

WTM/AS/SRO/SRO/31297/2024-25

SECURITIES AND EXCHANGE BOARD OF INDIA
ORDER

Under Section 12 (3) of the Securities and Exchange Board of India Act, 1992 read with Regulation 27 of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008

In respect of

Sr. No.	Name of the Noticee	PAN	SEBI Registration No.
1.	Mr. Yogesh Kukadia	AUSPK6548F	INA000010113
2.	Mr. Rajesh Kallidumbil	AKQPK9641M	INA200012142

(The above-mentioned Noticees are hereinafter referred individually by their respective names / numbers and collectively as “Noticees”)

In the matter of Unregistered Investment Advisory by Six Partnership Firms

1. Mr. Yogesh Kukadia (**Noticee No. 1**) and Mr. Rajesh Kallidumbil (**Noticee No.2**), individually in their respective names, are registered with SEBI as Investment Advisors under SEBI (Investment Advisors) Regulations, 2013 (**hereinafter referred to as “IA Regulations”**).
2. SEBI had conducted an inspection of the Noticees for the period from April 01, 2018 to September 27, 2019 (hereinafter referred to as “**inspection period**” / “**IP**”). Pursuant to the said inspection, it was noted that the Noticees have allegedly violated the following provisions of law:
 - a) Regulation 13(b) of the IA Regulations and
 - b) Clause 1 of Code of Conduct for Investment Advisers read with Regulation 15 (9) of IA Regulations.
3. Based on the findings of the said inspection, a Designated Authority (hereinafter referred to as “**DA**”) was appointed to inquire into and to submit a report pertaining to the aforesaid allegations. The DA issued a Show Cause Notice dated April 24, 2024 to the Noticees under Regulation 25(1) of the SEBI (Intermediaries) Regulations, 2008 (hereinafter referred as “**Intermediaries Regulations**”) to show cause as to why appropriate recommendation should

not be made against them for the violations alleged to have been committed by them. The Noticees were advised to submit their replies, if any, within 21 days of receipt of the said Show Cause Notice.

4. Noticee No. 1, vide its email dated May 30, 2024 filed its detailed reply to the Show Cause Notice. Noticee No. 1 was also granted an opportunity of inspection of documents on July 03, 2024. Further, the DA granted him an opportunity of hearing on July 16, 2024 which was attended by him along with his Authorized Representative (AR), Mr. Abhishek Mishra. Noticee No. 2 filed its response vide email dated May 26, 2024. An opportunity of hearing was granted to Noticee No. 2 on June 11, 2024 which was attended by him.
5. After considering the allegations levelled in the Show Cause Notice, replies filed by the Noticees, arguments made during the hearing and the material available on record, the DA, submitted the Enquiry Report and made the following recommendation:

“...in view of the overall facts and circumstances of the case, age of the Noticees, submissions of Noticees and based on the material available on record, I, in terms of the provisions of the Intermediaries Regulations recommend that both the Noticees shall be refrained from taking up any new assignment or contract for a period of 3 (Three) years in terms of the Regulation 27(iii) of the Intermediaries Regulations...”

6. The DA report was forwarded to the Noticees in terms of Regulation 27(1) of the Intermediaries Regulations vide Post Enquiry Show Cause Notice dated August 19, 2024 (hereinafter referred to as “SCN”) and the Noticees were called upon to show cause as to why the measures recommended by the DA or any other action as contemplated in Regulation 27 of the Intermediaries Regulations should not be taken against them. It was stated in the SCN that if the Noticees wish to file any submission/information along with any supporting documents, they may do so within 21 days from receipt of the SCN and pursuant thereto, the matter would be proceeded with on the basis of material available on record.

7. I note that the SCN was delivered to the Noticees through speed post acknowledgement due (SPAD). However, the Noticees did not file any submissions within the stipulated time. A reminder was sent to the Noticees through email dated October 11, 2024 to file their response(s) within 10 days. Pursuant thereto, Noticee No. 1 filed his response vide letter/email dated October 20, 2024. Despite the reminder, Noticee No. 2 did not file any response. In the interest of natural justice, an opportunity of hearing was provided to both the Noticees on November 26, 2024. In response thereto, Noticee No.1 sought three weeks' extension citing his unavailability and of his AR. Noticee No. 2 neither appeared for hearing nor sought any adjournment. The request for extension made by Noticee No. 1 was acceded to and extension was granted to him. Another opportunity of hearing was also granted to Noticee No. 2. Accordingly hearing in the matter was rescheduled to December 19, 2024.
8. On the said date of hearing, Mr. Abhishek Mishra, the AR of the Noticee No. 1 appeared along with him (Noticee No. 1) and reiterated the written submissions made by him vide letter dated October 20, 2024. Noticee No. 2 again failed to avail the opportunity of hearing neither did he make any submissions. Accordingly, hearing in the matter was concluded. Noticee No. 1 made post hearing submissions vide letter dated January 13, 2025.

CONSIDERATION OF ISSUES

9. I have perused the Enquiry Report issued to the Noticees along with the SCN, the Show Cause Notice issued by the DA and the replies filed by the Noticees and other material available on record. In the instant proceedings, the DA has recommended that the Noticees be refrained from taking up any new assignment or contract for a period of 3 (Three) years.
10. Before determining the issues and adjudicating upon them, it would be prudent to summarize the allegations against the Noticees and the observations made by the DA. I note that during the inspection carried out by SEBI, it was observed that the Noticees themselves being registered Investment advisors were co-partners in six partnership firms, which were engaged in providing unregistered

investment advisory services to investors and were collecting fees for the same. The relevant structure of the said six partnership firms, as noted from the Enquiry report is as under:

Table No. 1

S. No.	Firm Name (PAN)	Date of Partnership Deed	Partners – Profit Share	Nature of Business in brief
1	M/s Signal2Noise Capital Partners (ADDFS5850N)	September 14, 2016, reconstituted on January 02, 2017	Rajesh Kallidumbil – 70% (Since Sep 14, 2016) Nithin Raj – 10% (Since Sep 14, 2016) Yogesh Kukadia – 20% (Since January 02, 2017)	a) Providing Investment Advisory Services to registered clients
				b) Trading in Equity, Commodity and Currency markets
2	M/s Investo Investment Advisers (AAGFI7660G)	November 07, 2017	Rajesh Kallidumbil – 50% (Since November 07, 2017)	a) Providing Investment Advisory Services to registered clients
			Yogesh Kukadia – 50% (Since November 07, 2017)	b) Trading in Equity, Commodity and Currency markets
				c) Providing educational services on Equity, Commodity and Currency markets
3	M/s SS Info Sales (ADNFS2939J)	October 17, 2017	Rajesh Kallidumbil – 50% (Since Oct 17, 2017)	a) Sale and service to clients through digital, telephonic etc.
			Yogesh Kukadia – 50% (Since Oct 17, 2017)	b) Promotional activities over digital, sms, etc.
				c) Educational services to clients
4	M/s SI Digi Sales (ADNFS7110B)	November 07, 2017	Rajesh Kallidumbil – 50% (Since November 07, 2017)	a) Sale and service to clients through digital, telephonic etc.

S. No.	Firm Name (PAN)	Date of Partnership Deed	Partners – Profit Share	Nature of Business in brief
			Yogesh Kukadia -50% (Since November 07, 2017)	b) Promotional activities over digital, sms etc. c) Educational services to clients
5	M/s CT Web Sales (AAMFC9502D)	October 17, 2017	Rajesh Kallidumbil – 50% (Since Oct 17, 2017) Yogesh Kukadia – 50% (Since Oct 17, 2017)	a) Sale and service to clients through digital, telephonic etc. b) Promotional activities over digital, sms etc. c) Educational services to clients
6	M/s ML Tele Sales (ABHFM3142P)	October 17, 2017	Rajesh Kallidumbil – 50% (Since Oct 17, 2017) Yogesh Kukadia -50% (Since Oct 17, 2017)	a) Sale and service to clients through digital, telephonic etc. b) Promotional activities over digital, sms etc. c) Educational services to clients

11. Further, the DA has observed that the said six partnership firms were established before the Noticees applied for registration as IAs in their individual capacity(ies). Furthermore, the nature of the business of M/s. Signal2Noise Capital Partners and M/s Investo Investment Advisers was, *inter alia*, providing investment advisory services to their registered clients. On perusal of the archive data from the websites of these six partnership firms, the DA noted that these six partnership firms had held themselves out as investment advisers and were offering advice for dealing in securities for consideration.
12. Additionally, it was also observed that an amount of ₹ 8.10 crore was collected from 4536 clients for providing investment advice through these six unregistered partnership firms. Out of the total fee of ₹ 8.10 crore collected by these six partnership firms, a sum of over ₹ 4.90 crore was received through payment gateways i.e., PayUmoney and Easebuzz in their bank accounts. The details of fee collected by these six partnership firms are as under.

Table No. 2

S. No			Fees Collected for F.Y. in ₹ Lakhs				
	Firm Name		2016-17	2017-18	2018-19	2019-20 *	Total
1	M/s Signal2Noise Capital Partners	No. of Clients	39	764	684	51	1538
		Fees	4.80	121.82	116.84	6.11	249.57
2	M/s Investo Investment Advisers	No. of Clients	0	0	279	139	418
		Fees	0	0	40.52	17.18	57.70
3	M/s SS Info Sales	No. of Clients	0	129	590	147	866
		Fees	0	16.95	123.01	24.60	164.56
4	M/s SI Digi Sales	No. of Clients	0	63	211	44	318
		Fees	0	8.47	67.29	9.75	85.51
5	M/s CT Web Sales	No. of Clients	0	88	481	70	639
		Fees	0	6.84	73.93	11.55	92.32
6	M/s ML Tele Sales	No. of Clients	0	64	633	60	757
		Fees	0	6.46	147.73	6.39	160.58
		Total Clients	39	1108	2878	511	4536
		Total Fees	4.80	160.54	569.32	75.58	810.24
*** – Data from April 01, 2016 till date of reply i.e. July 04, 2019							

13. After considering the facts and circumstances of the case, the DA has observed that the Noticees have violated the provisions of Regulation 13(b) of IA Regulations and Clause 1 of Code of Conduct for Investment Advisers read with Regulation 15 (9) of IA Regulations.
14. On perusal of the Enquiry Report and the observations made by the DA, the issue before me for consideration is whether the recommendation made by the DA is appropriate considering the facts and circumstances of the matter?
15. Before proceeding further, it would also be pertinent to refer to the relevant provisions of the IA Regulations which are reproduced hereunder:

“IA REGULATIONS

Conditions of certificate.

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

...

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

THIRD SCHEDULE

Code of Conduct for Investment Adviser

1. Honesty and fairness

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

16. As noted earlier, in response to the SCN, Noticee No. 1 has filed its response vide his letter dated October 20, 2024 and additional submissions vide letter dated January 13, 2025 and has, *inter alia*, submitted the following:

- a) The contents of his earlier reply filed on May 30, 2024 were sought to be repeated, reiterated and confirmed.
- b) He has not provided the advisory services without SEBI Registration as he was duly holding the SEBI Certificate and the Order dated November 28, 2023 has been challenged before Hon'ble Securities Appellate Tribunal.
- c) He was under bonafide assumption that there was no requirement of any separate registration.
- d) He was initially an employee in the firm M/s Signal2Noise Capital partners and was hired by Mr. Rajesh R. Kallidumbil. Later, he was enrolled as a partner with just 0.5% stake (capital contribution).

- e) He was just holding 1% of stake(capital contribution) in the partnership firms which does not illustrate how he had control over the affairs of the firm and the entire operations were controlled and managed by Mr. Rajesh R. Kallidumbil. In all the bank accounts, he was the authorized signatory.
- f) He was under the assumption that like trademarks, one can practice as an Investment Advisor after obtaining SEBI's Registration and start using the logo after making the application,
- g) He was following all the compliances w.r.t. to the clients like KYC, risk profiling, maintaining research records and rationale, etc. mentioned in the IA Regulations in all his firms.
- h) Post the inspection, he was only working as individual Investment Advisor and halted operations of all the partnerships firms as evident from its bank statement also wherein there was no fee receipt in the bank accounts.
- i) The Noticee being a registered investment advisor has collected fees in a different partnership account which shall not be construed as unregistered activities.
- j) The Noticee has never intentionally carried out the activities of unregistered investment advisor. He had voluntarily disclosed all the information regarding its business activities along with details of all the partnership firms of which SEBI was not aware. He could have concealed his activities if he had any fraudulent intentions. He has also voluntarily refunded the amount to many of its clients/investors who were not satisfied with the service.
- k) SEBI in a similar matter of Mr. Chetan Kalubhai Dhokiya has not directed to refund the amount collected in a separate corporate entity by a registered individual IA.

17. Noticee No. 2 did not file his response despite service of the SCN. He also failed to avail the opportunity of personal hearing which was offered to him twice. Thus, I am constrained to proceed in the matter w.r.t. Noticee No. 2 based on the material available on record.

18. It is an undisputed fact that both the Noticees were individually registered with SEBI as Investment Advisor. Noticee No. 1 was registered on March 20, 2018 and Noticee No. 2 on December 03, 2018. It is also undisputed that both these Noticees were co-partners in the six partnership firms. In fact, Noticees had themselves provided all the information to SEBI related to these partnership firms. Noticee No. 1 in his submissions has stated that he was under the bonafide assumption that there was no requirement of any separate registration (for partnership firms) and he had not provided the advisory services without SEBI registration since he was validly holding the registration from SEBI as an individual.
19. In this regard, I note that in terms of the IA Regulations, an applicant seeking registration as an Investment Adviser can either be an Individual or a non-Individual. Non-Individual category is separately divided into a body corporate or a partnership firm or a limited liability partnership. Individual and non-Individual categories, *inter alia*, also have separate eligibility criteria as well as qualification and certification requirements. Thus, the IA Regulations clearly differentiate between different categories of applicants and it is amply clear that an applicant, who has been granted registration under a specific category, can provide its services under that category only, and in case, any such applicant provides the services under any other category for which it does not hold the registration, the same would be considered as unregistered activity and in contravention of the IA Regulations. Thus, the submission of Noticee No.1 that he was under bonafide assumption on no requirement of any separate registration holds no ground and is unsustainable in light of the clear provisions of the law.
20. The IA Regulations clearly provide specific and separate requirements for registration depending on the applicant. These requirements are designed to ensure proper compliances and accountability. Even if the Noticee was under the mistaken belief that registration was not necessary, the law delineates clear criteria that must be followed. It is a well-established principle that ignorance of law is not a valid defense. The Noticee, irrespective of any assumption, had the legal obligation to comply with the applicable statutory requirements with respect to registration. Even if he was following all the compliances w.r.t. the clients like KYC, risk profiling, maintaining research records and rationale, etc. mentioned in

the IA Regulations in all his firms, it does not absolve the Noticee from the responsibilities to adhere to the regulatory framework. The regulations make duty of compliance obligatory upon the Noticee regardless of any misjudgment or assumption about registration obligations. Thus, Noticee No. 1's claim even under bonafide belief, constitutes a failure to comply with the legal obligations, rendering the argument legally untenable.

21. Noticee No. 1 has further submitted that pursuant to SEBI's inspection, he was only working as an individual Investment Advisor and halted operations of all the partnership firms and he had never intentionally carried out the activities of unregistered investment advisor. It is also submitted that he had voluntarily disclosed all the information regarding its business activities along with details of all the partnership firms of which SEBI was not aware. He could have concealed his activities if he had any fraudulent intentions. He has also voluntarily refunded the amount to many of its clients/investors who were not satisfied with the service. In his context, I note that these arguments also do not hold ground in light of the clear violation of the regulatory requirement and would not absolve the Noticee from any liabilities which are incurred for the violation of law. At best, these circumstances can be considered as mitigating factors to be taken into account while issuing any directions.

22. Noticee No. 1 has also stated that he was just holding 1% of stake (capital contribution) in the partnership firms which does not illustrate how he had control over the affairs of the firm and that the entire operations (of the firms) were controlled and managed by Mr. Rajesh.

23. On the other hand, Noticee No. 2 in his submission (made before the DA) had also *inter alia* stated that the reason why Noticee No. 1 (Mr. Yogesh Kukadia) was a partner (with almost NIL capital contributed) was due to him having the necessary qualifications and experience for the same. Noticee No. 1 along with his team oversaw the operations of the firm which led to the exit of one Mr. Nithin Raj from the firm (signal2noise). Noticee No. 2 also stated that under the advice of Mr. Yogesh Kukadia, the other 5 Partnership Firms were also set up. These firms were also overseen by Noticee No. 1 him and his team – including hiring, processes, generating investment advice, and so on.

24. At the outset, it needs to be clarified that the stake of Noticee No. 1, i.e. 1% in the partnership firms is his invested capital which is different than his share in the profits and losses of the partnerships firms which is as per the partnership deeds and as mentioned in Table No.1. Having said that, I have noted the contrasting contentions of both the Noticees who have tried to put the blame on each other. On perusal of the Enquiry Report and as mentioned above at Table. 1, the DA has observed that both the Noticees were co-partners in six partnership firms. In this regard, Section 4 of the Partnership Act, 1932 provides that "*Partnership* is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all". Further, "*Persons who have entered into partnership with one another are called individually, 'partners' and collectively 'a firm', and the name under which their business is carried on is called the 'firm-name'*". Thus, the partnership firm is nothing but all the partners acting together. Hon'ble Supreme Court in the matter of *Munshi Ram and Ors vs Municipal Committee, Chheharta*¹, has also held that "*Partnership*" as defined in Section 4 of the Indian Partnership Act, 1932, is the relation between persons who *have agreed to share the profits of a business* carried on by all or any of them for the benefit of all. The Section further makes it clear that a firm or partnership is not a legal entity separate and distinct from the partners. Firm is only a compendious description of the individuals who compose the firm. "Section 25 of the Indian Partnership Act, 1932, also, *inter alia*, provides that "*Every partner is liable, jointly with all the other partners and also severally, for all acts of the firm done while he is a partner.*" Thus, the contentions of both the Noticees are untenable, as they would be jointly and severally liable for the acts of the partnership firms irrespective of their individual stakes, roles and responsibilities.

25. In this backdrop, it is now to be seen whether the activities carried out by the Noticees through the six partnership firms were in violation of provisions of Regulation 13(b) of IA Regulations and Clause 1 of Code of Conduct for Investment Advisers read with Regulation 15(9) of IA Regulations. I note that Regulation 13(b) of the IA Regulations, *inter alia*, provides that any certificate granted under regulation 9 shall be subject to the investment adviser informing

¹ AIR1979SC1250

SEBI in writing, if any information or particulars previously submitted to SEBI are found to be false or misleading in any material particular or if there is any material change in the information already submitted. Further, the Code of Conduct for Investment Advisers, *inter alia*, provides that an investment adviser shall act honestly, fairly and in the best interests *of its clients and in the integrity of the market*.

26. With regard to the above, the DA has observed that the Noticees had not declared the investment advisory activities through unregistered partnership firms at the time of applying to SEBI for registration as IA in their individual capacity, which by itself is a suppression of facts. Further, it has been observed by the DA that as per the requirement of Regulation 13(b) of the IA Regulations, at least subsequently, Noticees ought to have informed SEBI about their IA activities through six partnership firms, as the information declared at the time of application that they were not engaged in IA activities, was false. Thus, the DA has found the Noticees to be in violation of Regulation 13(b) of the IA Regulations.

27. In this context, I note that Noticee No. 1 has not provided sufficient evidence or justification in response to the above mentioned observation made by the DA. In absence of such material or justification, the material available on record clearly suggests that Noticees were involved in providing unregistered investment advisory activities prior to obtaining SEBI registration, which they continued to do, even after obtaining the registration. Thus, I have no doubt in agreeing with the observations made by the DA that the Noticees have violated Regulation 13(b) of the IA Regulations and Clause 1 of Code of Conduct for Investment Advisers read with Regulation 15 (9) of IA Regulations. Further, the Noticees have also not acted with honesty, fairness and in the interest of maintaining integrity of the securities market.

28. Having agreed with the observations made by the DA, the issue before me to consider is whether the recommendation made by the DA is appropriate. As stated earlier, the DA has recommended that the Noticees shall be refrained from taking up any new assignment or contract for a period of 3 (Three) years.

29. It is noted that earlier, SEBI had initiated separate proceedings under Section 11(1), 11(4), 11(B)(1), 11(4A) and 11(B)(2) of the SEBI Act read with Regulation 3(1) of the IA Regulations, against 9 entities viz. Mr. Yogesh Kukadia (Noticee No. 1), Mr. Rajesh Kallidumbil (Noticee No. 2), Mr. Nithin Raj and the same six Partnership firms (M/s Signal2Noise Capital Partners, M/s Investo Investment Advisers, M/s SS Info Sales, M/s SI Digi Sales, M/s CT Web Sales and M/s ML Tele Sales) for providing unregistered Investment advisory activities. In this regard, an Order dated November 28, 2023 was passed by SEBI wherein it was *inter alia* observed that “...Noticees 1, 2 and 3 were carrying out IA activities through the unregistered six partnership firms. The Noticees through their unregistered six partnership firms held themselves out as investment advisers and provided investment advice to clients for consideration without obtaining registration from SEBI as Investment Adviser. Although Noticees 1 and 2 are registered with SEBI, they have not conducted the IA activities in their individual capacities but rather carried out IA work through the six partnership firms who were not registered with SEBI”. Accordingly, vide the said Order dated November 28, 2023, Noticees (amongst others) were debarred from accessing the securities market, directly or indirectly and were prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever, for a period of two years from the date of the order or till the expiry of two years from the date of completion of refunds to complainants/ investors as directed whichever is later. The said direction effectively acts as a restraint from taking any new clients. Further, SEBI vide the same Order had also imposed a penalty of ₹ 18,00,000 on the Noticees along with 7 other entities to be paid jointly and severally, and also directed them to refund the amount/fees/consideration received from investors/clients.

30. In this regard, Noticee No. 1 has submitted that he has challenged the said Order of SEBI before the Hon’ble Securities Appellate Tribunal. I note that no stay has been obtained by the Noticee No. 1 against the said Order.

31. Noticee No. 2 did not challenge the said Order and thus, it has attained finality against him. Noticee No. 2 in his submissions (before the DA) had desired to surrender his IA Registration since he was neither using the IA registration and nor maintaining any clients. On perusing the registered intermediary database of

SEBI, I also note that his (Noticee No. 2's) name is not appearing in the list of SEBI registered intermediary since his registration is not in force owing to non-payment of registration fees. However, in terms of the IA Regulations, the certificate of registration granted by SEBI remains valid until it is suspended or cancelled.

32. Considering that the Noticees have already been debarred from the securities market and penalized for their conduct, I am of the view that restraining the Noticees from taking up any new assignment or contract for a period of 3 (Three) years as recommended by the DA would be disproportionate, and instead, a restraint of six months would be commensurate and would meet the ends of justice.

33. In view of the above, I, in exercise of the powers conferred upon me under Section 19 of the SEBI Act, 1992 read with Regulation 27(5) of the Intermediaries regulations, restrain the Noticees from taking up any new assignment or contract for a period of six months.

34. A copy of the Order shall be served on the Noticees and the Market Infrastructure Institutions concerned for their information and record.

DATE: APRIL 02, 2025
PLACE: MUMBAI

Sd/-
AMARJEET SINGH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA