



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

SEBI/DA/BRK/JS/20339/1/2022

May 10, 2022

By SPAD

Capital Stars Financial Research Private Limited

Plot No. 25 DF, Scheme No. 74-C,

Near Lifecare Hospital,

Vijay Nagar, Indore,

Madhya Pradesh - 452010

Phone: 0731 669 0000

Sub:- Forwarding Notice to show cause under Regulation 25(1) of Securities and Exchange Board of India (Intermediaries) Regulations, 2008 and Regulation 28 of Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 in the matter of Capital Stars Financial Research Private Limited

1. Please find enclosed a copy of Show Cause Notice dated April 05, 2022 issued to Capital Stars Financial Research Private Limited (**Noticee**) which was sent by Speed Post Acknowledgment Due and has returned undelivered.
2. The Noticee, is therefore called upon to show cause as to why Enquiry Proceedings should not be held in terms of Regulation 25 of Securities and Exchange Board of India (Intermediaries) Regulations, 2013 read with Regulation 28 of IA Regulations and why appropriate recommendation as to cancellation of registration should not be made against Noticee under Regulation 28 of IA Regulations read with Regulation 23 and Regulation 27 of Securities and Exchange Board of India (Intermediaries) Regulations, 2013.

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.

दूरभाष : 2644 9950 / 4045 9950 (आई.बी.आर.एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.

Tel.: 2644 9950 / 4045 9950 (IVRS), 2644 9000 / 4045 9000 Fax : 2644 9019 to 2644 9022 Web : www.sebi.gov.in



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और विनिमय बोर्ड
Securities and Exchange
Board of India**

3. The reply of Noticee, if any, along with documentary evidence (if any) should reach the undersigned at the address given below as well as through email at bhavanaravi@sebi.gov.in and srinivas@sebi.gov.in within a period of 21 days from the date of receipt of this notice, failing which it shall be presumed that Noticee have no reply to submit and the matter would be further proceeded ex-parte.

**SECURITIES AND EXCHANGE BOARD OF INDIA
SEBI BHAVAN-II, C-7, Block 'G',
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051**

4. The Noticee is required to submit a copy of its PAN Card and contact details (contact person, phone number, email details, fax etc.) for records. Further, in case of change in the address or contact details of the Noticee during the pendency of the current enquiry proceedings, the same may be brought to the notice of the undersigned immediately.
5. The Noticee may also note that a settlement mechanism is provided under the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018. If the Noticee wishes to avail the benefit of the settlement process, it may also apply for the same in the manner provided in the said regulations under intimation to the Designated Authority.

**JAKKULA SRINIVAS
ASSISTANT GENERAL MANAGER**

Enclosed as mentioned above



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

GENERAL MANAGER &
DESIGNATED AUTHORITY

By S P A D

SEBI/EAO/BRK/PR/14199/1/2022

April 05, 2022

To,

M/s. Capital Stars Financial Research Pvt. Ltd.

Office No. 208-209, 2nd Floor,

Apollo Premier, Plot No.1, Scheme No.54, PU-4,

Vijay Nagar, Indore, Madhya Pradesh – 452 010

Notice to show cause under Regulation 25(1) of Securities and Exchange Board of India (Intermediaries) Regulations, 2008 and Regulation 28 of Securities and Exchange Board of India (Investment Advisers) Regulations, 2013

1. An inspection of Capitalstars Financial Research Pvt. Ltd. ("Noticee") was conducted by SEBI on February 10, 2020. The focus of the inspection was to look into the compliance by the Noticee with the provisions of Securities and Exchange Board of India Act, 1992 ("SEBI Act"), Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 ["IA Regulations"], other regulations, circulars and guidelines framed thereunder. The inspection was carried out during March 02 to 06, 2020 at the place of business situated at 2nd Floor, Plot No. 32, Omega Tower, Mechanic Nagar Extension, Sayaji Club Road, IDA Scheme No. 54, Vijay Nagar, Indore – 452010. The period of inspection was from April 01, 2018 to January 31, 2020 ("Inspection Period").

OBSERVATIONS:

The following were observed from the inspection of documents and information provided by the Noticee;



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Page 1 of 50

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अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

RISK PROFILING QUISTIONNAIRE AND SUITABILITY

2. The Noticee was found to be using two Risk Profiling questionnaire forms during the inspection period. One risk profiling questionnaire form was adopted by the Noticee from the date of registration i.e. from April 28, 2014 to September 10, 2019 (hereinafter referred as "RPF-1") and another risk profiling questionnaire form was adopted by IA from September 11, 2019 onwards (hereinafter referred as "RPF-2"). Copy of RPF-1 and RPF-2 is enclosed as Annexure-1.
3. Further, as per Regulation 16(a) of IA Regulations, Investment advisor (hereinafter referred as "IA") shall ensure that it obtains from the client, such information as is necessary for the purpose of giving investment advice, including age, investment objective, income details, existing investment/assets, risk appetite/tolerance, liability/ borrowing details. Regulation 16(b) of IA Regulations further requires an IA to have a process for assessing the risk a client is willing and able to take including assessing a client's capacity for absorbing loss, identifying whether client is unwilling or unable to accept the risk of loss of capital and appropriately interpreting client responses to questions and not attributing inappropriate weight to certain answers. Further, Regulation 17(a) of IA Regulations requires that investment advisor shall ensure that all investments on which investment advice is provided is appropriate to risk profile of the client.
4. RPF-1 consisted 22 standard questions seeking details viz., age of client, annual income, etc. However, it did not have any weightage assigned to these questions and answers thereof. RPF-1 had simple ticking methodology to predefined answers which did not lead to any conclusion. There was no process in place to decide the risk profile of the client as per Regulation 16 of IA Regulations. The Noticee did not have any process of measuring risk bearing capacity of clients. The clients were not segregated based on their risk profile and the clients were provided investment advice without differentiating or categorizing them based on their risk profile. Therefore, from the date of registration as IA i.e., April 28, 2014 till September 10, 2019, the Noticee failed to do risk profiling of the clients as laid





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

down in regulation 16 of IA Regulations. The products/ services offered by the Noticee were not categorized based on the risk associated with them. Further, the clients were not categorized based on the assessment of risk taking ability by them. Therefore, without assessing/ deciding risk profile of the clients, all the products/ services of the Noticee were made available to all the clients. The same was subsequently confirmed by directors of the Noticee viz., Mr. Amit Sharma and Mr. Abhishek Upadhyay in their reply to question no. 7 of their statements dated March 05, 2020. (Copy of the statement of Mr. Amit Sharma and Mr. Abhishek Upadhyay is enclosed as Annexure-2), wherein they stated that:

“We don't do Risk scoring in the Risk Profiling form earlier September 2019, after it onwards we have modified our Risk Profiling form and start doing Risk Scoring. we don't have suitability assessment policy before Sep 2019 after that we have revised our Risk Profiling system and included Risk assessment of clients and also categorize the clients based on their Risk Tolerance capacity. We categorize the Products into High, Medium & Low risk category.”

5. During the period of inspection, it was observed that the Noticee has collected around Rs. 11.36 crore amount of fees from clients and the Noticee had collected in total Rs. 24.51 crores from the date of obtaining registration till September, 2019. During the said period, the Noticee had not done risk assessment of its clients.

Month wise break up of fees collected

Month	Fees collected	No of services sold to clients
Apr-18	54,53,855.30	312
May-18	65,89,741.14	395
Jun-18	60,07,958.51	320
Jul-18	72,06,071.35	456





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Month	Fees collected	No of services sold to clients
Aug-18	69,77,286.48	390
Sep-18	60,44,063.84	354
Oct-18	67,72,811.46	452
Nov-18	61,45,182.22	415
Dec-18	79,95,813.59	491
Jan-19	73,64,748.26	529
Feb-19	89,60,534.50	486
Mar-19	64,61,540.70	419
Apr-19	80,35,791.26	517
May-19	95,52,434.62	640
Jun-19	67,75,748.42	446
Jul-19	35,14,218.32	331
Aug-19	19,85,763.61	225
Sep-19	18,08,064.34	211
Total fees received from clients	11,36,51,627.92	7,389

6. Thus, in view of the above, it is alleged that Noticee has violated Regulation 16(a), 16(b) and Regulation 17(a) of IA Regulations.
7. It is also observed that the above act on the part of the Noticee is fraud as defined in regulation 2(1)(c) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 [SEBI (PFUTP) Regulations, 2003]. On account of the above, it is alleged that the Noticee has violated Regulation 3(a), (b), (c) and (d) of SEBI (PFUTP) Regulations, 2003 read with Section 12(A) (a), (b), (c) of SEBI Act.



LEADING AND VAGUE QUESTIONS IN RPF-2 FORM



अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

Further, on examining RPF-2, it was observed that the Noticee included following two questions (Q. No. 18 & 20) to ascertain risk appetite of the clients:

- 18. Do you prefer to buy high risk investment instrument for getting higher return?*
20. Risk tolerance (only high risk investor are eligible for trading services).

8. The question 18 above appears to be a leading question. The expression “Do you prefer to buy high risk investment instrument for getting higher return” would inevitably lead the client to respond that he can bear high risk as it is associated with high return. Instead of which the correct question should have been ‘*high risk involves greater chances of incurring large amount of losses....*’. Had the Noticee made the client aware that taking high risk would mean chances of large amount of losses in the investment, it would have been better for the client to understand the risks associated with a high risk product.
9. The question 20 above appears to be again a leading and a vague question. The expression “*Risk tolerance (only high risk investor are eligible for trading services)*” would inevitably lead the client to respond that he can bear high risk as opting for that answer would allow him to get trading services. This is a leading question as it nudges the clients to modify their responses to questionnaires so that they can fall in the “high risk category” and start trading in securities market. Further, the question is also misleading as it, inter alia, states that only high risk investor are eligible for trading services. Instead of stating ‘*Risk tolerance (only high risk investor are eligible for trading services)*’, the correct question should have been only asking for risk tolerance of clients. Further, the Noticee should have made its clients aware that trading in securities market may involve risk.
10. From the above, it is observed that the above mentioned questions in the Risk Profile questionnaire are vague, ambiguous and misleading. From the question mentioned above, it is clear that the questions used for assessing risk profile of the client are leading and misleading.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

11. It may be noted that Regulations 16(d)(i) and 16(d)(ii) of IA Regulations requires that questions in risk profiling form should not be vague and should not contain leading questions. The same is reproduced below for reference:

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

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

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

12. Hence, it appears that the questions mentioned in the questionnaire have been framed in such a manner that it would be difficult for the clients to understand and provide an appropriate response. It further appears that such questions have been framed to make the clients fall into the high risk category so that they can be offered complex products like derivatives. It was also observed that few questions are leading questions which prompts the clients to respond to the questions in a certain way.

Thus, in view of the above, the Noticee is alleged to have violated Regulation 16(d)(i) and 16(d)(ii) of IA Regulations.

13. As per regulation 2(1)(c) of SEBI (PFUTP) Regulations 2003, fraud includes misrepresentation of the truth or concealment of material fact in order that another person may act in his detriment. The ambiguous manner in which questions have been framed is a deliberate ploy on the part of the Noticee to somehow categorize a particular investor in the high risk bracket so that the Noticee can earn large amount of fees by providing advices in all types of products including products in the Derivatives and Commodities Services.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

The act of risk profiling of the clients by the Noticee in the manner as described above, amounts to 'fraud' as defined in regulation 2(1)(c) of SEBI PFUTP Regulations, 2003. Hence, the Noticee, is alleged to have violated Regulation 3(a), (b), (c), (d) and 4(1) of SEBI (PFUTP) Regulations. read with Section 12A(a), (b) and (c) of SEBI Act.

**NON AVAILABILITY OF SUPPORTING DOCUMENTS FOR RISK PROFILING
(RPF-2)**

14. The Noticee has a questionnaire with 20 questions on Risk profiling to measure risk appetite/ tolerance of the clients. Corresponding to each question, a set of answers has been stated. Each answer has been assigned a particular weightage. Depending on the response of the client, the total score of the client is calculated. The maximum total score is 100. Based on the response of the clients, scores are assigned and risk appetite of the clients are assessed. Depending on the score, the Noticee classifies the clients into following Risk Categories:

Risk profiling questionnaire score	Risk category of client
<45	Low
>45 to <59	Moderate
>60	High

15. During the inspection, Noticee was asked to provide supporting documents obtained to carry out the risk profiling of its clients. Noticee submitted that its representatives (Risk Profiling Team) seek response from clients telephonically and the do not meet the client personally. Further, Noticee submitted that it does not keep recording of calls made to clients.
16. As per regulation 16(a) of IA Regulations, IA is under obligation to obtain from the client, as, such information are necessary for the purpose of giving investment advice, the information so collected includes age of the prospective





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

client, and other details such as his/her investment objective, income details, existing investment/assets, risk appetite/tolerance, liability/borrowing details. Vide letter dated March 2, 2020 Noticee submitted to inspection team that, while carrying out risk profiling of clients it obtains only KYC details, PAN copy and address proof and no other details/documents are sought/ collected from the clients while doing the RPM.

17. During the Inspection it was observed that the Noticee does not obtain any supporting documents/ evidence from clients while doing risk profiling of client. Risk profiling of the client is carried out merely on the basis of KYC details, PAN copy and address proof. For arriving at risk profiling of any clients, details like investment objectives, income details, existing investments/ assets, risk appetite/ tolerance, liabilities/ borrowing details are required to be collected with supporting documents. However, no such supporting documents are obtained from the clients.
18. As per regulations 19 (1) and (2) of IA Regulations, IA shall, inter alia, obtain records of Risk profiling and risk assessment of client and Suitability assessment of the investment advice provided and maintain these records either in physical or electronic form and preserve for a minimum period of 5 years. Hence, it is observed that Noticee has neither obtained any documentary evidence for Risk Profiling records of clients, nor have kept any recording of telephone conversation of carrying out Risk profiling of its clients.

In view of the above, Noticee is alleged to have violated Regulations 16(a), 19(1) and 19 (2) of IA Regulations.

**NON-COMMUNICATION OF RISK PROFILE AND SUITABILITY ASSESSMENT TO
CLIENTS AND STARTING INVESTMENT ADVISORY SERVICES WITHOUT
CONFIRMATION OF CLIENT ON RISK PROFILE**

19. Noticee is under obligation to communicate the risk profile of the client after risk assessment is done in terms of the regulation 16(e) of SEBI (IA) Regulations.





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

2013. During the inspection Noticee informed that, all the information required for carrying out risk profile are obtained through telephonic conversation. From the copies of risk profile statement, it is observed that the risk profile statements do not bear signatures of clients. The signatures are either cropped from identity proof like PAN copy or the client send his signature through email which is then placed on Risk Assessment form. The client has no means to know whether information related to him have been correctly included in the risk profile statement of the client and whether the Risk Assessment Form reflects the correct or appropriate risk assessment of the client, if the risk profile statement is not sent to the client.

20. Risk profiling of the client being a crucial process. The advices that are to be sent to the clients need to reflect appropriate risk profile of the client. Under regulation 16 (e) of IA Regulations, communication of risk profiling is mandatory. Since all the information for carrying out risk profiling is obtained through telephone conversation, it is all the more important that the client is given a fair amount of time to revert in case of any disagreement with the risk profiling statement.
21. During inspection, Risk profile of 40 sample clients were sought from Noticee. The invoices, risk profiling, product/ services sold, etc. with respect to these 40 clients were examined. Proof of communication of risk profile for such clients was also sought. It was submitted by Noticee that subsequent to risk profiling and suitability assessment, it sends welcome email to client, forwarding risk assessment and invoices for the amount of fees received. It was noted from the data provided by Noticee that in case of 17 out of 40 sample clients, no welcome email was sent to clients. Therefore, risk assessment and details w.r.t. product suitability were not sent to these 17 clients. Furthermore, in case of remaining 23 clients, Noticee has failed to produce any documentary evidence of confirmation from the clients for the Risk profile and suitability assessment form in response to the welcome email sent by the Noticee. Therefore, it appears that, no efforts have been made by the Noticee to obtain the confirmation from the clients on risk profile and suitability assessment.





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

22. Hence, it appears to be a deliberate ploy on the part of the Noticee to not communicate the risk profiling to the client. It appears from the above act that the the Noticee did not want the clients to know about their risk profiling, which would ensure that the clients are not in a position to raise objection on the risk profiling, even if the risk profiling is not correct.

Thus, in view of the above, the Noticee is alleged to have violated Regulation 16(e) of IA Regulations and Clauses 1 and 5 of the Code of Conduct as mentioned in Schedule III read with Regulation 15 (9) of SEBI (IA) Regulations.

**ADVISORY SERVICES OFFERED PRIOR TO RISK PROFILING, OFFERED
ADVISORY SERVICES WITHOUT RISK PROFILING AND IMPROPER RISK
PROFILING**

23. From the details obtained for 40 clients selected on sample basis, it was observed that Noticee failed to do risk profiling of three clients namely Tarun Patnaik, Prakash Naveen and Rajeev Kumar and have provided investment advice and further had charged advisory fees without doing risk profiling of the said client.
24. Further, it was also observed that the risk profiling forms of remaining 37 clients were not dated and were not signed by any of the employee/ representative of the Noticee. In absence of the same, there arises a question regarding authenticity of risk profiling done by the Noticee as it cannot be identified that who was doing risk profiling and on what date it was done. Furthermore, as the risk profiling forms are not dated, it is not feasible to ascertain whether the risk profiling was carried out at the time of onboarding the client or was prepared just for the purpose of inspection.
25. In absence of date on RPF, date of communication of RPF to client was taken for the purpose of analysis. It is observed that in most of cases, Noticee collected advisory fee prior to sending the RPFs to clients.. Thus, prior to the risk profiling





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India**

of the client, Noticee had already sold investment advisory services and charged fees from the clients.

The details regarding the date of payment of fees, the services tenure start date, date of carrying out risk profiling (as risk profiling forms are undated, date of sending RPF to clients through email is taken as date of risk profiling), etc., with respect to the 40 clients are given below:

S. No.	Name	Date of RPF/ Communication of RPF	First date of payment by client	Service Tenure Start Date	Date of Invoice
1	Kanakkumar Vinodbhai Patel	May 28, 2019	October 19, 2018	October 20, 2018	October 20, 2018
2	Moraje Venkat Rao Manmohan Rao	May 16, 2019	December 21, 2018	December 21, 2018	December 21, 2018
3	Phani Krishna Surya Prasa Evani	Not communicated to client	August 08, 2018	August 09, 2018	August 09, 2018
4	Tapan Kumar Mishra	January 09, 2019	October 29, 2018	October 30, 2018	October 30, 2018
5	Mayur Chavda	July 18, 2018	May 07, 2018	May 08, 2018	May 07, 2018
6	Narasappa Siddappa Hosamani	Not communicated to client	January 02, 2018	December 20, 2018	December 20, 2018
7	Pawan Ashok Tharwani	Not communicated to client	April 09, 2018	April 10, 2018	April 09, 2018





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

S. No.	Name	Date of RPF/ Communication of RPF	First date of payment by client	Service Tenure Start Date	Date of Invoice
8	Harishankar Upadhyay	Not communicated to client	March 15, 2019	March 16, 2019	March 16, 2019
9	Kinjal Bipinbhai Patel	April 18, 2019	January 07, 2019	January 08, 2019	January 07, 2019
10	Hitesh Mavjibhai Patel	June 24, 2019	April 15, 2019	April 16, 2019	April 16, 2019
11	Dinesh Arvind Vadhane	June 15, 2019	September 22, 2018	September 23, 2018	May 10, 2019
12	Dhiraj Choudhury	Not communicated to client	July 27, 2018	July 28, 2018	July 31, 2018
13	Jagmeet Singh	December 27, 2018	October 24, 2018	October 25, 2018	October 25, 2018
14	Vikas Bhaskar Rakhunde	June 06, 2019	September 30, 2018	October 01, 2018	October 01, 2018
15	Gopal Bodra	May 17, 2019	May 02, 2019	May 18, 2019	May 02, 2019
16	J Srinivas Rao	July 21, 2018	May 21, 2018	May 22, 2018	May 22, 2018
17	Rupesh Jawaharlal Jain	November 26, 2018	October 31, 2018	November 26, 2018	November 01, 2018
18	Girish Digambar Deshbhandari	August 18, 2019	April 18, 2019	April 19, 2019	April 18, 2019
19	Nareshkumar Dolatrai Desai	February 13, 2019	February 02, 2019	February 03, 2019	February 02, 2019





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

S. No.	Name	Date of RPF/ Communication of RPF	First date of payment by client	Service Tenure Start Date	Date of Invoice
20	Prakash Rajput	March 23, 2019	February 18, 2019	February 19, 2019	February 18, 2019
21	Somnath Mitra	Not communicated to client	April 02, 2018	April 03, 2018	April 03, 2018
22	Rinaben Patel	July 19, 2018	May 03, 2018	May 04, 2018	May 03, 2018
23	Rekha Sharma	December 31, 2018	July 19, 2018	September 05, 2018	July 20, 2018
24	Reynold Richard Paul	Not communicated to client	July 20, 2018	July 21, 2018	July 21, 2018
25	Mehrun Nisha Khatoon	August 10, 2018	July 24, 2018	July 25, 2018	July 26, 2018
26	Deepak Kumar Behera	Not communicated to client	October 22, 2018	October 23, 2018	October 22, 2018
27	Tarun Patnaik	No Risk Profiling	December 07, 2018	December 08, 2018	December 10, 2018
28	Kishan Kumar Patel	April 24, 2019	February 20, 2019	February 22, 2019	February 21, 2019
29	Dilip Rehan	Not communicated to client	March 18, 2019	March 25, 2019	March 18, 2019
30	Jitendra Jaloriya	May 20, 2019	April 24, 2019	April 25, 2019	April 25, 2019





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

S. No.	Name	Date of RPF/ Communication of RPF	First date of payment by client	Service Tenure Start Date	Date of Invoice
31	Praksh Naveen	No Risk Profiling	September 25, 2019	Service Not given	No Invoice to client
32	Pradeep Kumar Gupta	Not communicated to client	June 22, 2018	June 23, 2018	June 22, 2018
33	Chandrashekhar Verma	August 31, 2018	August 29, 2018	September 11, 2018	August 29, 2018
34	Rajeev Kumar	No Risk Profiling	August 28, 2018	August 30, 2018	August 29, 2018
35	E Alagurajan	March 04, 2019	March 04, 2019	March 05, 2019	March 05, 2019
36	Sandeep Balasaheb Kadlag	June 29, 2019	June 28, 2019	July 01, 2019	June 29, 2019
37	Hina Shyad Jilani	Not communicated to client	No information Provided by IA		November 21, 2017
38	Linkan Kumar Barisal	Not communicated to client	No information Provided by IA		
39	Rakesh Matre	Not communicated to client	No information Provided by IA		February 16, 2018

RPM





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

S. No.	Name	Date of RPF/ Communication of RPF	First date of payment by client	Service Tenure Start Date	Date of Invoice
40	Rajesh Kumar Verma	Not communicated to client	April 03, 2019	May 06, 2019	April 04, 2019

26. IA has to ensure that all investments on which investment advice is provided is appropriate to the risk profile of the client as per regulation 17(a) of IA Regulations. It was observed from the above table that, out of 40 clients, for 3 clients, the Noticee had sold its advisory products and collected fees from the clients, even without doing risk profile of the clients.
27. Further, out of remaining 37 clients, for 14 clients Risk Profile Form was not communicated to them, moreover the RPFs are not dated. Therefore, there is no evidence that risk profiling of client was done by the Noticee before providing advisory services to clients. it was also identified that out of remaining 23 clients, in case of 22 clients, Noticee first collected advisory fees by selling advisory services and then did risk profiling of the client.
28. Also in case of 18 clients out of 23 clients, (viz., Kanak Kumar Vinodbhi Patel, Moraje Venkat Rao Manmohan Rao, Tapan Kumar Mishra, Mayur Chavda, Kinjal Bipinbhai Patel, Hitesh Mavjibhai Patel, Dinesh Arvind Vadhane, Jagmeet Singh, Vikas Bhaskar Rakhunde, J Srinivas Rao, Girish Digambar Deshbhandari, Nareshkumar Dolatrai Desai, Prakash Rajput, Rinaben Patel, Rekha Sharma, Mehrun Nisha Khatoon, Kishan Kumar Patel and Jitedra Jaloriya,) it was observed that even service tenure start date is before date of risk profile of client. In some cases Noticee did risk profiling of certain clients more than 100 days after start of advisory services. In case of clients namely Kanak Kumar Vinod Bhai Patel (mentioned at Sl. No. 1 of the above Table), Dinesh Arvind Vadhane (mentioned at Sl. No. 11 of the above Table), Vikas Bhaskar Rakhunde





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

(mentioned at Sl. No. 14 of the above Table) and Rekha sharma (mentioned at Sl. No. 23 of the above Table), risk profile was carried out after 220 days, 265 days, 248 days and 117 days respectively, after the start of advisory services. This clearly indicates that the Noticee gave advisory services to these clients without doing client risk profiling.

29. IA has to ensure that all investments on which investment advice is provided is appropriate to the risk profile of the client, as per regulation 17 of IA Regulations. It is observed from the above table that the Noticee had sold its advisory products and collected fees from the clients, even before it had carried out the risk profile for its clients. In some cases, the difference between the date on which payment was received and risk profiling was done, was more than 100 days. In some cases Noticee even failed to do risk profiling of the clients. From the above, it is observed that the products had already been sold by the Noticee and advisory fees had been charged even before the risk profiling of the client was completed. It is observed that the products sold would not be appropriate to the clients' need as the risk profiling has not been completed for the client. Hence, It appears that the Noticee had sold products just to earn advisory fees. It also appears that the Noticee deceived the clients into buying its different products without understanding the clients' needs. This shows that the Noticee acted dishonestly and with an aim to earn profits by selling products without caring for the needs of the clients.
30. In view of above, it is observed that the Noticee sold products and charged advisory fees from the clients without undertaking risk profiling of clients. Thus, the Noticee, is alleged to have violated Regulation 17(a) of IA Regulations. Further, on account of the above conduct, the Noticee is alleged to have violated clauses 1, 2 and 4 of Code of Conduct as mentioned in Schedule III read with Regulation 15(9) of IA Regulations. The above conduct of the Noticee amounts to fraud as mentioned in regulation 2(1)(c) of SEBI (PFUTP) Regulations, 2003. In view of the same, the Noticee, is alleged to have violated Regulation





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

3(a),(b),(c),(d) and 4(1) of SEBI (PFUTP) Regulations,2003 read with Section 12A(a),(b) and (c) of SEBI Act.

UNFAIR AMOUNT OF FEES CHARGED FROM CLIENTS

31. It was observed from 28 clients out of the 40 clients taken as sample, that a significant amount of fees was charged and collected from clients which is disproportionate as compared to their respective annual income levels. The details in this regard are mentioned in the Table below:

Sl. No.	Name of Client	Total Amount charged from Client (Rs.)	Client Annual Income as per KYC/ RPF (Rs.)
1	Kanakkumar Vinodbhai Patel	24,19,733	1 to 5 lakh
2	Moraje Venkat Rao Manmohan Rao	20,17,500	1 to 5 lakh
3	Phani Krishna Surya Prasa Evani	15,18,114	10 to 25 lakh
4	Tapan Kumar Mishra	11,81,930	10 to 25 lakh
5	Mayur Chavda	10,30,160	5 to 10 lakh
6	Narasappa Siddappa Hosamani	9,98,745	8,40,000
7	Pawan Ashok Tharwani	12,42,088	10 to 25 lakh
8	Harishankar Upadhyay	9,32,222	25 lakh
9	Kinjal Bipinbhai Patel	9,15,901	5 to 10 lakh
10	Hitesh Mavjibhai Patel	9,00,945	5 lakh
11	Dinesh Arvind Vadhane	7,05,168	10 to 25 lakh
12	Dhiraj Choudhury	6,97,133	5 to 10 lakh
13	Jagmeet Singh	6,87,202	10 to 25 lakh
14	Vikas Bhaskar Rakhunde	3,05,297	5,50,000





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

15	Gopal Bodra	2,55,727	1 to 5 lakh
16	J Srinivas Rao	5,07,075	1 to 5 lakh
17	Rupesh Jawaharlal Jain	4,99,550	1 to 5 lakh
18	Girish Digambar Deshbhandari	1,45,197	less than 1 lakh
19	Prakash Rajput	3,21,275	1 to 5 lakh
20	Rinaben Patel	2,60,873	1 to 5 lakh
21	Rekha Sharma	6,87,992	5 to 10 lakh
22	Reynold Richard Paul	55,153	Not specified
23	Mehrun Nisha Khatoon	2,30,759	below 1 lakh
24	Deepak Kumar Behera	98,801	1 to 5 lakh
25	Kishan Kumar Patel	24,485	below 1 lakh
26	Dilip Rehan	75,000	Not specified
27	Jitendra Jaloriya	3,00,782	5 to 10 lakh
28	Hina Shyad Jilani	3,30,300	5 to 10 lakh

From the above table, it may be seen that amount of fees received from 13 clients (Highlighted in bold in the above Table) were either more or equal to annual income, as disclosed in the respective RPF/ KYC of the clients.

32. Further, from the aforesaid 40 sample clients, it was also observed that for the following clients, Noticee has charged fees more than the proposed investment disclosed by clients in his risk profiling form:

Sl. No.	Name of Client	Total Amount charged from Client (Rs.)	Proposed Investment Amount as per RPF (Rs.)
1	Kanakkumar Vinodbhai Patel	24,19,733	5 lacs and above
2	Moraje Venkat Rao Manmohan Rao	20,17,500	5 lacs and above





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India**

3	Phani Krishna Surya Prasa Evani	15,18,114	5 lacs and above
4	Tapan Kumar Mishra	11,81,930	1-2 lacs
5	Mayur Chavda	10,30,160	5 lacs and above
6	Narasappa Siddappa Hosamani	9,98,745	Below 1 lac
7	Pawan Ashok Tharwani	12,42,088	5 lacs and above
8	Harishankar Upadhyay	9,32,222	2-5 Lacs
9	Kinjal Bipinbhai Patel	9,15,901	Below 1 lac
10	Hitesh Mavjibhai Patel	9,00,945	5 lacs and above
11	Dinesh Arvind Vadhane	7,05,168	2-5 Lacs
12	Dhiraj Choudhury	6,97,133	2-5 Lacs
13	Jagmeet Singh	6,87,202	2-5 Lacs
14	Vikas Bhaskar Rakhunde	3,05,297	Below 1 lac
15	Gopal Bodra	2,55,727	Below 1 lac
16	J Srinivas Rao	5,07,075	1-2 lacs
17	Rupesh Jawaharlal Jain	4,99,550	1-2 lacs
18	Girish Digambar Deshbhandari	1,45,197	Below 1 lac
19	Rinaben Patel	2,60,873	Below 1 lac
20	Rekha Sharma	6,87,992	5 lacs and above
21	Mehrun Nisha Khatoon	2,30,759	Below 1 lac
22	Jitendra Jaloriya	3,00,782	Below 1 lac
23	Chandrashekhar Verma	1,06,564	Below 1 lac
24	E Alagurajan	1,76,410	Below 1 lac

33. It was observed from table mentioned under para 32, that out of 40 clients taken on sample basis, for 28 clients, significant amount of fees was collected as compared to annual income of the client. Further, in case of 24 clients, the Noticee has charged fees which was more than proposed investment of the clients. From the table mentioned under para 32 & 33 above, it was observed that the Noticee has kept its own interest at higher level compared to the interest





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India**

of its clients with the single motive of maximizing revenue instead of providing best services to clients.

34. The Noticee has not acted with due skill, care, diligence and honesty while charging advisory fees from the clients. Further, considering the fees charged from the clients vis-à-vis the annual income and/ or proposed investment by the client, it is evident that fair and reasonable fees have not been charged by the Noticee. It was also observed that the Noticee had just focused on earning higher fees, it charged fees many times more than the total annual income/ proposed investment of the clients.
35. In view of above, it is alleged that the Noticee, failed to abide by clauses 1, 2 and 6 of Code of Conduct for IA provided in Schedule III read with Regulation 15 (9) of IA Regulations. Further, the Noticee, has also failed to act in a fiduciary capacity towards its clients and therefore is is alleged be in violation of Regulation 15(1) of IA Regulations..
36. During the risk profiling of clients, the Noticee had received all information from clients like proposed investment amount, annual income and other financial details. Having known these financial details, it has still charged exorbitant amount of fees from clients, which is sometimes more than five times of client's annual income/ proposed investment. It is noted that the Noticee has deceived its clients by extorting fees which were more than the investment amount or total annual income of the client. This act of the Noticee amounts to fraud as per regulation 2(1)(c) of SEBI(PFUTP) Regulations, 2003. In view of the above, the Noticee, is alleged to have violated Regulations 3(a),(b),(c) and (d) of SEBI (PFUTP) Regulations, 2003 read with section 12A (a) , (b) and (c) of SEBI Act.

**CHARGING ADVISORY FEES BEFORE EXPIRY OF TENURE OF EXISTING
SERVICE/ COLLECTING MULTIPLE PAYMENTS IN SHORT PERIOD/ IMPROPER
SERVICE AND SELLING OF ADVISORY SERVICES WITH UNETHICAL INTENTS**





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

37. The Noticee has been selling same advisory product/ service to the clients. The product/ service are sold before completion of the tenure of the previous service. It has also been observed that in case of some clients, advisory fees have been charged multiple times for one single service even before the expiry of duration of that service. Further, in some cases, it was observed that in short span of one month, more than 10 invoices were raised by the Noticee and huge payments were taken from the clients.

It was also noted that invoices provided to clients by the Noticee do not have any mention of tenure of service for which advisory fees was charged by the Noticee. Clients do not know the period for which they have paid advisory fees to the Noticee. This result in lack of transparency between the Noticee and its clients has allowed the Noticee to charge multiple fees in a short period of time. Many such incidents were noted in respect of various clients. The details of which are discussed in subsequent paragraphs.

38. Out of the sample of 40 clients identified for inspection, 13 clients were charged advisory fees before expiry of tenure of existing service:

i) Kanak Kumar Vinodbhai Patel

Date of Invoice	Name of services allotted to client	Amount collected from client (In Rs.)	Dates of payments made by client	Services tenure START DATE	Services tenure End DATE
1-Jan-19	Bullion Premium	80,004/-	31-Dec-18	1-Jan-19	22-Mar-19
1-Jan-19	Bullion Premium		31-Dec-18	23-Mar-19	9-Apr-19





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

1-Feb-19	HNI Futures	1,18,000/-	31-Jan-19	1-Feb-19	12-May-19
27-Mar-19	HNI Futures	1,20,360/-	26-Mar-19	13-May-19	23-Aug-19
27-Feb-19	CPE Futures	6,23,040/-	26-Feb-19	27-Feb-19	21-Sep-19
27-Feb-19	CPE Futures	15,340/-	26-Feb-19	22-Sep-19	26-Sep-19

From the above table, it can be seen that Noticee sold Bullion Premium, HNI Futures and CPE Futures products to the client before expiry of tenure of existing services. On December 31, 2018, Noticee sold 'Bullion Premium service' twice for the tenures from January 1, 2019 to March 22, 2019 and from March 23, 2019 to April 9, 2019. Similarly, on January 31, 2019, Noticee sold "HNI Futures service" for Rs. 1,18,000 for the tenure of February 01, 2019 to May 12, 2019. However, even before expiry of that service, on March 26, 2019, Noticee charged Rs. 1,20,360 from client for same service for futuristic tenure of May 13, 2019 to August 23, 2019. Further, on February 26, 2019, Noticee sold "CPE Futures service" twice and collected fees of Rs. 6,23,040 and Rs. 15,340 from client. It was observed that the tenure for one of the "CPE Futures service" was supposed to start on September 22, 2019 i.e close to 7 months after the payment of advisory fees made by the client.

ii) Moraje Venkat Rao Manmohan Rao

Date of Invoice	Name of services allotted to client	Amount collected from client (In Rs.)	Dates of payments made by client	Services tenure START DATE	Services tenure End DATE
11-Jan-19	CPE	3,00,000/-	11-Jan-19	10-Nov-18	12-Dec-18
11-Jan-19	CPE		11-Jan-19	13-Dec-18	14-Jan-19
11-Jan-19	CPE		11-Jan-19	15-Jan-19	16-Feb-19





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

31-Jan-19	CPE Futures	2,00,000/-	31-Jan-19	1-Feb-19	7-Apr-19
13-Feb-19	CPE Futures	5,00,000/-	13-Feb-19	8-Apr-19	20-Sep-19
20-Feb-19	CPE Cash	5,00,000/-	20-Feb-19	21-Feb-19	5-Aug-19
21-Feb-19	CPE Cash	2,50,000/-	21-Feb-19	6-Aug-19	27-Oct-19
22-Feb-19	CPE Cash	2,50,000/-	22-Feb-19	28-Oct-19	18-Jan-20
Total		20,00,000/-			

It can be seen from the above table that Noticee charged a total of Rs. 20,00,000 from client within a short of span of 42 days i.e. from January 11, 2019 to February 22, 2019. Further, it can also be seen that Noticee sold "CPE Cash Service" thrice on three consecutive days i.e. on February 20, 2019, February 21, 2019 and February 22, 2019 and charged total fees of Rs. 10,00,000. The services were sold even before the end of the tenure of the previous service. It is also observed that the Noticee charged fees on February 21, 2019 and February 22, 2019 for the services which would start after completion of 8 to 10 months from the date of payment. Likewise, Noticee sold "CPE Futures" to client on January 31, 2019 for Rs. 2,00,000 for the tenure of February 01, 2019 to April 07, 2019. However, within 13 days, Noticee again sold the same service to client for Rs. 5,00,000/- for the futuristic period i.e. April 08, 2019 to September 20, 2019.

iii) Phani Krishna Surya Prasa Evani

Date of Invoice	Name of services allotted to client	Amount collected from client (In Rs.)	Dates of payments made by client	Services tenure START DATE	Services tenure End DATE
9-Aug-18	CPE	28,320/-	8-Aug-18	9-Aug-18	17-Aug-18
13-Aug-18	CPE	1,14,460/-	12-Aug-18	18-Aug-18	15-Sep-18





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

13-Aug-18	CPE		12-Aug-18	16-Sep-18	23-Sep-18
17-Aug-18	CPE	1,00,005/-	14-Aug-18	24-Sep-19	26-Oct-19
18-Aug-18	CPE	2,00,000/-	17-Aug-18	27-Oct-19	31-Dec-19
23-Aug-18	CPE	25,001/-	21-Aug-18	1-Jan-20	8-Jan-20
30-Aug-18	CPC	1,41,600/-	29-Aug-18	30-Aug-18	15-Oct-18
31-Aug-18	CPC	1,08,400/-	30-Aug-18	16-Oct-18	20-Nov-18
14-Sep-18	CPC	2,00,002/-	13-Sep-18	14-Sep-18	8-Nov-18
14-Sep-18	CPC		13-Sep-18	9-Nov-18	18-Nov-18
11-Dec-18	HNI Bullion	3,00,015/-	10-Dec-18	11-Dec-18	30-May-19
11-Dec-18	HNI Bullion		10-Dec-18	31-May-19	23-Aug-19
Total		12,17,803/-			

It can be seen from the above table that Noticee charged a total of Rs. 9,17,788 from client within a short of span of 37 days i.e. from August 09, 2018 to September 13, 2019. Further, it can also be seen that for "CPE" Service, Noticee charged total fees of Rs. 4,67,786 on five days i.e. on August 08, 2018, August 12, 2018, August 14, 2018, August 17, 2018 and August 21, 2018. "CPE" services were sold even before the start of service period of the previous "CPE" service. It was also observed that the service periods of "CPE" service sold on August 14, 2018, August 17, 2018 and August 21, 2018 would start after more than 1 year from the date of payment for such services. It was also observed that IA sold "CPC" to client on August 29, 2018 and August 30, 2018, for the tenure of August 30, 2018 to October 15, 2018 and October 16, 2018 to November 20, 2018 respectively. Further, Noticee charged total fees of Rs. 2,50,000 towards this service. However, on September 13, 2018 again Noticee charged a fees of Rs. 2,00,002 from client for same service for overlapping period of September 14, 2018 to November 18, 2018.





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

iv) Tapan Kumar Mishra

Date of Invoice	Name of services allotted to client	Amount collected from client (In Rs.)	Dates of payments made by client	Services tenure START DATE	Services tenure End DATE
26-Nov-18	CPE	1,18,000/-	22-Nov-18	23-Nov-18	23-Nov-18
27-Nov-18	CPE	80,240/-	26-Nov-18	27-Nov-18	12-Dec-18
29-Nov-18	CPE	43,660/-	29-Nov-18	30-Nov-18	09-Dec-18
7-Dec-18	CPE	59,000/-	6-Dec-18	12-Dec-18	30-Dec-18
7-Dec-18	CPE		7-Dec-18	31-Dec-18	2-Jan-19
10-Dec-18	CPE	36,580/-	7-Dec-18	1-Mar-19	8-Mar-19
11-Dec-18	CPE	54,280/-	10-Dec-18	9-Mar-19	26-Mar-19
13-Dec-18	CPE	27,140/-	12-Dec-18	27-Mar-19	4-Apr-19
14-Dec-18	CPE	25,016/-	13-Dec-18	5-Apr-19	12-Apr-19
24-Dec-18	CPE	2,22,222/-	22-Dec-18	13-Apr-19	25-Jun-19
28-Dec-18	CPE	3,33,333/-	27-Dec-18	26-Jun-19	3-Aug-19
28-Dec-18	CPE		27-Dec-18	4-Aug-19	26-Aug-19
28-Dec-18	CPE		27-Dec-18	27-Aug-19	13-Oct-19
1-Jan-19	CPE	1,00,000/-	31-Dec-18	14-Oct-19	15-Nov-19
4-Jan-19	CPE	75,000/-	3-Jan-19	16-Nov-19	4-Dec-19
4-Jan-19	CPE		3-Jan-19	5-Dec-19	9-Dec-19
8-Jan-19	CPE	75,000/-	7-Jan-19	10-Dec-19	26-Dec-19
8-Jan-19	CPE		7-Jan-19	27-Dec-19	2-Jan-20
Total		12,49,471/-			

It is observed from the above table that Noticee charged a total of Rs. 12,49,471 from the client within a short of span of 46 days i.e. from November 22, 2018 to January 07, 2019. Further, it is also observed that even before expiry of tenure of previous service, Noticee sold same service to client 18 times, the tenure of which would start in future and end on January 02, 2020. It is observed that the





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

Noticee charged fees from the client for services, the period for which would start after a period of 1 year. It is also observed from above table that on November 22, 2018, Noticee collected a fee of Rs. 1,18,000 from client for service tenure of just one day i.e. November 23, 2018, whereas for the sale of same service, on November 26, 2018, Noticee charged Rs. 80,240/- for a service period of 15 days i.e. from November 27, 2018 to December 12, 2018. Therefore, Noticee failed to maintain any integrity while charging advisory fees from clients and sold advisory services with unethical intent of collecting just advisory fees.

v) Mayur Chavda

Date of Invoice	Name of services allotted to client	Amount collected from client (In Rs.)	Dates of payments made by client	Services tenure START DATE	Services tenure End DATE
7-May-18	CPC	1,50,000	7-May-18	8-May-18	26-Jun-18
23-May-18	CPC	1,25,000	23-May-18	24-May-18	03-Jul-18
29-May-18	CPC	2,00,000	29-May-18	27-Jun-18	31-Aug-18
19-June-18	CPC	75,000	19-June-18	20-Jun-18	05-Jul-18
17-Jul-18	CPC	2,50,160	16-Jul-18	17-Jul-18	7-Oct-18
30-Jul-18	CPC	3,00,000	30-Jul-18	8-Oct-18	8-Nov-18
30-Jul-18	CPC		30-Jul-18	9-Nov-18	10-Dec-18
30-Jul-18	CPC		30-Jul-18	11-Dec-18	12-Jan-19
30-Jul-18	CPC		30-Jul-18	13-Jan-19	13-Jan-19
Total		11,00,160			

It can be seen from the above table that Noticee charged a total of Rs. 11,00,160 from the client within a short of span of 84 days i.e. from May 07, 2018 to July 30, 2018. Further, it can also be seen that even before expiry of tenure of previous service, Noticeesold the same services 9 times, the tenure of which would start in future and ending on January 13, 2019. It was also observed from





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

above table that, Noticee collected fees from the client for service tenure of just one day i.e. January 13, 2019.

vi) Narasappa Siddappa Hosamani

Date of Invoice	Name of services allotted to client	Amount collected from client (In Rs.)	Dates of payments made by client	Services tenure START DATE	Services tenure End DATE
3-Jan-19	HNI Option	2,006	2-Jan-19	3-Jan-19	3-Jan-19
8-Jan-19	HNI Option	25,039	7-Jan-19	8-Jan-19	28-Jan-19
8-Jan-19	HNI Option		7-Jan-19	29-Jan-19	28-Jan-19
14-Jan-19	HNI Option	25,016	11-Jan-19	30-Jan-19	19-Feb-19
15-Jan-19	HNI Option	35,400	14-Jan-19	20-Feb-19	21-Mar-19
16-Jan-19	HNI Stock Cash	25,075	15-Jan-19	16-Jan-19	6-Feb-19
23-Jan-19	HNI Option	2,006	22-Jan-19	22-Mar-19	22-Mar-19
12-Feb-19	Option Strategy	25,004	11-Feb-19	23-Feb-19	16-May-19
21-Feb-19	CPE Cash	25,016	20-Feb-19	21-Feb-19	28-Feb-19
25-Feb-19	CPE Cash	25,000	22-Feb-19	1-Mar-19	3-Mar-19
26-Feb-19	CPE Cash	25,000	25-Feb-19	15-Mar-19	22-Mar-19
28-Feb-19	CPE Cash	20,000	27-Feb-19	23-Mar-19	28-Mar-19
01-Mar-19	CPE Cash	5,000	28-Feb-19	29-Mar-19	29-Mar-19
6-Mar-19	CPE Cash	25,000	5-Mar-19	30-Mar-19	6-Apr-19
13-Mar-19	CPE Cash	40,000	12-Mar-19	7-Apr-19	19-Apr-19
14-Mar-19	CPE Cash	60,000	13-Mar-19	20-Apr-19	9-May-19
20-Mar-19	CPE Cash	62,000	19-Mar-19	10-May-19	21-May-19
20-Mar-19	CPE Cash		19-Mar-19	22-May-19	29-May-19
20-Mar-19	CPE Cash	83,000	20-Mar-19	30-May-19	25-Jun-19





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

Date of Invoice	Name of services allotted to client	Amount collected from client (In Rs.)	Dates of payments made by client	Services tenure START DATE	Services tenure End DATE
28-Mar-19	CPE Cash	1,50,000	27-Mar-19	29-Jul-19	13-Aug-19
29-Mar-19	CPE Cash	1,00,000	28-Mar-19	26-Jun-19	28-Jul-19
29-Mar-19	CPE Cash		29-Mar-19	14-Aug-19	15-Sep-19
02-Apr-19	CPE Cash	21,500	30-Mar-19	8-Oct-19	14-Oct-19
15-Apr-19	CPE Cash	10,000	12-Apr-19	15-Oct-19	17-Oct-19
4-May-19	CPE Futures	85,000	4-May-19	7-May-19	31-May-19
4-May-19	CPE Futures	15,000	4-May-19	1-Jun-19	5-Jun-19
13-May-19	CPE Futures	50,000	10-May-19	6-Jun-19	20-Jun-19
21-May-19	CPE Futures	25,000	20-May-19	21-Jun-19	28-Jun-19
Total		9,66,062			

It can be seen from the above table that Noticee sold "CPE Cash" 16 times and charged a total amount of Rs. 4,01,516 from the client within a short of span of 51 days i.e. from February 20, 2019 to April 12, 2019. Further, it is observed that Noticee sold same service to client 14 times even before expiry of tenure of previous service sold. It was also observed from above table that on May 04, 2019, May 10, 2019 and May 20, 2019 Noticee collected fees of Rs. 1,75,000 from client by selling 'CPE Futures'. The 'CPE Futures' was sold even before the end of the service period of previous 'CPE Futures'.





अनुवर्त :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

vii) Pawan Ashok Tharwani

Date of Invoice	Name of services allotted to client	Amount collected from client (In Rs.)	Dates of payments made by client	Services tenure START DATE	Services tenure End DATE
9-Apr-18	CPE	15,000/-	9-Apr-18	10-Apr-18	14-Apr-18
17-Apr-18	CPE	75,000/-	17-Apr-18	18-Apr-18	23-Apr-18
17-Apr-18	CPE		17-Apr-18	24-Apr-18	29-Apr-18
17-Apr-18	CPE		17-Apr-18	30-Apr-18	10-May-18
19-Apr-18	CPE	25,000/-	19-Apr-18	11-May-18	18-May-18
20-Apr-18	CPE	25,016/-	19-Apr-18	19-May-18	26-May-18
25-Apr-18	CPE	1,00,000/-	25-Apr-18	27-May-18	5-Jun-18
25-Apr-18	CPE		25-Apr-18	6-Jun-18	15-Jun-18
25-Apr-18	CPE		25-Apr-18	16-Jun-18	24-Jun-18
25-Apr-18	CPE		25-Apr-18	25-Jun-18	29-Jun-18
30-Apr-18	CPE	15,000/-	30-Apr-18	30-Jun-18	4-Jul-18
5-May-18	CPE	1,50,000/-	5-May-18	5-Jul-18	20-Jul-18
5-May-18	CPE		5-May-18	21-Jul-18	6-Aug-18
5-May-18	CPE		5-May-18	7-Aug-18	23-Aug-18
8-May-18	CPE	25,016/-	7-May-18	24-Aug-18	31-Aug-18
9-May-18	CPE	75,016/-	8-May-18	1-Sep-18	8-Sep-18
9-May-18	CPE		9-May-18	9-Sep-18	25-Sep-18
10-May-18	CPE	50,000/-	10-May-18	26-Sep-18	12-Oct-18
01-June-18	CPE	25,000/-	31-May-18	13-Oct-18	17-Oct-18
01-June-18	CPE		31-May-18	18-Oct-18	20-Oct-18
20-June-18	CPE	6,00,000/-	No Data Provided		
16-Jul-18	CPE	2,00,000/-	16-Jul-18	21-Oct-18	6-Nov-18
16-Jul-18	CPE		16-Jul-18	7-Nov-18	22-Nov-18
16-Jul-18	CPE		16-Jul-18	23-Nov-18	26-Dec-18





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

Date of Invoice	Name of services allotted to client	Amount collected from client (In Rs.)	Dates of payments made by client	Services tenure START DATE	Services tenure End DATE
17-Jul-18	CPE	1,00,000/-	17-Jul-18	27-Dec-18	11-Jan-19
17-Jul-18	CPE		17-Jul-18	12-Jan-19	28-Jan-19
31-Jul-18	CPE	1,00,000/-	31-Jul-18	29-Jan-19	2-Mar-19
1-Aug-18	CPE	1,00,000/-	1-Aug-18	3-Mar-19	1-Apr-19
29-Aug-18	CPE	1,00,000/-	29-Aug-18	2-Apr-19	18-Apr-19
29-Aug-18	CPE		29-Aug-18	19-Apr-19	5-May-19
30-Aug-18	CPE	50,000/-	30-Aug-18	6-May-19	21-May-19
Total		18,30,048/-			

It can be seen from the above table that Noticee sold "CPE" service 31 times and charged an exorbitant fees of Rs. 18,30,048 from the client within a short of span of 5 months i.e. from April 09, 2018 to August 30, 2018. Further, it can also be seen that even before expiry of tenure of previous service, Noticeesold same service to the client 31 times for tenures which would start in future, ending on May 21, 2019. It is also observed that the tenure of some of the services sold was supposed to start after 8/9 months from the date of payment of fees by the client.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

viii) Kinjal Bipinbhai Patel

Date of Invoice	Name of services allotted to client	Amount collected from client (In Rs.)	Dates of payments made by client	Services tenure START DATE	Services tenure End DATE
11-Apr-19	HNI Cash	2,20,000/-	11-Apr-19	15-Apr-19	01-Oct-19
12-Apr-19	HNI Cash	2,80,000/-	12-Apr-19	19-Dec-19	05-May-20
16-Apr-19	HNI Cash	87,500/-	16-Apr-19	06-May-20	12-Jul-20
17-Apr-19	HNI Cash	2,500/-	17-Apr-19	02-Oct-19	03-Oct-19
Total		5,90,000/-			

It can be seen from the above table that Noticee sold "HNI Cash" 4 times and charged fees of Rs. 5,90,000 from the client within a short of span of 6 days i.e. from April 11, 2019 to April 17, 2019. It is also observed that even before expiry of tenure of first service, Noticee sold the same services the tenures of which would start in future. On April 11, 2019, Noticee charged an amount of Rs. 2,20,000 towards HNI Cash service for tenure April 15, 2019 to October 01, 2019, however, on the very next day i.e. on April 12, 2019, Noticee charged an amount of Rs. 2,80,000 towards same service for the tenure i.e. from December 19, 2019 to May 05, 2020. Further, it is observed that the Noticeesold services the tenure of which would start after 12-18 months from the date of payment.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

ix) Hitesh Mavjibhai Patel

Date of Invoice	Name of services allotted to client	Amount collected from client (In Rs.)	Dates of payments made by client	Services tenure START DATE	Services tenure End DATE
30-Sep-19	Platinum Stock Futures	25,016	27-Sep-19	01-Jan-20	19-Jan-20
31-Oct-19	Platinum Stock Futures	1,00,064	30-Oct-19	08-Jan-20	06-Mar-20
5-Nov-19	Platinum Stock Futures	1,00,064	4-Nov-19	06-Apr-20	22-Jun-20
4-Oct-19	Platinum Stock option	61,006	3-Oct-19	5-Oct-19	18-Nov-19
11-Oct-19	Platinum Stock option	50,032	10-Oct-19	19-Nov-19	25-Dec-19
11-Nov-19	Platinum Stock option	1,50,096	8-Nov-19	Not provided	13-Apr-20
11-Nov-19	Platinum Stock option		8-Nov-19	26-Dec-19	13-Apr-20
Total		4,86,278			

It can be seen from the above table that Noticee sold "Premium Stock Futures" and "Premium Stock Futures" 7 times during the period September 27, 2019 and November 08, 2019. During this period, the Noticee sold "Platinum Stock Futures" thrice and "Platinum Stock Option" four times. The Noticee charged an amount of Rs. 4,86,278 from client within a short of span of 40 days i.e. from September 27, 2019 to November 08, 2019. On October 30, 2019, Noticee charged a fees of Rs. 1,00,064 towards "Platinum Stock Futures" service for the tenure January 08, 2020 to March 06, 2020, however within a short span of 5 days i.e. on November 04, 2019, Noticee again charged an amount of Rs. 1,00,064 towards same service the tenure of which would start in future i.e. from





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

April 06, 2020 to June 22, 2020. It is also observed that the Noticee sold "Platinum Stock Option" four times. The services of "Platinum Stock Option" were sold even before the expiry of the tenure of the first "Platinum Stock Option".

x) Dinesh Arvind Vadhane

Date of Invoice	Name of services allotted to client	Amount collected from client (In Rs.)	Dates of payments made by client	Services tenure START DATE	Services tenure End DATE
13-May-19	CPE Cash	1,03,840	10-May-19	27-May-19	25-Jun-19
15-May-19	CPE Cash	1,40,892	14-May-19	26-Jun-19	20-Jul-19
20-May-19	CPE Cash	2,45,086	18-May-19	22 Jul 2019	12 Oct 2019
30-May-19	Platinum Stock option	59,000	29-May-19	30 May 2019	19 Jul 2019
15-Jun-19	Platinum Stock option	50,150	14-Jun-19	20 Jul 2019	31 Aug 2019
Total		5,98,968			

It is observed from the above table that Noticee charged "CPE Cash" thrice and "Premium Stock Option" twice during the period from May 10, 2019 to June 14, 2019 i.e. 35 days and charged Rs.5,98,968 towards fees. Noticee charged exorbitant fees of Rs. 4,89,818 from the client within a short of span of 8 days i.e. from May 10, 2019 to May 18, 2019 towards "CPE Cash" service even before expiry of tenure of first service. On May 10, 2019, Noticee charged fees of Rs. 1,03,840 towards CPE Cash service for tenure of May 27, 2019 to June 25, 2019, however within a short span of 8 days i.e. on May 14, 2019 and May 18,





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

2019 Noticee again charged total fees of Rs. 3,85,978 towards same service with tenure which would start in future i.e. from June 26, 2019 to October 12, 2019.

xi) Dhiraj Choudhary

Date of Invoice	Name of services allotted to client	Amount collected from client (In Rs.)	Dates of payments made by client	Services tenure START DATE	Services tenure End DATE
31-Jul-18	CPE	15,000	27-Jul-18	28-Jul-18	1-Aug-18
2-Aug-18	CPE	12,000	31-Jul-18	2-Aug-18	5-Aug-18
9-Aug-18	CPE	59,000	7-Aug-18	8-Aug-18	26-Aug-18
10-Aug-18	CPE	1,00,009	8-Aug-18	27-Aug-18	11-Sep-18
10-Aug-18	CPE		8-Aug-18	12-Sep-18	22-Sep-18
10-Aug-18	CPE		8-Aug-18	23-Sep-18	27-Sep-18
20-Aug-18	CPE	3,50,004	16-Aug-18	28-Sep-18	16-Nov-18
20-Aug-18	CPE		17-Aug-18	17-Nov-18	21-Jan-19
28-Aug-18	CPE	1,00,005	25-Aug-18	22-Jan-19	24-Feb-19
Total		6, 36,018			

During the period of 29 days i.e. from July 27, 2018 to August 25, 2018, Noticee sold "CPE" package 9 times and charged Rs.6,36,018 as fees from the client. The "CPE" services were sold to the client even before the expiry of the tenure of previous "CPE" service. Further, it is also observed that fees were charged from the client for "CPE" service, the tenure of which would start after six months from the date of payment. For example, on August 25, 2018, Noticee charged





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

fees of Rs. 1,00,005 towards CPE service for the tenure January 22, 2019 to February 24, 2019.

xii) Jagmeet Singh

Date of Invoice	Name of services allotted to client	Amount collected from client (In Rs.)	Dates of payments made by client	Services tenure START DATE	Services tenure End DATE
20-Dec-18	CPC	1,30,390	19-Dec-18	20-Dec-18	4-Jan-19
20-Dec-18	CPC		19-Dec-18	5-Jan-19	29-Jan-19
20-Dec-18	CPC		19-Dec-18	30-Jan-19	30-Jan-19
21-Dec-18	CPC	1,09,740	20-Dec-18	1-Feb-19	8-Mar-19
24-Dec-18	CPC	60,000	21-Dec-18	9-Mar-19	27-Mar-19
Total		3,00,130			

It is observed that the IA sold "CPE" services 5 times during the period of 3 days i.e. from December 19, 2018 to December 21, 2018 and charged fees of Rs.3,00,130. The "CPE" services were sold to the client even before the expiry of the tenure of previous "CPE" service. On December 19, 2018, Noticee charged a fee of Rs. 1,30,390 towards "CPE" service for tenure of December 20, 2018 to January 30, 2019. However, on the very next two days i.e. on December 20, 2018 and December 21, 2018, Noticee again charged total fees of Rs. 1,69,740 towards same service for tenure starting from February 01, 2019 to March 27, 2019.

BBK





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

xiii) Vikas Bhaskar Rakhunde

Date of Invoice	Name of services allotted to client	Amount collected from client (In Rs.)	Dates of payments made by client	Services tenure START DATE	Services tenure End DATE
1-Oct-18	Option Strategy	30,782	30-Sep-18	1-Oct-18	19-Nov-18
	Option Strategy		30-Sep-18	20-Nov-18	22-Dec-18
	Option Strategy		29-Sep-18	23-Dec-18	10-Jan-19
6-Oct-18	Option Premium	25,000	5-Oct-18	6-Oct-18	30-Oct-18
	Option Premium		5-Oct-18	31-Oct-18	15-Nov-18
11-Oct-18	Option Premium	25,000	10-Oct-18	16-Nov-18	10-Dec-18
	Option Premium		10-Oct-18	11-Dec-18	18-Dec-18
	Option Premium		10-Oct-18	19-Dec-18	26-Dec-18
26-Oct-18	Option Premium	25,000	25-Oct-18	27-Dec-18	8-Jan-19
	Option Premium		25-Oct-18	9-Jan-19	5-Feb-19
15-Nov-18	HNI Futures	10,000	15-Nov-18	16-Nov-18	2-Dec-18
3-Dec-18	Stock Cash Intraday	20,010	30-Nov-18	3-Dec-18	19-Feb-18





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

Date of Invoice	Name of services allotted to client	Amount collected from client (In Rs.)	Dates of payments made by client	Services tenure START DATE	Services tenure End DATE
06-Dec-18	Option Premium	50,000	5-Dec-18	6-Feb-19	18-Mar-19
	Option Premium		5-Dec-18	19-Mar-19	28-Apr-19
07-Dec-18	HNI Bullion	25,000	6-Dec-18	7-Dec-18	27-Dec-18
15-Dec-18	Index Option	25,000	14-Dec-18	15-Dec-18	2-Feb-19
	Bullion King		14-Dec-18	15-Dec-18	24-Dec-18
	Bullion King		14-Dec-18	25-Dec-18	3-Jan-19
17-Dec-18	Bluechip Cash	10,000	15-Dec-18	16-Dec-18	21-Dec-18
	Bluechip Option		15-Dec-18	16-Dec-18	20-Dec-18
18-Dec-18	CPC	15,000	15-Dec-18	16-Dec-18	18-Dec-18
	CPC		15-Dec-18	19-Dec-18	19-Dec-18
29-Apr-19	Option Intraday	20,000	27-Apr-19	01-Aug-19	26-Sep-19
3-May-19	Stock Cash Intraday	5,000	2-May-19	02-Sep-19	16-Sep-19
3-June-19	Stock Cash Intraday	2,000	31-May-19 02-June-19	17-Sep-19	22-Sep-19





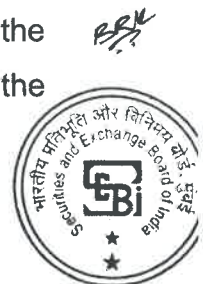
अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Date of Invoice	Name of services allotted to client	Amount collected from client (In Rs.)	Dates of payments made by client	Services tenure START DATE	Services tenure End DATE
5-Aug-19	Stock Cash Intraday	2,000	3-Aug-19	23-Sep-19	28-Sep-19
7-Sep-19	Stock Cash Intraday	1,500	6-Sep-19	01-Sep-19	01-Oct-20
5-Oct-19	Option Intraday	2,000	4-Oct-19	6-Oct-19	11-Oct-19
01-Nov-19	Stock Cash Intraday	2,000	31-Oct-19	02-Oct-20	07-Oct-20
Total Fees Charged		2,95,292			

It can be seen from the above table that IA sold same service again and again to clients even before expiry of tenure of previous service. For e.g. IA sold Option Strategy and Option Premium Service again and again. Further, just to earn maximum advisory service, IA sold multiple services to the client at a time even before lapse of tenure of previous services. For e.g. on December 15, 2018, IA sold Bluechip Cash, Bluechip Option and CPC service to client i.e. even before the end of the tenure of previous services sold to the client.

39. From the above discussion, it is clear that the Noticee had sold same product multiple times to the client within a short span of time. The fees charged by the Noticee for the same product did not depend on the tenure of the product. It appears that the fees charged by the Noticee were arbitrary, illogical, unreasonable and unfair. It appears that the Noticee had charged fees with the sole intention of maximizing its revenue without paying any attention to the interest of the client.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

40. During inspection, the Noticee was advised to provide communication proof of sending invoices to clients. However, the Noticee failed to provide any communication proof to inspection team. Thus, it was observed that clients were unaware what services were sold to them and for what period. It appears that the Noticee had adopted such practices with an objective to earn maximum fees by defrauding the clients. Hence, it appears that the Noticee had a mechanism to defraud the clients by changing advisory fees in arbitrary, illogical, unreasonable manner.
41. The above acts of the Noticee, have been carried out with the purpose of defrauding the clients and to earn maximum fees. The above acts come under the purview of 'fraud' as defined under regulation 2(1)(c) of SEBI (PFUTP) Regulations. Accordingly, the Noticee, is alleged to have violated Regulation 3(a), (b), (c), (d) of SEBI (PFUTP) Regulations read with section 12A(a), (b) and (c) of SEBI Act. For payments made to the Noticee after February 1, 2019, the Noticee, is alleged to have also violated Regulations 4(1) and 4(2)(s) of SEBI (PFUTP) Regulations. Further, the Noticee, is alleged to have failed to act honestly, fairly and diligently while dealing with clients. Hence, the Noticee is alleged to have violated clauses 1, 2 and 6 of Code of Conduct for IA provided in Schedule III of IA Regulations read with Regulation 15(9) of IA Regulations.

NON MAINTENANCE OF RECORDS

42. In terms of regulation 19(1) of IA Regulations, IA is, *inter alia*, required to maintain records relating to KYC, risk profiling, suitability assessment of the advice being provided, investment advice provided, whether written or oral, etc. Regulation 19(1)(g) IA Regulations provides that IA shall maintain a proper register for the nature of advices rendered and fees collected thereon. Further, in terms of Regulation 19(2) IA Regulations such records shall be maintained either in physical or electronic form and preserved for a minimum period of five years.

24/11/19





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

43. During the Inspection, the Noticee was asked to furnish records in respect of investment advice rendered to clients, such as suitability assessment, documents relating to investment advice rendered, message logs of clients, voice recording, etc. vide email dated March 02, 2020. However, the Noticee failed to provide any such document even after repeated follow-ups. Further, vide letter dated March 02, 2020 the Noticee stated, "... we do not keep any call data recordings made with the client. We do not have any infrastructure to maintain call data records."

Hence, the Noticee is alleged to have failed to maintain records in respect of investment advice rendered as required under regulations 19 (1) and 19 (2) of IA Regulations.

PMLA/ AML PROVISIONS

44. As per SEBI Master circular SEBI/HO/MIRSD/DOP/CIRP/2019/113 dated October 15, 2019 at Para 1.3.2.2 which is extracted below:

"The senior management of a registered intermediary shall be fully committed to establishing appropriate policies and procedures for the prevention of ML and TF and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. The Registered Intermediaries shall issue a statement of policies and procedures, on a group basis where applicable, for dealing with ML and TF reflecting the current statutory and regulatory requirements"

Further,

"The Registered Intermediaries shall regularly review the policies and procedures on the prevention of ML and TF to ensure their effectiveness."





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

45. The Noticee has formulated an Anti-Money Laundering (AML) Policy and the board resolution regarding the same was passed on May 20, 2014. However, it was observed that the AML policy of the Noticee does not cover required procedures mentioned at Para 1.3.2.3 & Para 2.1.1 of the said SEBI circular. Further, since May 20, 2014, when the AML policy was formulated initially, the Noticee hasn't reviewed the policies and procedures. Therefore, the written AML policy and procedures of the Noticee were inadequate and ineffective in dealing with money laundering activities. The same amounts to non-compliance of SEBI circular No. SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019.

Clause 2.4 of SEBI Circular No. CIR/MIRSD/2/2014 dated March 12, 2014 *inter-alia* states that:

"In addition to the existing requirement of designation of a Principal Officer, the registered intermediaries shall also designate a person as a 'Designated Director'."

"Registered intermediaries shall communicate the details of the Designated Director, such as, name, designation and address to the Office of the Director, FIU-IND."

During the course of inspection it was noted that Noticee had appointed Mr. Anirudh Yadav as Principal Officer, however, it failed to appoint Designated Director amounting to non-compliance of Clause 2.4 of SEBI Circular No. CIR/MIRSD/2/ 2014 dated March 12, 2014.

46. SEBI Master circular SEBI/ HO/ MIRSD/ DOP/ CIR/ P/ 2019/113 dated October 15, 2019 at Para 2.7 states that:

"Intermediaries shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

suspicious transactions. While determining suspicious transactions, intermediaries shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time."

47. It was observed that Noticee does not have any procedures for monitoring and reporting suspicious transactions. The same is a non-compliance of SEBI circular SEBI/ HO/ MIRSD/ DOP/ CIR/ P/ 2019/113 dated October 15, 2019.

In view of above, the Noticee is alleged to have violated the provisions of SEBI circular SEBI/HO/ MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019 and SEBI Circular CIR/MIRSD/2/2014 dated March 12, 2014.

FREE TRIALS

48. As per Clause 1(i) of SEBI circular SEBI/HO/IMD/DF1/CIR/P/2019/169 dated December 27, 2019 which reads as follows:

"IAs shall not provide free trial for any products/ services to prospective clients. Further, IAs shall not accept part payments (where some part of the fee is paid in advance) for any product/service."

At the time of inspection, it was noted that Noticee had received emails for free trials from prospective clients. In this regard, Noticee was asked to provide the copies of such free trial emails received from prospective clients. Thus, Noticee has been providing free trails to its prospective clients even after the date of circular, which is in violation of clause 1(i) of SEBI circular dated December 27, 2019.

Hence, Noticee, is alleged to have violated clause 1(i) of SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2019/169 dated December 27, 2019.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

QUALIFICATION & CERTIFICATIONS REQUIREMENTS

49. At the time of applying for registration, vide its letter dated December 30, 2013 the Noticee has stated that the following employees would render advice on its behalf

- i) Abhishek Upadhyay
- ii) Amit Sharma
- iii) Rishbha Sharma
- iv) Amit Malviya
- v) Amarendra Kumar
- vi) Abhinav Khandelwal

Further, vide the same letter, the Noticee had submitted a declaration that its representatives will comply with the certification and qualification requirements within two years.

However, during inspection, it was observed that Rishbha Sharma did not possess the required certification at any time since registration till the date of inspection (certification either from NISM or any other organization) and the Noticee failed to produce any employment related records with regard to other three employees i.e., Amit Malviya, Amarendra Kumar & Abhinav Khandelwal.

50. During the course of inspection, the Noticee was advised to inform the name of the person who are/ were working as its representative and rendering investment advice on its behalf since registration as an IA. The Noticee informed that only four person namely Abhishek Upadhyay (Director), Amit Sharma (Director), Sourabh Dubey and Krishna Tiwari working in research department, are/ were rendering investment advising services since inception. The Noticee further informed that only these four employees meet certification requirements of Regulation 7(2) of IA Regulations.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

51. Further, vide email dated March 06, 2020, the Noticee provided details of employee, clients and revenue for the inspection period and it was observed from the same that the Noticee had employed a large number of employees i.e., 436 employees in F.Y. 2018-19 and 241 employees in F.Y. 2019-20 for business development and these employees were also providing investment advices to clients as noted from complaints received on scores. It is observed that none of these employee were/ are NISM certified as required under regulation 7(2) of IA Regulations.
52. In view of above, Noticee had provided false undertaking to SEBI while seeking registration that only 6 employees would provide investment advice and they will comply with the certification and qualification requirements within two years. However, only two employees have complied with certification requirements. Further, Noticee had employed a large number of employees i.e., 436 in F.Y. 2018-19 and 241 in F.Y. 2019-20 in business development department who were directly interacting with large number of clients as representatives of Noticee and rendering investment advisory services to the clients of the Noticee by providing buy/sell/hold calls in the script to the client on phone. The representatives of Noticee do not have requisite qualification and certification as required under IA Regulations. Therefore, Noticee, is alleged to have violated Regulation 7(1), 7(2) and 15(13) of IA Regulations.

The above conduct of Noticee amounts to fraud as per regulation 2(1)(c) of SEBI (PFUTP) Regulations, 2003. In view of the above, Noticee, is alleged to have violated Regulations 3(a),(b),(c),(d) and 4(1) SEBI (PFUTP) Regulations, 2003 read with Section 12A(a),(b) and (c) of SEBI Act

**RESEARCH TEAM OF NOTICEE DID NOT HAVE NISM CERTIFICATION
MANDATED UNDER SECURITIES AND EXCHANGE BOARD OF INDIA
(RESEARCH ANALYSTS) REGULATIONS, 2014.**

53. Noticee vide letter of undertaking dated March 03, 2020 submitted that:





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

"I hereby submit that while carrying out our Investment Advisory activities we do in-house research. We are responsible for making buy/ sell/ hold recommendations, price targets and publish our research reports and recommendations in television media (Zee Business) as well as our website.

We have obtained registration from SEBI as an Investment Advisor from 27 April. 2014 onwards. From the inception, we have appointed following employee in our research department

S. No.	Name of employee	Dept/ division	Date of appointment
1	Amey Pandey	Research Department	06-01-2018
2	Anup Choudahry	Research Department	27-07-2018
3	Apurve Patil	Research Department	23-04-2018
4	Dyuti Ranjan Behera	Research Department	07-01-2019
5	Gopal Naidu	Research Department	23-03-2015
6	Harsha Sharma	Research Department	24-10-2016
7	Nikhil Gandhi	Research Department	11-02-2019
8	Priyanka Patel	Research Department	02-09-2019
9	Sourabh Dubey	Research Department	22-05-2015
10	Krishna Kumar Tiwari	Research Department	20-11-2014
11	Karan Meglani	Research Department	05-09-2017

Till date, none of the above employee have cleared NISM certification for research analyst specified by SEBI."

54. Regulation 7(2) of Securities and Exchange Board of India (Research Analysts) Regulations, 2014 [SEBI (Research Analysts) Regulations] states that:





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

“An individual registered as research analyst under these regulations, individuals employed as research analyst and partners of a research analyst, if any, shall have, at all times, a NISM certification for research analysts as specified by the Board or other certification recognized by the Board from time to time:

Provided that research analyst or research entity already engaged in issuance of research report or research analysis seeking registration under these regulations shall ensure that it or the individuals employed by it as research analyst and/or its partners obtain such certification within two years from the date of commencement of these regulations:

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

These 11 employees carried out market research and generated calls to provide advice to clients. Further, the research report generated by research department was published in television media (Zee Business) and on website of the Noticee. However, none of these employees in research department complied with certification requirements as per regulation 7(2) of SEBI (Research Analysts) Regulations.

55. Further, to understand the quality of research report generated by the Noticee and capability of the research team employed by Captialstars, it was advised to give a sample research report whereby Noticee submitted a sample daily research report dated March 02, 2020 and Research advice (call sheet) dated March 02, 2020 providing advice in CASTROLIND. In this connecton, Mr. Saurabh Dubey, one of research analyst working in research department informed that the description about Indian equity market, market talks, statistics about trade and indices are copied and pasted as it is from certain public





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

websites including websites of stock exchange website, brokers and business media. It was further informed that the technical charts and advices were taken mainly based on Sharekhan Trade Tiger. To check the extent of dependence of research report on readymade data, the market talks session of the report was compared with the articles published by one of the broker on its website. It was noted that the entire session was copied word by word from a broker's website. The aforesaid research report and extract of articles from broker's website was produced before the directors of the Noticee for comments during the statement recording. However, the directors namely Mr. Abhishek Upadhyay and Mr. Amit Sharma, in their statements dated March 05, 2020 in reply to Question No. 15 & 16 informed that the aforesaid research report is published by the Noticee and that they don't have any comments to offer.

56. From the above, it appears that the Noticee has committed fraud with clients and public, by publishing and claiming the research reports and call sheets as outcome of in-house research conducted by the Noticee. While in fact, these research reports and calls sheets appeared to have been prepared by the Noticee by including the technical chart and calls generated by certain software and publicly available information, without any editing or value addition. Further, the person employed by the Noticee in its research department were neither certified as per the requirement of SEBI (Research Analysts) Regulations to do research and make independent research reports.
57. In view of above, the 11 people employed by as research analysts, were without adequate certification as per required under Regulation 7(2) of SEBI (Research Analysts) Regulations. Therefore, Noticee is alleged to have have violated regulation 7(2) of SEBI (Research Analysts) Regulations which requires that every individual employed as research analyst should have a NISM certification at all times. Noticee is further alleged to have violated Regulation 7(2) of SEBI (Research Analysts) Regulations and Clauses 1, 2 and 9 of the Code of Conduct as specified in Schedule III read with Regulation 15(9) of IA Regulations





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

58. Moreover the Noticee had published research reports in television media (Zee Business) and on its website as in-house research report and has given investment advise based on the research reports and calls generated by its research department who were neither qualified and certified as per the requirement of the SEBI (IA) Regulations to research and make independent research report.

The above act of the Noticee amounts to 'fraud' as defined in regulation 2(1)(c) of SEBI (PFUTP) Regulations. Therefore, the Noticee, is alleged to have violated Regulation 3(a),(b),(c),(d) and 4(1) of SEBI (PFUTP) Regulations, 2003 read with Section 12A(a),(b) and (c) of SEBI Act.

FALSE INFORMATION TO SEBI ABOUT THE NAME OF THE COMPLIANCE OFFICER

59. Regulation 20 of IA Regulation *inter-alia* requires the Noticee, being body corporate, to appoint a compliance officer who shall be responsible for monitoring the compliance by an IA in respect of the requirements of the Act, Regulations, Notifications and Guidelines issued by SEBI.
60. Pursuant to registration with SEBI, letter dated July 10, 2014 the Noticee informed SEBI that Ms. Preeti Saxena is compliance office. However, in response pre-inspection questioner, vide email dated February 26, 2020, the Noticee had informed that Ms. Rishbha Sharma is the compliance officer of the Noticee. Statement of Ms. Rishbha Sharma was recorded on March 03, 2020 wherein she had informed that:

"I take care of compliance of company from April, 2014 when we got the license from SEBI. ----."

Further, Ms. Rishbha Sharma, had stated that Ms. Preeti Saxena was working in HR Department.





अनुवर्ती :
Continuation :

**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

In view of above, it was observed that the Noticee has given false information about the compliance officer to SEBI. The above conduct of Noticee comes under the definition of 'fraud' as mentioned in regulation 2(1)(c) of SEBI (PFUTP) Regulations, 2003.

Hence, Noticee is alleged to have violated Regulations 3(a),(b),(c),(d) and 4(1) of SEBI (PFUTP) Regulations, 2003 read with Section 12A(a),(b) and (c) of SEBI Act.

61. The violations alleged against the Noticee, as brought out in previous paras, if established, would make Noticee, liable for getting its registration with SEBI cancelled under Regulation 28 of IA Regulations read with Regulation 23 and Regulation 27 of Securities and Exchange Board of India (Intermediaries) Regulations, 2008.
62. The Noticee, is therefore called upon to show cause as to why Enquiry Proceedings should not be held in terms of Regulation 25 of Securities and Exchange Board of India (Intermediaries) Regulations, 2013 read with Regulation 28 of IA Regulations and why appropriate recommendation as to cancellation of registration should not be made against Noticee under Regulation 28 of IA Regulations read with Regulation 23 and Regulation 27 of Securities and Exchange Board of India (Intermediaries) Regulations, 2013.
63. The reply of Noticee, if any, along with documentary evidence (if any) should reach the undersigned at the address given below as well as through email at bhavanaravi@sebi.gov.in and poojar@sebi.gov.in within a period of 21 days from the date of receipt of this notice, failing which it shall be presumed that Noticee have no reply to submit and the matter would be further proceeded ex-parte.

**SECURITIES AND EXCHANGE BOARD OF INDIA
SEBI BHAVAN-II, C-7, 'G' Block,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051.**





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

64. The Noticee is required to submit a copy of its PAN Card and contact details (contact person, phone number, email details, fax etc.) for records. Further, in case of change in the address or contact details of the Noticee during the pendency of the current enquiry proceedings, the same may be brought to the notice of the undersigned immediately.
65. The Noticee may also note that a settlement mechanism is provided under the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018. If the Noticee wishes to avail the benefit of the settlement process, it may also apply for the same in the manner provided in the said regulations under intimation to the undersigned.

Bhavana R.K.

BHAVANA RAVIKUMAR

GENERAL MANAGER & DESIGNATED AUTHORITY

List of Annexures enclosed :

S.No	Annexure	Particulars
1	Annexure-1	Copy of RPF-1 and RPF-2
2	Annexure-2	Copy of statement of Mr. Amit Sharma and Mr. Abhishek Upadhyay



RPF-1

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FLAG-A

57

CapitalS tars

(Investment Adviser) Advise that matters

SEBI Registered Company
CapitalStars Financial Research Private Ltd.
Indore, M.P.

KYC & RISK PROFILING FORM

A. IDENTITY DETAILS

1. Name of the Applicant: _____
2. Individual/ Non-Individual: _____
3. Father's/ Spouse Name: _____
4. a. Gender: Male/Female: _____
b. Marital Status: Single/Married: _____
c. Date of Birth: (DD/MM/YYYY)d.Age _____
5. a. Nationality: b. Status: Resident Individual/NRI/Foreign National _____
6. a. PAN _____ b. UID/Aadhaar: _____
7. Specify the proof of Identity/Address submitted:

UID (Aadhaar)/ Passport/ Voter Identity Card/ Ration Card/ / Driving License/Bank Passbook/Latest Electricity bill/Latest Telephone bill/Latest Gas bill/ others

B. ADDRESS DETAILS

1. Correspondence Address:

City/Town/Village: _____ Pin Code: _____

State: _____ Country: _____

2. Contact Details: Tel. _____ Mobile No.: _____

Email id: _____

3. Permanent Address:

City/Town/Village: _____ Pin Code: _____

State: _____ Country: _____

PHOTOGRAPH

Please affix the
recent passport
size photographs
and sign across it

(P)

158

C. OTHER DETAILS

1. Occupations (please tick any one and give brief details): Private Sector/ Public Sector/
Government Service/ Business/ Professional/ Agriculturist/ Retired/ Housewife/ Student/
Others _____
2. Gross Annual Income details:

Or

Net-Worth as on (Date) (Net Worth should not be older than 1 Year).

3. Any Other Information: _____

D. RISK PROFILE

1. Trading Part Time/ Full Time in the Market: _____
2. Segment: EQUITY/COMMODITY/FOREX: _____
3. Intraday/Positional: _____
4. Approximate Capital Involved in Trading: _____
5. Details of borrowings, if any: _____

E. DECLARATION

I hereby declare that the details furnished above are true and correct to the best of my knowledge and belief and I undertake to inform you of any changes therein, immediately. In case any of the above information is found to be false or untrue or misleading or misrepresenting, I am/we aware that I/we may be held liable for it.

Signature of the Applicant

FOR OFFICE USE ONLY

Verified By

Signature of Authorized Signatory

(For CapitalStars Financial Research Pvt. Ltd.)

(e)

Capital tars

(Investment Adviser) Advise that matters

CapitalStars Investment Adviser: SEBI Registration Number: INA000001647

RISK PROFILE & ASSESSMENT

1) Name: _____

2) What is your Age Group?	3) Gross Annual Income details:-
☐ Under 35	☐ Below 1 lacs
☐ Under 45	☐ 1-5 lacs
☐ 46-55	☐ 5-10 lacs
☐ 55-60	☐ 10-25 lacs
☐ 60+	☐ >25 Lac
4) Current Investment Amount	5) Preferred Investment type
☐ Below 1 lacs	☐ Short term Positional
☐ 1-2 lacs	☐ Short to Medium term Positional
☐ 2-5 lacs	☐ Long term Positional
☐ 5 lacs & Above	☐ Intraday
6) What is your experience with Equity Market investments?	7) What is your experience with Commodity Market investments?
☐ Extensive Experience	☐ Extensive Experience
☐ Moderate Experience	☐ Moderate Experience
☐ Very less Experience	☐ Very less Experience
☐ No Experience	☐ No Experience
8) What is your experience with Forex Market investments?	9) How many dependents do you financially support?

2

51
58

☐ Extensive Experience	☐ None
☐ Moderate Experience	☐ 1-2
☐ Very less Experience	☐ 3-4
☐ No Experience	☐ More than 4
10) Investment Goal	11) Investment Experience
☐ Capital Appreciation and Regular Income	☐ Less than < 2 Years
☐ Regular Income	☐ 2-5 Years
☐ Short-term Income	☐ Above 5 Years
12) Market Value of portfolio held	13) What percentage of monthly income is allocated to pay off debt [all EMIs]?
☐ Below 1 lacs	☐ None
☐ 1-5 lacs	☐ Between 0% - 35%
☐ 5-10 lacs	☐ Between 35% - 50%
☐ <10 lacs	☐ Above 50%
14) Experience in Market Products	15) Sources of Income
	A. Primary Source
☐ Commodity	☐ Salary
☐ Stocks	☐ Capital Gains Income
☐ Derivatives Stocks	☐ House Rent Income
☐ Forex	☐ From Others Sources
☐ All	☐ Business & Profession
16) What is the size of your emergency fund?	A. Secondary Source
☐ Do Not Have	☐ Royalties
☐ Less than < 1 Month Income	☐ Rental
☐ 1-3 Months Income	☐ Dividend
☐ 3-6 Months Income	☐ Others Specify _____
☐ Above 6 Months Income	
17) Risk Tolerance Ratio	18) What is your experience with

(R)

(149)

	investments in past?
☐ Very High & Aggressive	☐ Very Good
☐ High	☐ Good
☐ Medium	☐ Moderate
19) Do you prefer to buy High Risk investment instrument for getting Higher Return?	20) When market is not performing well do you prefer to buy risky investments and sell less risky investments?
☐ Strongly prefer	☐ Strongly prefer
☐ Prefer	☐ Prefer
☐ Some me Prefer	☐ Some me Prefer
☐ Do not prefer	☐ Do not prefer
21) Are you any of the following, OR are directly or indirectly related to any of the following:-	
☐ Civil Servant	☐ Politician
☐ - Current OR Former Head of State	☐ Bureaucrat (Tax Authorities, Foreign Services, IAS etc.)
☐ Current OR Former MP/MLA/MLC	☐ Connected to Media
☐ Connected to any Company/Promoter group/ Group of Companies listed on any Stock Exchange	

If yes, name of the Company _____

22) Any specific Commodities or Shares in which you have experience and are willing to trade, if yes:

Name of the securities _____

(2)

JUL 49 02

Suitability Assessment of an Advice:-

- First we try to know the objectives of the client behind trading/investment.
- Then we try to analyze the financial situation of the client.
- Based on his risk profile we analyze product(s) for the client.
- If client meets the risk profile norms then we suggest services to the client of which he has basic knowledge.
- Suppose if the client is already trading/investing in equity cash then we suggest him basic cash service and meanwhile if his risk profile allows him then we suggest him to study F&O and increase the knowledge on F&O then come to this service. Even as options is a relatively safe product if the client is not having any knowledge of options then we will not give him options service but we will rather give him basic cash service.
- If client's risk profile allows him to trade/invest in equity segment and he has knowledge of equity trading then we suggest equity based services to the clients. Meanwhile we suggest to the client if it's suitable to increase knowledge of other segments like commodity and forex, so if required, and then he can trade/invest in those segments too in future.
- If the client has high risk appetite then we suggest him services with bigger targets.
- If the client has low risk appetite then we suggest him services with basic targets.

Investment/Trading in securities Market is subject to market risk, past performance is not a guarantee of future performance as told earlier. The risk of loss in trading and investment in securities markets including Equities, Derivatives, commodity and Currency can be substantial. These are leveraged products that carry a substantial risk of loss up to your invested capital and may not be suitable for everyone. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. Please ensure that you understand fully the risks involved and do invest money according to your risk bearing capacity. CapitalStars Financial Research Pvt. Ltd. does not guarantee any returns in any of its products or services. Investment in markets is subject to market risk. Hence, CapitalStars Financial Research Pvt. Ltd. is not liable for any losses in any case. All Sales are final, CapitalStars Investment Adviser does not have any refund/cancellation policy, so won't entertain any money refund/cancellation case. Profit and loss of the services are totally borne by the client. I have read Disclaimer, Disclosures, and Risk Documents. I agree to all Terms and Conditions of CapitalStars Financial Research Pvt. Ltd. (Investment Adviser). Clients with only Long term Investment goal or capital appreciation as investment objectives are not accepted at CapitalStars Financial Research Pvt. Ltd. KYC, Risk profiling & Assessment are done on the basis of the information's Provided by Investor/Trader, if there is any change in future pertaining to it we request the Investor/Trader to update us.

Mobile Number: _____

Signature of the Applicant: _____

FOR OFFICE USE ONLY

Verified By

Signature of Authorized Signatory

(For CapitalStars Financial Research Pvt. Ltd.)

②

④

Capital S tars

(Investment Advisor) Advise that matters

KYC & RISK PROFILING FORM

A. IDENTITY DETAILS

1. Name of the Applicant: _____
2. Individual/ Non-Individual: _____
3. Father's/ Spouse Name: _____
4. a. Gender: Male/Female: _____
b. Marital Status: Single/Married: _____
c. Date of Birth: (DD/MM/YYYY) _____
d. Age _____

5. a. Nationality: _____ b. Status: Resident Individual/NRI/Foreign National _____

6. a. PAN _____ b. UID/Aadhaar: _____

7. Specify the proof of Identity/Address submitted:

UID (Aadhaar)/ Passport/ Voter Identity Card/ Ration Card/ / Driving License/Bank Passbook/Latest Electricity bill/Latest Telephone bill/Latest Gas bill/ others

B. ADDRESS DETAILS

1. Correspondence Address:

City/Town/Village: _____ Pin Code: _____

State: _____ Country: _____

2. Contact Details: Tel. _____ Mobile No.: _____

Email id: _____

3. Permanent Address:

City/Town/Village: _____ Pin Code: _____

State: _____ Country: _____

PHOTOGRAPH

Please affix the
Recent passport
Size photographs
And sign across it

8A 47

C. DECLARATION

☐ I hereby declare that the details furnished above are true and correct to the best of my knowledge and belief and I undertake to inform you of any changes therein, immediately In case any of the above information is found to be false or untrue or misleading or misrepresenting, I am/we aware that I/we may be held liable for it.

Signature of the Applicant

FOR OFFICE USE ONLY

Verified By

Signature of Authorized Signatory
(For CapitalStars Financial Research Pvt. Ltd.)

481

Capital tars

(Investment Adviser) Advise that matters

SEBI Registered Company CapitalStars Financial Research Private Ltd.
Indore, M.P.

RISK PROFILING FORM

PROCESS OF RISK PROFILING: Risk Profiling is a process of measuring Risk Bearing capacity of Investors/ Traders in Securities Markets. RISK assessment done on the basis of answers of Risk profiling Questions provided by Investors/Traders. The maximum total of our Questionnaire is 100. On the basis of Risk Profiling Questionnaire Investors/Traders may classify as:

DO NOT TICK (✓) HERE ONLY READ CAREFULLY-

RISK ASSESSMENT

1. **Low Risk Appetite Investor/Trader**- If Risk Tolerance score is Less than 45 we categories as Low Risk Appetite Investor/Trader.
2. **Moderate Risk Appetite Investor/Trader** - If Risk Tolerance score is between 45- 59 we categories as Moderate Risk Investor/Trader.
3. **High Risk Appetite Investor/Trader** - If Risk Tolerance score is 60 & above we categories as High Risk Investor/Trader.

Risk Profiling Questionnaire for Equity/Derivative/Commodity, Investors & Traders is as Follow:

NAME _____
EMAIL ID _____
MOBILE NUMBER _____
PAN NUMBER _____
DOB _____

43A

✓ TICK YOUR SUITABLE ANSWERS

1. WHAT IS YOUR AGE GROUP?		2. MARITAL STATUS	
☐ UNDER 35	(5 POINTS)	☐ MARRIED	(5 POINTS)
☐ 35- 50 AGE GROUP	(4 POINTS)	☐ UNMARRIED	(4 POINTS)
☐ 50-60 AGE GROUP	(3 POINTS)	☐ OTHER	(2 POINTS)
☐ 60+ AGE GROUP	(2 POINTS)		
3. OCCUPATION		4. EXISTING INVESTMENT/ ASSEST DETAILS	
☐ PRIVATE JOB	(5 POINTS)	☐ DIRECT EQUITY & MUTUAL FUND INVESTMENT	(5 POINTS)
☐ GOVERNMENT JOB	(4 POINTS)	☐ GOLD, PROPERTY & OTHER'S	(4 POINTS)
☐ BUSINESS	(3 POINTS)	☐ DEBT ASSEST CLASS	(3 POINTS)
☐ OTHER	(2 POINTS)	☐ NO INVESTMENT	(2 POINTS)
5. EXISTING LIABILITY/BORROWING DETAILS		6. WHAT PERCENTAGE OF MONTHLY INCOME IS ALLOCATED TO PAY OF DEBT (ALL EMI'S)	
☐ NO LOAN	(5 POINTS)	☐ NONE	(5 POINTS)
☐ GOLD LOAN/ CREDIT CARD LOAN, CAR LOAN & OTHER'S	(4 POINTS)	☐ BETWEEN 0-20%	(4 POINTS)
☐ HOUSING LOAN LIABILITY	(3 POINTS)	☐ BETWEEN 20-50%	(3 POINTS)
☐ BUSINESS/EDUCATIONAL, PERSONAL LOAN LIABILITY	(2 POINTS)	☐ 50% & ABOVE	(2 POINTS)
7. WHAT IS YOUR EXPERIENCE WITH INVESTMENT/TRADING IN SECURITIES MARKET		8. GROSS ANNUAL INCOME DETAILS	
☐ VERY GOOD	(5 POINTS)	☐ 15 LACS AND ABOVE	(5 POINTS)
☐ GOOD	(4 POINTS)	☐ 10-15 LACS	(4 POINTS)
☐ BAD	(3 POINTS)	☐ 5-10 LACS	(3 POINTS)
☐ VERY BAD	(2 POINTS)	☐ 1-5 LACS	(2 POINTS)
9. INVESTMENT GOAL		10. PROPOSED INVESTMENT AMOUNT	
☐ SHORT TERM INCOME	(5 POINTS)	☐ 15 LACS AND ABOVE	(5 POINTS)
☐ REGULAR INCOME	(4 POINTS)	☐ 10-15 LACS	(4 POINTS)
☐ CAPITAL APPRICIATION & REGULAR INCOME	(3 POINTS)	☐ 5-10 LACS	(3 POINTS)
☐ CAPITAL APPRICIATION	(2 POINTS)	☐ 1-5 LACS	(2 POINTS)
11. INVESTMENT EXPERIENCE		12. WHAT IS YOUR EXPERIENCE WITH EQUITY MARKET INVESTMENT/TRADING	
☐ 5 YEARS & ABOVE	(5 POINTS)	☐ EXTENSIVE EXPERIENCE	(5 POINTS)
☐ 3-5 YEAR	(4 POINTS)	☐ MODERATE EXPERIENCE	(4 POINTS)
☐ 1-3 YEARS	(3 POINTS)	☐ VERY LESS EXPERIENCE	(3 POINTS)
☐ BELOW 1 YEARS	(2 POINTS)	☐ NO EXPERIENCE	(2 POINTS)

43

28
 44

13. WHAT IS YOUR EXPERIENCE WITH COMMODITY MARKET INVESTMENT/ TRADING	14. WHAT IS YOUR EXPERIENCE WITH MUTUAL FUND INVESTMENT & DEBT ASSEST CLASSES
☐ EXTENSIVE EXPERIENCE (5 POINTS)	☐ EXTENSIVE EXPERIENCE (5 POINTS)
☐ MODERATE EXPERIENCE (4 POINTS)	☐ MODERATE EXPERIENCE (4 POINTS)
☐ VERY LESS EXPERIENCE (3 POINTS)	☐ VERY LESS EXPERIENCE (3 POINTS)
☐ NO EXPERIENCE (2 POINTS)	☐ NO EXPERIENCE (2 POINTS)
15. PREFERRED INVESTMENT TYPE	16. SOURCE OF INCOME
☐ INTRADAY (5 POINTS)	☐ SALARY (5 POINTS)
☐ SHORT TERM POSITIONAL (4 POINTS)	☐ CAPITAL GAINS INCOME (4 POINTS)
☐ SHORT TERM TO MEDIUM TERM (3 POINTS)	☐ BUSINESS & PROFESSION (3 POINTS)
☐ LONG TERM POSITIONAL (2 POINTS)	☐ HOUSE RENT & OTHER SOURCE (2 POINTS)
17. HOW MANY DEPENDENTS DO YOU FINANCIALLY SUPPORT?	18. DO YOU PREFER TO BUY HIGH RISK INVESTMENT INSTRUMENT FOR GETTING HIGHER RETURN?
☐ NONE (5 POINTS)	☐ STRONGLY PREFER (5 POINTS)
☐ 1-2 MEMBER (4 POINTS)	☐ PREFER (4 POINTS)
☐ 3-4 MEMBER (3 POINTS)	☐ SOMETIME PREFER (3 POINTS)
☐ MORE THAN 4 MEMBER (2 POINTS)	☐ DO NOT PREFER (2 POINTS)
19. WHAT IS THE SIZE OF YOUR EMERGENCY FUND	20. RISK TOLERANCE (ONLY HIGH RISK INVESTOR ARE ELIGIBLE FOR TRADING SERVICES)
☐ 3-6 MONTHS & ABOVE INCOME (5 POINTS)	☐ HIGH (FOR TRADING) (5 POINTS)
☐ 1-3 MONTHS INCOME (4 POINTS)	☐ MEDIUM (4 POINTS)
☐ <1 MONTH INCOME (3 POINTS)	☐ LOW (2 POINTS)
☐ DO NOT HAVE (2 POINTS)	

Your Total Risk Score is: _____ (Kindly Mention Your Total Risk Score Point)

WE CLASSIFY INVESTOR/TRADER RISK TOLERANCE AS FOLLOW
DO NOT TICK (✓) HERE ONLY READ CAREFULLY:-

Sr. No	Types Of Investor	Level Of Risk Tolerance	Description
1	Conservative	Low Risk	Low Risk Investor/Trader are Investor /Trader who take very low risk and mainly focus on capital protection, they satisfy with low return .
2	Moderate	Medium Risk	Medium Risk Investor/Trader are Investor /Trader who take Medium risk and mainly focus on moderate return. They want capital appreciation as well as regular income/short term income from their Investment/Trading. In case of Moderate Investor their capital investment at medium risk.
3	Aggressive / Risky Investor	High Risk	High Risk Investor/Trader are Investor /Trader who take high risk and for getting higher return. They focus on capital appreciation, regular Income, short term income, intraday income In case of risky investor their capital investment always at high risk.

High Risk		Moderate Risk	Low Risk
A) Equity Services		1) Mutual Fund Services	Education Services
INTRADAY	POSITIONAL	2) Debt Mutual Fund	1) Basic Equity Market Module
a) Stock Cash Intraday	a) Platinum Stock Cash	a) Ultra Short Scheme	2) Derivative (F&O) & Commodity Market Module Service
b) Stock Cash Premium	b) Platinum Future	b) Short Term Scheme	3) Technical Analysis Training Module
c) Stock Future Intraday	c) BTSTT/STBTT Futures	c) Long term Scheme	4) Fundamental Analysis Module
d) Stock Future Premium	d) Nifty Future	3) Debt Instrument	5) Mutual Fund Module
e) Option Intraday	e) Platinum Option	a) Commercial Paper	6) Small Saving Instrument
f) Option Premium	f) Index Option	b) Corporate FD'S	a) PPF
Equity Premium Report	g) Stock Cash of the week	c) Corporate Bonds	b) National Saving Certificate
	h) Stock Future of the week		c) Sukanya Samridhi Scheme
	i) CPE FUTURES		d) Kisan Vikas Patra
B) Commodity Services			e) Post Office Saving Scheme
INTRADAY	POSITIONAL		
			7) Debt Instrument
a) Bullion Intraday	a) Energy Premium		a) Treasury Bills
b) Energy Intraday	b) Base Metal Premium		b) Government Bonds
c) Base Metal Intraday	c) Precious Metal Premium		
d) Precious Intraday	d) Platinum Commodity		
e) Commodity Premium Report			

Risk Disclosure:

Investment/Trading in securities Market is subject to market risk, past performance is not a guarantee of future performance. The risk of loss in trading and investment in Securities markets including Equities, Derivatives, commodity and Currency can be substantial. These are leveraged products that carry a substantial risk of loss up to your invested capital and may not be suitable for everyone. You should therefore carefully consider whether such trading/Investment is suitable for you in light of your financial condition. Please ensure that you understand fully the risks involved and do invest money according to your risk bearing capacity. CapitalStars Financial Research Pvt. Ltd. does not guarantee any returns in any of its products or services. Hence CapitalStars Financial Research Pvt. Ltd is not liable for any losses in any case. All Sales are final, CapitalStars Investment Adviser does not have any refund/cancellation policy, so won't entertain any money refund/cancellation case. Profit and loss of the services are totally borne by the client. I have read Disclaimer, Disclosures Risk Documents, and Terms & Conditions. I agree to all Terms and Conditions of CapitalStars Financial Research Pvt. Ltd. (Investment Adviser). KYC, Risk profiling & Assessment are done on the basis of the information's Provided by Investor/Trader, if there is any change in future pertaining to it we request the Investor/Trader to update us.

DECLARATION:

☐ I hereby declare that the details furnished above are true and correct to the best of my knowledge and belief and I undertake to inform you of any changes therein, immediately. In case any of the above information is found to be false or untrue or misleading or misrepresenting, I am/we aware that I/we may be held liable for it.

Client Name:

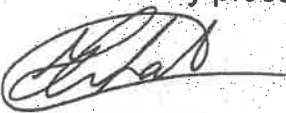
Client Signature:

FOR OFFICE USE ONLY	
<p>Verified By</p>	<p>Signature of Authorized Signatory (For CapitalStars Financial Research Pvt. Ltd.)</p>

**PROCEEDINGS OF EXAMINATION ON OATH BEFORE THE INSPECTING
AUTHORITY UNDER REGULATION 25(3) and 25(4) OF SEBI (INVESTMENT
ADVISERS) REGULATIONS, 2013 read with 11(2)(i) and 11(3) OF THE SEBI ACT,
1992**

Statement of examination on oath of Abhishek Upadhyay recorded at M/s. Capital Stars Financial Research Pvt. Ltd., 2nd Floor, Plot No. 32, Mechanic Nagar Extension, Sayaji Club Road, IDA Scheme No. 42, Vijay Nagar, Indore (M.P.) on 5th March, 2020 at 6:00 PM during the inspection of operations / activities undertaken by M/s. Capital Stars Financial Research Pvt. Ltd., (Investment Adviser), under regulation 25(3) and 25(4) of SEBI (Investment Advisers) Regulations, 2013 read with 11(2)(i) and 11(3) of SEBI Act, 1992.

1. The provisions of Section 27 and 28 SEBI (Investment Advisers) Regulations, 2013, Chapter V of SEBI (Intermediaries) Regulations, 2008 and section 11 of the SEBI Act have been fully explained and understood by me.
2. I know that giving a false statement is an offence.
3. I acknowledge that this statement can be used against anybody including myself in any proceedings of law.


BEFORE ME

NITESH BHATTI


DEPONENT

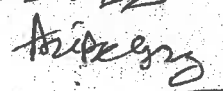
05/03/2020

1. Please identify yourself

Ans:	Name	: Abhishek Upadhyay
	Father Name	: Shiv Kumar Upadhyay
	Educational Qualification	: B.E.(ME), MBA(Finance)
	Designation	: Director
	Date of Birth	: 23 JAN 1983
	Tel no. / Mobile no.	: 9039512727
	Proof of ID submitted	: PAN CARD
	PAN	: ABKPU2337H



CDAY RECEIVED



DATE 6/3/2020 1:16 PM

2. Please identify yourself. Please inform your name, designation and date of joining Capital Star Financial Research Ltd.

ANS:

I am Abhishek Upadhyay, Director & Promoter in CapitalStars. My date of Joining in the company from inception 12/10/2011.

3. Please inform your role and responsibility in Capital Star Financial Services Ltd from date of joining till date.

I with Mr. Amit Sharma, Director provide Investment advise to the clients of CapitalStars being apposite qualification and NISM Certification as per SEBI regulations of Investment Adviser 2013.

4. Please inform your exact role in rendering Investment Advise to the clients of CapitalStars.

ANS:

In Investment Advisory I do Market analysis with my certified team on the basis of Technical Analysis & Fundamental analysis. I also looks Economical Parameters of the Markets also. After all analysis me, Amit Sharma, Sourabh Dubey, Krishna Tiwari provides intraday calls/tips to the through sms mode by Client relationship management software.

5. Please inform who takes care of Risk Profiling and suitability assessment before sending the call/tips to the client.

ANS.

I and Amit Sharma, take care of Risk Profiling and suitability assessment of clients before sending the call/tips to the clients.

6. Please inform number of clients and the amount of fees collected by you during the inspection period i.e. Financial Year 2018-19 and Financial Year 2019-20 (till January, 2020).

ANS

In the financial year 2018-19 the amount of fess collected by clients was Approximate Rs. 8 cr. (after GST rs. 6 cr Approximate) from approximately 1800 clients.

Trupti



- 3 11
7. During the inspection, Capital Start Financial Services Limited (IA) are advised to provide sample Risk Profiling Form (RPF). IA have submitted two types of RPFs. IA informed that one RPF was used from the date of obtaining registration i.e April 28, 2014 till September 2019. Another RPF is used Post September 2019. The same is showed to you and attached with this statement.

Upon perusal of RPF used by IA from April 28, 2014 till September 2019, it was noted that, the said RPF has 24 questions. There was no weightage assigned to questions in RPM. No scores are calculated to classified the clients based on risk tolerance ability. Further, there are no classifications of services/product offered by IA based on the risk involved in the same. Therefore, it appears that all the clients are offered all the services/product irrespective of risk taking ability of client. Please inform how you were ensuring compliance with regulation 16 and 17 of SEBI (Investment Advisory Regulation), 2013 (hereafter referred as IA Regulation) which is being showed to you.

Ans.

We don't do Risk scoring in the Risk Profiling form earlier September 2019, after it onwards we have modified our Risk Profiling form and start doing Risk Scoring. we don't have suitability assessment policy before Sep 2019 after that we have revised our Risk Profiling system and included Risk assessment of clients and also categorize the clients based on their Risk Tolerance capacity. We categorize the Products into High, Medium & Low risk category.

8. It is noted that you have collected fee of Rs. 20 lacs from MORAJE VENKAT RAO MANMOHAN RAO whose age is 58 years. The RPF is showed to you. Please explain compliance with regulation 16 and regulation 17 of SEBI IA Regulation, 2013 and document by which you have decided to offer the following services to him:

Stock Cash Intraday

CPE

CPE Futures

CPE Cash

Option Premium

Ans: as per the documents available about this client it seems that Investment services offered to client was not appropriate, soon we try to rectified and will look for best solutions & services according to his Risk Tolerance for client with his consent.

[Signature]



9. Please inform number of employees are/were working with Capital Start Financial Services Limited during the inspection period i.e. Financial Year 2018-19 and Financial Year 2019-20 (till January, 2020).

Ans: I will inform you separately.

10. Please inform the name of the person who are/were working with Capital Start Financial Services Limited as representative of investment advisor and rendering investment advised service on behalf of Capital Start Financial Services Limited since registration of Capital Start Financial services with SEBI as Investment Advisor.

Ans: Abhishek Upadhyay, Amit Sharma, Sourabh Dubey, Krishna Tiwari.

11. Please inform the name of the person who are/were working in the research department of Capital Start Financial Services Limited during the inspection period i.e. Financial Year 2018-19 and Financial Year 2019-20 (till January, 2020).

Ans:

The following person working in the research department of Capital Start Financial Services Limited during the inspection period i.e. Financial Year 2018-19 and Financial Year 2019-20 (till January, 2020).

Amit sharma
Abhishek upadhyay
Saurabh dubey
Krishna Tiwari
Nilay Mishra

12. Please inform whether do you & aforesaid persons have required NISM certificate for doing the Research and giving buy, sell & hold calls and generate and publish research reports.

Ans: I, Abhishek Upadhyay, Amit Sharma, Sourabh Dubey & Krishna Tiwari have NISM Level X-A & X-B certifications. Except Nilay Mishra none of us having NISM Research Analyst certificate because we were not aware about it. Being an Investment adviser and also having NISM Level one & NISM Level two certification, we also need to have NISM Research Analyst certificate. We will try to get that NISM Research analyst certification also as soon as possible.

Signature



13. As per the financial statement for the financial year 2018-19, Capital Start Financial Research Limited (IA) has gross revenue of Rs. 6.67 crores. Capital Start Financial Research Limited (IA) has incurred the major expenditure of Rs. 5.02 crores in the form of salary. It is noted that the aforesaid payment are made to more than 500 person as per the salary data given from Tally. As claimed by you, out of which only 5 person were working in research department and four persons were rendering investment advised to approximate 1800 clients. So it appears that the company was employed lots of employee and made huge expenditure for Sale and client acquisition only. The company has not employed / appointed appropriate qualified person to have in-house research and give quality investment advised to the client based on their risk profile and suitability.

Ans: On the aforesaid information I have no comments to offer.

14. Mr. Krishna Kumar Tiwari and Mr. Subrah Dubey (who are posted in research department and who provide investment advised as per you) informed that they make research report and send recommendation/ trading tips/ calls to the clients through Client Resources Management. They don't generate calls client wise. KYC and RPM are not shared with them. They are not aware about client who are going to use this Tips/call and suitability of these tips/calls as per their risk profiling criteria.

Ans. We have classified our products since September 2019 based on risk involved in each of them. Now advise in that particular product/service is given keeping in mind the product suitability.

15. Research Report dated March 02, 2020 is shown to you. Please confirm that it is issued by Capital Stars and approved by you.

Ans. Yes I agree.

16. Mr. Saurabh Dubey in his statement dated March 03, 2020 informed that the description about Indian equity market are copied from business standard, statistics about trade and indices are taken from nseindia.com, Market talks section of the report is taken from indiainfoline.com, technical charts and advise is taken mainly based on Sharekhan Trade Tiger. Copy of extracts as provided by Saurabh Dubey are shown to you. Please provide your comments.

Ans. I have no comments to offer at present.

17. Please provide details of immovable property held in your name or your immediate relative name.

Ans: we will provide the details by Email latest by 12:30 PM on 6 march 2020.

18. Please provide your bank account number and demat account number.

Ans: we will provide the details by Email latest by 12:30 PM on 6 march 2020.

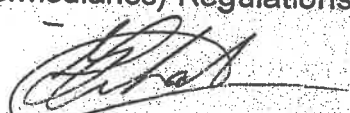


19. Would you like to inform or provide any other information.

Ans: we have made many positive changes in our organization since mid 2019. We are young professionals and are in learning phase. This is also our 1st SEBI inspection since inception and would like to be given a chance to improve and work upon the findings of this inspection.

The above statement made by me is true to the best of my knowledge/ understanding and is made before SEBI's Inspecting Authority on my own and signed without any threat, force or coercion.

Further, I will submit the required documents mentioned in above statement by the said date failing which it will be treated as non-compliance and action will be initiated under the relevant provisions of SEBI (Investment Advisers) Regulations, 2013, SEBI (Intermediaries) Regulations, 2008 and SEBI Act, 1992.


INSPECTING AUTHORITY
05/03/2020

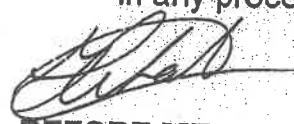

DEPONENT
05/03/2020



PROCEEDINGS OF EXAMINATION ON OATH BEFORE THE INSPECTING
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Statement of examination on oath of Amit Sharma recorded at M/s. Capital Stars Financial Research Pvt. Ltd., 2nd Floor, Plot No. 32, Mechanic Nagar Extension, Sayaji Club Road, IDA Scheme No. 42, Vijay Nagar, Indore (M.P.) on 5th March, 2020 at 8:00 PM during the inspection of operations / activities undertaken by M/s. Capital Stars Financial Research Pvt. Ltd., (Investment Adviser), under regulation 25(3) and 25(4) of SEBI (Investment Advisers) Regulations, 2013 read with 11(2)(i) and 11(3) of SEBI Act, 1992.

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BEFORE ME
NITESH BHATIA, DGM, SEBI

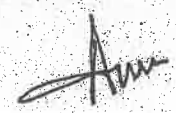

DEPONENT
5/3/2020

1. Please identify yourself

Ans:	Name	: Amit Sharma
	Father Name	: D. S. Sharma
	Educational Qualification	: B. PHARMACY, MBA
	Designation	: Director
	Date of Birth	: 1 st May 1981
	Tel no. / Mobile no.	: 8827058327
	Proof of ID submitted	: PAN CARD
	PAN	: BUKPS0563F



I received a copy
6/3/2020

2. Please identify yourself. Please inform your name, designation and date of joining Capital Star Financial Services Ltd.

I am Amit Sharma. I am the Director of the Capital Stars Financial Research Pvt. Ltd. I joined Capital Stars Financial Research Pvt. Ltd. since inception i.e. 12th OCT 2011.

3. Please inform your role and responsibility in Capital Star Financial Services Ltd from date of joining till date.

Ans.

- I have been a Director of the organization and my roles and responsibility are as follows:

I have been involved with the research department as an analyst having a valid NISM Level X-A & X-B certificate and the required qualification.

I have been involved in the back office department which is participating in RPM, KYC & product suitability of the clients.

I with Mr. Abhishek Upadhyay, Sourabh Dubey & Krishna Tiwari presently provide Investment advise to the clients of CapitalStars being apposite qualification and NISM Certification as per SEBI regulations of Investment Adviser 2013.

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Ans:

In Investment Advisory I do Market analysis with my certified team on the basis of Technical Analysis & Fundamental analysis. I also look at the Economical Parameters of the Markets. Before that we also keep in mind the risk parameters of the clients and give the advice with keeping in mind their risk profile. After all analysis me, Abhishek Upadhyay, Sourabh Dubey & Krishna provides intraday calls/tips to the through sms mode by Client relationship management software.

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INSPECTING AUTHORITY


DEPONENT
5/3/2020

