

SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

ORDER

UNDER SECTIONS 12(3) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AND REGULATION 27 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008.

IN RESPECT OF –

S. No.	NOTICEE	PAN	Registration Number
1.	DWARKA PRASAD GUPTA (PROPRIETOR – HNI RESEARCH)	AKDPG6338G	INA000009728

IN THE MATTER OF HNI RESEARCH.

BACKGROUND

1. The Noticee, Dwarka Prasad Gupta, is registered with Securities and Exchange Board of India (“SEBI”) as an Investment Adviser with effect from February 7, 2018, having SEBI Registration No. INA000009728. HNI Research is a sole proprietorship of the Noticee. The registered address of the Noticee with SEBI was “B/3, New Shivkrupa Apartments, Opp. Kanchan Baug Society, Nava Vadaj, Naranpura, Ahmedabad – 380013”. The website maintained by the Noticee was <https://www.hniresearch.in>.
2. Pursuant to receipt of various complaints against the Noticee, SEBI proposed to conduct an Inspection of the affairs of the Noticee. A pre-Inspection questionnaire was shared with the Noticee vide a letter dated September 5, 2019. In response to this questionnaire, SEBI received a request from the Noticee seeking to surrender the Certificate of registration granted to him. SEBI did not accede to the request seeking the surrender of Certificate of registration pending completion of the proposed Inspection. The Noticee was, therefore, advised to submit his response to the pre-Inspection questionnaire.

3. The Noticee failed to respond to the pre-Inspection questionnaire. Subsequently, while undertaking a site visit at the registered address of the Noticee, it was noted by SEBI that the premises were no longer occupied by the Noticee. It was also noted that the website of the Noticee i.e. <https://www.hniresearch.in>, was not functional.
4. Given the above, adjudication proceedings were initiated against the Noticee and a penalty of Rs. One Lakh was imposed by SEBI vide Order No.: Order/GR/BM/2021-22/15057 dated February 23, 2022, for the following violations:
 - a. failure to redress investor grievances within the time stipulated in SEBI Circulars.
 - b. failure to inform SEBI prior to changing its registered office address.
5. Simultaneously with the aforesaid proceedings, SEBI initiated enquiry proceedings against the Noticee under Chapter V of the SEBI (Intermediaries) Regulations, 2008 ("**Intermediaries Regulations**") and appointed a Designated Authority ("**DA**") to enquire into whether the alleged violations by the Noticee warranted suspension or cancellation of the Certificate of registration granted by SEBI or any other action provided in Chapter V of the Intermediaries Regulation. On completion of the proceedings, the DA submitted a report dated February 23, 2022 ("**DA Report**") recommending that the Certificate of registration granted to the Noticee as an Investment Adviser, be cancelled.
6. Pursuant to this, a post enquiry SCN ("**P-SCN**") dated March 15, 2022, was issued to the Noticee, under Regulation 27(1) of the Intermediaries Regulations, to show cause as to why action, as recommended by the DA or any other action as considered appropriate by the Designated Member ("**DM**") should not be taken against the Noticee. A copy of the DA Report was also forwarded along with the P-SCN, and the Noticee was advised to file its reply, if any, within 21 days from the date of receipt of the said SCN.

7. The P–SCN was served on the Noticee at the address available on record with SEBI. Thereafter, the Noticee was provided an opportunity of personal hearing on August 25, 2022. On the date of the hearing, the Noticee entered appearance in person. The Noticee also made written submission vide email dated July 18, 2022. The summary of the oral and written submissions made by the Noticee is given below:
- SEBI has already imposed monetary penalty pursuant to the adjudication proceedings that were initiated on the basis of the same set of allegations.
 - The penalty imposed by SEBI under the adjudication proceedings has been paid by the Noticee.
 - On the basis of the above, that the present proceedings against the Noticee may be concluded without passing any adverse directions.

CONSIDERATION

8. Having considered the DA Report, the P–SCN issued to the Noticee and other material available on record, I shall now proceed to deal with the violations alleged in the P–SCN *in seriatim*.

FAILURE TO REDRESS INVESTOR GRIEVANCES

9. I note from the records that SEBI received 32 complaints against the Noticee during the period February 7, 2018 to January 8, 2020. The 32 complaints were from 22 unique complainants. Further, as of January 8, 2020, 2 out of the said 32 complaints were pending in the SEBI SCORES portal. The details of pending complaints are as under:

COMPLAINANT NAME	COMPLAINT STATUS	DATE OF PAYMENT OF FEES AS INFORMED BY CLIENT	DATE OF RECEIPT OF COMPLAINT	DATE OF FORWARDING COMPLAINT TO NOTICEE	DATE ON WHICH LAST REPLY WAS RECEIVED FROM NOTICEE
KIRIT KUMAR	PENDING	31/01/2019	24/08/2019	28/08/2019	22/11/2019
RISHAV AGARWAL	PENDING	01/04/2019	31/12/2019	06/01/2020	NA

10. It is noted that in respect of both the complaints mentioned in the table above, the complainants had alleged that the Noticee had traded on their behalf after they shared the password of their demat account with him. It was also alleged that such trading resulted in the complainants incurring losses.
11. Incidentally, the Noticee, in his reply to the proceedings before the Adjudicating Officer (see paragraph 4), had submitted that he had redressed the above-mentioned complaints. It is, however, noted that the Noticee has failed to furnish any documentary evidence to support the said contention.
12. SEBI Circular No. CIR/OIAE/2014 dated December 18, 2014 (“**Circular dated December 18, 2014**”) mandates that all SEBI registered intermediaries should take immediate action for resolving investor complainants and file an ATR with SEBI within 30 days from the receipt of the complaint. I note from the material available on record that the Noticee had failed to redress the investor grievances within the stipulated time and thereby, had violated the Circular dated December 18, 2014 and Regulations 21(1) read with 28(f) of SEBI (Investment Advisers) Regulations, 2013 (“**IA Regulations**”).

FAILURE TO FURNISH INFORMATION SOUGHT BY THE BOARD

13. I note that a pre-Inspection questionnaire was shared with the Noticee vide a letter dated September 5, 2019. In response, SEBI received a request from the Noticee seeking to surrender the Certificate of registration granted to him. The request for surrender, I note, was not accepted by SEBI considering that Inspection was still pending. The Noticee was accordingly advised by SEBI to furnish his response to the pre-Inspection questionnaire
14. I note from the records that the Noticee has still not furnished the information sought by SEBI. In this regard, Regulation 25(1) of the IA Regulations reads as under: -

“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.”

15. Given the above, I hold that the failure by the Noticee to submit the information sought by SEBI vide the pre-Inspection questionnaire is in contravention of the provisions of Regulation 25(1) of the IA Regulations.

NON-INTIMATION OF CLOSURE OF REGISTERED OFFICE

16. From the records, it is noted that during the site visit undertaken by SEBI the Noticee was not functioning from the registered address furnished to SEBI at the time of seeking registration. In terms of Regulation 13(b) of the IA Regulations, an Investment Adviser has to inform SEBI in writing in case there is any material change in the information that has already been submitted.
17. The Noticee, in his reply, has submitted that he had intimated SEBI about the closure of his office at “B/3, New Shivkrupa Apartments, Opp. Kanchan Baug Society, Nava Vadaj, Naranpura, Ahmedabad – 380013”. I, however, note that he has failed to submit any proof to support this contention. Further, from the material available on record, it is noted that no such communication was received by SEBI. Incidentally, the Noticee, in his reply to the proceedings before the Adjudication Officer (see paragraph 4), had submitted that on account of health issues, he had stopped undertaking investment advisory services from April 2019 onwards. The website <https://www.hniresearch.in>, was also taken down due to the same reason.

18. It is pertinent to also note that the Noticee has submitted a request dated September 5, 2019, before SEBI, for surrendering the Certificate of registration granted to him.
19. The Noticee is a registered Investment Adviser and is required to act with due care and diligence. Registered intermediaries have an obligation to promptly submit information sought by SEBI as part of an Inspection. It is also noted that the allegations raised in the two unresolved complaints are serious in nature, as the complainants are alleging that the Noticee was placing trades in their accounts. It is also noted that the Noticee has also made a request for surrendering the registration granted to him. Therefore, in the given facts and circumstances of the case, I accept the recommendation of the DA that the Certificate of Registration granted to the Noticee as an Investment Adviser, be cancelled.

ORDER

20. I, in exercise of the powers conferred upon me in terms of Section 12(3) and Section 19 of the SEBI Act, 1992 read with Regulation 27(5) of the Intermediaries Regulations, 2008, hereby cancel the Certificate of registration of ***Dwarka Prasad Gupta (Proprietor-HNI Research)*** as an Investment Adviser (**Certificate of registration No. INA000009728**).
21. This Order shall come into force with immediate effect.
22. A copy of this order shall be served on the Noticee and BSE Administration & Supervision Ltd. (BASL)
23. This Order is without prejudice to any other action that SEBI may initiate.

Place: Mumbai
Date: April 27, 2023

ASHWANI BHATIA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA