

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTIONS 11(1), 11(4), 11(4A), 11B (1) AND 11B (2) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF WEALTHIT GLOBAL (PROPRIETOR: MOHIT MANGHNANI)

IN RESPECT OF:

Noticee No.	NAME	PAN	SEBI Registration No.
1	Wealthit Global (Proprietor Mohit Manghnani)	CXGPM4395H (PAN OF PROPRIETOR MOHIT MANGHNANI)	INA000005473

BACKGROUND

1. Wealthit Global (Proprietor Mohit Manghnani) is registered with SEBI as an Investment Adviser (hereinafter referred to as the “**Wealthit**” or “**IA**” or “**Noticee**”) under the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 (hereinafter referred to as the “**IA Regulations**”), having registration number INA000005473, since August 29, 2016.
2. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) had conducted an inspection of the books of accounts, records and other documents of the noticee for the period of April 1, 2018 to January 06, 2020 (hereinafter referred to as “**the inspection period**”) in order to examine the compliance of various requirements under the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the “**SEBI Act**”), regulations and circulars/ directions issued thereunder. The said inspection was conducted from January 06, 2020 to January 09, 2020.
3. Based on the findings of the inspection, SEBI issued a Show Cause Notice dated May 19, 2022 (hereinafter referred to as the “**SCN**”) to the noticee to show cause as to why appropriate directions should not be issued under Sections 11(1), 11B(1), 11(4) of the SEBI Act, 1992 against the noticee and why penalty should not be imposed under Sections 11B(2) and 11(4A) of the SEBI Act read with Sections 15HA, 15HB and 15EB

of the SEBI Act, 1992 and Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 upon the noticee. The noticee was also asked to show cause as to why directions to refund the amount of Rs.7,30,11,826 collected from the clients/investors/complainants on or after April 01, 2018, as fees or consideration or in any other form in respect of the investment advisory activities should not be issued.

SHOW-CAUSE NOTICE, REPLY AND PERSONAL HEARING

4. Based on the findings of the inspection, the allegations levelled against the noticee in the SCN, are summarized hereunder:
 - i. The noticee, a registered investment adviser with SEBI failed to comply with SEBI directions with respect to inspection of the noticee wherein the noticee failed to extend co-operation in the inspection proceedings;
 - ii. The noticee deceived its clients by not disclosing material information and/or misleading its clients;
 - iii. The noticee continued to act as Investment Adviser even after expiry of his NISM certification on January 01, 2019;
 - iv. In view of the FIR filed against the noticee by Indore Police, the noticee is *prima facie* alleged not to be 'fit and proper' person as per schedule II of SEBI (Intermediaries Regulations), 2008;
 - v. The noticee promised assured profit and unrealistic returns to its clients;
 - vi. The noticee sold multiple and non-suitable services to its clients and charged exorbitant fees;
 - vii. The noticee failed to follow risk profiling and suitability assessment of its clients (faulty risk profiling);
 - viii. The noticee failed to communicate risk profiling to its clients;
 - ix. The noticee sold services / product to the clients and received money from the clients prior to conducting risk profiling of the clients,; and
 - x. The noticee failed to redress investor grievances.

5. From perusal of the records available, I note that the SCN was sent to the noticee through Speed Post Acknowledgment Due (SPAD) at its addresses available on record. However, the SCN could not be delivered. Thereafter, the SCN was served on the noticee by publishing the same in newspapers i.e. The Times of India (Indore Edition - English), Raj Express (Indore Edition – Hindi) on June 07, 2022, Patrika (Satna Edition – Hindi) and The Times of India (Jabalpur Edition - English) on July 07, 2022. The public notices also provided the details of the SEBI official concerned from whom the said SCN could be collected. The SCN was also published on SEBI website i.e. www.sebi.gov.in on June 01, 2022 under the head 'Unserved Summons / Notices'. As per records, no reply has been received from the noticee in response to the SCN issued.
6. In the interest of natural justice, the noticee was granted opportunity for personal hearing before me on November 29, 2022 through video conferencing. The notice of hearing was sent through SPAD at the known addresses of the noticee and was delivered to the noticee on October 27, 2022. Further a copy of the hearing notice was also sent to the email addresses of the noticee available in records. The said hearing notice was also published in the Times of India (English), Indore Edition and Nai Duniya (Hindi), Indore Edition on October 29, 2022. Further, the hearing notices were also published on SEBI website i.e. www.sebi.gov.in on October 31, 2022. However, the noticee did not appear for the said personal hearing.
7. Although the noticee had failed to attend the personal hearing scheduled on November 29, 2022, one more opportunity of personal hearing was granted to the noticee on December 13, 2022 through video conference. The hearing notice was sent through SPAD at noticee's known addresses and the same was delivered to the noticee on December 07, 2022. Further on November 30, 2022, a copy of the said hearing notice was also sent to the email addresses of the noticee as available on records. The said hearing notice was also published in the Times of India (English), Indore Edition and Nai Duniya (Hindi), Indore Edition on December 10, 2022. Further, the hearing notices were also published on SEBI's website on December 12, 2022. However, the noticee did not avail the second opportunity of personal hearing also.

CONSIDERATION OF ISSUES AND FINDINGS

8. I observe that adequate steps have been taken to adhere to the principles of natural justice but the noticee has not cared to avail of the opportunities of being personally heard in the matter.
9. In view of the fact that the noticee failed to respond to the SCN and also failed to participate in the present proceedings before me by attending the personal hearing I am constrained to rely on the documents available on record while dealing with the matter.
10. I have perused the allegations levelled against the noticee in the SCN and other material available on record. Before proceeding to deal with the matter on its merits, I note that the noticee is alleged to have violated the provisions of the Securities and Exchange Board of India Act, 1992 ("SEBI Act"), IA Regulations, SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred as "PFUTP Regulations") and circulars issued thereunder. Therefore, the relevant provisions, alleged to have been violated by the noticee, are reproduced hereunder for ease of reference:

Relevant provisions of SEBI Act:

Prohibition of manipulative and deceptive devices

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;

Penalty for fraudulent and unfair trade practices.

15HA. *If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*

Penalty for default in case of investment adviser and research analyst.

15EB. *Where an investment adviser or a research analyst fails to comply with the regulations made by the Board or directions issued by the Board, such investment adviser or research analyst shall be liable to penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees.*

Penalty for contravention where no separate penalty has been provided.

15HB. *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.*

Relevant provisions of 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, —*

(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. (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;

(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;

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.

(13) It shall be the responsibility of the investment adviser to ensure compliance with the certification and qualification requirements as specified under Regulation 7 at all times.

Risk profiling.

16. Investment adviser shall ensure that,-

- (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;

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

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;

21. Redressal of client grievances.

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

Notice before inspection.

24. (3) During the course of an inspection, the investment adviser against whom the inspection is being carried out shall be bound to discharge its obligations as provided in regulation 25.

Obligation of investment adviser on inspection.

25. (1) It shall be the duty of every investment adviser in respect of whom an inspection has been ordered under the regulation 23 and any other associate person who is in possession of relevant information pertaining to conduct and affairs of such investment adviser, including partners, directors, principal officer and persons associated with investment advice, if any, to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with such statements and information as the inspecting authority may require for the purposes of inspection.

(2) It shall be the duty of every investment adviser and any other associate person who is in possession of relevant information pertaining to conduct and affairs of the investment adviser to give to the inspecting authority all such assistance and shall extend all such co-operation as may be required in connection with the inspection and shall furnish such information as sought by the inspecting authority in connection with the inspection.

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.

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.

Provisions of PFUTP Regulations:

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;

11. As mentioned above, the noticee has not submitted any reply in response to the SCN and also not participated in the proceedings before me. Considering the same, I am relying upon the material available on record to deliberate upon the issues that are for adjudication before me. I note that the SCN contain multiple allegations against the noticee and for the sake of convenience and clarity, I proceed to deal with each of the allegations independently.

12. Whether Wealthit Global, a registered investment adviser with SEBI, failed to comply with SEBI directions with respect to inspection?

a. It is observed from the available records that during inspection, the noticee failed to furnish information relating to its activity as an IA as required by SEBI for conducting its inspection as a registered intermediary by informing its inability to submit pre-inspection data on account of the reason that the Indore Police has seized its data.

b. It has been alleged in the SCN that the noticee did not deliberately cooperate with SEBI with respect to the inspection proceedings and did not present himself before the inspection authority for statement recording by stating that he had been advised

3 months' rest. In this regard, upon perusal of the doctor's certificate submitted by the noticee it is noted that the noticee Mr. Mohit Manghnani was advised rest for a period of 10 days only as against 3 months as claimed by the noticee. It is, therefore, evident that the noticee intentionally avoided the inspection conducted by SEBI.

- c. Further, SEBI vide letter dated November 19, 2019, had communicated to the noticee that an inspection of its books of accounts / records and other documents pertaining to its registration as an IA for the period from April 01, 2018 till the date of inspection would be carried out by SEBI, in terms of Regulation 23 of IA Regulations. The said letter advised the noticee to send its reply to the pre-inspection questionnaire by December 05, 2019. The aforesaid letter and pre-inspection questionnaire were delivered to the noticee vide email as well as by SPAD.

- d. In response, the noticee vide letter dated December 02, 2019, had *inter alia* informed that –

“I am in receipt of your aforesaid letter through E-mail, by which you have directed to conduct the inspection of books of accounts, records and other documents as per provisions of SEBI Act, 1992, SEBI (Investment Advisors) Regulations, 2013 and circulars made thereunder for the period from April 01, 2018 till date of inspection and also directed to submit the documents as per Annexure-I on 05.12.2019.

In this context, I wish to inform you that as per FIR no.0816/2019 dated 28.08.2019 of the complainant Mr. Rakesh S/O Shri Sitlaprasad Sharma Mumbai, against my company Wealth IT Global (SEBI Registration No. INA000005473), The Police Vijay Nagar, Indore has seized all the company data. The Bank accounts were also seized by the Police, Vijay Nagar, Indore. Due to aforesaid FIR, subsequently company's operations are also impacted and therefore have been stopped. Therefore, I am unable to submit the aforesaid required documents as per Annexure-I for investigation. The photocopy of the FIR no. 816/2019 is enclosed for your perusal....”

- e. According to the noticee, on the basis of a complaint, a FIR was registered against the noticee at Vijay Nagar Police Station, District Indore on August 26, 2019. A

copy of the said FIR was forwarded by the noticee to SEBI vide its letter dated December 02, 2019. However, the noticee failed to produce a copy of the seizure memo with respect to the information / data that was seized by Indore Police.

- f. In terms of Regulation 13(a) of IA Regulations the certificate of registration is granted to the IA is *inter alia* subject to the condition that the investment adviser shall abide by the provisions of the SEBI Act and the IA regulations. As per regulation 25 read with regulation 24(3) of IA Regulations, it was the duty of noticee to give to the inspecting authority all such assistance and shall extend all such co-operation as may be required in connection with the inspection and also to furnish such information as sought by the inspecting authority. Further, the IA Regulations empower the inspecting authority to examine on oath and record statement of any employees, directors, partners, principal officer and persons associated with investment advice or person responsible for or connected with the activities of investment adviser or any other associate person having relevant information pertaining to such investment adviser.
- g. It is pertinent to note that apart from its objective of protecting interest of investors, SEBI has also been entrusted with the objective to ensure orderly and robust development of securities market. For achieving the objective, SEBI as a regulator is required to conduct inspection into the affairs of various registered intermediaries with it from time to time for ensuring that they are in compliance with the provisions of Act, rules, regulations, circulars etc. issued from time to time by SEBI.
- h. In this regard, as observed above, the noticee was not available at the address provided by it. The noticee failed to cooperate with the inspection proceedings and also failed to make himself available for recording of statement before the inspecting authority. It is noted from the available records that the noticee failed to extend his co-operation after the inspection also by not replying to the SCN and also by not attending the personal hearing granted before me. By not being present at the address where it was supposed be present during inspection and by not furnishing the data and information sought from it by SEBI, the noticee has committed a serious violations of IA Regulations. Therefore, I find that the noticee has violated regulations 13(a), 25(1), 25(2), 25(3) read with 24(3) of the IA regulations.

13. Whether Wealthit Global, a registered investment adviser with SEBI, failed to disclose material information and deceived its clients?

- a. The SCN has alleged that the noticee was not found at the registered office address. I note from the records that, at the said office address, some other business was being carried out in the name of Baghel Consultancy Services from November 08, 2019. It is alleged in the SCN that no intimation for change of address was received from noticee by SEBI. The registered office address of all intermediaries, as available in SEBI records, are made available on the website of SEBI for the information of general public and therefore, any change in address of registered office of an intermediary registered with SEBI is material information. From the records, I also note that no information / intimation has been received from the noticee in respect of change in its registered address. The noticee concealed this material fact from its clients, general public and SEBI. Thus, the noticee has failed to disclose this material information regarding change in address of its registered office to SEBI and thereby deceived the general public. The act of deceiving the general public / investors amounts to 'fraud' as defined under Regulation 2(1) (c) of the PFUTP Regulations and is prohibited under Section 12A (a), (b), (c) of the SEBI Act read with regulations 3(a), 3(b), 3(c) and 3(d) of PFUTP regulations.
- b. It is further alleged in the SCN that the noticee i.e. Mr. Mohit Manghnani, Proprietor of Wealthit vide his letter dated December 02, 2019 and his email dated January 03, 2020 submitted that operations of the noticee have been stopped. However, it is seen from the records that no such disclosure to the effect that Wealthit had suspended its operations was displayed on its website at the time of inspection. At the time of inspection, the website was still showing the details of advisory products / services offered by the noticee and was being constantly updated during the inspection period.
- c. The IA Regulations mandate that, any entity which has been granted registration as an Investment Adviser under the IA Regulations, has to *inter alia* comply with certain conditions of certificate as specified under Regulation 13 of IA Regulations mentioned at pre-page 6.

- d. The records show that while applying for registration as an Investment Adviser, the noticee through application for grant of registration in Form-A had informed SEBI that the registered address and correspondence address of the noticee to conduct the business of investment advisory services will be *“101 Adinath Enclave Building Number 107, Chikitsak Nagar, Indore (M.P.)”*. In this regard, vide SEBI’s letter dated September 21, 2016, it was communicated to Wealthit that the certificate of registration has been granted subject to the conditions as specified in Regulation 13 of IA Regulations which *inter alia* prescribes the following :

“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.

...

.....”

- e. It is noted from the records that, vide letter dated April 13, 2018, the noticee communicated to SEBI with respect to its change in address to 399, PU-4, Scheme No.54, Indore, M.P. – 4520101 and the same was taken on record by SEBI. SEBI vide its letter dated September 06, 2017, had, *inter alia*, communicated to the noticee that –

“b) A declaration about the change in registered address needs to be communicated to the investors within 15 days from the date of change in address.....”

However, it is observed that the subsequent change in the address was not communicated to SEBI and to the clients by the noticee. Any information submitted to SEBI while seeking registration as Investment Adviser is considered as material information, which, *inter alia*, includes name, address of the registered office, address for correspondence and principal place of business, telephone number(s), fax number(s), e-mail address of the applicant. Such information depicts the place where investment adviser has its registered address. Accordingly, it was the responsibility of the noticee being an investment adviser to inform SEBI of the

change in its address or other information, which it failed to do so. Similarly, disclosure of discontinuation of advisory services is material information, which should have been informed to SEBI in writing and also the same should have been widely publicized on its website and through other channels communicating the same to its clients. Regulation 15(12) of IA Regulations mandates that an IA shall furnish information and reports to SEBI from time to time. Further, under clauses (1) and (8) of the code of conduct as specified in schedule III read with regulation 15(9) of IA regulations, an IA has to follow honesty and integrity and comply with the regulatory requirements. However, the noticee chose to inform only to the inspecting team about discontinuation of investment advisory services during the inspection. The noticee did not inform SEBI about change in material information which is in total disregard to the conditions of the registration as mentioned above, thereby violating the provisions of Regulation 13 (b), 15(12), 15(9) read with clauses 1 and 8 of code of conduct to IAs as specified in schedule III of the IA Regulations.

13.1. In view of the discussions in paras 12 and 13 above, I conclude that the noticee has contravened the provisions of the IA Regulations and deceived its clients and thereby violated the provisions of –

- i. Regulation 13(a), 13(b), 15(12), 25(1), 25(2), 25(3) read with 24(3), Clauses 1 & 8 of Code of Conduct for IA as specified under Third Schedule read with regulation 15(9) of IA Regulations, of IA Regulations;
- ii. Regulations 3(a), (b), (c), (d) of PFUTP Regulations read with Sections 12A(a), (b) and (c) of SEBI Act.

14. Whether requirement of renewal of NISM¹ Registration by the Investment Adviser i.e. by proprietor of Wealthit Global is mandatory.

- a. The SCN alleges that Mr. Mohit Manghnani, Proprietor of Wealthit continued to act as an investment adviser, even after expiry of his NISM certification on January 01, 2019, and he had failed to meet the eligibility criteria to act as an IA.

¹ The National Institute of Securities Market established by SEBI

- b. In this regard Regulation 7 of IA Regulations prescribes qualifications and certification requirement that need to be complied by the individual investment adviser or a principal officer of the non-individual investment adviser at all times. I note that certification and revalidation of certification is made mandatory with a view to improve the quality of intermediary services in the securities market. One of the certification requirement that has been prescribed under the said regulation is that an individual investment adviser or principal officer of a non-individual investment adviser, registered under IA 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 from NISM or 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. The regulation further provides that fresh certification must be obtained before expiry of the validity of the existing certification to ensure continuity in compliance with certification requirements.
- c. As mentioned above, while granting registration to the noticee, vide SEBI's letter dated September 21, 2016, it was, *inter alia*, communicated to the noticee that the actions of the noticee shall be governed by SEBI Act and IA Regulations in respect of the activities carried out by the noticee as an Investment Adviser.
- d. I also note from the provisions of Regulation 15(13) of the IA regulations that it is the responsibility of the investment adviser to ensure compliance with the certification and qualification requirement as specified under Regulation 7 at all times, which is a mandatory requirement.
- e. In this regard, I note from the information available on records that NISM vide email dated January 27, 2020 has informed that Mr. Mohit Manghnani did not appear for any exam after expiry of the validity period of his NISM Certificate. I also note that the NISM certification is a prerequisite qualification for an investment adviser for providing investment advisory services, which the noticee failed to comply with.

- f. In view of the above, I conclude that Mr. Mohit Manghnani, Proprietor of Wealthit has contravened the provision of regulation 7(2) read with regulation 13(a) and regulation 15(13) of IA Regulations.

15. Whether filing of FIR against Mr. Mohit Manghnani by Indore Police renders him not 'fit and proper' ?

The SCN brought out that Indore Police has lodged an FIR against the noticee's proprietor, Mr. Mohit Manghnani, and its employees under Sections 420, 406, 467, and 34 of Indian Penal Code 1860 on the basis of complaint filed by Mr. Rakesh Sharma.

While the said FIR raises serious doubt on the appropriate functioning of the noticee, it is noted that SEBI has initiated enquiry proceedings under SEBI (Intermediaries Regulations), 2008 against the noticee, *inter alia*, in respect of the above findings which are pending. Therefore, the said allegation is not examined in this order.

16. Whether the noticee promised assured profit and unrealistic returns to its clients?

16.1. The SCN has brought out that there were several complaints in SEBI Complaints Redress System (hereinafter referred to as "SCORES") alleging that Wealthit had assured guaranteed profit / indicated target returns to the complainants. It is pertinent to reproduce the contents of various complaints extracted in the SCN, for ease of understanding.

16.2. SCORES complaint no. SEBIE/MP19/ 0001874/1 filed by Mr. Kundan Kumar:

The complainant Mr.Kundan Kumar has provided a copy of the email of Wealthit dated June 15, 2019 to him wherein Wealthit has promised assured returns to the complainant. The relevant extract of email dated June 15, 2019 sent by Wealthit to the complainant is as under:

"As per our discussions we would like to inform you that our total service charges are INR 7,00,000/- in which we had decided that you have to pay INR 2,50,000/- as initial payments in which we have successfully received INR 1,00,000/- now

remaining INR 1,50,000/- you have to proceed as soon as possible within today's timeline.

*Further we had come to conclusion that after paying INR 1,50,000/- you don't have to pay any further charges till time **you are getting the profits of INR 8,00,000/-.***"

16.3. SCORES complaint No. SEBIE/MP19/0002400/1 dated September 12, 2019 filed by Mr. Krishnadevan T. :

The complainant Mr. Krishnadevan T. had alleged that Wealthit had told the complainant to pay Rs.1,20,000/- and that they would make him earn Rs.4,50,000/-. However, after Mr. Krishnadevan T. paid the money, they did not accept his call. In this connection, Mr. Krishnadevan T. has provided call recordings between him and the representative of Wealthit. Mr. Krishnadevan has also provided a copy of email dated October 01, 2019 received from Wealthit wherein Wealthit has stated that Mr. Krishnadevan has paid total amount of Rs.1,20,000/- and that his services of Stock Option HNI would be activated. The transcript of the teleconversation between the representatives of Wealthit with Mr. Krishnadevan T. is given below :

Audio Clip 1	Transcript of telecon between Rajeev and Priyanka, representatives of Wealthit and Mr. Krishnadevan T (Ph no. 0731-2443829 and 7999619315)
Telecon held on May 14, 2019	<p><u>Assured Return</u> (Time- 1:05-1:28)</p> <p>Adviser: "Aap mujhe aaj Rs. 20000 karva dijiye kyoki aapka profile already mere paas aa gayi hai. Aaj mai aapko call karunga aur aaj hi aapko ye paisa as a profit vapas mil jayega Uske baad jo bhi trade se profit aayega vo hum dono 50-50 share karenge."</p> <p>Investor: "ok sir"</p> <p>Adviser: "Toh ye mai done samjhu na phir."</p> <p>Investor: "haan done samjho sir."</p>
Telecon held on May 24, 2019	<p><u>Assured Profit on PUT option</u> (Time- 00:01 to 00:15)</p> <p>Adviser : Suniye na ek position hai...aapse baat karte samay NIFTY 750 points upar chadh gaya yani aap dekhiye thoda sa delay mai bhi kitna impact hota hai market main.</p> <p>(00:32- 1:41): -</p>

	<p>Adviser : Suniye aap ek kaam kijiye 11700 ka PUT Option ka bid lagaiye aap.</p> <p>Investor: 11700 ka?</p> <p>Adviser: Haan 11700 ka NIFTY ka. Dekhiye agar ye execute hota hai toh isme mai Rs. 30000 ka return main leke chal raha hoon. Thik hai...Bade return ke liye mujhe yahi dikh raha hai.</p> <p>Investor: Thik hai sir. Kitne pe bid lagane ka hai sir.</p> <p>Adviser: Aap uska bid Rs. 30 ka lagaiye</p> <p>Investor: 11700 ka hai na sir?</p> <p>Adviser: Haan 11700 ka Put Option Rs. 30 ka bid lagaiye aur suniye aap bataiye kab pay karenge remaining vala kyoki aajke baad aapse paise mangna nahi chahta.”</p> <p>Aaj ke baad mera agar phone jayega toh sirf profit batane ke liye jayega ki kitna profit hua hai. Toh aajke baad mai paise nahi mangunga toh aap mujhe time bataiye ki shaam ko kab tak pura ho jayega.”</p> <p>Investor: “Sir Market hours ke baad payout hota hai aisa bol rahe the vo aisa mai baat kiya tha unse.”</p> <p>Adviser: 5:30 -6 baje ka time daal du?</p> <p>Investor: ok sir 5:30 se 6 baje tak ka daal do”</p>
Telecon held on May 27, 2019	<p><u>Adviser warning investor that his profile will lapse in case he fails to pay additional amount towards service charges immediately</u> (Time- 0:31-0:40)</p> <p>Adviser: “Sir toh aap meri baat suniye aap ko karna hain ya nahi karna hain kyoki 29th tarikh last date hai uske baad aapki service lapse ho jaegi phir mai kuch nahi kar paungi”</p> <p>(00:55 to 1:02): -</p> <p>Adviser: - “Aapne haan bhara than na ki aapke paas Rs.80000 ka amount hai maine kya bola tha ki aap mujhe Rs.20000 aur arrange karva de do mai aapko profit karwa ke deti”</p> <p>(1:30 to 1:35)</p> <p>Adviser: Mere paas 3 profile aur aayi thi vo profile Rs.20000 ke investment se 1.5 lakh ke profit mai chal rahi hai.</p> <p>(09:37-10:25)</p> <p>Investor: mujhe ye bataya hai ki mai agar 22000 aur nahi bharunga toh meri service band ho jayegi</p> <p>Adviser: Toh aap hi bataiye ki mai kya karu</p> <p>Investor: Toh aapne mujhe pehle kyo nahi bataya....jab maine Rs. 1 lakh bhar diye...ab ap k din pehle (i.e. on 27th) bol rahe ho ki 29th taarikh last date hai. Itna paisa mai ek din mai kaha se le kar aaunga.</p> <p>Adviser: Mai aapse argument nahi karna chahti hoon ki aap kar paoge payment ya nahi jo maine payment ke baare mai batana tha vo bata diya.</p> <p>Investor: Toh yeh aapko pehle batana chahiye na.</p>

	<i>Adviser: Service de rahi mai aapko koi ehsaan nahi kar rahe ho aap. Thik hai mat karo payment service band hai aaj se aapki.”</i>
Telecon held on May 27, 2019	<i>(Time- 04:15 to 04:49):</i> <i>Adviser - Rs. 130000 ki service main mai aapko Rs. 450000 ka return hai within 3 months. Rs. 450000 ka return guarantee hai.</i> <i>(Time- 5:28 to 5:37):</i> <i>Investor: mujhe aap clearly bata dijiye abhi...baad mai mere payment karne ke baad aap aise nahi vese nahi mat kariyega”</i> <i>Adviser: Mai aapko kya bol rahi hu ki aapka Rs. 4.5 lakhs ka return hai isse jyada aapko kya chahiye. “</i>

From the above reproduced conversations, it is clear that the noticee promised unrealistic and assured returns to the client. It is a fact that the returns on investments in securities markets are subject to market risk and such returns cannot be assured. However, Wealthit assured unrealistic returns to the clients seeking advisory fees while making such promises. The above tele-conversation also shows that Wealthit used to ask its clients to pay fees by threatening that the service already being provided to the client by Wealthit would lapse and the client would lose out on the opportunity to make profits. Thus, Wealthit was luring its clients to pay additional fees by making false promises about profits that would accrue to the client.

It is observed that Wealthit has acted in complete disregard to its fiduciary responsibility towards its clients which it was entrusted with under IA Regulations and its representative had actually misguided/unduly influenced Mr. Krishnadevan T to buy it's so called investment products. From the available records, it is observed that after conversation on May 14, 2019 with the representatives of Wealthit, on the same day Mr. Krishnadevan paid an amount of Rs.20,000 to the noticee. Similarly, on May 24, 2019, Mr. Krishnadevan paid an amount of Rs.36,000 and on May 27, 2019 an amount of Rs.18,000 was also paid to the noticee. It is observed that during the period from May 08, 2019 to May 29, 2019, Mr. Krishnadevan T has paid a total of Rs.1,20,000 to the noticee to buy the product Stock Option HNI. The receipt of said amount of Rs.1,20,000/- is also

acknowledged by the noticee vide email dated October 01, 2019.

- 16.4. As stated in the SCN, Wealthit provided tips/ tele-messages pertaining to products of different segments of securities market viz. equity cash segment, equity futures segment, stock derivatives, index derivatives, commodity derivatives, currency etc., which are traded on the exchange platform. Performance/ return on investment in such securities based on advice given by the noticee cannot be predicted and is subject to market risk. However, Wealthit promised assured and unrealistic returns to the clients.
- 16.5. In view of the above, from perusal of material available on record including complaints and call recordings, I conclude that the noticee was promising assured returns to its clients. Any promise of assured returns and profits is inherently misleading as it runs contrary to one of the fundamental principles of the securities market i.e., investments are subject to market risks. Such misleading promises induced the clients to invest in the schemes / packages / products / services offered by the noticee (only indicated by various names by the noticee on its website without making any necessary disclosures of features of such schemes), thereby exposing the investors to risk.
- 16.6. Therefore, the guarantee of assured profits, in any manner or form or description, is fraudulent as it misleads and deceives the clients. Accordingly, I find that the noticee engaged in an act which operated as a 'fraud' as defined under Regulation 2(1)(c) of PFUTP regulations, during course of its business as an IA and has thus violated the provisions of Section 12A(a), (b), (c) of the SEBI Act and Regulations 3(a), (b), (c), (d) of the PFUTP Regulations.
- 16.7. It has also been alleged in the SCN that the noticee has violated Regulation 15 (1) of the IA Regulations by promising assured returns, which obligates an investment adviser to act in a fiduciary capacity with respect to its clients. An investment adviser has to act in the best interests of its clients. The promise of assured returns mislead the clients and fraudulently induces them to subscribe to the various packages/services offered by the Investment Adviser, which eventually leads to pecuniary loss to the clients as has been seen from the many complaints received. This is not in the best interests of the clients, which

contravenes clauses 1 and 2 of code of conduct as specified in schedule III of IA regulations. Thus, the noticee has acted in contradiction of the fiduciary duties cast on an investment adviser. Therefore, in addition to violation of the provisions of PFUTP regulations, I also hold that the noticee had violated Regulation 15 (1) of the IA Regulations and also failed to abide by clauses 1 and 2 of code of conduct laid down in Schedule III read with regulation 15(9) of IA Regulations.

17. Whether the noticee was selling multiple and non-suitable services and charging exorbitant/unrealistic fees

17.1. It is alleged in the SCN that the noticee sold multiple and non-suitable services / products to its clients and charged exorbitant fees from them.

17.2. As per available records, the charges/service fee for the products/plans/services/packages/schemes offered by the noticee on its website were as under:

(in Rs.)

Name of Product/ Plan	Monthly	Quarterly	Half-yearly	Yearly
Equity Cash	7000	15000	33000	55000
Equity Cash Premium	21000	55000	99000	215000
Equity Cash Positional	44000	115000	221000	466000
Equity Cash HNI	44000	115000	221000	466000
Equity Cash Ultra HNI	55000	133000	288000	599000
Equity Future	7000	15000	33000	55000
Equity Future Premium	21000	55000	99000	215000
Equity Future Positional	44000	115000	221000	466000
Equity Future HNI	44000	115000	221000	466000
Equity Future Ultra HNI	55000	133000	288000	599000
Equity Option Premium	21000	55000	99000	215000
Positional Equity Option	44000	115000	221000	466000
Equity Option HNI	44000	115000	221000	466000
Ultra HNI Equity Option	55000	133000	288000	599000
Equity Option	7000	15000	33000	55000
MCX	7000	15000	33000	55000
MCX Premium	21000	55000	99000	215000
MCX Positional	44000	115000	221000	466000
HNI MCX	44000	115000	221000	466000
Ultra HNI MCX	55000	133000	288000	599000
Base Metals + Energy	5000	15000	21000	44000

Base Metals + Energy Premium	15000	33000	66000	144000
Base Metals + Energy Positional	21000	44000	99000	199000
HNI Base Metals + Energy	21000	44000	44000	199000
Ultra HN Base Metals Energy	33000	77000	155000	333000
Precious Metals + Metals	5000	15000	21000	44000
Premium Precious Metals + Energy	15000	33000	66000	144000
Positional Precious Metals + Energy	21000	44000	99000	199000
HNI Precious Metals + Energy	21000	44000	99000	199000
Ultra HNI Precious Metals + Energy	33000	77000	155000	333000
NCDEX	7000	15000	33000	55000
NCDEX Premium	21000	55000	99000	215000
NCDEX Positional	44000	115000	221000	466000
NCDEX HNI	44000	115000	221000	466000
NCDEX Ultra HNI	55000	133000	288000	599000
Jobbers Option	100000	300000	400000	700000

It appears from the complaints received that the clients were not provided details of such products.

17.3. It is observed from the available records that on receipt of complaints from the clients of the noticee, details regarding the products sold and service fees charged were sought from the complainants by SEBI. From the material available on record, it is relevant to reproduce here the details of the products and service fees charged by the noticee with respect to some of the clients:

17.4. The details regarding the products sold and service fees charged from Mr. Dhyaneshwar Gupta are given below:

Sr. No.	Date of invoice	Invoice no	Product	Amount (Rs.)
1	November 27, 2018	201811175	Stock Cash	69,600/-
2	December 12, 2018	201812138	Equity Cash	30,000/-
3	December 13, 2018	201812141	Equity Cash	27,200/-
4	December 13, 2018	201812159	Equity Cash	20,000/-
5	December 22, 2018	201812237	Equity Cash	3,47,600/-
6	January 25, 2019	201901288	Equity Future HNI	8,03,600/-
Total				12,98,000/-

On perusal of the details from the above table, I note that during the period from December 12, 2018 to December 22, 2018, Wealthit had sold 'Equity Cash' product four times to Mr. Dhyaneshwar Gupta, thrice within two days i.e. December 12, 2018 and December 13, 2018 and twice on the same day i.e. December 13, 2018. The service fees charged by Wealthit for 'Equity Cash' ranged from Rs.27,200/- to Rs.3,47,600/-.

I note from the information of the products and service plans extracted from the website of the noticee which has been produced above at Point 17.2 that it had Monthly (Rs.7000), Quarterly (Rs.15000), Half-yearly(Rs.33000) and Yearly (Rs.55000) service plans for the product 'Equity Cash'. However, none of the plans for the product 'Equity Cash' had fee of more than Rs.55,000/- as displayed on the website of the noticee. Similarly, the product 'Equity Future HNI' was having a maximum service fee of Rs.4,66,000 for yearly service. I have also noted that there was no product named 'Stock Cash' available on the website of the noticee.

It is observed from the copy of invoices forwarded to Mr. Dhyaneshwar Gupta by Wealthit that no duration for respective product for which advisory services were provided by the IA has been mentioned. In the absence of any information regarding the duration of the product and the features of the product, the large variation in the amount of service fee charged by Wealthit appears to be unreasonable, unfair and arbitrary. It is alleged in the complaint of Mr. Dhyaneshwar Gupta that the noticee assured profit to him. Mr. Gupta also alleged that there was no service of Rs.1,50,000 which was as per his first conversation with the noticee. Mr. Gupta in his complaint has requested for refund of his money paid to the noticee.

An IA has to carry out risk profiling of its clients and on the basis of information received from the clients, investment advice may be given. The details of the risk profile of the client as provided in the SCN shows that the client had mentioned that his proposed investment amount is less than Rs. 1 lac and his annual income is in the range of Rs.1 to 5 lakh. However, the noticee charged Mr. Dhyaneshwar Gupta fees of Rs.12,98,000/- during the period November 27, 2018

to January 25, 2019, which is more than twice the annual income of Mr. Gupta. It is also observed that Wealthit has charged services fee from Mr. Gupta which is more than 12 times of his proposed investment amount. From the website of Wealthit (www.wealthitglobal.com), it was observed that the minimum duration any product offered by Wealthit is 1 month.

Therefore, I find that Wealthit has deceived the client by selling the same product multiple times within short span of time, selling a product with a fee which was not disclosed on its website, selling a product which was not available/disclosed on its website and in the process charged exorbitant fees of Rs.12,98,000/- as service fee. In view of the lack of disclosures / information regarding the nature of so-called products sold and the absence of any basis for charging and collecting such huge amounts, it would be difficult to classify such receipts as fees for services rendered as an IA.

- 17.5. The details regarding the products sold and service fees charged from Mr. Manoj Ramnath Puthran are given below:

Sr. No.	Date of invoice	Invoice no.	Product	Amount (Rs.)
1	December 18, 2018	201812215	Ultra HNI	94,000
2	December 27, 2018	201812396	Ultra HNI	94,000
3	January 1, 2019	2019107	Equity Cash	18,000
Total				2,06,000/-

I note from the information available on records that Mr. Manoj Puthran in his risk profiling form has mentioned that his gross annual income was between Rs.1 to 5 lac and the proposed investment amount is less than Rs.1 lac. Further, he had 'Nil' investment experience. However, the noticee charged him fees of Rs.2,06,000/- during the period of 14 days i.e. December 18, 2018 to January 1, 2019. Further, Wealthit had sold 'Ultra HNI' product twice within 9 days to him, although, from the website of Wealthit (www.wealthitglobal.com), it is displayed that the minimum duration for all the products offered by Wealthit is one month.

The information of the products and service plans extracted from the website of the noticee mentioned at Point 17.2 above shows that Wealthit had Monthly (Rs.7000), Quarterly (Rs.15000), Half-yearly(Rs.33000) and Yearly (Rs.55000) service plans for the product/service 'Equity Cash' on offer. However, none of the plans for the product 'Equity Cash' had fee of Rs.18,000/- displayed on the website of the noticee. Similarly, there was no product with name 'Ultra HNI' available/displayed on the website of the noticee.

I also note that the invoices forwarded by Wealthit to the client for the product/service purchased by the client do not mention duration and the features of respective products/packages for which service is provided. Hence, client had no means to know whether Wealthit has properly provided services for the entire duration of each product. From the conduct of the noticee, it seems that the noticee did not provide any investment advisory services or deliberately did not mention duration of the product in the invoices so that it could sell same product multiple times, even before the end of the service period of the product. Mr. Puthran in his complaint against the noticee has alleged that the noticee obtained his trading account details and had traded on his behalf. Mr. Puthran in his complaint has requested for refund of his entire amount paid to the noticee.

Therefore, for reasons similar to those in the case of Mr. Dhyaneswar Gupta, I conclude that Wealthit deceived the client by, selling the same products (exact features /services of which are not known) multiple times within short span of time, selling a product with a fee which was not disclosed on its website, selling a product which was not available/disclosed on its website and in the process collected an amount of Rs.2,06,000/-, which cannot be considered to be fees received for services rendered as an IA.

17.6. The details regarding the products sold and service fees charged from Mr. Kangira Shivappa Uthappa is given below:

Sr. No.	Date of invoice	Invoice no.	Product	Amount (Rs.)
1	July 1, 2019	INV_2019_JUL_24	Equity Option	2,000
2	July 2, 2019	INV_2019_JUL_44	Equity Option	2,000
3	July 4, 2019	INV_2019_JUL_85	Ultra HNI	23,000

4	July 13, 2019	INV_2019_JUL_164	Jobbers	51,000
5	July 13, 2019	INV_2019_JUL_165	Jobbers and Ultra HNI	2,22,000
6	July 15, 2019	INV_2019_JUL_239	Jobbers	1,000
7	July 16, 2019	INV_2019_JUL_256	Jobbers	30,000
8	July 18, 2019	INV_2019_JUL_302	Jobbers	50,000
9	July 18, 2019	INV_2019_JUL_315	Jobbers	5,00,000
Total				8,81,000

The SCN mentions that Wealthit had charged service fees of Rs. 8,81,000/- from Mr. Uthappa during the period of 19 days as per aforesaid 9 invoices. The SCN has also brought out that Wealthit has sold 'Equity Option' product twice within 2 days. On July 13, 2019, Wealthit has sold two products (namely Jobbers and Ultra HNI) on the same day. During the period July 13, 2019 to July 19, 2019, Wealthit has sold 'Jobbers' product 5 times. On July 13, 2019 itself, 'Jobbers' product was sold twice, with fees of Rs. 51,000/- and Rs. 2,22,000. In contrast, from the website of Wealthit (www.wealthitglobal.com), it was observed that the minimum duration for any product offered by Wealthit is one month. It was also observed that Wealthit has sold 'Ultra HNI' product twice during July 4, 2019 to July 13, 2019. The fee charged by Wealthit for 'Jobbers' product/package ranged from Rs.1000/- to Rs.5,00,000/-. However, the product 'Jobbers' was not mentioned on the website of the noticee.

In the absence of any information regarding the duration and features of the product, the large variation in the amount of service fee charged by Wealthit is unreasonable, unfair and arbitrary. Mr. Uthappa in his complaint filed on SCORES has requested for refund of the amount paid to the noticee.

As mentioned above, the information of the products and service plans extracted from the website of the noticee above at Point 17.2 shows that it had Monthly (Rs.7000), Quarterly (Rs.15000), Half-yearly(Rs.33000) and Yearly (Rs.55000) service plans for the product/service/package named 'Equity Option'. However, there was no product with fee of Rs.2000/- as charged to the complainant. Further, there were no products with names 'Ultra HNI' and 'Jobbers' available/displayed on the website of the noticee. As mentioned earlier, the exact nature of advisory services provided under the products / packages displayed on the website also are not known.

Therefore, for reasons similar to those in other cases mentioned above, I conclude that Wealthit deceived the client by, selling the same products (exact features /services of which are not known) multiple times within short span of time, selling a product with a fee which was not disclosed on its website, selling a product which was not available/disclosed on its website and in the process collected an amount of Rs.8,81,000/-, which cannot be considered to be fees received for services rendered as an IA.

17.7. The details regarding the products sold and service fees charged from Mr. Jatindra Karmakar is given below:

Sr. No.	Date of invoice	Invoice no.	Product	Amount (Rs.)
1	July 20, 2019	INV_2019_Jul_339	Equity Cash HNI	2,100
2	July 23, 2019	INV_2019_Jul_357	Equity Cash HNI	3,000
3	July 25, 2019	INV_2019_Jul_401	Jobbers	501
4	July 30, 2019	INV_2019_Jul_482	Equity Cash HNI	2,000
5	July 31, 2019	INV_2019_Jul_509	Jobbers	49,000
Total				56,601

Wealthit has charged Mr. Karmakar a total fees of Rs. 56,601/- during the period July 20, 2019 to July 31, 2019. I note from the information available on record that during this short period of 10 days, Wealthit sold the product 'Equity Cash HNI' 3 times (i.e. from July 20, 2019 to July 30, 2019). For the product 'Equity Cash HNI' the amount of fees charged ranged from Rs. 2000/- to Rs. 3000/-. Similarly, the product 'Jobbers' was sold twice within 6 days (i.e. from July 25, 2019 to July 31, 2019). While Wealthit has charged Rs. 501/- on July 25, 2019 for 'Jobbers' product, it has charged Rs.49,000/- for the same product on July 31, 2019. The invoices generated for selling the above mentioned products do not mention the duration or features of the product.

It can be seen from point 17.2 above, that the fee of Rs.2000/-, Rs.2100/- and Rs.3,000/- as charged to the complainant for the product Equity Cash HNI was not displayed on its website. Further, there was no product with name 'Jobbers' available/displayed on the website of the noticee. Mr. Karmakar in his complaint

has alleged that after making payment, the noticee did not provide any service. Mr. Karmakar has requested for refund of the amount paid to the noticee.

Therefore, I find that as in the cases of other clients, Wealthit deceived the client by selling the same opaque products (exact features /services are not known) multiple times within short span of time, selling the products which were not available/disclosed on its website and in the process collected Rs.56,601/- as service fee.

- 17.8. The details regarding the products sold and service fees charged from Mr. Hari Krishna Nalajam are given below:

Sr. No.	Date of invoice	Invoice no	Product	Amount (Rs.)
1	March 26, 2019	INV_Mar_20190699	Equity cash premium	10,000
2	April 30, 2019	INV_April_201904488	Equity cash premium	10,000
3	May 3, 2019	INV_2019_MAY_68	Equity cash	8,500
4	May 8, 2019	INV_2019_MAY_128	Equity cash premium	10,800
5	May 13, 2019	INV_2019_MAY_198	Equity cash premium	16,000
6	June 6, 2019	INV_2019_june_100	Equity cash HNI	15,500
7	June 10, 2019	INV_2019_june_137	Equity cash HNI	7,800
Total				78,600

I note from available records that Wealthit had charged Mr. Hari Krishna Nalajam total fees of Rs.78,600/- during the period March 26, 2019 to June 10, 2019. During this period, the noticee i.e. Wealthit has sold "Equity Cash Premium" product four times during the period March 26, 2019 to May 13, 2019. The amount of fees charged for the above mentioned product ranges from Rs.10,000/- to Rs.16,000/-. Further, Wealthit has sold the product 'Equity Cash HNI' twice during the period June 6, 2019 to June 10, 2019. Wealthit has charged Rs.15,500/- on June 6, 2019 and Rs.7,800/- on June 10, 2019 for selling this product. In the above mentioned invoices, no duration or features of the products have been mentioned. Mr. Hari Krishna Nalajam in his complaint has alleged that Wealthit is a fraud company and requested for refund of his amount paid to the noticee.

The information of the products and service plans extracted from the website of the noticee at Point 17.2 above shows monthly, quarterly, half-yearly and yearly service plans for the product/services named 'Equity Cash HNI' and 'Equity Cash Premium'. However, for the said products the fees as charged to the complainant and mentioned in above table was not mentioned on the website.

Therefore, I find that Wealthit deceived this client also by, selling the same opaque products multiple times within short span of time, selling a product with a fee which was not disclosed on its website, and in the process earned exorbitant and unrealistic fee Rs.78,600/- as service fee.

- 17.9. The details regarding the products sold and service fees charged from Ms. Jayashree R. are given below:

Sr. No.	Date of invoice	Invoice no	Product	Amount (Rs.)
1	November 15, 2018	INV_OCT_20181119	Cash	1,37,100
2	December 28, 2018	INV_DEC_201812471	Stock Cash	12,500
3	January 8, 2019	INV_JAN_201901122	HNI MCX	12,500
4	January 12, 2019	INV_JAN_201901264	HNI MCX	52,485
5	January 21, 2019	INV_JAN_201901169	Cash HNI	1,05,000
6	January 30, 2019	INV_JAN_201901165	Equity Future HNI	2,36,000
7	February 5, 2019	INV_FEB_20190292	Equity Cash Premium	29,500
8	February 5, 2019	INV_FEB_201902110	Equity Cash Premium	52,600
9	February 11, 2019	INV_FEB_201902230	Equity Cash Premium	40,000
10	February 11, 2019	INV_FEB_201902247	MCX	12,000
11	February 18, 2019	INV_FEB_201902669	MCX	12,000
12	February 22, 2019	INV_FEB_201902671	MCX	15,000
13	February 28, 2019	INV_FEB_201902673	MCX	25,000
14	March 7, 2019	INV_Mar_20190403	Equity Cash	25,000
15	March 8, 2019	INV_Mar_20190418	Equity Cash	47,200
16	March 11, 2019	INV_Mar_20190453	Equity Option	17,700

Sr. No.	Date of invoice	Invoice no	Product	Amount (Rs.)
17	March 15, 2019	INV_Mar_20190534	Equity Option	20,000
18	March 19, 2019	INV_Mar_20190602	Equity Option	25,000
19	March 22, 2019	INV_Mar_20190647	Equity Option	47,200
20	March 23, 2019	INV_Mar_20190667	Equity Cash	35,000
21	March 26, 2019	INV_Mar_20190708	Base metals +Energy	59,000
22	March 29, 2019	INV_MAR_20190770	Equity Cash HNI	1,20,000
23	April 8, 2019	INV_APR_201904135	Equity Cash	35,400
24	April 10, 2019	INV_APR_201904162	MCX Basic	40,000
25	April 17, 2019	INV_APR_201904276	Equity Option	17,700
26	April 17, 2019	INV_APR_201904277	Equity Cash HNI	15,000
27	April 23, 2019	INV_APR_201904369	Equity Cash HNI	25,000
28	April 23, 2019	INV_APR_201904370	Equity Cash Premium	51,000
29	April 23, 2019	INV_APR_201904371	Equity Cash	65,500
30	April 23, 2019	INV_APR_201904372	Equity Cash Premium	5,000
31	April 27, 2019	INV_APR_201904440	Equity Cash Premium	1,56,555
32	April 27, 2019	INV_APR_201904441	Equity Cash Premium	51,555
33	April 29, 2019	INV_APR_201904453	Equity Cash Premium	1,61,111
34	April 29, 2019	INV_APR_201904465	Equity Cash Premium	1,00,000
35	April 30, 2019	INV_APR_201904487	Equity Cash Premium	50,000
36	May 3, 2019	INV_2019_MAY_54	Equity Future HNI	25,000
37	May 3, 2019	INV_2019_MAY_56	Equity Future HNI	25,000
38	May 10, 2019	INV_2019_MAY_150	Equity Future	29,500
39	May 21, 2019	INV_2019_MAY_362	Equity Future	10,000
Total				20,01,106

- a. I note from the above table that Wealthit had charged Ms. Jayashree R. a total fees of Rs.20,01,106/- during the period between November 15, 2018 to May 21, 2019. During the above mentioned period of about 6 months, Wealthit had sold to Ms. Jayashree R. as many as 13 products on 30 dates.
- b. Wealthit had sold 'Equity Cash Premium' product 10 times, 'Equity Cash' 5 times, 'Equity Cash HNI' 3 times, 'Cash' products once, 'Cash HNI' product once and 'Stock cash' once. From the names, the aforesaid products appear to be similar. The product 'Equity Cash' was sold 5 times within a short duration from March 7, 2019 to April 23, 2019. The amount of fees charged by Wealthit ranged from Rs.25,000/- to Rs.65,500/-.
- c. During the period from February 5, 2019 to April 30, 2019, the noticee sold 'Equity Cash Premium' as many as 10 times to Ms. Jayashree R. The amount of fees charged by Wealthit ranged from Rs. 5,000/- to Rs. 1,61,100/-. On February 5, 2019, the said product was sold twice by respectively charging Rs. 29,500/- and Rs. 52,600/-. On April 23, 2019, the product was again sold twice by respectively charging Rs. 51,000/- and Rs. 5,000/-. On April 27, 2019, the product was again sold twice by charging Rs. 1,56,555/- and Rs.51,555/- respectively. On April 29, 2019, the product was again sold twice by charging Rs.1,61,111/- and Rs.1,00,000/- respectively.
- d. During the period from March 11, 2019 to April 17, 2019, Wealthit had sold 'Equity Option' product 5 times. The amount of fees charged by Wealthit ranged from Rs.17,700/- to Rs.47,200/-.
- e. During the period from March 29, 2019 to April 23, 2019, 'Equity Cash HNI' was sold thrice to Ms. Jayashree R. The amount of fees charged by Wealthit ranged from Rs.15,000/- to Rs.1,20,000/-.
- f. The product 'Equity Future' was sold twice on May 10, 2019 and May 21, 2019 by Wealthit. It charged fees amounting to Rs.10,000/- and Rs.29,500/- respectively. The product 'Equity Future HNI' was sold once on January 30, 2019 and twice on May 3, 2019. The amount of fees charged by Wealthit ranged between Rs.25,000/- to as much as Rs.2,36,000/-.

- g. During the period from January 8, 2019 to January 12, 2019, Wealthit sold 'HNI MCX' product twice for Rs. 12,500/- and Rs. 52,485/- respectively. Wealthit sold 'MCX' 4 times during the period from February 11, 2019 to February 28, 2019 and 'MCX Basic' product once on April 10, 2019. For the product 'MCX', the amount of fees charged ranged from Rs. 12,000/- to Rs. 25,000/-. From the nomenclature, all the three products appear to be similar. On the website of Wealthit, no product with a nomenclature 'MCX Basic' was displayed.
- h. Ms. Jayashree in her complaint filed on SCORES has alleged that after making payment to the noticee she made losses and did not get returns as promised by the noticee and has requested for refund of the money paid to the noticee.
- i. I note that in none of the above mentioned invoices issued to Ms. Jayashree R., duration or features of the products were mentioned.
- j. It is seen from the available records that vide email dated February 19, 2020, Ms. Jayashree had informed SEBI that her annual income as per Income Tax Return (ITR) for FY 2018-19 was Rs.19.95 lacs and annual income as per ITR for FY 2019-20 was Rs.4.01 lacs. Ms. Jayashree has further mentioned in her email that she had taken voluntary retirement from SBI with effect from April 2017 and she had made investment out of her retirement funds.
- k. As noted above in para 17.2, the information of the products and service plans extracted from the website reveals monthly, quarterly, half-yearly and yearly service plans for the product/services named Base metals+Energy, Equity Cash, Equity Cash HNI, Equity Cash Premium, Equity Future, Equity Future HNI, Equity Option, HNI MCX and MCX as mentioned in the invoices issued to the complainant. However, the fee as charged to the complainant is different from the fee displayed on the website. Further no products with names such as Cash, Cash HNI, MCX Basic, Stock Cash were mentioned on the website of the noticee. As mentioned earlier, the detailed features of products/nature of investment advice mentioned in the packages displayed on

the website are neither mentioned on the website, nor seem to have been provided to the clients.

- l. In view of the information mentioned in the above table and email from Ms. Jayashree R., it is evident that Wealthit had knowingly and repetitively sold opaque products to Ms. Jayashree and charged fees without any basis in spite of knowing that she is a retired person.
- m. Therefore, in the case of Ms. Jayashree R. also, I conclude that Wealthit deceived the client by selling the same opaque products multiple times within short period, selling products with a fee which was not disclosed on its website and had no basis, selling products which were not available/disclosed on its website and in the process collected exorbitant amounts aggregating to Rs.20,01,106/- as service fee.

17.10. The details regarding the products sold and service fees charged from Mr. Krishnadevan T is given below:

Sr. No.	Date of invoice	Invoice no/ Payment ID	Product	Amount (Rs.)
1	May 8, 2019	245690288	Stock Option HNI	2,000
2	May 9, 2019	245951061	Stock Option HNI	25,000
3	May 14, 2019	246696617	Stock Option HNI	20,000
4	May 24, 2019	248394538	Stock Option HNI	36,000
5	May 27, 2019	248779440	Stock Option HNI	18,000
6	May 29, 2019	249198858	Stock Option HNI	18,291
TOTAL				1,19,291

It is evident that Wealthit had charged Mr. Krishnadevan T. fees of around Rs.1,19,291/- during the period from May 08, 2019 to May 29, 2019. During the said period of 22 days, product 'Stock Option HNI' has been sold 6 times. The fees charged for the same product ranged from Rs. 2,000/- to Rs. 36,000/-. As per the information available on the website of Wealthit, the minimum duration for any

product of Wealthit is one month. The product duration and features had not been mentioned in the invoices issued to the client Krishnadevan T. It was observed that Wealthit had collected fees multiple times for the same product even before the end of one month's service duration. Further, I note from the details of products/services available on the website of the noticee, that there was no product with name 'Stock Option HNI'. It is also noted that Mr. Krishnadevan T. in his complaint filed on SCORES has alleged that after he made payment to the noticee, they did not accept his call and did not provide any service.

Therefore, I find that Wealthit had also deceived Mr. Krishnadevan T. by selling same product repetitively which was not available on its website or disclosed by it, multiple times within short period with a fee which had no basis and which was not available/disclosed on its website and in the process earned exorbitant and unrealistic fee Rs.1,19,291/- as service fee.

17.11. The details regarding the product sold and service fee charged from Mr. Kundan Kumar are given below:

Sr. No.	Date of invoice	Invoice no	Product	Amount (Rs.)
1	June 29, 2019	INV_JUN_56324	Equity Combo Ultra HNI	7,00,000

Wealthit has charged fees of Rs. 7 lakh on June 29, 2019 for the Equity Combo Ultra HNI. From the website of Wealthit, as per the list of products available it is observed that there is no product with the nomenclature 'Equity Combo Ultra HNI'. The duration of service period has not been mentioned in the invoice forwarded by Wealthit to the client. It is observed that the maximum amount charged by Wealthit for 'Equity Cash Ultra HNI', 'NCDEX Ultra HNI', 'Equity Future Ultra HNI' and 'Ultra HNI Equity Option' was Rs.5,99,000/- for a duration of 1 year (i.e. excluding GST of 18%). Mr. Kundan Kumar in his complaint on SCORES has alleged that the noticee failed to give him guaranteed return as promised and that he suffered losses. Mr. Kumar has requested for refund of the amount paid to the

noticee by him. From the above, it was observed that the amount of Rs.7,00,000/- as fees charged by Wealthit had no basis and was arbitrary, unrealistic and unfair.

17.12. The details of the products sold and service fee charged from Dr. Sima Chouhan are given below:

Sr. No.	Date of invoice	Invoice no	Product	Amount (Rs.)
1	April 20, 2019	INV_APR_201904320	Equity Cash	1,600
2	April 30, 2019	INV_APR_201904504	Jobbers	10,000
3	May 1, 2019	INV_MAY_01	Ultra HNI	30,000
4	May 1, 2019	INV_2019_MAY_02	Jobbers	21,000
5	May 3, 2019	INV_2019_MAY_68	Jobbers	50,000
6	May 3, 2019	INV_2019_MAY_38	Jobbers	1,000
7	May 6, 2019	INV_2019_MAY_91	Jobbers	50,000
8	May 7, 2019	INV_2019_MAY_107	Jobbers	1,000
9	May 8, 2019	INV_2019_MAY_112	Jobbers	45,347
10	May 13, 2019	INV_2019_MAY_195	Jobbers	30,000
11	May 14, 2019	INV_2019_MAY_216	Jobbers	39,000
12	May 14, 2019	INV_2019_MAY_209	Jobbers	20,000
13	June 3, 2019	INV_2019_JUN_47	Jobbers	90,000
14	June 5, 2019	INV_2019_JUN_80	Jobbers	1,50,000
15	July 10, 2019	INV_2019_JUL_149	MCX	5,001
16	July 11, 2019	INV_2019_JUL_160	HNI MCX	25,000
17	July 15, 2019	INV_2019_JUL_244	MCX	25,100
18	July 15, 2019	INV_2019_JUL_245	Equity Option	900
Total				5,94,948

a. I note from the records available that during the period between April 20, 2019 to July 15, 2019 Wealthit had sold products 18 times and charged fees of Rs.5,94,948/-. During the period from April 30, 2019 to June 5, 2019, the noticee had sold product named 'Jobbers' 12 times. It is also observed that on May 3, 2019 and May 14, 2019, Wealthit had sold the product 'Jobbers' twice on each of the days. The amount of fees charged by Wealthit for the product 'Jobbers' ranged from Rs.1,000/- to Rs.1,50,000/-. As per the information available on the website of Wealthit, the minimum duration for any product of

Wealthit is one month. It is also observed from the website that there is no product with nomenclature 'Jobbers'. A product with a similar name available on the website of Wealthit as on February 13, 2019 was 'Jobbers Option' and the fee description provided on the website, as mentioned at Para 17.2 does not match with the fee as mentioned in the table. I also note from the available records that there is no product with name 'Ultra HNI' provided/displayed on the website of the noticee.

- b. The SCN also mentions that Wealthit had also sold 'MCX' product twice on July 10, 2019 and July 15, 2019 with fees of Rs.5001/- and Rs.25100/-. Thus, same product was sold to the client multiple times and no duration of services was provided in the invoice. Wealthit had charged fees multiple times for the same product and by selling multiple services even before the completion of minimum duration of the services of one month as mentioned on its website. Dr. Sima Chouhan in her complaint on SCORES has alleged that the noticee failed to give her profit and that she made loss. Dr. Sima has alleged that the noticee did not give the service as promised.
- c. Therefore, I find that Wealthit deceived the client by selling the same opaque products multiple times within short span of time, selling a product with a fee which had no basis and which was not disclosed on its website, selling product which was not available on its website or disclosed and in the process collected exorbitant amount of Rs.5,94,948/- as fee.

17.13. The information gathered from the invoices submitted by the aforesaid nine clients of Wealthit reveals the following :

- a. Wealthit had displayed just a list of products/packages on its website without specifying the exact nature of services provided or stating as to which package was appropriate for any given risk profile. 'Investment advice' is defined in IA regulations as, "*investment advice*" means advice relating to investing in,

purchasing, selling or otherwise dealing in securities or investment products, and advice on investment portfolio containing securities or investment products, whether written, oral or through any other means of communication for the benefit of the client and shall include financial planning:

Provided that investment advice given through newspaper, magazines, any electronic or broadcasting or telecommunications medium, which is widely available to the public shall not be considered as investment advice for the purpose of these regulations’. Thus, there is nothing on the website or the records to show that the services provided by the noticee were in the nature of ‘investment advice’ although he was registered with SEBI and holding himself out as an investment adviser.

- b. Wealthit had charged exorbitant amounts as fees from the clients. In two cases, amount collected by Wealthit was twice the proposed amount of investment. In case of the client, Mr. Manoj Puthran, the amount collected was almost 50% of his gross annual income.
- c. There was huge variation in the amounts charged by Wealthit for the same opaque product sold to same client, more than once within a very short span of time.
- d. Wealthit had sold multiple products to the same clients within a very short span of time. In case of the client Ms. Jayashree R., during the period of around 6 months, Wealthit had sold as many as 13 products on 39 occasions. In case of few clients, same product was sold twice on the same day. The minimum duration for any product displayed on website of the noticee was one month.
- e. Some of the products sold to the clients did not appear on the website of Wealthit for e.g. Ultra HNI, Jobbers .
- f. The invoices issued by Wealthit do not mention the duration of the product sold to the clients. The features or specification of such products sold by the noticee do not appear to have been explained to the clients.
- g. In the absence of any information regarding the duration or features of the products, the large variation in the amount of fees charged by Wealthit was

unreasonable, unfair and arbitrary. The wide variation in the service fees indicates that the clients were deceived to pay such large amounts of fees.

- h. Various complainants have also alleged that after taking money, the noticee did not provide them services. The noticee also promised assured returns / profits to the complainants.

17.14. In view of the above, it appears that the noticee had not rendered any investment advice and had fraudulently charged exorbitant amounts from its clients. In any case, I find that Wealthit had deceived the clients by selling multiple and opaque products within a short span of time with the sole aim of collecting maximum amounts without providing any corresponding or commensurate services. Further, Wealthit did not take into account the proposed investment amounts and the gross annual income of the clients. Wealthit also did not mention the features or durations of the product so that the client would not be in a position to monitor the nature and extent of services provided by Wealthit.

17.15. The noticee after taking money and making promises of assured returns, failed to provide services to various complainants. There is no evidence to prove that noticee had rendered any service to such clients / complainants. Wealthit appeared to be technically registered as investment adviser, albeit, in total disregard to the mandate of IA Regulations. The information made available before me does not indicate whether the noticee had any documented process for selecting investments based on clients' investment objectives and financial situation.

17.16. In view of aforesaid, I am of the firm opinion that Wealthit had failed in its responsibility to act in fiduciary capacity to its clients which is entrusted upon it under regulation 15(1) of IA Regulations. Further Wealthit has also failed to abide by clauses 1, 2, 5 and 6 of the Code of Conduct for Investment Advisors as specified in Schedule III of IA Regulations read with regulation 15(9) of IA Regulations.

17.17. In view of the detailed discussions in the aforesaid paragraphs, I also conclude that the noticee used deceptive devices to defraud its clients. The objective of the noticee was only to maximize its income by charging excessive fee to its clients ignoring the interest of the clients. The above unfair practices of the noticee involved fraudulent inducement of its clients with the objective of enhancing his income. At the minimum, the noticee was involved in mis-selling of services related to the securities market to its clients by knowingly making false or misleading statement of assured profits, concealing material facts and associated risk from its clients that investment in securities market is subject to market risk and assured profits cannot be guaranteed and also not taking reasonable care to ensure suitability of the securities or service to its clients. The above act of the noticee which was detrimental to the interest of its clients falls within the definition of 'fraud' as defined in regulation 2(1)(c) of PFUTP regulations. Therefore, I hold that the noticee has violated Regulations 3(a), (b), (c), (d) and 4(1) of the PFUTP Regulations read with section 12A(a), (b) and (c) of SEBI Act. Further, in respect of the transactions undertaken after February 1, 2019, Wealthit has violated Regulations 4(2)(o) and 4(2)(s) of the PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act.

18. Whether the noticee failed to follow risk profiling and suitability assessment of its clients (Faulty Risk Profiling)

18.1 The SCN mentions that the complainants viz. Mr. Manoj Puthran and Mr. Dhyaneshwar Gupta, vide their respective emails dated January 07, 2020 to SEBI, have shared their respective Risk Profiling done by Wealthit. It was observed on perusal of the risk profiles of the above clients that Wealthit had made the 'Risk Classification' on the basis of following scores:

Risk Classification	Score
Low	13 & below
Medium	14-17
High	18-25

- 18.2 From the risk profiling statement of Mr. Manoj Puthran, it was observed that his total risk profiling score was 10.5. From the internal classification norms of Wealthit as mentioned in the risk profiling statements of the aforesaid clients as reproduced above, for scores of 13 and below, the client Mr. Manoj Puthran was supposed to be classified in 'Low' risk category. It was, however, observed from the risk profiling statement that Mr. Manoj Puthran was classified as 'medium' risk category client. Further, Mr. Puthran vide email dated January 25, 2020 had, *inter alia*, stated that Wealthit's representative simply asked him questions over phone but never told him that the questions were being asked for doing risk profiling.
- 18.3 On perusal of the risk profiling statement of Mr. Dhyaneshwar Gupta, it was observed that his total risk profiling score was 11 and as per risk classification table of Wealthit, for scores of 13 & below, the client should have been classified in 'Low' risk category. However, it was observed that Mr. Dhyaneshwar Gupta had been classified as 'high' risk category client.
- 18.4 In the absence of any submissions by the noticee, it is not clear as to how the risk profiling of clients were made. I note that the above risk profiling of the clients, wherein the aforesaid clients were classified as having higher risk appetite by Wealthit was done without any basis and contrary to the respective risk profiling scores.
- 18.5 It is also observed that advisory products namely Ultra HNI and Equity Cash have been sold to Mr. Puthran. Advisory products namely Stock Cash, Equity Cash and Equity Future HNI had been sold to Mr. Dhyaneshwar Gupta. From the risk profile statements of Mr. Gupta and Mr. Puthran, it was observed that their net worth is between Rs.1 - 5 lac and proposed investment amount is less than Rs. 1 lac respectively. It is observed that clients with low risk appetite are generally advised to invest in PPF, Bank deposits, etc. However, Wealthit sold advisory products related to equity markets, the exact features of which were not known to these clients. It was also observed that in case of Mr. Dhyaneshwar Gupta, Wealthit had

sold Derivatives i.e. equity futures products which were meant for clients with 'high risk' appetite. Further, the noticee sold such products (Ultra HNI and Stock Cash) to the clients as were not available/displayed on its website.

18.6 By wrongly classifying 'Low' risk clients as 'High' or 'Medium' risk clients, Wealthit had deceived the clients into buying products (whose features are not known) whose names, at best, suggest that they carried high risks which the clients might not be able to bear. The above act of Wealthit falls within the definition of "fraud" as defined in regulation 2(1)(c) of PFUTP Regulations. I, therefore, conclude that by deliberately classifying the 'Low' risk clients into 'Medium' or 'High' risk clients, Wealthit had deceived its clients. Accordingly, Wealthit has violated regulation 3(a), (b), (c), (d) of the PFUTP Regulations read with section 12A(a), (b) and (c) of SEBI Act.

18.7 Further, regulation 16(b) of IA Regulations, *inter alia*, states that an IA should have processes for assessing the client's capacity for absorbing loss. Further, regulation 17(a) of IA Regulations, *inter alia*, mandates the IA to ensure that all investments on which investment advice is provided is appropriate to the risk profile of the client. The noticee was expected to have a documented process for selecting investments based on clients' investment objectives and financial situation, which I do not see from the records made available before me. The names of the products sold to the aforesaid clients suggest that they carry high risk and were not meant for those clients who should have been classified as clients with low risk appetite, as per the internal norms of Wealthit. However, Wealthit wrongly changed their classification and sold opaque products which were, at best, meant for clients with 'high risk' appetite. From the information made available before me, it seems that the noticee failed to ensure that the products sold to the clients met the clients' investment objectives and the clients were able to bear any related investment risks consistent with their investment objectives.

18.8 In view of the above, I find that the noticee failed to conduct appropriate risk profiling and suitability assessment of its clients. Further, the noticee failed to assess the client's capacity to absorb loss and also failed to ensure that the investments on which investment advice was provided was appropriate to the risk profile of the client and thereby Wealthit has violated Regulations 16(b)(i) and (ii) and Regulation 17(a) of IA Regulations. I also find that Wealthit had failed in its responsibility to act in fiduciary capacity to its clients which was entrusted upon it under regulation 15(1) of IA Regulations. Wealthit had also failed to abide by clauses 1 and 2 of Code of Conduct as mentioned in Schedule III read with regulation 15(9) of IA Regulations.

19. Whether the noticee failed to communicate risk profiling to clients

19.1 Regulation 16(e) of IA Regulations prescribes that risk profile of the client shall be communicated to the client after risk assessment is done.

19.2 In this regard, I have noted from the information available on records and as brought out in the SCN that the complainants viz. T Krishna Devan and Mr. Kundan Kumar, vide their respective email dated January 24, 2020, informed to SEBI that Wealthit neither conducted nor shared any risk profile document/score with them. No other records available suggest that the noticee had communicated the respective risk profiling to its clients.

19.3 In the absence of any material to show that risk profiles were communicated as per IA regulations, I conclude that the noticee failed to communicate risk profiling to its clients and thereby violated the provisions of Regulation 16(e) of IA Regulations.

20. Whether the noticee sold services/product and received money from the client prior to risk profiling: -

20.1 I note from the available records that during the period December 18, 2018 to January 1, 2019, Wealthit had sold advisory products namely Ultra HNI and Equity Cash and charged Rs. 2,06,000/- from Mr. Puthran. However, I note from the records that, Wealthit had sent the risk profiling document for Mr. Puthran on

January 8, 2019 i.e. after selling the advisory products to the clients.

- 20.2 In this regard, Regulation 17(a) of IA regulations prescribes that the IA shall ensure that investments on which investment advice is provided is appropriate to the risk profile of the client. Advising clients without carrying out risk profile exposes the client to large amount of risk, which is beyond the capacity of the client to absorb.
- 20.3 Thus, Wealthit sold advisory products to its clients even before the risk profiling was done, ignoring the interest of the clients and also before ensuring whether it meets the clients investment objectives.
- 20.4 In view of the above, I find that Wealthit has failed to comply with regulation 17(a) of IA Regulations and clauses 1 and 2 of Code of Conduct as mentioned in Schedule III read with regulation 15(9) of IA Regulations.

21. **Whether the noticee Wealthit failed to redress Investor Grievances**

- 21.1 I note that the SCN has brought out the data obtained from SCORES in regard to the complaints received against Wealthit. I note from the available records that in case of examination of 13 complaints, Wealthit had not filed Action Taken Report (hereinafter referred as 'ATR') within the timeline prescribed in SEBI Circular CIR/OIAE/1/2014 dated December 18, 2014. Further, the SCORES show that as on January 06, 2020, 33 unique complaints were pending against Wealthit out of which, 13 unique complaints remained pending with IA for more than 30 days, the details of which is as under:

Complainant Name / Complaint Lodged by	Complaint Status	Date of Receipt of complaint	Whether ATR was sought from IA	Whether IA ATR was filed with SEBI	Date of seeking information/documents from complainant	Date of response from complainant, if any
Bikram Chandra Roy	Pending	Nov 10, 2019	Yes	No	Dec 31, 2019	Requisite reply not received
Kuldeep Sahani	Pending	Sept 06, 2019	Yes	No	Dec 31, 2019	Requisite reply not received
Sunil Agrawal	Pending	Sept 03, 2019	Yes	No	Jan 1, 2020	Requisite reply not received
Vinodkumar Dashrathlal Patel	Pending	Sept 01, 2019	Yes	No	Jan 1, 2020	Requisite reply not received
Kundan Kumar	Pending	Aug 01, 2019	Yes	No	Dec 31, 2019	Jan 07, 2020

Ram Saran Yadav	Pending	June 24, 2019	Yes	No	Jan 01, 2020	Requisite reply not received
ashok kumar manjhi	Pending	July 06, 2019	Yes	No	Jan 01, 2020	Requisite reply not received
R.N Mathur	Pending	July 01, 2019	Yes	No	Jan 01, 2020	Requisite reply not received
Uma Shankar	Pending	June 18, 2019	Yes	No	Nov 14, 2019	Requisite reply not received
Nikhil Dhakate	Pending	June 11, 2019	Yes	No	Dec 31, 2019	Requisite reply not received
Satish Kumar	Pending	May 10, 2019	Yes	No	Nov 14, 2019	Requisite reply not received
Dhyaneshwar Gupta	Pending	Feb 15, 2019	Yes	No	Dec 31, 2019	Jan 07, 2020
Waheed Khan	Pending	Sept 16, 2018	Yes	No	Nov 8, 2019	Requisite reply not received

21.2 I note from available records that before filing the aforesaid 33 complaints to SEBI in SCORES, majority of the complainants had earlier approached Wealthit directly for lodging their grievances. However, none of them received any response from Wealthit. Thus, Wealthit had failed to redress the client grievances.

21.3 It is observed from the available records that as on December 31, 2021, 51 complaints including the above mentioned complaints were pending against the noticee in SCORES. On perusal of the said complaints, it is observed that –

- a) the complainants have requested for refund of the amounts paid to the noticee.
- b) various complainants have also alleged that after taking money, the noticee did not provide them services. For example, the complainants Mr. T. Krishnadevan, Mr. Naveen Kumar, Mr. Dinesh Kumar Septa etc. in their respective complaints have alleged that after the payments were made to the noticee, the noticee stopped receiving their calls and did not provide any service.
- c) the complainants such as Mr. Abhishek Sharma, Mr. Praveen Kumar, Mr. Kishan Singh etc. have also alleged that the noticee committed cheating and defrauded them.

21.4 In this regard, regulation 21(1) of IA Regulations prescribes that an investment adviser shall redress client grievances promptly. Further, SEBI, issued a circular

No.CIR/OIAE/2014 dated December 18, 2014 regarding investor grievances through SCORES platform wherein it has been advised that all SEBI registered intermediaries shall review their investors grievances redressal mechanism so as to further strengthen it and correct the existing shortcomings, if any. The said circular also advised that the 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. Further, the said circular has stated that in case of failure by SEBI registered intermediaries to file ATR on the SCORES within thirty days of date of receipt of the grievance, it shall be treated as failure to furnish information to SEBI and deemed to constitute non-redressal of investor grievance.

21.5 It is observed that the IA has not submitted the ATR in a time bound manner as prescribed by SEBI and has also not resolved investors' grievances. Therefore, I find that the IA has not complied with the provisions of SEBI Circular CIR/OIAE/1/2014 dated December 18, 2014 and has violated the provisions of Regulation 21(1) of the IA regulations.

22. I also note from available records that vide letter dated May 06, 2022, the noticee was advised to submit the details of clients and advisory fees collected from them and also bank account statements of the noticee from the date of opening of bank accounts. Even though the noticee failed to submit the said details, SEBI obtained the same from the banks. As per the bank account statements, aggregate of amounts collected by the noticee on or after April 01, 2018 i.e. commencement of inspection period, is as under:

Sr. No.	Bank Name	Account Number	Total Credits (Rs.)
1	YES Bank	047861900000153	3,76,161
2	ICICI Bank	004105501303	2,11,23,437
3	Axis Bank	916020074156780	5,15,12,228
Total			7,30,11,826

As stated earlier, the noticee was asked to show cause as to why directions to refund the amount of Rs.7,30,11,826 collected from the clients/investors/complainants on or after April 01, 2018, as fees or consideration or in any other form in respect of the investment advisory activities should not be issued.

As mentioned above, the noticee had neither replied to the SCN nor participated in the proceedings before me and made any submissions in respect of the allegations made. In this regard, it is pertinent to refer to the observations of Hon'ble SAT in the matter of *Sanjay Kumar Tayal & Others vs. SEBI* (Appeal No. 68/2013, decided on February 11, 2014) wherein the Hon'ble SAT has observed as follows:

“...As rightly contended by Mr. Rustomjee, learned senior counsel for respondents, appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices...”

In this regard, in view of the failure of the noticee to participate in the proceedings before me to prove anything to the contrary, the entire credit amount in the above mentioned bank accounts of the noticee during the period from commencement of inspection period i.e. April 01, 2018 to the date of receipt of bank statement is construed as amounts collected by the noticee from its clients towards fees or otherwise. In the absence of any submission by the noticee during the inspection or during the proceedings before me, there is no material on record to show that the amounts were collected by the noticee by rendering any 'investment advice' in accordance with IA regulations although the noticee was registered as an investment adviser.

23. Further, clause 6 of Third Schedule to the IA Regulations provides that an investment adviser advising a client shall ensure that fees charged to the clients are fair and reasonable.
24. It has been brought out clearly in the above discussion that the noticee had collected exorbitant amounts from the clients without specifying the nature and duration of the products/services, drawing up invoices for the same stated products (features and duration of which are not known) again and again within short time span at different prices having no regard whatsoever to the income or investment needs of the clients.

Thus, while it is not apparent from the records whether any services, at all, in the nature of 'investment advice' were rendered by the noticee while collecting the amounts from the clients as fees, the so called fees cannot be considered to be fair and reasonable, by any stretch of imagination.

25. In view of my findings discussed in the preceding paragraphs, before proceeding to issue appropriate directions, I deem it important to briefly discuss the very scheme and intent of the IA Regulations. Drawing its genesis and authority from Section 30(1) of the SEBI Act, the IA Regulations were notified to carry out the purposes of the SEBI Act. SEBI Act intends to fulfill three main objectives which are, to protect the interests of the investors in securities, to promote the development of and to regulate the securities market. In furtherance of the same, the IA Regulations, *inter alia*, intend to protect the interest of investors and any interpretation of the provisions of the IA Regulations has to be in consonance with this objective. In this regard, it is also pertinent to refer to the following provisions of IA Regulations:

Regulation 27 : Action on the inspection report :

The Board may after consideration of the inspection report and after giving reasonable opportunity of hearing to the investment advisers or its authorized representatives, issue such directions as it deems fit in the interest of securities market or the investors including-

(a) requiring an investment adviser, partners, directors, principal officer and persons associated with investment advice not to provide investment advice for a particular period;

(b) requiring the investment adviser to refund any money collected as fees, charges or commissions or otherwise to the concerned clients along with the requisite interest.

(c) prohibiting the investment adviser, partners, directors, principal officer and persons associated with investment advice from operating in the capital market or accessing the capital market for a specified period.

26. As mentioned in the SCN, an inspection relating to the IA was conducted and pursuant to the same, SCN was issued to the noticee alleging various violations as discussed above. Although adequate opportunity of being heard was granted, the noticee failed to avail of the said opportunity before me.

27. In view of the violations committed by the noticee as discussed above, I find that directions under Sections 11(1), 11 (4), 11B(1) of the Securities and Exchange Board of India Act, 1992 need to be issued against the noticee.
28. The SCN also called upon the noticee to explain as to why monetary penalty under sections 11B(2) and 11(4A) read with sections 15HA and 15HB (for violations prior to March 08, 2019) and section 15EB (for violations subsequent to March 08, 2019) of SEBI Act read with Rule 5 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 should not be imposed upon the noticee for the violations alleged hereinabove. In this regard, the relevant extracts of the aforesaid provisions are reproduced below:

Penalty for fraudulent and unfair trade practices.

15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

Penalty for contravention where no separate penalty has been provided.

15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.

Penalty for default in case of investment adviser and research analyst.

15EB. Where an investment adviser or a research analyst fails to comply with the regulations made by the Board or directions issued by the Board, such investment adviser or research analyst shall be liable to penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees.

29. I note that while imposing penalty under the provisions of Section 15EB or Section 15HB of SEBI Act, 1992 the factors enumerated in Section 15J of the SEBI Act, 1992 are to be taken into consideration, which provides as follows:-

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

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

—

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

Explanation. —For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.”

30. In this regard, I find that the SCN does not mention the amount of disproportionate gain or unfair advantage made as a result of the default or the amount of loss caused to an investor or group of investors as a result of the default. However, as stated in paragraph 22 above, the noticee had collected an amount of ₹ 7,30,11,826/- in its three bank accounts mentioned therein on or after April 01, 2018 in contravention of the provisions of the IA Regulations, 2013.

Order

31. In view of the detailed discussion above, in the interest of the investors, in exercise of the powers conferred upon me in terms Sections 11(1), 11(4), 11(4A), 11B (1), and 11B (2) read with Section 19 of the SEBI Act and Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, I hereby issue the following directions: -

- a) The noticee is directed to refund an amount of ₹ 7,30,11,826/- which the noticee had collected from the investors from April 01, 2018, within a period of three (03) months from the date of the order;

- b) The noticee is directed to resolve all complaints received through SEBI's SCORES portal within a period of three months from the date of this order.
- c) The noticee shall issue 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 such as names, addresses and contact details of person to be approached for refund, within 15 days from the date of this order;
- d) Mr. Mohit Manghnani is prevented from selling his assets, properties and holdings of mutual funds/shares/securities held by him in demat and physical form except for the sole purpose of making the refunds as directed above and/or for the payment of penalty as imposed in this Order. Further, banks are directed to allow debit from the bank accounts of the noticee only for the purpose of making refunds to the clients/ investors / complainants from whom the monies were collected by the noticee and/or for the payment of penalty as imposed in this Order.
- e) After completing the aforesaid repayments and resolution of complaints, Mr. Mohit Manghnani shall file a report of such completion duly certified by an independent Chartered Accountant with SEBI addressed to the "Division Chief, Securities and Exchange Board of India, 104-105, Satguru Parinay, Opposite, C-21, Mall, A.B. Road, Indore-452010, Madhya Pradesh", within a period of 15 days, after completion of three months from the date of this order.
- f) Mr. Mohit Manghnani is debarred from accessing the securities market, directly or indirectly and is prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever, for a period of **5 years** from the date of this order or till the expiry of **5 years** from the date of resolution of complaints and completion of refunds to complainants as directed in paragraphs (a) and (b) above, whichever is later.
- g) I also impose monetary penalty amounting to ₹30,00,000 on Mr. Mohit Manghnani and he is directed to pay the penalty within a period of forty-five (45) days, from the date of receipt of this order. The breakup of the penalty is as under:

Penal Provision	Penalty
Under Section 15HA	Rs.20,00,000
Under Section 15HB of the SEBI Act for violations before March 08, 2019 and Under Section 15EB of the SEBI Act for violations thereafter.	Rs.10,00,000

- h) The noticee shall remit / pay the said amount of penalty either by way of a Demand Draft, in favor of “*SEBI -Penalties Remittable to Government of India*”, payable at Mumbai, or through online payment facility available on the SEBI website, i.e., www.sebi.gov.in, on the following path, by clicking on the payment link:

Enforcement -> Orders -> Orders of Chairman/ Members -> PAY NOW.

- i) In case of any difficulties in online payment of the penalty, the said noticee may contact support at portalhelp@sebi.gov.in. The demand draft or the details/ confirmation of e-payment should be sent to “Division Chief, Securities and Exchange Board of India, 104-105, Satguru Parinay, Opposite, C-21, Mall, A.B. Road, Indore-452010, Madhya Pradesh” and also to e-mail id:-tad@sebi.gov.in in the format as given in table below:

Case Name	
Name of Payee	
Date of Payment	
Amount Paid	
Transaction No.	
Payment is made for: (like penalties /disgorgement /recovery/settlement amount/legal charges along with order details)	

- j) Mr. Mohit Manghnani is hereby directed to provide a full inventory of all assets held in his name and in the name of Wealthit, whether movable or immovable, or any interest or investment or charge on any of such assets, including details of all bank accounts, demat accounts and mutual fund investments, immediately but not later than 7 working days from the date of receipt of this order to the Division Chief, Securities and Exchange Board of India, 104-105, Satguru Parinay, Opposite, C-21, Mall, A.B. Road, Indore-452010, Madhya Pradesh.
- k) The direction for refund, as given in paragraph 31(a) above, does not preclude the clients/investors of the noticee from pursuing the other legal remedies available to them under any other law, against the noticee for refund of money or deficiency in service before any appropriate forum of competent jurisdiction.
- l) This Order is without prejudice to any other action that SEBI may initiate.
- m) This Order shall come into force with immediate effect.
- n) A copy of this order shall be sent to the noticee, recognized Stock Exchanges, Banks, Depositories and Registrar and Transfer Agents to ensure that the directions given above are strictly complied with.

Date: January 23, 2023
Place: Mumbai

Sd/-
Anand R. Baiwar
Executive Director
Securities and Exchange Board of India