

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: PRASHANT SARAN, WHOLE TIME MEMBER

ORDER

Under sections 11(1), 11B and 11D of the Securities and Exchange Board of India Act, 1992 read with the SEBI (Investment Advisers) Regulations, 2013

In respect of Mr. Ravi Chouksey, Proprietor, Gravita Research Company (PAN - ANXPC4593L)

Date of hearing: February 27, 2015

Appearance-

For the noticee: Mr. Ravi Chouksey

For SEBI: Ms. AnithaAnoop, Deputy General Manager, Ms. Deepali Dixit, Assistant General Manager and Mr. T. Vinay Rajneesh, Assistant General Manager

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”), vide an *ex-parte* interim Order dated December 02, 2014 (“the **interim order**”) *prima facie* observed that **Mr. Ravi Chouksey, Proprietor, Gravita Research Company** (“the **noticee**”) had acted as an “Investment Adviser” without obtaining registration from SEBI in contravention of section 12(1) of the Securities and Exchange Board of India Act, 1992 (“the SEBI Act”) read with the SEBI (Investment Advisers) Regulations, 2013 (“the IA Regulations”).

2. In order to protect the investors from such unauthorised activities of unregistered entities, the interim order issued the following directions against the noticee:

- a) *“to cease and desist from acting as investment adviser and cease to solicit or undertake such activities or any other unregistered activity in the securities market, directly or indirectly, in any manner whatsoever;*
- b) *immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, websites, etc. in relation to their investment advisory or any unregistered activity in the securities market.”*

3. The interim order was issued without prejudice to the right of SEBI to take any other action that may be initiated against Mr. Ravi Chouksey and his proprietary firm, Gravita Research Company, in accordance with law. Further, the interim order was a show cause notice and the noticee (i.e., Mr. Ravi Chouksey and his proprietary firm Gravita Research Company) was advised to show cause as to why appropriate directions, under the SEBI Act and relevant SEBI Rules/Regulations including direction, prohibiting them from buying, selling or otherwise dealing in securities market, either directly or indirectly, in any manner whatsoever, should not be taken against them.

4. The noticee filed its reply dated December 11, 2014, *inter alia* submitting the following:

- a) With respect to non-submission of CIBIL Report as alleged in paragraph 2.4 of the interim order, the noticee submitted that it had 'zero score' till that time as it had not taken any loans from any bank/financial institution and the same was informed to SEBI.
- b) The noticee never offered any kind of guaranteed return in its advisory services. Clients approached it because of the goodwill created over the time and were not influenced by any other lucrative factor.
- c) In its website, it had mentioned only the 'success ratio' of its recommendations made to clients in percentage terms and the same were removed at the time when its application was closed by SEBI.
- d) A mention of success ratio does not mean that the noticee offered guaranteed returns.
- e) The only reason for rejecting its registration application was because of deficiency found in the 'risk profile questionnaire'. Its application was closed without affording any opportunity to rectify the deficiencies.
- f) It made 'calls' and informed only those clients who had filled up the online trial form in its website and did not approach the general public as alleged in the interim order.
- g) With respect to the allegation in paragraph 3.1(x) of the interim order that the noticee refused to accept SEBI letter dated May 21, 2014, the noticee submitted that the SEBI letter returned undelivered as the noticee had shifted to a new premise. The new address was not updated in the website due to overload of work. Copy of rent agreement was furnished.
- h) The delay in filing the application was not deliberate. However, when the noticee sought to apply, confusion arose whether it should apply under the IA Regulations or the newly notified SEBI (Research Analysts) Regulations, 2014 as the new regulations is for registering stock analysts who make recommendation on 'buy-sell-hold' of a security which was similar to the noticee's work.

- i) The noticee is a strong believer of laws and regulations, which are made to protect the interest of general public, and this was the reason for initiating the registration process on receipt of enquiry letter from SEBI dated August 13, 2013.
- j) The noticee's motto is to serve clients on the basis of exemplary technical research. None of its recommendations were ever made without having an embracive and strong analysis behind it.
- k) It did not do any act which is detrimental to the investors and that there were no investors' complaints against it.

The noticee apologised for its mistakes regarding non-compliance with the registration requirements as Investment Advisor and that such mistakes were done unintentionally. The noticee also submitted that it is keen on obtaining a registration from SEBI as an Investment Advisor.

5. Thereafter, vide letter dated December 23, 2014, the noticee requested SEBI to ignore its previous application and *inter alia* made the following submissions:

- (i) With respect to the non-filing of response to the SEBI letter dated May 21, 2014 seeking clarification for non-compliance with registration as an IA, the noticee stated that it should have re-applied for registration and sought apology for the unintentional mistake.
- (ii) The noticee also stated –
 - Its website is not operational and has placed a screen shot of the website as proof.
 - It has refunded subscription money of all active clients and furnished details of such claims.
 - It has closed bank accounts held with State Bank of India and ICICI Bank Limited on December 19, 2014 and December 22, 2014 respectively.
 - It has on an immediate basis halted all sales and no more clients are being approached by it.
 - It also submitted that it would not offer advisory services till its registration as an IA or till permission is obtained for such activity.
- (iii) The noticee stated that there were no complaints from investors and that it would resolve all complaints, if any, relating to the period when it is not registered.
- (iv) The noticee also submitted *“We accept and understand that the mistake has been on our but this mistake was unintentional. We request you to please have a kind look at the same as one mistake from a potential compliant organisation. We hope that you also consider the steps taken by us to comply with the interim order as our willingness to comply and our positive approach towards all the legal matters. We also*

request regulators to guide us with the procedure to regularize our activities and charge any penalty as it may deem fit for the mistake. We enclose a provisional profit and loss account for the tenure 27/03/2014 to 23/12/2014 for calculation of penalty..... If you allow us for registration as an Investment Advisor then we will give application We also hope that regulators will investigate considering the fact that we are new to the regulatory environment and are committed to ensure compliance in words and in spirit.”

(v) The noticee requested SEBI to view its application favourably.

6. The noticee was also afforded an opportunity of personal hearing on February 27, 2015, when Mr. Ravi Chouksey appeared and reiterated the submissions made in his replies.

7. I have considered the interim order, the submissions made by the noticee, the documents provided by them and other material available on record.

8. The following are the important observations made in the interim order:

i. “Gravita Research Company is a sole proprietorship concern of Mr. Ravi Chouksey established on January 10, 2013 having registered office address as A-32/33, Chandra Nagar, AB Road, Indore, Madhya Pradesh and branch office at 458, Gopal Bhawan, Sneha Nagar, Jabalpur, Madhya Pradesh.

ii. Gravita Research is running its business from Jabalpur branch.

iii. Gravita Research is offering investment advisory services to the general public, claiming exact percentage of accuracy in their tips. They declare itself as an investment adviser (IA).

iv. Gravita Research is pursuing the following modus operandi:

- Marketing executives of the firm calls prospective investors for registration as free trial clients. Also, some clients register for free trials after perusing the website of Gravita Research.
- This indicates that Gravita Research is actively engaged in soliciting members of general public for registering with it for investment advice.
- Though at the time for registration for free trial it is advised by the representative that if the client/investor finds the free trial satisfactory then he/she can register with Gravita Research as a regular client choosing any of the services mentioned on the

website of Gravita Research. However, the representatives actively pursue the prospective clients to get themselves registered as regular clients.

- In case of free trials, Gravita Research sends SMS to the clients/investors, giving tips for 2-3 days and subsequently as per the service opted by the client.

v. On the analysis of the bank account opening form along with KYC documents of both the banks mentioned in Paragraph No. 2.8 (c) , it is observed that:

- The aforementioned bank accounts belonged to the Proprietor of Gravita Research *viz.* Mr. Ravi Chouksey (PAN -ANXPC4593L);
- It is certified by the Chartered Accountant in the certificate issued for the purpose of opening bank account that the Gravita Research is engaged in the business of '*Advisory Share Market*'.
- Business of Gravita Research is also mentioned as '*Share market Advisory Services*' in the "SM/SO" Interview sheet of KYC documents.
- From the KYC documents, it is observed that the Establishment Certificate issued by the State Government confirm the business as '*Advisory Share Market*'.

vi. Tabular picture of fees charged by Gravita is placed below:

Table 2: Fee Structure of Gravita (in Rs.)

Period↓	Stock Cash	Stock Future	Option Tips	Nifty Futures	Bullion Energy	Base Metals	Agri	Bullion Metals	Bullion Metals Agri	Booster
Monthly	5000	6500	6000	5000	8500	8500	8500	9000	10000	7000
Quarterly	13500	17000	16000	13500	16000	16000	16000	25000	27000	20000
Half Yearly	25000	32000	30000	25000	30000	30000	30000	46000	48000	-
Yearly	45000	64000	58000	45000	56000	56000	56000	84000	86000	-

vii. From the analysis of the bank account statement, it was observed that there are several deposits into the said bank accounts from different parts of the country which are equivalent to the fees charged by Gravita Research for various advisory services offered.

viii. It is observed that the funds are deposited in the bank accounts from various parts of country *viz.* Balkeshwar, Barwah, Bhind, Jarwal Road, Maheshwar Road, Mukherjee Marg, Nalkheda, Nathnagar, Govindnagar, Kasturba Nagar, Jabalpur, Vadodara, Surat, Pune-Tilak Road, Delhi, Muzzafarnagar, Agra, Gandhinagar, Goa, Jhansi, Bikaner, Gurgaon, Nadiad, Bangalore, Mandsaur, Kanpur, Ranchi, Bikaner, Chennai etc., which indicates that there is a

regular flow of funds in the said bank accounts from various individuals across the country which is equivalent to fees charged by Gravita Research for the advisory services.

- ix. The aforesaid details indicated that Mr. Ravi Chouksey, Proprietor, M/s Gravita Research Company is collecting funds from investors for providing investment advice to them through SMS/calls.
 - x. The noticee was informed of the closure of its application (seeking registration as IA) vide SEBI letter dated March 27, 2014. In view of this, it is observed that the amounts credited to the account of Gravita Research after March 27, 2014, which are equivalent to fee amount as mentioned in above table, towards the fees for advisory services were collected without obtaining registration from SEBI as an IA.
 - xi. On verifying the track sheets of Gravita Research available on its website, it was observed that the 'tips' (as mentioned in Paragraph No.2.10 of the interim order) received on July 24, 2014 through SMS were appearing on the track sheets.
 - xii. It is noted that Gravita Research in their earlier application submitted to SEBI for obtaining registration as IA (which was closed for non-submission of information) on October 22, 2013 stated that Gravita Research is in the business of providing advisory services since January 16, 2013.
 - xiii. Considering the facts and circumstances of the matter, it was observed that the activities of Gravita Research of giving trading tips, stock specific recommendations, etc. to the investors indicated that they were engaged in providing investment advisory services to investors on payment of fees, which *prima facie* fall within the definition of “*investment adviser*” as defined under Regulation 2(m) of the IA Regulations.
 - xiv. Gravita Research was, therefore, alleged to have engaged in providing investment advisory services to investors without necessary registration for the same as mandated under section 12 (1) of the SEBI Act and regulation 3(1) of the IA Regulations.”
9. From the submissions made by the noticee, it can be seen that it has not disputed the findings, rather has admitted the allegations. The submission of the noticee is that it has undertaken the investment advisory activities without SEBI registration without any intention to defraud the

investors. SEBI has, on the basis of material/bank statements, observed that the noticee was offering investment advice through SMS/calls on receipt of fees/payment from investor. An 'Investment Advisor' as defined under regulation 2(m) of the IA Regulations is any person, who for consideration, is engaged in the business of providing investment advice to clients or other persons or group of persons and includes any person who holds out himself as an investment adviser, by whatever name called. Such findings and observations made in the interim order have not been disputed or controverted by the noticee. Considering the material relied in the interim order, the observations made therein and the admission made by the noticee, I, hereby, conclude that the noticee had functioned as an 'investment adviser' in the securities market in terms of the IA Regulations without obtaining a certificate of registration from SEBI as mandated under section 12(1) of the SEBI Act and Regulation 3(1) of the IA Regulations.

10. The noticee has requested SEBI to guide it for regularising its activities. In this regard, it has to be appreciated that unauthorized activities cannot be regularised and the offender has to mandatorily return all funds, if any, collected from investors in pursuance of such illegal/unauthorised activities to the investors. I note that the noticee has claimed that it has refunded the subscription amount of all active clients.

11. The violation committed by the noticee, as found in this Order, does attract regulatory action by SEBI. The interim order has contemplated appropriate directions under SEBI Act and rules/regulations including direction, prohibiting them from buying, selling or otherwise dealing in securities market, either directly or indirectly, in any manner whatsoever. The noticee has requested SEBI to consider the steps taken by it in compliance with the interim order and levy penalty/impose directions. I also note that the noticee has conveyed that it is keen in obtaining registration from SEBI as an Investment Advisor.

12. It is an admitted fact that Mr. Ravi Chouksey is the proprietor of Gravita Research Company, which has indulged in unregistered investment advisory services. Accordingly, directions only against the proprietorship concern would not serve the interest of justice and should include the proprietor also. Therefore, I am of the view that directions shall need to be passed against Mr. Ravi Chouksey and Gravita Research.

13. In view of the foregoing, I, in exercise of the powers conferred upon me under section 19 of the SEBI Act and section 11(1), 11(4), 11B and 11D thereof read with the SEBI (Investment Advisers) Regulations, 2013, hereby issue the following directions:

- a) Mr. Ravi Chouksey and his proprietorship concern i.e, Gravita Research Company (PAN - ANXPC4593L) are hereby prohibited from buying, selling or otherwise dealing in the securities market, either directly or indirectly, in any manner whatsoever, for a period of 4 years.
 - b) Mr. Ravi Chouksey and Gravita Research Company shall not undertake, either directly or indirectly, any activity in the securities market without obtaining registration from SEBI as required under the securities laws.
 - c) Mr. Ravi Chouksey and Gravita Research Company shall expeditiously return the monies received from its clients, if any, in respect of its unregistered investment advisory activities as found in this Order and submit a certificate from a peer reviewed chartered accountant, within a period of 3 months from the date of this Order. For the purpose of this Order, a peer reviewed Chartered Accountant shall mean a Chartered Accountant, who has been categorized so by the Institute of Chartered Accountants of India ('ICAI').
14. SEBI may also initiate Adjudication proceedings under Chapter VIA of the SEBI Act against Mr. Ravi Chouksey and his proprietorship concern i.e, Gravita Research Company for the violation of indulging in unregistered investment advisory services in the securities market in breach of section 12(1) of the SEBI Act and regulation 3(1) of the SEBI (Investment Advisers) Regulations, 2013.
15. This Order shall come into force with immediate effect.
16. Copy of this Order shall be served on recognised stock exchanges and depositories for information and necessary action.

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

Date: June 04, 2015
Place: Mumbai