BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. Order/AS/PA/2022-23/20600

UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In the matter of Simply Grow Technologies Pvt. Ltd.

PAN: AAXCS5142B

A. BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") received an application from Simply Grow Technologies Pvt. Ltd. (hereinafter referred to as "**Noticee**"/"**SGT**") seeking registration as an investment advisor (hereinafter referred to as "**IA"**) under SEBI (Investment Advisors) Regulations, 2013 (hereinafter referred to as "**IA Regulations**") on April 17, 2020 and the same was granted to Noticee on December 16, 2020. During the registration process, on examination of the bank statements of the Noticee, certain credit transactions related to advisory were observed as per the narrations of the transaction. Accordingly, the matter was taken up for examination.

2. Based on the conclusion of the examination, SEBI initiated adjudication proceedings against the Noticee for alleged violation of regulation 3(1) of IA Regulations under sections 15EB and 15HB of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**").

B. APPOINTMENT OF ADJUDICATING OFFICER

3. Pursuant to the examination, SEBI initiated adjudication proceedings against the Noticee and appointed the undersigned as the adjudicating officer *vide* order

dated May 23, 2022 under section 19 of the SEBI Act read with sub-section (1) of section 15-I of the SEBI Act and rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**SEBI Adjudication Rules**") to inquire into and adjudge under the aforesaid sections for the aforesaid violation by the Noticee.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

4. A show cause notice (hereinafter referred to as "**SCN**") bearing reference no. EAD-8/HO/EAD-8/AS/SM/28123/1/2022 dated July 11, 2022 was served on the Noticee under rule 4 of the SEBI Adjudication Rules to show cause as to why an inquiry should not be held against it in terms of rule 4 of the SEBI Adjudication Rules and penalty should not be imposed under sections 15EB and 15HB of the SEBI Act for the violation alleged to have been committed by it. In the SCN, the Noticee was asked to indicate whether it would prefer a personal hearing before the adjudicating officer in the matter.

5. The allegations levelled against the Noticee in the SCN are summarized below as follows:

5.1 Noticee was incorporated on July 28, 2016 and Ram Kalyan Medury was the major shareholder (88.17%) of Noticee. The shareholding details as on March 31, 2020 were as given below:

#	Name of the share holder	No. of shares	%
1.	Ram Kalyan Medury	3,97,990	88.17
2.	Vaidehi Swarna Medury	1	0.0002
3.	Manoj Trivedi	12,310	2.73
4.	Venkateswarlu Sarabu	2,967	0.66
5.	Gopishetty Laxminath	2,967	0.66
6.	Narasimha Rao Mannepalli	14,836	3.29
7.	Srinivasulu Samudrala	2,967	0.66
8.	Rama Murth Prabhala	5,934	1.31
9.	Nageswar CherukupaJli	4,000	0.89
10.	Myampati Srinivasa Satya Ramanjaneya Rajama	7,418	1.64
Total Number of Equity shares		4,51,390	100%
Paid-up capital		Rs 45,13,900	

5.2 The details of directors of SGT is given below:

DIN	PAN	Director name	Designation	Appointment date	Date of resignation
07426771	AFPPM5942R	Ram Kalyan Kumar Medur	Director	July 28, 2016	-
07426779	BEZPM2324H	Vaidehi Swarna Medu	Director	July 28, 2016	-
08605065	AAPTPT4222	Manoj Kumar Trivedi	Director	November 15, 2019	-

5.3 The directors of Noticee *i.e.,* Ram Kalyan Kumar Medury and Manoj Kumar Trivedi were registered with SEBI as IAs having registrations in individual capacity. The registration details are given below:

Sl No.	Name of the director	Regd. No.	Date of registration
1 .	Mr. Ram Kalyan Kumar Medury	INA200006725	November 29, 2016
2.	Mr. Manoj Kumar Trivedi	INA200006992	January 18, 2017

5.4 Observations from the websites of Noticee

(i) Noticee stated at the time of registration that it would provide financial planning, investment advisory and related services through the website https://www.jama.co.in. It was observed that one of the tab of the said website, *i.e,* "Direct Equity" when clicked, it opened to another website “www.jamawealth.com”.

(ii) Website of Noticee named “https://www.jama.co.in”

(a) As per the website informer, the website https://www.jama.co.in was created on August 03, 2016, the owner email ID was medury@gmail.com which belonged to Ram Kalyan Medury and Godaddy.com was the registrar. The website was active as on February 18, 2022 and displaying the contents related to Noticee post registration.

(b) Since the examination was related to the activities before registration, the archives of the website https://www.jama.co.in were accessed wherein the website stated the following:

a. *This website and the brand Jama is owned by Simply Grow Technologies Private Limited. Investment advice and services are provided by SEBI Registered Advisors. The website is operated by Simply Grow Technologies on their behalf. Simply Grow makes no warranties or representations, express or implied, on products offered through the platform.*

b. *Jama exists to help people invest easily and wisely without paying huge and hidden fees.*

c. *Why invest in direct mutual fund investment platform: zero commission, intelligent fund selection and higher returns.*

d. *Our advisors are SEBI registered investment advisors.*

e. *Our free plan is great for beginners. Subscription plans start at about Rs. 1 per day. No hidden costs. Simple, honest and affordable pricing.*

f. *The team consists of Ram Kalyan Medury— Founder, Manoj Trivedi- Advisor and Satya Koppisetti — Software Engineer.*

g. *Address: Plot No 7, 2nd floor, beside Kamadenu Sweets, My Home Vihanga Road, Behind Q-city, Gachibowli, Hyderabad — 500032.*

h. *Contact details: +91 987-026-4643 and help@jama.co.in*

i. *The pricing of various investment plans is given below*

Silver Plans — Rs. 499 per year	*Gold Plans— Rs 1188 per year*	*Platinum Plan — Customised (Rack rate — 0.49%)*
All Basic Plan features • *Unlimited Investments* • *Unlimited SIPS* • *Unlimited Portfolio* • *Expanded Fund Selection* • *Tax Reports for end of year filing*	*All Silver Plan features* • *Risk profile assessment* • *Asset allocation per risk profile* • *Market Health Alerts* • *Systematic Withdrawals* • *Systematic Transfer* • *Tax implication Alerts*	*All Gold plan features* • *Comprehensive* • *Financial Planning* • *Insurance Advisory* • *Services* • *Tax Planning* • *Advisory* • *Estate & Inheritance Planning*

(iii) Website of Noticee named “www.jamawealth.com”

(a) As per website informer, the owner of the website https://www.iamawealth.com was Noticee and the website was created on August 22, 2019 wherein Godaddy.com was the registrar. The website was active as on February 18, 2022 and displaying the contents related to the Noticee post registration.

(b) Since the examination was related to the activities of Noticee before registration, the archives of the website https://www.jamawealth.com were accessed and following points were observed:

a. *Jama wealth is unique wealth advisory that puts more wealth in your hands. Because there are no hidden or indirect costs, our unbiased advice works better.*

b. *Ram Kalyan Medury, Founder & CEO, SEBI Registered investment advisor INA200006725*

c. *Manoj Trivedi, Research & Advisory Head, SEBI Registered investment advisor INA200006999*

d. Best investments, no mis-selling, honest & transparent, technology & modern driver and your security is our priority.

e. Personalized portfolio design, portfolio rebalancing, regular portfolio reviews and wealth protection.

f. Speak to our wealth manager, get a portfolio assessment and investment plan basis your risk profile. Choose the pricing plan for Jama wealth.

g. The fees paid for the jama wealth advisory & research on stocks (JARS) service is guaranteed to be transparent. No other hidden charges or transaction fees are levied directly or indirectly. There are no exit loads either.

h. Login JARS app & Buy portfolio.

i. The pricing of various investment plans is given below:

Option	*Management fee*	*Absolute hurdle*	*Performance fee*	*Scheme*
A1	*1.00 %*	*6.00 %*	*20.00 %*	*One year lump sum*
A2	*1.50 %*	*10.00 %*	*20.00 %*	
A3	*2.00 %*	*15.00 %*	*20.00 %*	
T3	*5.50 %*	*50.00 %*	*20.00 %*	*3 year lump sum*
T4	*7.50 %*	*75.00 %*	*20.00 %*	
T5	*9.00 %*	*95.00 %*	*20.00 %*	
S3	*2.82 %*	*25.69 %*	*20.00 %*	*3 year SIP*
S4	*3.85 %*	*38.54 %*	*20.00 %*	
S5	*4.62%*	*48.82 %*	*20.00 %*	

j. Hurdle: The minimum gain to achieve. Any gains above this will be shared using the % performance fee shown above. This way our fee is linked your portfolio performance.

Annualized return	***Jama Wealth***	***Nifty***
1 year	*31.26 %*	*5.45%*
3 year	*13.69%*	*5.63%*
5 year	*19.10%*	*9.30%*

Annualized return	*Jama Wealth*	*Nifty*
10 year	*23.43%*	*8.37%*

k. *Address: Plot no. 7, 2nd floor, beside Kamadenu Sweets, My home Vihanga Road, Behind Q-city, Gachibowli, Hyderabad 500032.*

l. *The contact details: 9870264643 and advisor@iamawealth.com*

(iv) With regard to the above fee model, Noticee clarified *vide* emails sent on January 28, 2022 and February 24, 2022 that the fees includes standard fee plus hurdle linked performance fee. The standard fees details were as given below:

a. *The fee is 2% of the invested amount (or AUM) per annum.*

b. *Additionally, a performance fee would be payable on gains made above hurdle.*

c. *For example: in case of a 1 crore investment by the client, gains made above Rs 15 lakhs (ie 15% hurdle) would be considered for performance fees. If the portfolio ended with say Rs 1.18 crores at the end of the term, the performance fee would be 20% of (1.18 cr - 1.15 cr) = 20% of 3 lakhs = Rs 60,000.*

(v) SEBI *vide* letter dated December 29, 2021 asked Noticee to clarify the nature of activities undertaken through the websites www.jama.co.in/ and www.jamawealth.com. Noticee replied *vide* email dated January 03, 2022 and stated the following:

a. *Upto December 15, 2020, SGT has been in the business of providing technology enabled platforms and services to investment advisors.*

b. *Jama.co.in was the website for aggregating financial planning and related Investment advisory services provided by SEBI RIAs.*

c. *Jamawealth.com was focused on aggregating Direct Equity related advisory services provided by SEBI RIAs.*

d. *The original idea of creating Simply Grow Technologies Pvt. Ltd was to provide aggregation of trusted advisors to investors (similar to Uber cab aggregation for riders, or Amazon merchant aggregation for ecommerce). Advisors would find clients and Clients would find advisors through this platform, but the advisory services would only be between the Client and the Advisor (not the company). Since other RIAs were not interested in putting efforts/ sacrificing their rewards, SGT decided to shelve the aggregator model and raised some funds from shareholders, to keep the company afloat.*

e. *Jama.co.in was launched in March 2017. The SEBI RIAs who enrolled for providing investment advisory services through the platform were Ram Kalyan Medury and Manoj Kumar Trivedi.*

f. *Jamawealth.com was launched in August 2019 and subsequently, SGT had applied for Corporate RIA in April 2020 and received the registration on December 16, 2020. Until the time SGT received the Corporate RIA license, all investment advisory services through the website was done by Mr. Ram Kalyan Medury and Mr. Manoj Trivedi in their individual capacity as Individual SEBI RIAs.*

(vi) SEBI observed that the archived webpages of https://www.jama.co.in mentioned that "*our advisors are registered with SEBI*". The said claim on the website was factually wrong as Noticee was not registered with SEBI in any capacity before December 16, 2020. Also, the website contained the details of the team consisting of Ram Kalyan Medury and

Manoj Trivedi who were registered with SEBI as IAs in their individual capacity.

(vii) Similarly, the archived webpages of https://www.jamawealth.com contained the details of Ram Kalyan Medury and Manoj Trivedi who were registered with SEBI as IAs in their individual capacity.

(viii) All the pricing with regard to the advisory service were displayed by Noticee on its websites https://www.jama.co.in and https://www.jamawealth.com.

5.5 Observations from bank account and transaction details of SGT

5.5.1 <u>Information from bank account KYC documents:</u>

(i) SGT had stated that it had two bank accounts (xxxxxxxx0622 and xxxxxxxx0225) with ICICI Bank and payment gateways with PayUmoney and Razorpay.

(ii) The following was observed from the KYC of ICICI bank a/c xxxxxxxx0225:

(a) The bank account was opened on October 07, 2016.

(b) As part of KYC, certain pages of board resolution of SGT were enclosed. The board resolution authorized Ram Kalyan Medury and Vaidehi Swarna Medury to do all acts and deeds as may be required by ICICI bank in connection with the bank account. Ram Kalyan Medury and Vaidehi Swarna Medury were severally authorized to execute the application and give instructions to ICICI bank from time to time in connection with the cash management services. They were also authorized to operate internet banking, phone banking, email banking, ATM card and debit card.

(c) Ram Kalyan Medury and Vaidehi Swarna Medury were the authorized signatories.

(d) The KYC of SGT was signed by Ram Kalyan Medury and Vaidehi Swarna Medury on October 07, 2016.

(e) The address was Villa No. 53 Maple Town, Suncity, Hydershakote, Don Bosco Post, Hyderabad, Telangana 500048. The contact details were xxxxxx0118, xxxxxx2952, mvswarna79@vahoo.in and medury@gmail.com.

(iii) The following points were observed from the KYC of ICICI bank a/c xxxxxxx0622:

(a) The bank account was opened on November 08, 2018.

(b) Ram Kalyan Medury was the authorized signatory.

(c) The KYC of SGT was signed by Ram Kalyan Medury on November 08, 2018.

(iv) The following points were observed from the KYC submitted by PayUmoney:

(a) The payment gateway was opened in the name of SGT and linked to the website https://www.jama.co.in

(b) Ram Kalyan Medury had signed the KYC in the capacity of managing director of SGT.

(c) The board resolution of SGT stated that "*Ram Kalyan Medury (Director) of the company be and hereby severally authorized to* *sign and execute on behalf of the company, all agreements, undertakings and other documents may be necessary for availing the said services from Pay U payments private ltd".* The said board resolution was signed by Ram Kalyan Medury and Vaidehi Swarna Medury on March 28, 2017.

(v) The following points were observed from the KYC submitted by Razorpay:

(a) The payment gateway was opened in the name of SGT and linked to the website https://www.jama.co.in

(b) On seeking SEBI registration certificate during the process of account opening, Ram Kalyan Medury had provided his SEBI registration certificate to Razorpay.

Further, SGT had also confirmed *vide* email to Razorpay that the said gateway will be used for investment advisory purpose only.

5.5.2 Investment advisory fees credited in account of SGT:

(i) It was observed that fees was collected by SGT's bank account from the clients who entered into agreement with SGT.

(ii) The summary of credit transactions in ICICI bank accounts nos. xxxxxxxx0622, xxxxxxxx0225, PayUmoney, and Razorpay are given below:

Bank account no.	**Transaction period**	**No. of credit transactions**	**Amount credited in Rs.**
PayUmoney	March 13, 2017 to December 30, 2019	234	5,87,073.85
Razorpay	September 27, 2018 to November 18, 2020	139	7,36,221.07
xxxxxxx0622	April 09, 2019 to August 21, 2020	18	1,41,81,867.00
xxxxxxxx0225	October 18, 2016 to December 14, 2020	141	1,89,02,728.60

(iii) Further, *vide* email sent on January 07, 2022, Ram Kalyan Medury accepted that SGT had collected the investment advisory fees and provided the list of 801 transactions amounting to Rs. 3,28,27,709.07 for the period March 11, 2017 to December 15, 2020. Therefore, it is alleged that SGT provided investment advice and collected the fees of Rs. 3,28,27,709.07 for the period March 11, 2017 to December 15, 2020.

(iv) Transactions from March 11, 2017 to March 07, 2019:

Bank account No.	**Transaction period**	**No. of credit transactions**	**Amount credited in Rs.**
xxxxxxxx0225	March 13, 2017 to January, 2019	25	6,89,300.65
PayUmoney	March 11, 2017-Febuary 19, 2019	368	5,37,651.87
Razorpay	September 24, 2018-Febuary 28-2019	47	1,49,791.48

(v) Transactions from March 08, 2019 to December 15, 2020:

Bank account No.	**Transaction period**	**No. of credit transactions**	**Amount credited in Rs.**
xxxxxxxx0225	March 14, 2019 to December 15, 2020	232	3,08,44,400.59
PayUmoney	April 20, 2019 to December 28, 2019	9	7,659.38
Razorpay	March 09, 2019 to October 26, 2020	120	5,98,905.10

5.6 Observations from the details obtained from SGT's clients:

5.6.1 <u>Shubha Venkatapathiappa</u>

(i) An agreement was entered between SGT and Shubha Venkatapathiappa on November 03, 2019 for the purpose of investment services/advice. SGT was referred as 'Jama' in the said agreement. The agreed fees *i.e.,* Plan A3 was signed by Shubha Venkatapathiappa and Ram Kalyan Medury, managing director of SGT.

(ii) SGT had raised an invoice dated November 8, 2019 to Shubha Venkatapathiappa for Plan A3 - investment advisory fees of Rs. 1,18,000. In the same invoice, the bank account details were mentioned *viz.,* sxxxxxxxxx@icici (upi id), a/c no. xxxxxxx0225 (IFSC cod: ICIC0002364). It was also mentioned that Rs. 1,18,000 was balance to be received. The said amount had been paid by Shubha Venkatapathiappa on November 13, 2019 to the bank account of SGT xxxxxxx0225. The said transaction had the narration of Jama invoice.

(iii) SGT had raised another invoice dated December 28, 2019 to Shubha Venkatapathiappa for investment advisory fees of Rs. 120,929.93. It was mentioned in the same invoice that SGT received the said amount and NIL balance to receive. It was noted that Rs. 1,20,929 was paid by Shubha Venkatapathiappa on December 30, 2019 to the bank account of SGT (a/c no. xxxxxxx0225). The said transaction had the narration of Jama bill.

(iv) Shubha Venkatapathiappa informed that she has received the investment advice through emails. The payments of Rs. 1,18,000 and Rs. 1,20,929 was paid to SGT for the purpose of investment advisory.

5.6.2 <u>Gautam Khanna</u>

(i) An agreement was entered between SGT and Gautam Khanna on May 01, 2020 (renewal) for the purpose of investment services/advice. SGT was referred as 'Jama' in the said agreement. The agreed fees *i.e.,* Plan S2 was signed by Gautam Khanna and Ram Kalyan Medury, managing director of SGT.

(ii) SGT had raised an invoice dated May 22, 2019 to Gautam Khanna for investment advisory fees of Rs. 38,628. In the same invoice, the bank account details were mentioned viz., sxxxxxxxxx@icici (UPI ID), a/c no. xxxxxxx0225 (IFSC: ICIC0002364). It was also mentioned that Rs.

1,18,000 had been paid and NIL balance to be received. It was observed that the said amount was paid by Gautam Khanna on June 03, 2019 to the bank account of SGT (a/c no. xxxxxxx0225). The said transaction had the narration of Jama dues.

(iii) SGT had raised another invoice dated May 08, 2020 to Gautam Khanna for investment advisory fees of Rs. 2,46,885.50. It was mentioned in the same invoice that SGT had received the said amount and NIL balance to receive. The said amount was paid by Gautam Khanna on May 27, 2020 to the bank account of SGT (a/c no. xxxxxxx0225). The said transaction had the narration of Jama Jars.

(iv) Gautam Khanna had informed that the above payments were made to SGT for the purpose of investment advisory.

5.6.3 <u>Mukesh Mansukhani</u>

(i) It was observed that Rs.1,06,200 was paid by Mukesh Mansukhani on October 01, 2019 to the bank account of SGT (a/c no. xxxxxxxx0225). The said transaction has the narration of Jama fixed fees.

(ii) Mukesh Mansukhani has informed that the above payment has been made to SGT for the purpose of investment advisory. Mukesh Mansukhani also stated that he received the investment advice through emails.

5.6.4 In view of the above, it is alleged that SGT has entered the agreement with clients for providing IA services which was signed by Ram Kalyan Medury in the capacity of managing director of SGT. Further, SGT has collected the fees and SGT have given investment advice to the clients through email.

5.7 SGT's submission given to SEBI during examination:

(i) *Vide* letter dated December 29, 2021, SGT was asked to clarify the nature of activities undertaken by it.

(ii) SGT in its reply *vide* emails sent on December 11, 2021, January 04, 2022 and January 07, 2022 has stated the following:

(a) SGT did not provide any advisory services to any client prior to grant of Corporate RIA license.

(b) All the agreements were between the investment advisor i.e Mr. Ram Kalyan Medury in his individual capacity and the client.

(c) The company SGT was started in July 2016 with the objective of creating an aggregator and enablement platform for investment advisors and both the key directors Ram Kalyan Kumar Medury and Manoj Kumar Trivedi have a background in technology & finance having worked in IT companies like Infosys & Tech Mahindra, and are from the same batch of 11M Bangalore which graduated in 1998.

(d) The original idea of creating SGT was to provide aggregation of trusted advisors to investors (similar to Uber cab aggregation for riders, or Amazon merchant aggregation for ecommerce). Advisors would find clients and clients would find advisors through this platform, but the advisory services would only be between the Client and the Advisor (not the company).

(e) Since huge investments were made in building the Simply Grow App, it was agreed that the services would be provided to the clients in individual basis, but let SGT use the revenues earned for building the app and servicing the customers. The directors did not want go with the alternative of taking Venture Capita/ funding because they wanted to keep the value proposition pure and also had a formal agreement between Simply Grow Technologies and the advisor i.e Mr. Ram Kalyan Kumar Medury to this effect. The

Advisors would get sweat equity in SGT for sacrificing their revenues in the first few years.

(f) Since other RIAs were not interested in putting efforts/ sacrificing their rewards, it was decided to shelve the aggregator model and raised some funds from shareholders, to keep the company afloat, which is also reflected in the bank transactions of the ICICI Bank account no. xxxxxxxx0622.

(g) Consequently, it was decided to apply for SGT itself to become a Corporate RIA.

(h) As per the recitals in the client agreement A and B, prior to December 15, 2020, the advisory services were clearly being performed by the individual RIA. SGT was only a technology enabler.

(i) The service section stated the following:

2.1. The Client hereby appoints the Adviser through Jama to provide advice from time to time in respect of the funds and securities held by the Client ("Services") in accordance with the terms stipulated under this Agreement. The client agrees and accepts to utilize the services of Jama to track the performance of their investment portfolios.

2.2 The Adviser shall be acting solely in its capacity as an adviser and facilitator to the Client. Jama shall not at any point in time accept or hold in its account any funds or securities from the Client.

(j) Clause 14 stated the following:

- *By execution of this Agreement, Jamä represents that Sri Ram Kalyan Medury (SEB/ Registered Investment Adviser*

INA200006725), or any other investment Adviser it appoints at any time in future, shall be registered with the Securities and Exchange Board of India (SEBO as an Investment Adviser under the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013.

- *The appointment letter in the agreement also stated that the individual RIA is being identified by Simply Grow Technologies, for providing investment advisory services.*

(k) During the registration process SGT also provided following declarations to SEBI:

- *Declaration that the directors will not be doing any business that may be perceived as advisory in the name of 'Simply Grow Technologies' until grant of the corporate registration.*

- *SGT will not accept any revenues until the grant of the Corporate RIA*

- *SGT added clear message on the website and mobile app that 'Simply grow has applied for corporate registration as RIA'.*

(l) PayU and Razorpay were payment gateways used to collect the advisory fee on behalf of the Individual IA 's fees into the Bank account of the company.

(m) Account No. —xxxxxxxx0622: The credits in the said account were received for the Share application money received from prospective shareholders of SGT for an equity stake in the company.

(n) Account No. — xxxxxxxx0225: The credits in the said account were received w.r.t fee collected from clients for advisory services provided by individual RIA.

(o) *Therefore, SGT has neither represented itself as an RIA nor has it provided advisory services in its name. We confirm that all advisory services prior to December 2020 were provided by only an individual SEB/registered investment adviser.*

5.8 Observations from the memorandum of association of SGT:

"The main objects to be pursued by the company on its incorporation are:

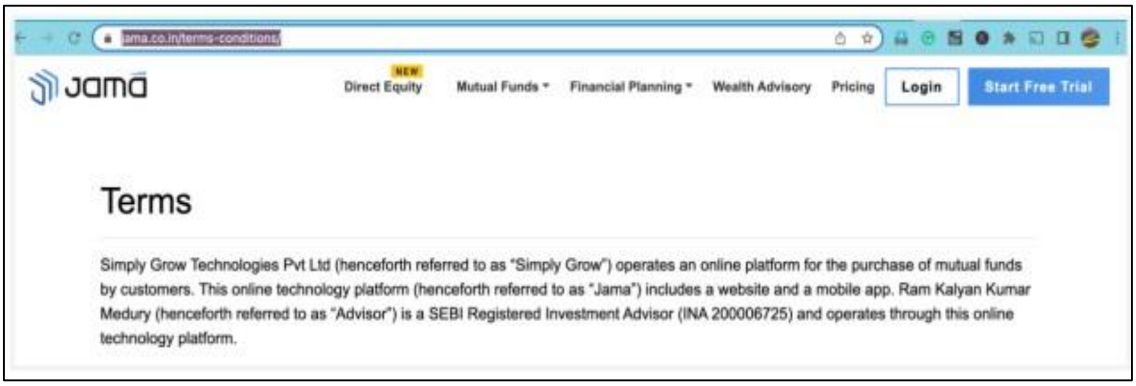
To carry on the business of consultancy in all fields, including the business of legal, industrial, business management, information technology, <u>financial advisor, wealth management loan advisory, securities trading, investment management, equity portfolio advice, portfolio management</u> estate planning, retirement planning, real estate, commodity trading, manpower planning & placement, environment management, renewable energy, cost accounting, recruitment personnel management, inventory control, import and export and other technical or non-technical consultants and to advise companies on the financial systems, to advise on tax planning, to recruit people for all types of posts in all types of industries or offices and to make representations before anybody corporate , authority, corporations, firm, person or association of persons in any field in which help may be required of the company, including the procurement of materials, machinery or any other items or things required by anybody corporate authority, corporations person, firm or association of persons and to charge fees for such advice and help, whether in India or abroad and also to in particular provide a consultancy regarding choosing the best way to secure their money whether through some insurance which may be motor insurance, general Insurance, health Insurance, or Mutual fund advisory, real estate, wealth management, securities trading, financial transaction execution, channelizing investors funds into various investment instruments of any type and facilitating the execution of such plans or advisory or consultancy towards the attainment of their financial goals. " (emphasis supplied)

As per the objects of SGT, it was observed that SGT intended to provide IA services since inception. The aggregator model was not mentioned as part of the main objects to be pursued by SGT.

5.9 In view of the above, SCN alleged that SGT has provided investment advice through the websites https://www.jama.co.in and https://www.jamawealth.com. It is further alleged that, SGT entered into agreement with clients which was signed by Ram Kalyan Medury in the capacity of managing director of SGT for the purpose of providing IA services and in view of the same SGT collected investment advisory fees in its bank account. Thus, it was alleged that SGT has provided "investment advice" as defined under regulation 2(1)(l) of IA Regulations. Further, on account of the above activities, SGT has engaged in the activities of an IA as defined under regulation 2(1)(m) of IA Regulations. Therefore, SGT is alleged to have violated regulation 3(1) of IA Regulations.

6. Noticee submitted reply to the SCN *vide* email and letter dated August 01, 2022. After considering the facts and circumstances of the case, the undersigned granted an opportunity of personal hearing to the Noticee on September 12, 2022 *vide* notice of hearing sent through email on August 30, 2022. In light of Noticee's request for adjournment, the hearing was rescheduled to September 23, 2022 *vide* email sent on September 09, 2022. On September 23, 2022, the authorized representatives of Noticee appeared before the undersigned in person and reiterated the submissions made in the reply. They requested for time till September 28, 2022 to make additional submissions, which was acceded to. Thereafter, Noticee made additional submissions *vide* email sent on September 26, 2022. Replies of Noticee sent *vide* emails on August 01, 2022 and September 26, 2022 are summarized below:

6.1 With respect to paragraph 5.4(i) of SCN as summarized above, SGT from the very beginning, clearly stated that the IA is Ram Kalyan Medury, and SGT is a tech platform. Ram Kalyan Medury will operate through this platform. The relevant screenshot from jama.co.in is provided below:



6.2 With respect to paragraph 5.4(ii)(b)(a) of SCN as summarized above, it was clarified earlier that SGT was acting as only a platform provider and was not making any representations or warranties on the advisory offerings, and that the investment advisory is offered only by SEBI registered IAs. At no point in time, SGT mentioned that it is a registered IA.

6.3 With respect to paragraph 5.4(iii)(b-b),(b-c) of SCN as summarized above, prior to corporate IA grant, the individual registered IAs were explicitly mentioned. Here also, SGT has not represented itself as a registered IA.

6.4 With respect to paragraph 5.4(vi) of SCN as summarized above, the advisors presented on the platform were Ram Kalyan Medury and Manoj Trivedi (as per 5.4(iii)(b) above) with their respective SEBI individual registered IA codes. SGT did not try to represent SGT as a corporate registered IA, neither on the website nor on the respective client agreements. Hence, there was no factually wrong claim.

6.5 With respect to paragraph 5.5.1(v) of SCN as summarized above, it was disclosed to Razorpay regarding the model of SGT and they were sent the registered IA certificate of Ram Kalyan Medury, while getting empanelled with them.

6.6 With respect to paragraph 5.5.2(iii) of SCN as summarized above, in every client agreement, it was explicitly stated that the IA is Ram Kalyan Medury/Manoj Trivedi. The advisory fees shall be payable towards their services. There was an agreement between SGT and registered IA (Ram Kalyan Medury) and registered

IA (Manoj Trivedi), that the fees collected from the clients on their behalf by SGT will be used by SGT to build and enhance the technology platform which will help the advisors get more business. The agreement screenshots are below:

SimplyGrow

Regd Address: 53 Maple Town, Sun City,
Hydershakote, Hyderabad – 500048
Tel: +91-9550290118

Hyderabad
July 26, 2017

To Shri Ram Kalyan Kumar Medury,
SEBI Registered Investment Advisor
Registration No: INA200006725
Villa no 53, Maple Town, Suncity, Hyderabad – 500086

Subject: Your Engagement as Investment Advisor

Dear Ram Kalyan Kumar Medury,

We are pleased to engage you as Investment Advisor for the users of the online platform of "Simply Grow Technologies Private limited", who are interested in Investing in Mutual Funds and other investments, through the technology platform of Jama.co.in, subject to the following terms and conditions:

We are pleased to engage you as Investment Advisor for the users of the online platform of "Simply Grow Technologies Private limited", who are interested in Investing in Mutual Funds and other investments, through the technology platform of Jama.co.in, subject to the following terms and conditions:

1. Your engagement is with immediate effect and shall continue to be in force, unless explicitly terminated by either party by giving notice of at least 2 calendar months
2. Your engagement is in the capacity of an "advisor" and not that of an employee. Hence, you will not be entitled to any benefits to which an employee is entitled
3. Specifically, SGT will build an online platform that will attract investors looking for investment advisory services. If allocated to you, you will be the investment advisor to the client. SGT is only a facilitator and not hold any liability.
4. SGT will collect the fees from the client on your behalf.
5. In the initial years, SGT shall use the fee collected to further enhance the online platform with more features and functionality that will help you to attract more clients and get more business. Therefore, you will not be entitled to any remuneration, either as fixed monthly salary or by way of commission based on investments made by client.
6. The fees earned by you as advisor, and collected by SGT on your behalf, will be reimbursed to you in the form of equity shares of Simply Grow Technologies Private Limited. These shares will vest on completion of 5 years from the date of your appointment. The number of shares will be equal to the fee earned by you divided by market price of the share as per the last valuation done by a Registered Valuer, subject to a maximum of 5% of the authorised capital of the company on that date. You will be able to exercise your right to subscribe to the equity shares at an exercise price of Rs 10 per share.
7. Your responsibilities will include providing advisory services on the various mutual funds in which investors can invest, in various categories such as Wealth Builder, Tax Saver, etc which will be identified from time to time, based on the risk profile of the investor and any other inputs that you require to provide the required advisory services. Simply Grow Technologies Pvt Ltd will only provide the technology platform to investors. Investors can either choose to invest based on their wisdom or, where they require advise, such advise shall be provided by you in the capacity of SEBI RIA (Registered Investment Advisor).
8. Please note that Simply Grow Technologies may appoint other investment advisors in due course, based on the growth it sees on the online platform.

With warm regards and best wishes

(Vaidehi Swarna Medury)
Director
Simply Grow Technologies Private Limited

6.7 With respect to paragraph 5.6.4 of SCN as summarized above, SGT entered the agreement with the clients explicitly mentioning that the investment advisory services shall be provided by Ram Kalyan Medury in his capacity as registered individual IA. Some of SGT's initial invoices explicitly mentioned the names of the advisors. Screenshots are placed below. The names were subsequently removed later based on advice of a GST consultant, since the registered individual IAs were explicitly mentioned in the client agreement. The intent was to strengthen SGT so that it could serve a larger set of customers with a strong platform, rather than immediately seek benefit for the founders.

Jama Promise: We help our client's wealth grow more, with unbiased, neutral and superior advice; investing only in zero commission funds

JAMA
accumulate wealth

Invoice # : 2018220101

Invoice Date: 22 Jan 2018

Serial #	Item Description	Advisory Fees in INR
1	Mutual Fund Portfolio Review: Portfolio size: ₹ 1,44,41,631 Switching to Direct Fees @ 0.49% of Advisory Fees Advisor: Manoj Kumar Trivedi (SEBI Reg No: INA200006992) & Ram Medury (SEBI Reg No L INA200006725)	₹70,763.99
2	Technology Platform & Regular tracking of portfolio	Waived off
3	Add GST @ 18.0%	₹12,737.52
4	Final Invoice Amount (rounded off)	₹ 83,501
Estimated benefit of Direct Mutual Funds on above portfolios: About Rs 7.9 crores over 20 years due to zero commision investing alone (simple annual average: ₹ 39,48,791). Assuming similar funds as already invested and past 3 year performance of invested funds - the difference in growth of regular vs direct plans		

Kindly arrange for the payment upon of this invoice to the following bank account:
- Bank Name: ICICI Bank
- IFSC Code: ICIC0002364
- Account number: 236405500225
- Account holder: Simply Grow Technologies Private Limited
- Bank Branch: Langar Houz
- MICR Code: 500229074

Client agreements have the following salient features, which establish that the individual advisor was explicitly mentioned to the client, and that at no point was it conveyed that SGT was an advisor itself.

- page 1, Recitals mention the individual advisor clearly
- page 2, Clause 2.1 mentions that client is appointing the advisor through the Jama platform
- page 8, Signatures have 3 placeholders: one each for the client, the platform and the advisor
- page 12, Appointment letter shows that the client is appointing the individual advisor.

Client agreements executed with Gautam Khanna on May 01, 2020 and Senthilnayagam K on February 24, 2020 have been provided.

6.8 With respect to paragraph 5.8 and 5.9 of SCN as summarized above, when SGT was incorporated in July 2016, the founders wanted to use their significant technology background to build IT solutions for various verticals. Since the founders were not sure about which business applications to pursue the scope of the memorandum of association (hereinafter referred to as "**MOA**"), at the time of incorporation was kept very broad. The MOA structure can be viewed as section A1 (primary objects), A2 (secondary objects) and B (furtherance of objects).

6.9 As can be inferred from the list of exhaustive primary objects, at the time of incorporation, SGT was primarily intended to be a technology company providing technology solutions. The professional advice received at the time of the incorporation of SGT was to keep the MoA as broad as possible. The secondary objects (Clause A2 in MoA) mentions financial services related objects such as financial advisory, investment management, wealth management, much later along with many other areas where the founders/SGT could potentially offer consultancy. Therefore, it was not the intention of the founders/SGT to primarily provide financial advisory/investment management/wealth management services at the time of incorporation of SGT.

6.10 As the founders struggled in their initial days as entrepreneurs, they explored various business ideas including building an investor friendly, professionally assisted technology platform for investments and subsequent tracking of investments, linking them to financial goals and providing the investor with a real-time update of his/her financial position. This led them to the concept of building an uber like tech aggregator model for SEBI REGISTERED IAs, as they felt that investors will eventually opt for fee based advisors instead of commission based distributors acting as advisors. Because in the mid 2010s, platforms were gaining traction, they did include a supporting object in the MOA for online platforms. It was felt at that time that aggregation and platform services were already covered (screenshot below) and hence there was no need to modify the MoA.

> 18.To establish, maintain, conduct, provide, procure or create a online platform and provide services or to act as a mediator between the actual user and service provider on onshore or offshore

Therefore, it is submitted that the aggregator model was already supported by the MoA.

D. CONSIDERATION OF ISSUES AND FINDINGS

7. I have taken into consideration the material available on record. The issues that arise for consideration in the present case are as follows:

   I. Whether the Noticee has violated regulation 3(1) of the IA Regulations?

   II. Does the violation, if any, attract monetary penalty under sections 15EB and 15HB of the SEBI Act?

   III. If the answer to Issue No. 2 is in affirmative, then what should be the quantum of monetary penalty?

I. Whether the Noticee has violated regulation 3(1) of the IA Regulations?

8. Before moving forward, it is pertinent to refer to regulation 3(1) of the IA Regulations which is alleged to have been violated by the Noticee. The said provision is reproduced hereunder:

   CHAPTER II REGISTRATION OF INVESTMENT ADVISERS

   Application for grant of certificate.

   3. (1) On and from the commencement of these regulations, no person shall act as an investment adviser or hold itself out as an investment adviser unless he has obtained a certificate of registration from the Board under these regulations:

   It is also equally important to refer to the following definitions under the IA Regulations. Regulation 2(1)(l) defines “investment advice” as follows:

(l) "investment advice" means advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, and advice on investment portfolio containing securities or investment products, whether written, oral or through any other means of communication for the benefit of the client and shall include financial planning:
Provided that investment advice given through newspaper, magazines, any electronic or broadcasting or telecommunications medium, which is widely available to the public shall not be considered as investment advice for the purpose of these regulations;

Further, regulation 2(1)(m) defines "investment adviser" in the following manner:
(m) "investment adviser" means 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;

9. To begin with, I note that Noticee was incorporated in July, 2016. Ram Kalyan Medury, Manoj Kumar Trivedi and Vaidehi Swarna Medury were/are directors of Noticee. Ram Kalyan Medury and Manoj Kumar Trivedi were registered as IAs under IA Regulations from November 29, 2016 and January 18, 2017, respectively. During examination, it was observed that Noticee was maintaining two bank accounts with ICICI bank bearing nos. xxxxxxx0622 and xxxxxx0225. From the KYC details, it was observed that both the bank accounts were opened and operated by Ram Kalyan Medury and Vaidehi Medury. I note that Noticee had applied for a registration as an IA under IA Regulations on April 17, 2020 and it was granted on December 16, 2020.

10. I note from the SCN that the allegation against the Noticee (using its brand name Jama) has rendered investment advice under the IA Regulations without obtaining registration as required under regulation 3(1) of IA Regulations from the period October 17, 2016 to December 15, 2020. The allegation is borne out of the following observations of examination conducted by SEBI:

(i) Noticee has entered into agreements with clients for the purpose of giving investment advice which were signed by Ram Kalyan Medury in capacity of managing director of SGT.

(ii) From cached pages of websites https://www.jama.co.in and www.jamawealth.com, Noticee has offered various packages for investment advisory activities before registration with SEBI, and

(iii) Noticee collected fees from the aforesaid clients in its ICICI bank account bearing no. xxxxxxxx0225 with narrations such as advisory, advisory fees, investment, jama investment, jama wealth *etc*. Noticee was registered with payment gateways such as PayU and Razorpay for crediting amount into the aforesaid account. Ram Kalyan Medury has accepted that Noticee has collected IA fees and provided list of 801 transactions amounting to Rs 3,28,27,709.07 for the period from March 11, 2017 to December 15, 2020.

11. Coming to the client agreements entered into by the Noticee with (a) Gautam Khanna dated May 01, 2020; (b) Senthilnayagam K dated February 24, 2020; the following clauses deserve attention:

RECITALS

A. <u>Jamā is, inter alia, in the business of building a technology platform</u>, which tracks the performance of various listed and unlisted Indian companies (hereafter referred to as securities) and mutual funds with rigorous fundamentals-based research and machine learning algorithms. <u>This research and information is made available to investment advisers, who advise clients in respect of investments in these securities</u>. The platform is also made available to investors to track the performance of their investment portfolios.

B. <u>Mr. Ram Kalyan Kumar Medury is a Registered Investment Adviser under the Securities Exchange Board of India (Investment Advisers) Regulations, 2013 having registration number INA200006725 dated November 29,2016 ("Adviser").</u>

The Adviser has been appointed by Jama as an investment adviser vide appointment letter dated July 26, 2017.

C. The Client is desirous of obtaining services from Jamā and the Adviser based on the information provided by the Adviser. The Parties being desirous of recording the terms and conditions for such services have decided to execute this Agreement

2. SERVICES

2.1.The Client hereby appoints the Adviser through Jama to provide advice from time to time in respect of the funds and securities held by the Client ("Services") in accordance with the terms stipulated under this Agreement. The client agrees and accepts to utilize the services of Jama to track the performance of their investment portfolios.

2.2.The Adviser shall be acting solely in its capacity as an adviser and facilitator to the Client. Jama shall not at any point in time accept or hold in its account any funds or securities from the Client.

2.3.The Adviser shall advise the Client in respect of investment in various securities. Jama shall conduct quarterly reviews of the portfolio and advice the Client on which securities to buy, hold or sell. Rebalancing of an existing equity portfolio shall be made to arrive at a desirable basket of securities.

2.4.Jama shall provide the Services to the Client on a continuous basis during the term of this Agreement

3. CHARGES AND FEES

3.1.All sales and purchases and all other acts done by the Client pursuant to this Agreement shall be at the Client's risk and cost and the consideration thereof shall be borne by the client. In consideration of Jama providing the Services, the Client agrees to pay to Jama charges/fees as follows:

3.4. <u>All the fees are payable to "Simply Grow Technologies Private Limited", within 14 (Fourteen) days from the date on which Jamā raised the invoice</u>. The charges/fees shall be paid by the Client directly to JAMA as per the invoice raised. Payments delayed beyond one month from the date of the invoice shall attract interest at the rate of 18% per annum.

5. CLIENT RIGHTS AND RESPONSIBILITES

<u>5.2. The Client agrees to provide information as requested by Jamā to the extent required for the financial planning and portfolio allocation.</u>

5.3.The Client also agrees to discuss needs and goals frankly with Jamā and/or the Adviser on an annual basis, or more often if needed.

5.5.The Client agrees to accept recommendations from the Adviser.

*14. REPRESENTATION BY JAMA_*
By execution of this Agreement, Jamā represents that Sri Ram Kalyan Medury (SEBI Registered Investment Adviser INA200006725), or any other investment Adviser it appoints at any time in future, shall be registered with the Securities and Exchange Board of India (SEBI) as an Investment Adviser under the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013.

19. MISCELLANEOUS
19.1. This Agreement shall constitute a binding agreement upon acceptance by Jamā. This contract is personal, and solely between the Client and Jamā.

(emphasis supplied)

12. Noticee has argued that the agreements explicitly states that the IA services shall be provided by Ram Kalyan Medury or Manoj Trivedi and that the fees shall be payable towards their services. Under regulation 2(1)(m) of IA Regulations,

any person, who for consideration, is engaged in the business of providing investment advice is an "investment advisor". Thus, there are three conditions to be satisfied for a person to fall under the purview of the aforesaid definition (a) for consideration; (b) engaged in the business of; (c) providing investment advice. The said conditions with respect to the Noticee are examined below.

(i) Noticee has admitted in its reply that it was receiving consideration pursuant to the agreements entered into with the clients as opposed to the IAs receiving consideration. The reason cited for the above arrangement is that the fees collected from the clients on behalf of IAs by SGT will be used by it to build and enhance the technology platform which will help the said IAs to get more business. Therefore, the first condition of consideration is fulfilled.

(ii) As to being engaged in business of providing investment advice, on review of the terms of the agreement, I find that the agreement does state that Ram Kalyan Medury shall be rendering IA services, however, it cannot be said that role of SGT is only limited to acting as a platform for the aforesaid IA in light of clause 2.3 reproduced above which states that "*Jama shall conduct quarterly reviews of the portfolio and advice the Client on which securities to buy, hold or sell…".* , clause 5.2 reproduced above which states that *"Client agrees to provide information as requested by Jama to the extent required for the financial planning and portfolio allocation"* and the agreements being signed by Ram Kalyan Medury as managing director of SGT*.* I find that activities such as giving advice for dealing in securities including financial planning and portfolio allocation comes under the ambit of "investment advice" as per regulation 2(1)(l) of IA Regulations. Accordingly, it can be concluded that the second and third condition for being an "investment advisor" under IA Regulations are also attracted.

(iii) There are some clauses which explicitly states that the IA is Ram Kalyan Medury and he would be providing advice, however, clauses 2.3 and 5.2 of the agreements reviewed show that SGT would be rendering "investment advice". Therefore, I do not agree with the submission of Noticee that it is explicitly mentioned in the agreement that SGT is not an advisor. Based on the above, I cannot resist but find that Noticee was also an "investment advisor" and was providing "investment advice" as defined under the IA Regulations.

13. With respect to the allegation that SGT was providing IA services through its websites "https://www.jama.co.in" and "www.jamawealth.com", Noticee has argued that the website clearly shows that SGT is a tech platform and the IA is Ram Kalyan Medury (who will also operate through SGT platform). I have perused the contents of the material available on record as well as the screenshot provided by the Noticee in its reply.

(i) On examining the material available on record, I find that the screenshots of the archived website of https://jama.co.in/about-jama/ *inter alia* states that "*This website and the brand Jama is owned by Simply Grow Technologies Private Limited. Investment advice and services are provided by SEBI Registered Advisors; the website is operated by Simply Grow Technologies on their behalf".* I note that the website "https://www.jama.co.in" states the following *"invest in best equities & direct mutual funds adviced by experts & machine learning*". It further states investing is better with Jama *inter alia* due to *"algorithm based equity and mutual fund selection"*. Further, link titled "jama.co.in/pricing" sets out cost of various packages (such as basic, gold and custom pricing). The screenshot provided by the Noticee in its reply is of the terms displayed on the website "jama.co.in" which states that SGT operates as an online platform and the IA is Ram Kalyan Medury who operates through the SGT platform.

(ii) Moving on to "www.jamawealth.com", link titled "https://jamawealth.com/Aboutus" states that the investment advisors are Manoj Trivedi and Ram Kalyan Medury. Further, link titled "jamawealth.com/HowJamaWorksInfo" states that the first step in investing through it is by contracting their wealth manager. Link titled "jamawealth.com/pricing" provides different pricing plans.

Taking the aforesaid into account, in my view, contents of the website "jama.co.in" such as "*adviced by… & machine learning"* and *"algorithm based equity and mutual fund selection"* indicates that SGT along with the IAs was providing "investment advice" as defined under the IA Regulations.

14. Noticee has contended that at the time of its incorporation, since the founders were unsure of which business applications to pursue, the scope of MoA was kept broad. Further, it has argued that the secondary objects (Clause A2 in MoA) mentions financial services related objects such as financial advisory, investment management, wealth management, much later along with many other areas where the founders/SGT could potentially offer consultancy. Therefore, it was not the intention of the founders/SGT to primarily provide financial advisory/ investment management/wealth management services at the time of incorporation of SGT. I note that the main objects of SGT as per its MoA *inter alia* states:

"1. To carry on the business of Software and Mobile Application designing, development….

2. To carry on the business of consultancy in all fields, including the business of………Information Technology, financial advisory, wealth management loan advisory, securities trading, investment management, equity portfolio advice, portfolio management…..and also to in particular provide a consultancy regarding choosing the best way to secure their money……wealth management, securities trading, financial transaction execution, channelizing investors funds into various investment instruments of any type And facilitating the execution of such plans/or advisory or consultancy towards the attainment of their financial goals. "

It is evident from above that the main objects of MoA of Noticee provided for financial advisory, therefore I do not agree with the submission of Noticee that financial advisory formed part of secondary objects of its MoA and that it was not the intention of founders/SGT to provide financial advisory/investment management/wealth management services at the time of incorporation of SGT. In my view, it is crystal clear that its main objects *inter alia* included providing financial advisory, equity portfolio advice, portfolio management *etc* which falls under the purview of "investment advice" under IA Regulations.

15. Noticee has also submitted that some of SGT's initial invoices explicitly mentioned the names of the advisors and their names were subsequently removed later based on advice of a GST consultant, since the individual IAs were explicitly mentioned in the client agreement. Noticee has also furnished a copy of one such invoice dated January 22, 2018 bearing no. 2018220101. On perusal of the said invoice, I find that it is on the letterhead of "Jama". Further, I note that the bank account mentioned therein is of SGT. Thus, even though serial no. 1 of the said invoice mentions that the advisors are Manoj Kumar Trivedi and Ram Medury, the invoice gives shows involvement of Noticee.

16. I note that one of the main arguments of Noticee is that the persons who were providing IA services were registered, even though the Noticee was not registered until December, 2020. I find that although Ram Kalyan Medury and Manoj Kumar Trivedi were registered as an IA, the activities of Noticee such as websites of Noticee, execution of agreements in its name, receiving funds in its bank account bearing number xxxxxxx0225, clauses 2.3 and 5.2 of the agreements entered into with clients and invoices show that Noticee was holding itself out as an IA. Herein, I note that when Noticee did not register itself as an IA from 2016 onwards, it circumvented certain provisions of IA Regulations which were applicable to it. For example, regulation 8(1) and 8(2) of IA Regulations, provides that IAs who are non-individuals are required to have net worth of minimum Rs 50 lakhs, whereas individual IAs are required to have net tangible assets of minimum Rs 5 lakhs. Further, as per regulation 20 of IA Regulations, an IA which is a body corporate is required to appoint a compliance officer for monitoring compliance of IAs. Additionally, *vide* SEBI (Investment Advisers) (Amendment) Regulations, 2020, with effect from September 30, 2020, individuals registered as IAs whose number of clients exceed 150 in total, are

required to apply for registration as non-individual IAs within such time as may be specified by SEBI. A company is considered as a separate legal personality from its subscribers, promoters and directors, thus, the liability, if any, attracted due to its actions would have a different effect than liability attracted against individual. I find that while Ram Kalyan Medury and Manoj Kumar Trivedi obtained individual IA registrations, they conveniently did not obtain registration for SGT to avoid facing obligations such as of net worth, compliance officer *etc*, yet they always had the protection of the limited liability nature of company available in case any liability arose.

17. The activities of the Noticee, as brought out above, seen in the backdrop of the regulatory provisions show that although the Noticee was acting as an IA, however, it was not registered with SEBI in the capacity of an IA. Hence, I find that these activities carried out by the Noticee without holding the mandatory certificate of registration as an IA is in violation of regulation 3(1) of the IA Regulations. At the same time, the fact that IAs of Noticee were registered may be considered as a mitigating factor.

II. Does the violation, if any, attract monetary penalty under sections 15EB and 15HB of the SEBI Act?

III. If the answer to Issue No. 2 is in affirmative, then what should be the quantum of monetary penalty?

18. Since violation of IA Regulations by the Noticee is established, I am of the view that the same warrants imposition of monetary penalty upon the Noticee under section 15EB (for period from March 08, 2019 to December 15, 2020) and section 15HB (for period from October 17, 2016 to March 07, 2019) of SEBI Act, text of which is provided below:

[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.]**

**Inserted by the Finance Act, 2018 w.e.f. 08-03-2019.*

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.

19. While determining the quantum of penalty under the aforesaid sections, the following factors stipulated in section 15J of the SEBI Act, have to be given due regard:

    (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

    (b) the amount of loss caused to an investor or group of investors as a result of the default; and

    (c) the repetitive nature of the default.

20. The material made available on record has not quantified the amount of disproportionate gain or unfair advantage made by the Noticee and the loss suffered by the investors as a result of the Noticee providing IA services without being registered from October 17, 2016 to December 15, 2020**.** No previous violation has been found against the Noticee. Further, I find that no complaint has been received against SGT in SEBI Complaints Redress System (SCORES). Lastly, I have taken into consideration the fact that Ram Kalyan

Medury and Manoj Kumar Trivedi were registered as an IA during the period from October 17, 2016 to December 15, 2020.

E. ORDER

21. After taking into consideration the previous paragraphs, in exercise of powers conferred upon me under section 15I (2) of the SEBI Act read with rule 5 of the SEBI Adjudication Rules, I hereby impose a monetary penalty of Rs 2,00,000 lakhs on Noticee under sections 15EB and 15HB of the SEBI Act.

22. The said penalty imposed on the Noticee, as mentioned above, is commensurate with the violation committed by the Noticee and acts as a deterrent factor for the Noticee and others in protecting the interest of investors.

23. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of demand draft in favor of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or through online payment facility available on the SEBI website **www.sebi.gov.in** on the following path by clicking on the payment link.

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

24. The Noticee shall forward the said demand draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department-I, DRA-VI, SEBI, in the format given in table below:

1.	Case name	
2.	Name of payee	
3.	Date of payment	
4.	Amount paid	
5.	Transaction no	
6.	Bank details in which payment is made	
7.	Payment is made for	Penalty

25. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this order, recovery proceedings may be initiated under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

26. In terms of rule 6 of the SEBI Adjudication Rules, copies of this order are sent to the Noticee and SEBI.

Date: October 21, 2022
Place: Mumbai

ASHA SHETTY
ADJUDICATING OFFICER