/08/2018	11/12/2018	STAR MULTI BAGGER	106
35	14/08/2018	24,072	12/12/2018	26/12/2018	STAR MULTI BAGGER	14
36	16/08/2018	41,042	27/12/2018	17/01/2019	STAR MULTI BAGGER	21
37	16/08/2018	59,096	18/01/2019	18/03/2019	STAR MULTI BAGGER	59
38	17/08/2018	67,040	19/03/2019	23/04/2019	STAR MULTI BAGGER	35
39	24/08/2018	68,605	24/04/2019	30/05/2019	STAR MULTI BAGGER	36

Sl. No.	Date of invoice	Amount	Service start date	Service end date	Name of the Service	Duration in days
40	30/08/2018	67,040	31/05/2019	08/07/2019	STAR MULTI BAGGER	38
41	01/09/2018	1,25,054	09/07/2019	19/09/2019	STAR MULTI BAGGER	72
42	17/09/2018	96,001	01/10/2018	12/02/2019	SWING TRADES	134
43	14/11/2018	55,004	15/11/2018	11/02/2019	PLATINUM FUTURE	88

48. The DA has observed that the following two instances were noted from the fees charged to complainant Mamidi Jibratan:

Instance 1: On February 13, 2018, for the product HNI Tips, Noticee charged Rs. 11,016 for 18 days from the complainant, viz., Mr. Mamidi Jibratan (around Rs. 612 per day). However, February 20, 2018, for 77 days, the Noticee charged an amount of Rs. 1,42,145 (around Rs. 1,846.04 per day), and on May 30, 2018, for 78 days, Noticee charged an amount of Rs. 3,20,000 (around Rs 4,102.56 per day).

Instance 2: On January 16, 2018, for the product Stock Cash, Noticee charged Rs. 1,203 for 7 days from complainant (around Rs. 171.85 per day). However, on same day for 21 days, Noticee charged an amount of Rs. 5,416 (around Rs. 257.90 per day), which was significantly higher.

49. Further, on December 28, 2017, Noticee sold one product, viz., Stock Cash for the period January 08, 2018 to July 16, 2018 to the complainant. Subsequently, on January 02, 2018, Noticee sold another product for the period July 17 to February 25, 2019 to the complainant. On January 10, 2018, Noticee sold 4 packages of product HNI Tips for the period January 11, 2018 to

February 07, 2018. Thereafter, on January 16 and 18, 2018, Noticee sold two packages of each of the products HNI Tips and Stock Cash for the period February 22 to March 08, 2018. Further, between January 20 and 29, 2018, Noticee sold six packages of product HNI Tips for the period March 09, 2018 to June 15, 2018. It was observed that such selling of products for the future periods kept going and on March 05, 2018, Noticee sold a product for a future period January 15 to March 12, 2019, which was one year ahead from the date of invoice. Further, it was observed that all the aforesaid products were sold for service duration January 11, 2018 to March 12, 2019, which covered the period January 08, 2018 to February 25, 2019, for which the product, viz., Stock Cash was already active.

50. In view of the above observations with respect to several complaints, I find that the Noticee failed to act in fiduciary capacity towards its clients by charging fees arbitrarily, by selling services for future dates which were in some instances one year ahead from date of invoice and selling services for different products to same person for overlapping periods. Hence, I concur with the DA that the Noticee indulged in such practices to defraud clients and to earn maximum fees and did not act honestly, fairly, diligently and in the best interests of its clients. Thus, I find that the Noticee has violated provisions of regulation 15(1) and 15(9) read with clause 1, 2 and 6 of the Code of Conduct specified for IAs under Third Schedule of the IA Regulations. Further, having sold services for future dates and thereby inducing its clients to trade in the market, Noticee has violated 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.

Issue 7 - Whether fees charged by Noticee from clients was high compared with investment amounts and annual income of clients and whether clients were compelled to pay additional fees? Whether the Noticee failed to render service after receipt of fees?

Whether fees charged by Noticee from clients was high compared with investment amounts and annual income of clients?

51. The DA has found that the Noticee charged exorbitant fees from its clients to enhance his income.

52. In this regard, I note that the Enquiry Report has given details of following 9 clients:

Table 18

Sl. No.	Client Name	Fees Charged (Rs.)	Proposed Investment (Rs.)	Annual Income (Rs.)
1	Rajeev Kumar	8,52,601	Less than 1 Lakh	1 to 5 Lakh
2	Sunil Lokhande	1,70,333	1 to 2 Lakh	1 to 5 Lakh
3	TPS Vardan	11,83,321	1 Lakh	1 to 5 Lakh
4	Vikram Shah	7,99,645	1 to 2 Lakh	5 to 15 Lakh
5	Harninder Singh	61,383	1 to 2 Lakh	1 to 5 Lakh
6	Pradeep Singh Rawat	1,08,094	1 to 2 Lakh	5 to 15 Lakh
7	Tripti Goyal	1,78,733	1 to 2 Lakh	1 to 5 Lakh
8	Pilli Bhaskar	7,95,048.39	1 to 2 Lakh	Below 1 Lakh
9	Mamidi Jibratan	33,09,450	1 to 2 Lakh	5 to 15 Lakh

53. The DA has observed that the Noticee was charging exorbitantly high fees from its clients. In case of the clients, viz., Rajeev Kumar, TPS Vardan, and Pilli Bhaskar, the advisory fees charged by the Noticee was greater than their annual incomes. It was further observed that in case of 9 out of 10 clients, the fees charged by the Noticee was higher than proposed investment amount of clients.

54. The DA has also observed that the Noticee had received payments towards subscriptions for its packages, however, it sought additional amount from the client while refusing to provide the service unless the client made the aforesaid payment. It was observed that, vide his complaint to SEBI, one complainant, viz., Mr. Manoj Kumar stated that the Noticee initially asked him to pay Rs. 14,200 for recommendations with 90% accuracy. The complainant had further stated that after payment of the aforesaid amount, the Noticee transferred his profile to senior executive 'Ms. Supriya', who was supposed to make the client earn Rs. 3-4 lakh

per week. Thereafter, representative of the Noticee demanded an additional amount of Rs. 35,000 to start work, and the Complainant paid the said amount to the Noticee. However, it was observed that 'Ms. Supriya' called him again and told that he was supposed to pay her fees which was actually Rs. 1,20,000.

55. Thus, I find that the Noticee did not act fairly, honestly and in best interest of clients, and that the fees charged by the Noticee was not fair and reasonable and the Noticee also compelled clients to pay additional fees.

56. Accordingly, I agree with the DA that the Noticee violated clauses 1, 2 and 6 of Code of Conduct as mentioned in Third Schedule read with regulation 15(9) of the IA Regulations. I find that the act of the Noticee of charging high fees from the clients are fraudulent in nature and therefore covered under the definition of "fraud" under PFUTP Regulations and hence, I disagree with the finding of DA regarding the same and conclude that the Noticee is in violation of Regulations 3(a), (b), (c) and (d) of PFUTP Regulations read with section 12A(a), (b) and (c) of SEBI Act in this regard.

57. However, with respect to the allegation of compelling clients to pay additional fees, I find that the aforesaid acts of the Noticee were in complete disregard to the responsibility entrusted on it under the IA Regulations to act in fiduciary capacity and in the best interest of its clients. Hence, I agree with the DA that the Noticee violated Clauses 1, 2 and 6 of Code of Conduct as mentioned in Third Schedule read with regulation 15(9) of IA Regulations and further find that the said act of charging high fees are in violation of the provisions of Regulations 3(a), (b), (c) and (d) of PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act.

Whether the Noticee failed to render service after receipt of fees?

58. The DA has found that the Noticee did not give the services even after receipt of fees from clients. In this regard, the Enquiry Report has taken on record two complaints as given below:

58.1. Complaint of Mr. Rajesh Kumar: The complainant stated that he had paid fees amounting to Rs. 1,73,023 in tranches to avail the services. However,

after receiving the fees, representatives of the Noticee stopped receiving his calls and failed to render any service.

58.2. Complaint of Mr. Tejas Mohan Bhasme: The complainant in his complaint dated June 04, 2018 to SEBI stated that he had paid amount of Rs. 7,34,000 in tranches for subscription packages. Thereafter, he was asked by the Noticee to upgrade services. The complainant then requested to the Noticee for refund of money, however, the Noticee neither paid heed to his request nor provided him with any services.

59. I find that such acts were in complete disregard to the responsibility entrusted on the Noticee under the IA Regulations to act in fiduciary capacity and in the best interest of its clients. Hence, I agree with the DA that the Noticee has violated clauses 1, 2 and 6 of Code of Conduct as mentioned in Third Schedule read with regulation 15(9) of IA Regulations. However, I am unable to agree with the DA that not rendering services after receipt of the fees is not covered under the definition of “fraud” under PFUTP Regulations. I find that the acts of the Noticee of charging fees from the clients and not rendering services for the same amount to fraud and deceit and hence, I find that the Noticee is in violation the provisions of regulations 3(a), (b), (c) and (d) of PFUTP Regulations read with section 12A(a), (b) and (c) of SEBI Act.

Issue 8 - Whether the Noticee failed to redress SCORES complaints?

60. The DA has found that there were 24 unique complaints pending against the Noticee that were forwarded to the Noticee by SEBI but the Noticee failed to redress the complaints and did not file Action Taken Report (hereinafter referred to as ATR). In this regard, the Enquiry Report has taken the following 24 complaints on record:

Table 19

Sl. No.	Complaint No.	Name of the complainant	Status	Date of receipt	Date of forwarding to IA	Date of Final ATR filed by the complainant
1	SEBI/MP21/000 0438/1	Tripti Goyal	Pending	18/02/2021	22/03/2021	ATR not received

Sl. No.	Complaint No.	Name of the complainant	Status	Date of receipt	Date of forwarding to IA	Date of Final ATR filed by the complainant
2	SEBIE/MP21/000 0177/1	Vikram M Shah	Pending	26/12/2020	27/01/2021	ATR not received
3	SEBIE/MP20/000 1992/1	Shakthiyvelan	Pending	28/10/2020	19/12/2020	ATR not received
4	SEBIE/MP20/000 1892/1	Yogesh Srinivas More	Pending	10/08/2020	08/12/2020	ATR not received
5	SEBIE/MP20/000 1729/1	Harnander Singh	Pending	08/08/2020	08/12/2020	ATR not received
6	SEBIE/MP20/000 1402/1	Pilli Bhaskhar	Pending	07/02/2020	08/12/2020	ATR not received
7	SEBIE/MP20/000 1346/1	Vikas Prajapat	Pending	22/06/2020	19/12/2020	ATR not received
8	SEBIE/MP20/000 1302/1	Venugopal	Pending	06/01/2020	19/12/2020	ATR not received
9	SEBIE/MP20/000 1248/1	Dasaradhi Pothuri	Pending	07/10/2020	15/07/2020	ATR not received
10	SEBIE/MP20/000 0739/1	Sunil Sukhadev Lokhande	Pending	15/02/2020	21/12/2020	ATR not received
11	SEBIE/MP20/000 0076/1	Nayan Vaghasia	Pending	12/07/2019	04/12/2020	ATR not received
12	SEBIE/MP19/000 3171/1	Nayan Vaghasia	Pending	28/11/2019	04/12/2020	ATR not received
13	SEBIE/MP19/000 2894/1	Shakthiyvelan	Pending	12/06/2019	25/02/2020	ATR not received
14	SEBIE/MP19/000 2890/1	Pushkar Saxena	Pending	12/05/2019	25/02/2020	ATR not received
15	SEBIE/MP19/000 2754/1	T P Srinivasav Aradan	Pending	25/11/2019	25/02/2020	ATR not received
16	SEBIE/MP19/000 2753/1	T P Srinivasav aradan	Pending	25/11/2019	25/02/2020	ATR not received
17	SEBIE/MP19/000 2730/1	Raghunath Gadre	Pending	22/11/2019	25/02/2020	ATR not received
18	SEBIE/MP19/000 2729/1	Raghunath Gadre	Pending	22/11/2019	25/02/2020	ATR not received
19	SEBIE/MP19/000 2460/1	Kuresh sahu	Pending	21/09/2019	23/10/2019	ATR not received
20	SEBIE/MP19/000 2399/1	Prashant K Shabadi	Pending	09/12/2019	14/10/2019	ATR not received

Sl. No.	Complaint No.	Name of the complainant	Status	Date of receipt	Date of forwarding to IA	Date of Final ATR filed by the complainant
21	SEBIE/MP19/000 2318/1	Karan Kumar	Pending	30/08/2019	14/10/2019	ATR not received
22	SEBIP/MP19/000 0377/1	Manoj Kumar	Pending	17/09/2019	24/09/2019	ATR not received
23	SEBIE/MP19/000 2158/1	Kinhikar Manoj Arvind	Pending	09/09/2019	12/09/2019	ATR not received
24	SEBIE/MP19/000 2090/1	Pradeep Singh Rawat	Pending	28/08/2019	12/09/2019	ATR not received

61. I note that in terms of Circular CIR/OIAE/2014 dated December 18, 2014 on “Redressal of Investor grievances through SEBI Complaints Redress System (SCORES) Platform” it was advised, inter alia, that IAs are required to review their investors grievances redressal mechanism so as to further strengthen it and correct the existing shortcomings, if any. Further, it was directed that, inter alia, IAs, to whom complaints are forwarded through SCORES, should take immediate efforts on receipt of a complaint for its resolution, within thirty days. The said circular has stated that in case of failure to file the ATR under SCORES within thirty days of date of receipt of the grievance, it should be treated as failure to furnish information to SEBI and deemed to constitute non-redressal of investor grievance. Further, regulation 21(1) of IA Regulations mandates that Investment Adviser must redress client grievances promptly. Regulation 28(f) of IA Regulation states that IA would be liable for action if it failed to resolve the complaints of investors or failed to give a satisfactory reply to the Board.

62. Hence, I agree with the DA that by failing to redress the complaints, the Noticee has violated the provisions of SEBI circular CIR/OIAE/2014 dated December 18, 2014, and regulation 21(1) and 28(f) of IA Regulations.

Issue 9 - Whether the Noticee failed to submit information sought by SEBI?

63. The DA has observed that the Noticee did not furnish the information sought by SEBI vide its letter dated August 19, 2020 with respect to compliance with SEBI’s

interim order dated November 13, 2019. SEBI had, vide letter dated August 19, 2020, also advised the Noticee to submit contact details of its compliance officer, copy of Risk Profile Form(s), details of all the bank accounts of the Noticee and its proprietor along with their statements, client master data, total number of clients along with their assets under advisory, sample copy of agreement entered into with the clients, sample copies of invoices for different strategies, details of fee structure, details of year wise fees collected since date of registration and copy of audited financial statements for last three years, etc. However, it was observed that the Noticee failed to respond. Thereafter, it was observed that, vide emails dated May 14 and 23, 2022, the Noticee was again advised to file aforesaid information. However, the Noticee again failed to respond.

64. I note from the provision of regulation 15(12) that it is a general responsibility of a registered IA to furnish to the Board information and reports as may be specified by the Board from time to time. Hence, in view of the aforesaid facts, I agree with the DA that the Noticee has violated regulation 15(12) of IA Regulations.

Issue 10 - Whether the Noticee did not comply with SEBI order dated November 13, 2019?

65. The DA has found that just the failure by the Noticee to confirm compliance with the directions of SEBI order alone cannot establish non-compliance by the Noticee with the SEBI order dated November 13, 2019. The DA has observed that there is nothing on record which proves that the directions have not been complied with by the Noticee.

66. In this regard, I note that one of the directions in the interim order dated November 13, 2019 in the instant matter was *“The Noticee and any other employee/ person working under him/ under his instructions shall discharge all their obligations, as required under the SEBI (Investment Advisor) Regulations, 2013, towards the existing clients in respect of the investment advisory services that it has to deliver as mentioned in para 38 (b) above.”* However, I find that ATR has not been filed with respect to these complaints till date and accordingly, I find that the Noticee has not complied with the directions in the said interim order.

Issue 11 - Whether the Noticee submitted incorrect details to SEBI at the time of seeking registration as an IA?

67. The DA has observed that the Noticee had obtained registration from SEBI as an IA by submitting incorrect information. In this regard, the Enquiry Report has taken on record that at the time of seeking registration, Noticee submitted an experience certificate of Arihant Capital Markets Ltd. (SEBI registered Stock Broker), signed by one Mr. Krishna Yadav in his capacity as SEBI registered sub-broker of Arihant Capital Markets Ltd., as a Supporting Financial Advisor from October 01, 2009 to February 05, 2015. To determine veracity of the said experience certificate, confirmation was sought from Arihant Capital Markets Ltd. regarding the authenticity of the experience certificate submitted to SEBI by Mr. Dharmendra Kumar. In response, compliance officer of Arihant Capital Market Ltd. submitted the following:

- 67.1. Mr. Dharmendra Kumar was not working with Arihant Capital Markets Ltd. as mentioned in the experience certificate.
- 67.2. The certificate issued by the sub-broker has never been authorized by Arihant Capital Markets Limited.
- 67.3. The said sub-broker, viz., Mr. Krishna Yadav, was registered with SEBI on March 12, 2010 and his registration has been cancelled by SEBI on December 30, 2014.

68. Further, the Enquiry Report has noted that the experience letters submitted by Mr. Dharmendra Kumar state that *“This is to certify Mr. Dharmendra Kumar was working at Arihant Capital Markets Ltd. Under Mr. Krishna Yadav Sub Broker. As a Supporting Financial Advisor from 1st Oct 2009 to 5th Feb 2015.”* Hence, the DA has observed that Mr. Dharmendra Kumar did not submit true and accurate facts of his experience to SEBI at the time of seeking registration as an IA and he was not appropriately qualified to seek registration.

69. Further, the Enquiry Report has noted that while the experience letter mentioned that Mr. Dharmendra Kumar was working under the sub-broker from October 01, 2009 to February 05, 2015, the operations of the sub-broker had been inactive after March 31, 2012, in view of his nil turnover, as reported by the broker. It was

observed that in the absence of any active client and no transaction being executed through the sub-broker after March 31, 2012, the Noticee had no occasion to gain any experience under the sub-broker. Therefore, it was observed that if the Noticee, Mr. Dharmendra Kumar was working under the sub-broker from March 12, 2010 (the date of registration with the Broker) till March 31, 2012, then Mr. Dharmendra Kumar in fact had at most two years of actual experience of working in the securities markets as against the minimum requirement of five years. However, the fact that the sub-broker was not active was known to the Noticee in view of the absence of transactions after March 31, 2012 through the sub-broker. It was observed that despite this knowledge of the Noticee, he misrepresented in his application for registration that he had five years of experience under the sub-broker. Therefore, it was observed that the Noticee knew that he did not meet the minimum requirement of five years' experience and had knowingly misrepresented his experience details to SEBI when seeking registration.

70. Hence, I find that Mr. Dharmendra Kumar had not submitted true and accurate facts of his experience to SEBI at the time of seeking registration as an IA and he was not appropriately qualified to seek registration. In effect, by obtaining registration from SEBI on the basis of incorrect information, the Noticee had also knowingly misrepresented to investors that he was competent to possess the certificate of registration as an IA under the IA Regulations. Accordingly, I agree with the DA that the Noticee has violated regulation 13 of the IA Regulations and regulations 6(b) and 6(f) read with regulations 7(1)(b) and 13(a) of the IA Regulations.

71. I note that the Noticee has not submitted any response with regard to any of the allegations made in the SCN. Although the Noticee was represented by his AR in hearing dated December 07, 2023, no reply has been filed by the Noticee. In this regard, I note that the Hon'ble Securities Appellate Tribunal (SAT) in the matter of *Classic Credit Ltd. vs. SEBI (Appeal No. 68 of 2003 decided on December 08, 2006)*, inter alia, held that –

"..... the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the showcause notice were admitted by them"

72. In view of the facts and circumstances of the case, material placed before me as discussed above and the violations as brought out above, I find that the violations by the Noticee are grave in nature and the acts of Noticee are detrimental to the interest of the investors in the securities market.

73. Further, I note that vide an order dated August 23, 2023, the Adjudicating Officer, SEBI has imposed a monetary penalty of Rs. 20 lakh on the Noticee for the violation of the provisions of SEBI Circular CIR/OIAE/2014 dated December 18, 2014, regulation 21(1) read with regulation 28(f) of IA Regulations, clauses 1, 2, 3, 5, 6, 7 and 8 as specified under Third Schedule of Code of Conduct for Investment Advisers read with regulation 15(9) of IA Regulations, regulation 6, 7, 13, 15(1), 15(3), 15(4), 15(5), 15(12), 15(13), 16, 17, 18(2), 18(4), 18(6), 19(1), 19(2), 21(2) of the IA Regulations, regulations 6(b) and 6(f) read with regulations 7(1)(b) and 13(a) of the IA Regulations, regulation 3 (a), (b), (c) and (d), 4(1) and 4(2)(k), 4(2)(o) and 4(2)(s) of the PFUTP Regulations read with Section 12A(a), (b) and (c) of the SEBI Act.

74. Therefore, I agree with the recommendation of the DA in his report dated August 23, 2023 that the certificate of registration of Star India Market Research, bearing Registration No: INA000003627, may be cancelled.

ORDER AND DIRECTIONS

75. I, in exercise of the powers conferred upon me in terms of Section 12(3) and Section 19 of the SEBI Act read with Regulation 27(5) of the Intermediaries Regulations, 2008, hereby cancel the certificate of Registration as an IA, granted to the Noticee namely, Star India Market Research, Proprietor: Mr. Dharmendra Kumar (*SEBI Registration No. INA000003627*).

76. The above direction for cancellation of certificate of registration of the Noticee, Star India Market Research Proprietor: Mr. Dharmendra Kumar (*SEBI Registration No.*

INA000003627) shall not preclude it from redressing the grievances of its clients, or refund monies to such clients, as the case may be.

77. The Order shall come into force with the immediate effect.

78. A copy of this Order shall be forwarded to the Noticee (Proprietor: Mr. Dharmendra Kumar) , all the recognized Stock Exchanges, depositories, BSE Administration and Supervision Limited (BASL) and registrar and transfer agents for ensuring compliance with the above directions.

Date: December 29, 2023

Place: Mumbai

**DR. ANITHA ANOOP
CHIEF GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA**