DEPUTY GENERAL MANAGER
INDORE LOCAL OFFICE

THROUGH RPAD/Email

SEBI/WRO/ILO/NM/OW/P/21357/1/2022
May 19, 2022

Wealthit Global (Registration no. INA000005473) **(Proprietor – Mohit Manghnani)** **Plot No. 388, PU4,** **Scheme No. 54,** **Behind Country Inn Hotel,** **Vijay Nagar, Indore-452010**	**Wealthit Global (Registration no. INA000005473)** **(Proprietor – Mohit Manghnani)** **S/o Chandra Prakash Manghnani,** **01,01, trading house, Jagat Dev Talab Road,** **Near Vijay Color Lab, Satna** **Madhya Pradesh- 485001**

Email: Support@wealthitglobal.com

Show Cause Notice under Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) read with sections 15HA, 15HB, and 15EB of the Securities and Exchange Board of India Act, 1992.

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") had conducted inspection of Wealthit Global (Proprietor-Mohit Manghnani) (hereinafter referred to as '**Noticee/Wealthit/by Name**'), a registered Investment Adviser during January 06, 2020 to January 09, 2020. Wealthit is registered with SEBI as an Investment Adviser bearing registration no. INA000005473 since August 29, 2016 i.e. valid till August 28, 2021 and the PAN of its proprietor Mr. Mohit Manghnani is CXGPM4395H. The focus of the inspection was to look into the compliance of regulatory requirements stipulated under SEBI Act, 1992 (hereinafter referred to as '**SEBI Act**'), SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as '**IA Regulations**') and other circulars and guidelines framed thereunder. The period of inspection was from April 01, 2018 to January 06, 2020 (hereinafter referred as '**inspection period**').

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2. During the inspection at the registered office address of Wealthit located at *Plot no. 388, PU4, Scheme no. 54, Behind Country Inn Hotel, Vijay Nagar – Indore – 452010*, (hereinafter referred as '**Office Address**')., the following has been observed: -

3. **Non-compliance of SEBI directions with respect to Inspection and deceiving the clients-**

3.1 It was observed that the Noticee was not found at the office address. However, at the said office address some other business was being carried out in the name of Baghel Consultancy Services. All the pre-inspection communications between SEBI and the Noticee are placed at **Annexure – 1 to 5.**

3.2 As informed by the employee of Baghel Consultancy **(Annexure- 6)** and from the partnership deed of the Baghel Consultancy, it was observed that the Baghel Consultancy Services is running its consultancy activities at the said office address from November 08, 2019.

3.3 During the visit of office address, it was observed that one of the glass walls of office displayed the name of Wealthit along with the SEBI registration no INA000005473. Photographs of the office premises of Wealthit taken on January 06, 2019 are placed at **Annexure- 7.**

3.4 In view of above, it was observed that Noticee was not available at the registered address and no request for change of address was received from Noticee. It was observed that registered office address of all intermediaries, as available on SEBI records, are made available on website of SEBI for the information of general public and therefore, address of registered office of an intermediary registered with SEBI is a material information. The noticee has failed to disclose this material information regarding its registered office to SEBI from where Wealthit operated. The Proprietor of Wealthit, Mr. Mohit Manghnani has deceived the general public.

3.5 Further, during the course of inspection, it was observed that Noticee failed to furnish information relating to its activity as an IA during Inspection as required by SEBI by informing its inability to submit pre-inspection data on account of the reason that the Indore Police has seized its data.

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3.6 Mr. Mohit Manghnani, Proprietor of Wealthit deliberately not cooperated with SEBI and did not present himself before the inspection authority for statement recording by stating that he had been advised 3 month's rest **(Annexure- 8)**, though from the doctor's certificate **(Annexure – 9)** submitted by Mr. Manghnani, it was observed that he was advised rest for a period of 10 days only.

3.7 Further, it was observed from the website of Wealthit **(Annexure- 10)** that it was still functioning during the inspection period and was being constantly updated. The website was still showing the details of advisory products offered by Noticee. It was observed that Mr. Mohit Manghnani, Proprietor of Wealthit vide his letter dated December 02, 2019 and his email dated January 03, 2020 submitted that operations of Noticee have been stopped. However, no such disclosure to the effect that Wealthit had suspended its operations was displayed on its website. Accordingly, Wealthit and its proprietor have *prima facie* deceived general public and its clients.

3.8 In view of the above, it is *prima facie* alleged that Mr. Mohit Manghnani, Proprietor of Wealthit contravened the provision of –

i. Regulation 13(a), 15(12), 25(1) and (2) read with 24(3), Clause 8 of Code of Conduct for IA as specified under Third Schedule read with regulation 15(9) of IA Regulations, of IA Regulations;
ii. Regulation 13(b) of IA Regulations, Clauses 1, and 8 of the Code of Conduct for Investment Advisors as specified in Schedule III read with regulation 15(9) of IA Regulations.
iii. Regulations 3(a), (b), (c), (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market), 2003, (hereinafter referred to as '**PFUTP Regulations**') read with Sections 12A(a), (b) and (c) of SEBI Act. The text of the aforesaid provisions is provided separately as **Annexure-A.**

4. **Failure to Renew NISM Registration:**

4.1 It was observed that Mr. Mohit Manghnani, Proprietor of Wealthit continued to act as an investment adviser, even after expiry of his NISM certificates on January 01, 2019 **(Annexure-11)**, and he had

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failed to meet the eligibility criteria to act as an IA. Further, as per information received from NISM vide email dated January 27, 2020, **(Annexure-12)** Mr. Mohit Manghnani had not appeared for any exam after expiry of his NISM Certificate. Accordingly, Mr. Mohit Manghnani, Proprietor of Wealthit failed to comply with the requirement to have, at all times, a valid NISM certification.

In view of the above, Mr. Mohit Manghnani, Proprietor of Wealthit had contravened the provision of regulation 7(2) read with regulation 13(a) and regulation 15(13), and regulation 28(a) of IA Regulations. Wealthit is *prima facie* alleged not to be a "fit and proper" as per Schedule II of SEBI (Intermediaries) Regulations, 2008 (Hereinafter referred to as '**Intermediaries Regulations**').

5. **Filling of FIR against Mr. Mohit Manghnani by Indore Police**

5.1 Noticee, vide its letter dated December 02, 2019 **(Annexure- 2)** addressing to SEBI informed that Indore Police has lodged an FIR against entity's proprietor, Mr. Mohit Manghnani, and its employees by charging them under Sections 420, 406, 467, and 34 of Indian Penal Code 1860 on the basis of complaint filed by Mr. Rakesh Sharma.

5.2 In view of the above, Mr. Mohit Manghnani, Proprietor of Wealthit had contravened Regulation 6(f) of IA Regulations and regulation 28(a) of IA Regulations. Wealthit is *prima facie* alleged not to be a "fit and proper" as per Schedule II of Intermediaries Regulations, 2008. The text of the aforesaid provisions is provided separately as **Annexure-A.**

6. **Promising assured profit and unrealistic return to its clients:**

6.1 It was observed from several complaints in **Sebi COmplaints REdress System** (hereinafter referred to as "**SCORES**") alleging that Wealthit had assured them guaranteed profit/ indicating target return. For instance, in SCORES complaint no. SEBIE/MP19/ 0001874/1 filed by one Mr. Kundan Kumar, the complainant has provided the mail of Wealthit dated June 15, 2019 **(Annexure 13)**, wherein Wealthit has provided assured returns to the complainant. The extract of email dated June 15, 2019 sent by Wealthit to Mr.Kundan Kumar is placed below:

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"As per our discussions we would like to inform you that our total service charges are INR 7,00,000/- in which we had decided that you have to pay INR 2,50,000/- as initial payments in which we have successfully received INR 1,00,000/- now remaining INR 1,50,000/- you have to proceed as soon as possible within today's timeline.

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

6.2 Similarly, Mr. Krishnadevan T. had lodged a complaint No. SEBIE/MP19/0002400/1 dated September 12, 2019 on SCORES. In the said complaint, it was, *inter alia*, *prima facie* alleged that Wealthit had told him to pay Rs. 1,20,000/- and that they would make him earn Rs. 4,50,000/-. However, after Mr. Krishnadevan T. paid the money they did not accept his call. In this connection, Mr. Krishnadevan T. has provided a call recording **(Annexure-14)** between him and the representative of Wealthit. Mr. Krishnadevan has also provided the copy of email dated October 01, 2019 **(Annexure-15)** received from Wealthit wherein Wealthit has stated that Mr. Krishnadevan has paid the total amount of Rs. 1,20,000/- and that his services of Stock Option HNI would be activated. On perusal of the said call recording, it was observed that representative of Wealthit had been promising unrealistic/ exorbitant returns to the client. The extract of the transcript of the representative of Wealthit with Mr. Krishnadevan T is given below:

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

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	(00:32- 1:41): - *Suniye aap ek kaam kijiye 11700 ka PUT Option ka bid lagaiye aap.* *Investor: 11700 ka?* *Adviser: Haan 11700 ka NIFTY ka. Dekhiye agar ye execute hota hai toh isme mai Rs. 30000 ka return main leke chal raha hoon. Thik hai...Bade return ke liye mujhe yahi dikh raha hai.* *Investor: Thik hai sir. Kitne pe bid lagane ka hai sir.* *Adviser: Aap uska bid Rs. 30 ka lagaiye* *Investor: 11700 ka hai na sir?* *Adviser: Haan 11700 ka Put Option Rs. 30 ka bid lagaiye aur suniye aap bataiye kab pay karenge remaining vala kyoki aajke baad aapse paise mangna nahi chahta."* *Aaj ke baad mera agar phone jayega toh sirf profit batane ke liye jayega ki kitna profit hua hai. Toh aajke baad mai paise nahi mangunga toh aap mujhe time bataiye ki shaam ko kab tak pura ho jayega."* *Investor: "Sir Market hours ke baad payout hota hai aisa bol rahe the vo aisa mai baat kiya tha unse."* *Adviser: 5:30 -6 baje ka time daal du?* *Investor: ok sir 5:30 se 6 baje tak ka daal do"*
Telecon held on May 27, 2019	**Adviser warning investor that his profile will lapse in case he fails to pay additional amount towards service charges immediately** *(Time- 0:31-0:40)* *Adviser: "Sir toh aap meri baat suniye aap ko karna hain ya nahi karna hain kyoki 29th tarikh last date hai uske baad aapki service lapse ho jaegi phir mai kuch nahi kar paungi"* *(00:55 to 1:02): -* *Adviser: - "Aapne haan bhara than na ki aapke paas Rs. 80000 ka amount hai maine kya bola tha ki aap mujhe Rs. 20000 aur arrange karva de do mai aapko profit karwa ke deti"* *(1:30 to 1:35)* *Adviser: Mere paas 3 profile aur aayi thi vo profile Rs. 20000 ke investment se 1.5 lakh ke profit mai chal rahi hai.* *(09:37-10:25)* *Investor: mujhe ye bataya hai ki mai agar 22000 aur nahi bharunga toh meri service band ho jayegi* *Adviser: Toh aap hi bataiye ki mai kya karu* *Investor: Toh aapne mujhe pehle kyo nahi bataya....jab maine Rs. 1 lakh bhar diye...ab ap k din pehle (i.e. on 27th) bol rahe ho ki 29th taarikh last date hai. Itna paisa mai ek din mai kaha se le kar aaunga.* *Adviser: Mai aapse argument nahi karna chahti hoon ki aap kar paoge payment ya nahi jo maine payment ke baare mai batana tha vo bata diya.* *Investor: Toh yeh aapko pehle batana chahiye na.*

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

6.3 In view of the above, it is *prima facie* alleged that Wealthit has been promising unrealistic/exorbitant returns to the clients. The high returns are promised to the clients who make investment/ take trading decisions based on the advice/ tips/ calls given by the Wealthit. It is a fact that all the returns on investments in equity and derivatives markets are subject to market risk and such returns cannot be assured. However, Wealthit assured of unrealistic returns to the clients so that the clients can be made to pay advisory fees to Wealthit. It was also observed from the above tele-conversation that Wealthit is asking the client to make payment of fees by threatening that the service already provided to the client by Wealthit would lapse and the client would lose out on the opportunity to make profits. It is also observed that Wealthit is luring the client to pay additional fees by indicating the client that he would earn profit.

6.4 It is further observed that Wealthit has shown complete disregard to the responsibility to act in fiduciary capacity to its clients entrusted to him under IA Regulations as its representative had deceived Mr. Krishnadevan T to buy its investment product. Subsequent to this conversation Mr. Krishnadevan T paid Rs. 1,20,000 during the period May 08, 2019 to May 29, 2019 to buy Stock Option HNI. The receipt of said amount of Rs. 1,20,000/- is also acknowledged by Wealthit vide email dated October 01, 2019.

6.5 In view of the above, it was observed that Wealthit provided tips/ tele-messages pertaining to products of different segments of securities market viz. equity cash segment, equity futures

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segment, stock derivatives, index derivatives, commodity derivatives, currency etc., which are traded on the exchange platform. Performance/ return on investment in such securities cannot be predicted and is subjected to market risk. The investments made by clients based on the advice given by IA is subjected to market risk, Wealthit promised assured and even unrealistic returns to the clients. From the above, it was observed that the Wealthit was being dishonest while dealing with its clients and deceived its clients. Further, Wealthit assured unrealistic guaranteed returns to clients knowing fully well that investment in securities market are risky and returns are not predictable. Such assurance of high and unrealistic returns is fraudulent and is covered within the definition of "fraud" as defined in regulation 2(1)(c) of PFUTP Regulations.

6.6 Further, by assuring unrealistic returns to clients, Wealthit has deceived its clients and thus violated regulations 3(a), (b), (c), (d) of the PFUTP Regulations read with section 12A(a), (b) and (c) of SEBI Act. It is also *prima facie* alleged that Wealthit has failed in its responsibility to act in fiduciary capacity to its client which is entrusted upon it under regulation 15(1) of IA regulation and also failed to abide by clauses 1 and 2 of Code of Conduct of Schedule III read with regulation 15(9) of IA Regulations. The text of the aforesaid provisions is provided separately as **Annexure-A.**

7. **Selling Multiple and non-suitable Services and charging exorbitant fees**

7.1 <u>Mr. Dhyaneshwar Gupta</u>

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

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

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b. As per the risk profile of the client, client has mentioned that his proposed investment amount is less than Rs. 1 lac and his annual income is in the range of Rs. 1 to 5 lakh. As can be observed from the above table, Wealthit has charged him fees of Rs. 12,98,000/- during the period November 27, 2018 to January 25, 2019. The amount charged by Wealthit is two times more than annual income of Mr. Gupta. It is also observed that Wealthit has charged services fee from Mr. Gupta which is more than 12 times of his proposed investment amount. From the website of Wealthit (www.wealthitglobal.com), it was observed that the minimum duration for all the products offered by Wealthit is 1 month.

c. It was observed that during the period December 12, 2018 to December 22, 2018, Wealthit has sold 'Equity Cash' package 4 times. Within two days i.e. December 12, 2018 and December 13, 2018, the package 'Equity Cash' was sold three times, including twice on the same day i.e. December 13, 2018. The service fees charged by Wealthit for 'Equity Cash' ranged from Rs. 27,200/- to Rs. 3,47,600/-.

d. On perusal of the invoices forwarded to Mr. Dhyaneshwar Gupta by Wealthit, it was observed that no duration for which advisory services would be provided by the IA has been mentioned. In the absence of information regarding duration of the services, the clients would have no means to know whether the IA is rendering services properly or not. It is observed that in the absence of any information regarding the duration of the product, the large variation in the amount of service fee charged by Wealthit appears to be unreasonable, unfair and unjust. Thus, it is *prima facie* alleged that the client was deceived to pay such large amount of service fees.

7.2 <u>Mr. Manoj Puthran</u>

a. The details regarding the products sold and service fee charged from Mr. Manoj Puthran are given below:

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

b. As per the risk profile of the client, client has mentioned that his gross annual income was between Rs. 1 to 5 lac, proposed investment amount is less than Rs. 1 lac and he has 'Nil' investment experience. However, IA has charged him fees of Rs. 2,06,000/- during the period of 14 days i.e. December 18, 2018 to January 1, 2019. It is also observed that Wealthit has sold 'Ultra HNI' product twice within 9 days. From the website of Wealthit (www.wealthitglobal.com), it was observed that the minimum duration for all the products offered by Wealthit is 1 month. However, Wealthit has sold same product twice within 9 days of each other.

c. It is also observed that in the invoices forwarded by Wealthit to the client, duration of service period has not been mentioned. Hence, client had no means to know whether Wealthit has properly provided services for the entire duration of the product. Therefore, it is *prima facie* alleged that Wealthit deliberately did not mention duration of the product in the invoices so that it could sell same product multiple times, even before the end of the service period of the product. By not specifying the duration of the product, Wealthit was able to deceive the client by selling the same product twice and in the process earned Rs. 1,88,000/- service fee in the process.

7.3 Mr. K S Uthappa

a. The details regarding the products sold and service fee charged from Mr. K S Uthappa are given below:

Sr. No.	Date of invoice	Invoice no	Product	Amount (Rs.)
1	July 1, 2019	INV_2019_JUL_24	Equity Option	2,000
2	July 2, 2019	INV_2019_JUL_44	Equity Option	2,000
3	July 4, 2019	INV_2019_JUL_85	Ultra HNI	23,000
4	July 13, 2019	INV_2019_JUL_164	Jobbers	51,000

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

b. It was observed that Wealthit has charged from Mr. Uthappa service fees of Rs. 8,81,000/- during the period of 19 days as per aforesaid 9 invoices. It is also observed that Wealthit has sold 'Equity Option' product twice within 2 days. On July 13, 2019, Wealthit has sold two products (namely Jobbers and Ultra HNI) on the same day. During the period July 13, 2019 to July 19, 2019, Wealthit has sold 'Jobbers' product 5 times. On July 13, 2019, it self 'Jobbers' pack was sold twice, with service fees of Rs. 51,000/- and Rs. 2,22,000. From the website of Wealthit (www.wealthitglobal.com), it was observed that the minimum duration for all the products offered by Wealthit is 1 month. It was also observed that Wealthit has sold 'Ultra HNI' product during July 4, 2019 to July 13, 2019.

c. The service fees charged by Wealthit for 'Jobbers' package ranged from Rs. 1000/- to Rs. 5,00,000/-. In this regard, it was observed that in the absence of any information regarding the duration of the product, the large variation in the amount of service fee charged by Wealthit is unreasonable, unfair and unjust. It is *prima facie* alleged that aforesaid instance of wide variation of the service fees indicate that the client was deceived to pay such large amount of service fees by Wealthit.

7.4 Mr. Jatindra Karmakar

a. The details regarding the products sold and service fee charged from Mr. Jatindra Karmakar are given below:

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

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5	July 31, 2019	INV_2019_Jul_509	Jobbers	49,000
Total				**56,601**

b. Wealthit has charged him fees of Rs. 56,601/- during the period July 20, 2019 to July 31, 2019, by selling services 5 times. Wealthit has sold the product 'Equity Cash HNI' 3 times within period of 10 days (i.e. from July 20, 2019 to July 30, 2019). For the product 'Equity Cash HNI' the amount of fees charged ranged from Rs. 2000/- to Rs. 3000/-. Similarly, the product 'Jobbers' was sold twice within 6 days (i.e. from July 25, 2019 to July 31, 2019). While Wealthit has charged Rs. 501/- on July 25, 2019 for 'Jobbers' product, it had charged Rs. 49,000/- for the same product on July 31, 2019. The invoices generated for selling the above mentioned products do not have duration of service period. Therefore, client had no means to know whether Wealthit has properly provided services for the entire duration of the product.

7.5 Mr. Hari Krishna Nalajam

a. The details regarding the products sold and service fee charged from Mr. Hari Krishna Nalajam are given below:

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

b. Wealthit has charged him total fees of Rs. 78,600/- during the period April 30, 2019 to May 13, 2019. Wealthit has sold "Equity Cash Premium' product four times during the period March 26, 2019 to May 13, 2019. The amount of fees charged for the above mentioned product ranges from Rs. 10,000/- to Rs. 16,000/-. Further, Wealthit has sold the product 'Equity Cash HNI' twice during the period June 6, 2019 to June 10, 2019. Wealthit has

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charged Rs. 15,500/- on June 6, 2019 and Rs. 7,800/- on June 10, 2019 for selling this product. In the above mentioned invoices, no duration of the product has been mentioned. Therefore, client had no means to know whether Wealthit has properly provided services for the entire duration of the product.

7.6 Ms. Jayashree R

a. The details regarding the products sold and service fee charged from Ms. Jayashree R are given below:

Sr. No.	Date of invoice	Invoice no	Product	Amount (Rs.)
1	November 15, 2018	INV_OCT_20181119	Cash	1,37,100
2	December 28, 2018	INV_DEC_201812471	Stock Cash	12,500
3	January 8, 2019	INV_JAN_201901122	HNI MCX	12,500
4	January 12, 2019	INV_JAN_201901264	HNI MCX	52,485
5	January 21, 2019	INV_JAN_201901169	Cash HNI	1,05,000
6	January 30, 2019	INV_JAN_201901165	Equity Future HNI	2,36,000
7	February 5, 2019	INV_FEB_20190292	Equity Cash Premium	29,500
8	February 5, 2019	INV_FEB_201902110	Equity Cash Premium	52,600
9	February 11, 2019	INV_FEB_201902230	Equity Cash Premium	40,000
10	February 11, 2019	INV_FEB_201902247	MCX	12,000
11	February 18, 2019	INV_FEB_201902669	MCX	12,000
12	February 22, 2019	INV_FEB_201902671	MCX	15,000
13	February 28, 2019	INV_FEB_201902673	MCX	25,000
14	March 7, 2019	INV_Mar_20190403	Equity Cash	25,000
15	March 8, 2019	INV_Mar_20190418	Equity Cash	47,200
16	March 11, 2019	INV_Mar_20190453	Equity Option	17,700
17	March 15, 2019	INV_Mar_20190534	Equity Option	20,000
18	March 19, 2019	INV_Mar_20190602	Equity Option	25,000
19	March 22, 2019	INV_Mar_20190647	Equity Option	47,200
20	March 23, 2019	INV_Mar_20190667	Equity Cash	35,000
21	March 26, 2019	INV_Mar_20190708	Base metals +Energy	59,000
22	March 29, 2019	INV_MAR_20190770	Equity Cash HNI	1,20,000
23	April 8, 2019	INV_APR_201904135	Equity Cash	35,400
24	April 10, 2019	INV_APR_201904162	MCX Basic	40,000
25	April 17, 2019	INV_APR_201904276	Equity Option	17,700
26	April 17, 2019	INV_APR_201904277	Equity Cash HNI	15,000
27	April 23, 2019	INV_APR_201904369	Equity Cash HNI	25,000
28	April 23, 2019	INV_APR_201904370	Equity Cash Premium	51,000

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Sr. No.	Date of invoice	Invoice no	Product	Amount (Rs.)
29	April 23, 2019	INV_APR_201904371	Equity Cash	65,500
30	April 23, 2019	INV_APR_201904372	Equity Cash Premium	5,000
31	April 27, 2019	INV_APR_201904440	Equity Cash Premium	1,56,555
32	April 27, 2019	INV_APR_201904441	Equity Cash Premium	51,555
33	April 29, 2019	INV_APR_201904453	Equity Cash Premium	1,61,111
34	April 29, 2019	INV_APR_201904465	Equity Cash Premium	1,00,000
35	April 30, 2019	INV_APR_201904487	Equity Cash Premium	50,000
36	May 3, 2019	INV_2019_MAY_54	Equity Future HNI	25,000
37	May 3, 2019	INV_2019_MAY_56	Equity Future HNI	25,000
38	May 10, 2019	INV_2019_MAY_150	Equity Future	29,500
39	May 21, 2019	INV_2019_MAY_362	Equity Future	10,000
Total				**20,01,106**

b. Wealthit has charged fees of Rs. 20,01,106/- during the period between November 15, 2019 to May 21, 2019 from the client. During the above mentioned period of close to 6 months, Wealthit has sold as many as 13 products for 39 times.

c. Wealthit has sold 'Cash' products once, 'Cash HNI' product once, 'Equity Cash' 5 times, 'Equity Cash HNI' 3 times, 'Equity Cash Premium' 10 times and 'Stock cash' once. From the nomenclature of the product, it was observed that the products are similar. The product 'Equity Cash' was sold 5 times during the period from March 7, 2019 to April 23, 2019. The amount of fees charged by Wealthit ranged from Rs. 25,000/- to 65,500/-.

d. During the period March 29, 2019 to April 23, 2019, 'Equity Cash HNI' was sold thrice. The amount of fees charged by Wealthit ranged from Rs. 15,000/- to Rs. 1,20,000/-.

e. During the period February 5, 2019 to April 30, 2019, 'Equity Cash Premium' was sold as many as 10 times. The amount of fees charged by Wealthit ranged from Rs. 5,000/- to Rs. 1,61,100/-. On February 5, 2019, the said product was sold twice by charging Rs. 29,500/- and Rs. 52,600/-. On April 23, 2019, the product was again sold twice by charging Rs. 51,000/- and Rs. 5,000/-. On April 27, 2019, the product was again sold twice by charging Rs. 1,56,555/- and Rs. 51,555/-. On April 29, 2019, the product was again sold twice by charging Rs. 1,61,111/- and Rs. 1,00,000/-.

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f. The product 'Equity Future' was sold twice on May 10, 2019 and May 21, 2019 by Wealthit. It charged fees amounting to Rs. 10,000/- and Rs. 29,500/-. The product 'Equity Future HNI' was sold once on January 30, 2019 and twice on May 3, 2019. The amount of fees charged by Wealthit ranged between Rs. 25,000/- to as large as Rs. 2,36,000/-.

g. During the period March 11, 2019 to April 17, 2019, Wealthit has sold 'Equity Option' product 5 times. The amount of fees charged by Wealthit ranged from Rs. 17,700/- to Rs. 47,200/-.

h. During the period January 8, 2019 to January 12, 2019, Wealthit has sold 'HNI MCX' product twice for Rs. 12,500/- and Rs. 52,485/-. Wealthit has sold 'MCX' 4 times during the period February 11, 2019 to February 28, 2019 and 'MCX Basic' product once on April 10, 2019. For the product 'MCX', the amount of fees charged ranged from Rs. 12,000/- to Rs. 25,000/-. From the nomenclature, all the three products appear to be similar. From the website of Wealthit, no product with a nomenclature 'MCX Basic' was observed.

i. In none of the above mentioned invoices, duration of the product has been mentioned. Therefore, client had no means to know whether Wealthit has properly provided services for the entire duration of the product.

j. Vide email dated February 19, 2020, Ms. Jayashree had informed that her annual income as per ITR for FY 2018-19 is Rs. 19.95 lacs and annual income as per ITR for FY 2019-20 is Rs. 4.01 lacs. Ms. Jayshree has further informed that she had taken voluntary retirement from SBI with effect from April 2017 and she had made investment out of her retirement funds. From the above table it is clear that Wealthit had deliberately sold the products to Ms. Jayashree the returns for which were subject to market risks despite knowing that she was a retired person.

7.7 **Krishnadevan T.**

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a. The details regarding the products sold and service fee charged from Mr. Krishnadevan T are given below:

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

b. Wealthit had charged fees of around Rs. 1,19,291/- during the period between May 08, 2019 to May 29, 2019. During the said period of 22 days, product 'Stock Option HNI' has been sold 6 times. The fees charged for the same product ranged from Rs. 2,000/- to Rs. 36,000/-. As per the information available in the website of Wealthit, the minimum duration for all the products of Wealthit is one month. Like other invoices, the product duration had not been mentioned in the invoices issued to the client Krishnadevan T. It was observed that Wealthit had collected fees multiple times for the same product even before the end of one month's service duration.

7.8 Mr. Kundan Kumar

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

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

b. Wealthit has charged fees of around Rs. 7 lakh on June 29, 2019 for the Equity Combo Ultra HNI. From the website of Wealthit, it was observed that there is no product with the nomenclature 'Equity Combo Ultra HNI' as per the list of products available in the website of Wealthit. The duration of service period has not been mentioned in the invoice forwarded by Wealthit to the client. From the website of Wealthit, the maximum amount of fees charged for

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product names with' Ultra' (which is Rs. was checked on January 06, 2020. It was observed that the maximum amount charged by Wealthit for 'Equity Cash Ultra HNI', 'NCDEX Ultra HNI', 'Equity Future Ultra HNI' and 'Ultra HNI Equity Option' is Rs. 5,99,000/- for a duration of 1 year (i.e. excluding GST of 18%). From the above, it was observed that the amount of Rs. 7,00,000/- as fees charged by Wealthit had no basis and was arbitrary and unjust. It is *prima facie* alleged that such amount of fees had been collected for the product by deceiving the client with an objective to maximize its revenue.

7.9 Dr. Sima Chouhan

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

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

b. Wealthit had sold products 18 times and charged fees of around Rs. 5,94,948/- during the period between April 20, 2019 to July 15, 2019. During the period April 30, 2019 to June 5,

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2019, IA has sold 'Jobbers' 12 times. It is also observed that on May 3, 2019 and May 14, 2019, Wealthit has sold 'Jobbers' twice on each of the days. The amount of fees charged by Wealthit for 'Jobbers' ranged from Rs. 1,000/- to Rs. 1,50,000/-. As per the information available in the website of Wealthit, the minimum duration for all the products of Wealthit is one month. It is also observed from the website that there is no product with nomenclature 'Jobbers'. The only product available as per the website of Wealthit as on February 13, 2019 is 'Jobbers Option'.

c. Wealthit had also sold 'MCX' product twice on July 10, 2019 and July 15, 2019 with fees for Rs. 5001 and Rs. 25100/-. Thus, same product was sold to the client multiple times and no duration of services were provided in the invoice. It is *prima facie* alleged that Wealthit had kept its own interest ahead and charged fees multiple times for the same product and by selling multiple services within short notice i.e. even before the completion of minimum duration of the services (as per website of Wealthit the minimum duration for a particular service is one month).

From the details information gathered from the invoices **(Annexure-16)** submitted by the aforesaid 9 clients of Wealthit, the following is observed:

a. Wealthit had charged exorbitant amount of services fees from the clients. In two cases, amount of fees charged by the Wealthit was twice the proposed amount of investment. In case of the client Mr. Manoj Puthran, the amount of fees charged is almost 50% of his gross annual income.

b. Wealthit has sold multiple products to a client within a very short span of time. In case of one client, during the period of around 6 months, Wealthit had sold as many as 13 products for 39 times.

c. Some of the products sold to clients do not appear in the website of Wealthit wherein description of the products had been provided.

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d. Wealthit had sold same product multiple times within a short span of time. In case of few clients, same product was sold twice on the same day.

e. There was huge variation for the amount of fees charged by Wealthit for the same product which were sold within a very short span of time.

f. The invoices sent by Wealthit do not mention the service period of the product sold to the client. The clients of Wealthit had no means to find out whether Wealthit had provided the service for the entire duration of the product.

g. It is *prima facie* alleged that in the absence of any information regarding the duration of the product, the large variation in the amount of service fee charged by Wealthit is unreasonable, unfair and unjust. It is also *prima facie* alleged that wide variation of the service fees indicate that the clients were deceived to pay such large amount of service fees.

I. In view of the above, it is *prima facie* alleged that Wealthit has deceived the clients by selling multiple products within a short span of time with the sole aim of earning maximum amount fees for itself. It is also *prima facie* alleged that Wealthit did not take into account the proposed investment amount and the gross annual income of the clients. It is further *prima facie* alleged that the Wealthit did not deliberately mention the service duration of the product so that the client would not be in a position to monitor whether the advisory services have been provided by Wealthit for the entire duration of the product.

II. It is observed that the above act of Wealthit come under the definition of 'fraud' as defined in regulation 2(1)(c) of PFUTP regulations. Therefore, it is *prima facie* alleged that Wealthit has violated regulation 3(a), (b), (c), (d), 4(1) of the PFUTP Regulations read with section 12A(a), (b) and (c) of SEBI Act. Further, for the transactions undertaken after February 1, 2019, it is *prima facie* alleged that Wealthit has violated regulations 4(2)(o) and 4(2)(s) of the PFUTP Regulations

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read with section 12A(a), (b) and (c) of SEBI Act. The text of the aforesaid provisions is provided separately as **Annexure-A.**

III. It is *prima facie* alleged that Wealthit has failed in its responsibility to act in fiduciary capacity to its clients which is entrusted upon it under regulation 15(1) of IA Regulations. It is also *prima facie* alleged that Wealthit has failed to abide by clauses 1, 2, 5 and 6 of the Code of Conduct for Investment Advisors as specified in Schedule III of IA Regulations read with regulation 15(9) of IA Regulations. The text of the aforesaid provisions is provided separately as **Annexure-A.**

8. **Not following the RPF and Suitability Assessment of clients (Faulty Risk profiling):**

8.1 Complainants viz. Mr. Manoj Puthran and Mr. Dhyaneshwar Gupta, vide their respective emails dated January 07, 2020 **(Annexure - 17 and Annexure - 18)**, have shared the Risk Profiling done by Wealthit for them.

8.2 On the perusal of aforesaid risk profiles, it was observed that Wealthit had made the 'Risk Classification' on the basis of following scores:

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

8.3 From the risk profiling statement of Mr. Manoj Puthran, it was observed that his total risk profiling score worked out to 10.5. From the internal classification norms of Wealthit, as mentioned in the aforesaid risk profiling statements, for scores of 13 and below, the client is classified in 'Low' risk category. It was however observed from the risk profiling statement that Mr. Manoj Puthran had been classified as 'medium' risk category client. Further, Mr. Puthran vide email dated January 25, 2020 had *inter alia* stated that Wealthit representative simply asked him questions over phone but they never told him that the questions were being asked for doing risk profiling.

8.4 On perusal of the risk profiling statement of Mr. Dhyaneshwar Gupta, it was observed that his total

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risk profiling score worked out to 11. From the internal classification norms of Wealthit, as mentioned in the aforesaid risk classification table, for scores of 13 & below, the client is classified in 'Low' risk category. However, it was observed from the risk profiling statement that Mr. Dhyaneshwar Gupta had been classified as 'high' risk category client.

8.5 It is *prima facie* alleged that the above risk profiling done by Wealthit is deliberate and Wealhit had deliberately classified the aforesaid clients with higher risk appetite so that Wealthit could sell maximum number of advisory products to these clients. This would have enabled Wealthit to earn large amount of revenue for Wealthit.

8.6 It is also observed that advisory products namely Ultra HNI and Equity Cash have been sold to Mr. Puthran. Advisory products namely Stock Cash, Equity Cash and Equity Future HNI had been sold to Mr. Dhyaneshwar Gupta. From the risk profile statements of Mr. Gupta and Mr. Puthran, it was observed that their net worth is between Rs. 1-5 lac and proposed investment amount is less than Rs. 1 lac respectively. It was observed that clients with low risk appetite are generally advised to invest in PPF, Bank deposits, etc. However, Wealthit sold advisory products related to equity markets to these clients. It was also observed that in case of Mr. Dhyaneshwar Gupta, Wealthit had sold equity futures products which were meant for clients with 'high risk' appetite.

8.7 It is *prima facie* alleged that by deliberately classifying 'Low' risk clients to 'High' or 'Medium' risk client, Wealthit has deceived the clients into buying products whose risks, they may not be able to bear. These clients were made to bear risks which are beyond their absorption capacity. It is observed that the above act of Wealthit is covered within the definition of "fraud" as defined in regulation 2(1)(c) of PFUTP Regulations. Therefore, it is *prima facie* alleged that, by deliberately classifying the 'Low' risk clients into 'Medium' or 'High' risk clients, Wealthit has deceived its clients. Accordingly, Wealthit has violated regulation 3(a), (b), (c), (d) of the PFUTP Regulations read with section 12A(a), (b) and (c) of SEBI Act.

8.8 Regulation 16(b) of IA Regulations, *inter alia*, states that an IA should have processes for assessing

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the client's capacity for absorbing loss. Further, regulation 17(a) of IA Regulations, *inter alia*, mandates the IA to ensure that all investments on which investment advice is provided is appropriate to the risk profile of the client. The products sold to the aforesaid clients are very risky. It was observed that the products sold are not meant for these clients who should have been classified as clients with low risk appetite, as per the internal norms of Wealthit. In view of the above, by failing to assess the client's capacity to absorb loss and by failing to ensure that the investments on which investment advice was provided is appropriate to the risk profile of the client, it is *prima facie* alleged that Wealthit has violated regulations 16(b)(i) and (ii) and regulation 17(a) of IA Regulations. On account of the above, Wealthit had failed in its responsibility to act in fiduciary capacity to its clients which was entrusted upon him under regulation 15(1) of IA Regulations. Further, Wealthit had failed to abide by clauses 1 and 2 of Code of Conduct as mentioned in Schedule III read with regulation 15(9) of IA Regulations. The text of the aforesaid provisions is provided separately as **Annexure-A.**

9. **Non communication of Risk Profiling to clients:**

9.1 Complainants viz. T Krishna Devan and Mr. Kundan Kumar, vide emails dated January 24, 2020 **(Annexure- 19 and Annexure – 20)**, informed that Wealthit neither conducted nor shared any risk profile document/score with them. This shows that no risk profile was communicated to the clients by Wealthit.

9.2 Regulation 16(e) of IA Regulations states that risk profile of the client shall be communicated to the client after risk assessment is done. Therefore, it is *prima facie* alleged that the IA has violated regulation 16(e) of IA Regulations. The text of the aforesaid provisions is provided separately as **Annexure-A.**

10. **Selling of services/product and receiving money from the client prior to Risk Profiling: -**

10.1 It was observed that, Wealthit had sent the risk profiling document for Mr. Puthran on January 8, 2019. It was observed that Wealthit had already sold advisory products namely Ultra HNI and

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Equity Cash and charged Rs. 2,06,000/- from Mr. Puthran during the period December 18, 2018 to January 1, 2019. Therefore, it is *prima facie* alleged that advisory products were sold by Wealthit to the client even before the risk profiling was done for the client.

10.2 Regulation 17(a) of IA regulations, provides that IA shall ensure that investments on which investment advice is provided is appropriate to the risk profile of the client. Advising clients without carrying out risk profile exposes the client to large amount of risk, which are beyond the capacity of the client to absorb. the sole aim of Wealthit was to earn maximum possible amount of fees from the clients.

10.3 In view of the above, it is *prima facie* alleged that Wealthit has failed to comply with regulation 17(a) of IA Regulations and clauses 1 and 2 of Code of Conduct as mentioned in Schedule III read with regulation 15(9) of IA Regulations. The text of the aforesaid provisions is provided separately as **Annexure-A.**

11. **Non Redressal of Investor Grievances**

11.1 Regulation 21(1) of IA Regulations states that an investment adviser shall redress client grievances promptly.

11.2 SEBI, vide Circular CIR/OIAE/2014 dated December 18, 2014 issued a circular regarding Investor grievances through SCORES platform, has advised that all SEBI registered intermediaries shall review their investors grievances redressal mechanism so as to further strengthen it and correct the existing shortcomings, if any. The SEBI registered intermediaries, to whom complaints are forwarded through SCORES, shall take immediate efforts on receipt of a complaint, for its resolution, within thirty days. Further, the said circular has stated that in case of failure by SEBI registered intermediaries to file Action Taken Report (hereinafter referred to as "ATR") under SCORES within thirty days of date of receipt of the grievance, it shall be treated as failure to furnish information to SEBI and deemed to constitute non-redressal of investor grievance.

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11.3 It was observed from the data obtained from SCORES and examination of complaints that in case of 13 complaints, Wealthit had not filed ATR within the timeline prescribed under SEBI Circular CIR/OIAE/1/2014 dated December 18, 2014. Further, the reports of SCORES provide that as on January 06, 2019, 33 unique complaints were pending against Wealthit out of which, 13 unique complaints remained pending with IA for more than 30 days.

Complainant Name / Complaint Lodged by	Complaint Status	Date of Receipt of complaint	Whether ATR was sought from IA	Whether IA filed ATR with SEBI	Date of seeking information/ documents from complainant	Date of response from complainant, if any
Bikram Chandra Roy	Pending	Nov 10, 2019	Yes	No	Dec 31, 2019	Requisite reply not received
Kuldeep Sahani	Pending	Sept 06, 2019	Yes	No	Dec 31, 2019	Requisite reply not received
Sunil Agrawal	Pending	Sept 03, 2019	Yes	No	Jan 1, 2020	Requisite reply not received
Vinodkumar Dashrathlal Patel	Pending	Sept 01, 2019	Yes	No	Jan 1 ,2020	Requisite reply not received
Kundan Kumar	Pending	Aug 01, 2019	Yes	No	Dec 31, 2019	Jan 07, 2020
Ram Saran Yadav	Pending	June 24, 2019	Yes	No	Jan 01, 2020	Requisite reply not received
ashok kumar manjhi	Pending	July 06, 2019	Yes	No	Jan 01, 2020	Requisite reply not received
R.N Mathur	Pending	July 01, 2019	Yes	No	Jan 01, 2020	Requisite reply not received
Uma Shankar	Pending	June 18, 2019	Yes	No	Nov 14, 2019	Requisite reply not received
Nikhil Dhakate	Pending	June 11, 2019	Yes	No	Dec 31, 2019	Requisite reply not received
Shri Satish Kumar	Pending	May 10, 2019	Yes	No	Nov 14, 2019	Requisite reply not received
Dhyaneshwar Gupta	Pending	Feb 15, 2019	Yes	No	Dec 31, 2019	Jan 07, 2020
Waheed Khan	Pending	Sept 16, 2018	Yes	No	Nov 8, 2019	Requisite reply not received

11.4 Before filing the aforesaid 33 complaints to SEBI in SCORES, majority of the complainants had

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earlier approached Wealthit directly for lodging their grievances. However, none of them received any response from Wealthit. Therefore, Wealthit had failed to redress the client grievances.

Since, the IA has not submitted the ATR in a time bound manner as prescribed by SEBI and has also not resolved investors' grievance, it is *prima facie* alleged that the IA has not complied with SEBI Circular CIR/OIAE/1/2014 dated December 18, 2014 and has violated regulation 21(1) of the IA regulations. The text of the aforesaid provisions is provided separately as **Annexure-A.**

12. In light of the above, Noticee, Wealthit Global (Proprietor-Mohit Manghnani), is hereby called upon to show cause as to (i) why suitable directions, including the following, under Sections 11B(1) and 11(4) read with section 11(1) of SEBI Act, 1992, should not be issued against them and (ii) why suitable directions for imposing penalty under sections 11B(2) and 11(4A) read with sections 15HA and 15HB (for violations prior to March 08, 2019) and section 15EB (for violations subsequent to March 08, 2019) of SEBI Act and SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 should not be issued against the Noticee for the aforesaid violations :

12.1 to cease and desist from acting as an investment advisor including the activity of acting and representing through any media (physical or digital) as an investment advisor, directly or indirectly, and cease to solicit or undertake such activity or any other activities in the securities market, directly or indirectly, in any matter whatsoever;

12.2 not to access the securities market and buy, sell or otherwise deal in securities or associates themselves with securities market, in any manner whatsoever whether directly or indirectly,

12.3 to immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, communications etc., in digital mode or otherwise, in relation to its investment advisory activity or any other activity in the securities market;

12.4 to refund the amount of Rs 7,30,11,826, received from the clients/investors/complainant on or after April 01, 2018, as fees or consideration or in any other form in respect to the investment advisory activities.

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13. The written submissions of the Noticee, Wealthit Global (Proprietor-Mohit Manghnani), if any, along with documentary evidences that the Noticee chooses to rely upon in support of their submissions, should reach the undersigned, at the address given below and also in softcopy (in MSWORD format) by e-mail at email-ids aniketk@sebi.gov.in, amitn@sebi.gov.in and nirmalm@sebi.gov.in, within 21 days from the date of receipt of this notice, failing which it shall be construed that Noticee have no reply to submit and SEBI shall be free to take action against them on the basis of evidence available on record in terms of the provisions of SEBI Act and other applicable laws.

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14. The Noticee may also indicate in their reply whether they are desirous of a personal hearing before the Whole Time Member, SEBI, in the matter. The Noticee is advised to keep SEBI informed about the change in their correspondence address, if any, till the proceedings in the extant matter are complete.

15. Further, the Noticee is hereby advised to keep SEBI informed of all type of bank accounts (savings, deposits, recurring, current, etc.) mentioning the account no., name and address of the bank/branch held by them, details of all demat accounts / mutual fund units held by them and list of all the movable/immovable assets owned by them.

16. The Noticee may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulation, 2018. If the Noticee wish to opt for the settlement process, they may apply for the same in the manner given in the aforesaid regulations under intimation to the undersigned. Further, the Noticees may note that filing of settlement application does not confer any right to seek the settlement of the proceedings.

Nirmal Mehrotra
Nirmal Mehrotra
Deputy General Manager

Enclosures: As above

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Documents	Annexure
SEBI letter no. WRO/PLO/IMD/Insp./30568/2019 dated November 19, 2019.	1
Letter dated December 02, 2019 from Wealthit to SEBI	2
SEBI Letter no. 4989/1/2020 dated January 02, 2020 by SEBI to Wealthit,	3
Email dated January 03, 2020 from Wealthit to SEBI (in reply to SEBI letter dated January 02, 2020),	4
Email dated January 06, 2020 from SEBI to Wealthit,	5
Statement taken from Baghel Consultancy on January 06, 2020	6
Photographs of the office premises of Wealthit taken on January 06, 2019	7
Email dated January 07, 2020 from Wealthit to SEBI	8
doctor's certificate submitted by Mr. Manghnani	9
Printouts of the website pages of Wealthit Global taken from its website **https://www.wealthitglobal.com/**	10
Copies of NISM certificates of proprietor of the entity.	11
Email dated January 27, 2020 from NISM to SEBI regarding status of NISM certification of proprietor of the entity.	12
Email dated June 15, 2019 sent by Wealthit to Mr. Kundan Kumar (complainant).	13
Call recording of the representatives of Wealthit with complainant Mr. T Krishnadevan enclosed in CD.	14
Email received from the complainant Mr. T Krishnadevan	15
Copies of Invoices issued by Wealthit to its clients viz. Mr. Dhyaneshwar Gupta, Manoj Ramanath Puthran, Uthappa K S, Nalajam Hari Krishna, Jatindra Nath Karmakar, Jayashree Rayirathil, Krishnadevan T, Kundan kumar, and Dr Sima Chauhan.	16
Email dated January 07, 2020 and Risk Profile form of Mr. Manoj Puthran	17
Emails dated January 07, 2020 from Dhyaneshwar Gupta	18
Email dated January 24, 2020 from T Krishna Devan	19
Emails dated January 24, 2020 from Mr. Kundan Kumar	20

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Annexure - A

The relevant provisions of the IA Regulations, PFUTP Regulations and the SEBI Act are reproduced hereunder:

Relevant provisions of IA Regulation:

Consideration of application and eligibility criteria.
6. For the purpose of the grant of certificate the Board shall take into account all matters which are relevant to the grant of certificate of registration and in particular the following, namely, —

(f) whether the applicant, its partners, principal officer and persons associated with investment advice, if any, are fit and proper persons based on the criteria as specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008;

Qualification and certification requirement.

7. (2) An individual investment adviser or principal officer of a non-individual investment adviser, registered under these regulations and persons associated with investment advice shall have, at all times a certification on financial planning or fund or asset or portfolio management or investment advisory services -

(a)from NISM; or

(b)from any other organization or institution including Financial Planning Standards Board of India or any recognized stock exchange in India provided such certification is accredited by NISM:

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

Provided further that fresh certification before expiry of the validity of the existing certification shall not be obtained through a CPE program.

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

(a) the investment adviser shall abide by the provisions of the Act and these regulations;

(b) the investment adviser shall forthwith inform the Board in writing, if any information or particulars previously submitted to the Board are found to be false or misleading in any material particular or if there is any material change in the information already submitted;

General responsibility.
15. *(1) An investment adviser shall act in a fiduciary capacity towards its clients and shall disclose all conflicts of interests as and when they arise.*

(9) An investment adviser shall abide by Code of Conduct as specified in Third Schedule.
(12) Investment advisers shall furnish to the Board information and reports as may be specified by the Board from time to time.
(13) It shall be the responsibility of the investment adviser to ensure compliance with the certification and qualification requirements as specified under Regulation 7 at all times.

Risk profiling.
16. *Investment adviser shall ensure that,-*

(b) it has a process for assessing the risk a client is willing and able to take, including:
(i) assessing a client's capacity for absorbing loss;
(ii) identifying whether client is unwilling or unable to accept the risk of loss of capital;

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

Suitability.
17. Investment adviser shall ensure that,-

(a) All investments on which investment advice is provided is appropriate to the risk profile of the client;

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

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

Obligation of investment adviser on inspection.
25. *(1) It shall be the duty of every investment adviser in respect of whom an inspection has been ordered under the regulation 23 and any other associate person who is in possession of relevant information pertaining to conduct and affairs of such investment adviser, including 40[partners, directors, principal officer and persons associated with investment advice], if any, to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with such statements and information as the inspecting authority may require for the purposes of inspection.*

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

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PROCEDURE FOR ACTION IN CASE OF DEFAULT

Liability for action in case of default.

28. An investment adviser who -

(a) contravenes any of the provisions of the Act or any regulations or circulars issued thereunder;

...

shall be dealt with in the manner provided under the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

THIRD SCHEDULE

Securities and Exchange Board of India (Investment Advisers) Regulations, 2013

[*See* sub-regulation (9) of regulation 15]

CODE OF CONDUCT FOR INVESTMENT ADVISER

1. Honesty and fairness

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

2. Diligence

An investment adviser shall act with due skill, care and diligence in the best interests of its clients and shall ensure that its advice is offered after thorough analysis and taking into account available alternatives.

5. Information to its clients

An investment adviser shall make adequate disclosures of relevant material information while dealing with its clients.

6. Fair and reasonable charges

An investment adviser advising a client may charge fees, subject to any ceiling as may be specified by the Board. The investment adviser shall ensure that fees charged to the clients is fair and reasonable.

8. Compliance

An investment adviser including its partners, principal officer and persons associated with investment advice] shall comply with all regulatory requirements applicable to the conduct of its business activities so as to promote the best interests of clients and the integrity of the market.

Relevant provisions of PFUTP Regulation:

3. Prohibition of certain dealings in securities No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

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(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices
(2) Dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves any of the following:—

(o) fraudulent inducement of any person by a market participant to deal in securities with the objective of enhancing his brokerage or commission or income;

(s) mis-selling of securities or services relating to securities market;
Explanation- For the purpose of this clause, "mis-selling" means sale of securities or services relating to securities market by any person, directly or indirectly, by—
(i) knowingly making a false or misleading statement, or
(ii) knowingly concealing or omitting material facts, or
(iii)knowingly concealing the associated risk, or
(iv) not taking reasonable care to ensure suitability of the securities or service to the buyer;

Relevant provisions of Intermediary Regulations:

SCHEDULE II
SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008
(See regulations 7)

Criteria for determining a 'fit and proper person'
For the purpose of determining as to whether an applicant or the intermediary is a 'fit and proper person' the Board may take account of any consideration as it deems fit, including but not limited to the following criteria in relation to the applicant or the intermediary, the principal officer, the director, the promoter and the key management persons by whatever name called –

(a) integrity, reputation and character;

(b) absence of convictions and restraint orders;

(c) competence including financial solvency and networth;

(d) absence of categorization as a wilful defaulter.

स्थानीय कार्यालय–इन्दौर / Local Office - Indore
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Relevant provisions of SEBI Act:

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. No person shall directly or indirectly—
(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;
(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;
(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

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

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

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

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