



GENERAL MANAGER &
ADJUDICATING OFFICER

EAD-10/SM/AS/39669/1/2023

September 21, 2023

Harinder Kumar Sahu, Research Analyst

(PAN- BLPPS3144G)

(SEBI Registration No- INH200005753)

Address: Plot No. 21, Green Hills Colony, Street No. 8,
Habsiguda, Hyderabad, Telangana-500007

Show Cause Notice under Rule 4(1) of SEBI (Procedure for Holding Inquiry and imposing penalties) Rules, 1995 in respect of Harinder Kumar Sahu, Research Analyst

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") conducted an inspection of Harinder Kumar Sahu, Research Analyst (hereinafter referred to as "You"/"Noticee"/"Harinder"/"RA"), who is a SEBI Registered Research Analyst ("RA") having SEBI Registration No. INH200005753. The inspection of the Noticee was conducted on November 30, 2022 for the period of April 01, 2021 to November 30, 2022 (hereinafter referred to as "inspection period"). Accordingly, the findings of the aforementioned inspection were communicated to the entity vide SEBI letter dated February 14, 2023. In response to the findings of the inspection report Noticee has filed its reply vide letter dated February 20, 2023. A post inspection analysis based on the responses of the entity vis-à-vis the findings of inspection has been prepared and it has been observed that Noticee has allegedly violated certain provisions of securities law, the detail of the same is tabulated below:

Table No. 1

S.N.	Alleged Violation	Statutory Provisions
1	Non-Compliance with SEBI Circular on Publishing of investor charter and disclosures on investor charter- RA-Harinder did not publish investor charter and disclose the details of investor complaints on his website - www.kingresearch.co.in	1. Regulation 24(2) of RA Regulations 2014 read with clause 7 of code of conduct specified in Schedule III to the SEBI (Research Analysts) Regulations, 2014. 2. SEBI circular no. SEBI/HO/IMD/IMD-II

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सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बान्द्रा-कुर्ला कॉम्प्लेक्स, बान्द्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर.एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in



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		CIS/P/2021/0685 dated December 13, 2021
2	Compliance with Qualification and Certification requirements- RA-Harinder did not hold required NISM Certification during the period April 02,2022 to November 10,2022.	Regulation 7(2) read with Clause 7 of Code of Conduct for Research Analyst read with Regulation 24(2) of SEBI (Research Analysts) Regulations, 2014.
3	Discrepancies in contents of the Website- RA-Harinder did not mentioned full address of his business place as well as adequate data was not available to support his claim about past performance on his website: - www.kingresearch.co.in	Regulation 24(2) of RA Regulations read with clause 2 of code of conduct specified in Schedule III of SEBI (Research Analysts) Regulations, 2014.
4	Establishing internal policies and procedure- Harinder did not established internal policy and control procedures to address potential conflicts of interests arising from his trading activities and research analyst activities.	Regulation 15 of SEBI (Research Analysts) Regulations, 2014.
5	Limitation on trading by research analyst- Harinder had been trading in the securities recommended by the Research Analyst during the window of 30 days prior and 5 days after publishing research report	Regulation 16 (2) of SEBI (Research Analysts) Regulations, 2014.
6	Disclosure of all material information in research report and while making public appearance- Harinder did not disclose his SEBI registration details business activities and his interest /beneficial ownership in securities that being reviewed/recommended in research report/video uploaded on public media	Regulation 19 and 21 of SEBI (Research Analysts) Regulations, 2014.
7	Compliance with General Responsibilities- RA-Harinder had made unrealistic and misleading disclosure on its YouTube channel and also induce visitor on his website to open DMAT account by sharing link of various stock Brokers.	Clauses 2 and 6 of Code of Conduct for Research Analyst read with Regulation 24(2) and Regulation 13(i) of SEBI (Research Analysts) Regulations, 2014. Regulation 4(2) (k), (o) and (s) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (read with sections 12A (c) of the SEBI Act
8	Maintenance of records- RA- Harinder did not maintained research report /recommendation with digital signature and also did not conduct annual compliance audit for FY 2020-21 and 2021-22.	Regulation 25(2) and (3) of SEBI (Research Analysts) Regulations, 2014.

2. Thereafter, vide communiqué dated August 21, 2023 (enclosed as “**Annexure A**”), SEBI appointed the undersigned as the Adjudicating Officer under Section 15(I) of Securities and Exchange Board of India Act, 1992 (“**SEBI Act**”) and Rule 3 of SEBI (Procedure for

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Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as 'Adjudication Rules') read with Section 19 of SEBI Act to inquire into and adjudge under:

2.1. Section 15EB of SEBI Act, the alleged violations by the Noticee as follows:

- a) Regulation 24(2) of SEBI (Research Analysts) Regulations, 2014 read with clause 7 of code of conduct specified in Schedule III to the SEBI (Research Analysts) Regulations, 2014.
- b) SEBI circular no. SEBI/HO/IMD/IMD-II CIS/P/2021/0685 dated December 13, 2021
- c) Regulation 7(2) read with Clause 7 of Code of Conduct for Research Analyst read with Regulation 24(2) of SEBI (Research Analysts) Regulations, 2014.
- d) Regulation 24(2) of RA Regulations read with clause 2 of code of conduct specified in Schedule III of SEBI (Research Analysts) Regulations, 2014.
- e) Regulation 15 of SEBI (Research Analysts) Regulations, 2014.
- f) Regulation 16 (2) of SEBI (Research Analysts) Regulations, 2014.
- g) Regulation 19 and 21 of SEBI (Research Analysts) Regulations, 2014.
- h) Regulation 25(2) and 25(3) of SEBI (Research Analysts) Regulations, 2014.
- i) Clauses 2 and 6 of Code of Conduct for Research Analyst read with Regulation 24(2) and Regulation 13(i) of SEBI (Research Analysts) Regulations, 2014

2.2. Section 15HA of SEBI Act, the alleged violation of Regulation 4(2) (k), (o) and (s) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations") read with section 12A (c) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "SEBI Act") and Clauses 2 and 6 of Code of Conduct for Research Analyst read with Regulation 24(2) and Regulation 13(i) of SEBI (Research Analysts) Regulations, 2014 (hereinafter referred to as "RA Regulations") by Noticee.

Violations as alleged with respect to the Noticee has been mentioned in detail in the below paragraphs: -



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3. Non-Compliance with SEBI Circular on Publishing of investor charter and disclosures on investor charter

3.1. It has been observed that Noticee has been failed to publish investor charter on their website. Further, Noticee did not disclose the details of investor complaints on its website.

3.2. Thus, in view of above, it is alleged that Noticee has not been complied with the SEBI circular no. SEBI/HO/IMD/IMD-II CIS/P/2021/0685 dated December 13, 2021 and allegedly violated the provisions of Regulation 24(2) of RA Regulations read with clause 7 of code of conduct specified in Schedule III to the RA Regulations.

4. Compliance with Qualification and Certification requirements

4.1. It has been observed that Noticee did not hold valid NISM certification specified for research analysts during 02.04.2022 to 10.11.2022. (NISM certification submitted by Noticee enclosed as Annexure -2 of inspection report). Thus, it is alleged that Noticee is in violation of the provisions of Regulation 7(2) read with Clause 7 of Code of Conduct for Research Analyst read with Regulation 24(2) of RA regulations.

5. Discrepancies in contents of the Website

5.1. It has been observed that Noticee did not mention the full registered address of the business place from where he was doing RA activities on his website www.kingresearch.co.in. Further, Noticee claimed on its website that there was 90% accuracy under various products viz. HNI Future Plan, HNI option services etc, however, Noticee failed to provide any data/information available which supports the claim made by RA-Harinder on its website. Thus, it is alleged that Noticee has not complied with Regulation 24(2) of RA Regulations read with clause 2 of Code of conduct specified in Schedule III of RA Regulations.

6. Establishing internal policies and procedure

6.1. it has been observed that Noticee has not established internal policy and control procedures to address potential conflicts of interests arising from his trading activities and research analyst activities. Further, as per the transaction details observed in Noticee's trading accounts, there were instances when the RA has been trading in the

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securities recommended by on telegram channel. Thus, it is alleged that Noticee has failed to frame the internal policy in terms of Regulation 15 of RA Regulations.

7. Limitation on trading by research analyst

7.1. It has been observed that Noticee was trading in the securities recommended by the it during the window of 30 days prior and 5 days after publishing research report. Further, on checking the recommendation made by Noticee on telegram channel operated by him and the transaction statement of his personal trading account, it was observed that Noticee was trading in the securities recommended by in the telegram channels operated by him. (Transaction details of the trading account of RA-Harinder and List of Free Telegram Channel call, is enclosed as Annexure -3 to the inspection report). Thus, it is alleged that said Noticee's act is in violation of Regulation 16(2) of RA Regulations.

8. Disclosure of all material information in research report and while making public appearance

8.1. It has been observed that disclaimer page submitted by Noticee shows general disclaimer about the stock market and mentioned that "*this video is only for education purpose*" but do not contain SEBI registration details, his business activities as RA and any financial interest of Noticee or its associates in the securities being recommended in video. Thus, it is alleged that by not disclosing the material disclosures including SEBI registration number, details about his business activities in research reports, financial interest/beneficial ownership of it and its associates in securities that are being reviewed/recommended by him in research reports/videos uploaded in public media, Noticee allegedly, is in violation of regulation 19 and 21 of RA Regulations.

9. Compliance with General Responsibilities

9.1. It has been observed that Noticee has made unrealistic and misleading disclosures with respect to profit and loss made from the trading/options strategies offered by it. Noticee is using phrase like "No Loss strategy, 90% accuracy, 100% accuracy, 500% profit etc. in the descriptions to his video on YouTube which is misleading and likely

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harm to gullible investors. (Screenshot of You tube Videos Uploaded on Channel King research academy enclosed as Annexure -5 to the inspection report)

9.2. Further, it has been observed that Noticee was sharing link of Dmat account opening of various stock broker on its website under "Demat account" tab and inducing visitor on the website to open Dmat account with link on the website to access algo premium membership and to reveal his own intraday and positional stock picks. (Downloaded Web pages from Noticee website enclosed as Annexure-1 to the inspection report). Moreover, Noticee has induced the viewers of its YouTube channel by promising access to his premium stock recommendations if they open DMAT account by clicking on the link of shared by him.

9.3. Thus, it is alleged that Noticee was making wrong disclosure with respect to offering trading/demat services and by not disclosing the referral income earnable from the links mentioned in the description of YouTube videos of Noticee in King Research Academy channel,

9.4. In view of above, it is alleged that Noticee did not act with due skill, care, diligence and high professional standard while arriving at research recommendation and thereby, violated the provisions of Clauses 2 and 6 of Code of Conduct for Research Analyst read with Regulation 24(2) and Regulation 13(i) of RA regulations and Regulation 4(2) (k), (o) and (s) of PFUTP Regulations read with section 12A (c) of the SEBI Act, 1992.

10. Maintenance of record

10.1. It has been observed that Noticee did not maintain the records with respect to research recommendations given through various mediums viz. WhatsApp, Telegram etc. Hence, complete data on recommendations given by Noticee is not available for inspection. Upon requesting for information for the inspection, Noticee has provided data on recommendations given by it and veracity of the same could not be verified as the records are not digitally signed nor maintained in CRM or enterprise

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management system. Further, compliance audit report for FY 2020-2021 and 2021-2022 was also being not submitted.

10.2. In view of above, it is alleged that Noticee has violated provisions of regulation 25 (2) & (3) of RA Regulations.

11. The aforesaid alleged violations by the Noticee, if established, make the Noticee liable for monetary penalty under the provisions of Sections 15EB and 15HA of SEBI Act. The provisions of Sections 15EB and 15HA of SEBI Act are reproduced hereunder::

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 SEBI or directions issued by SEBI, 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 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.*

12. The Noticee is therefore called upon to show cause as to why an inquiry should not be held against it, in terms of Rule 4 of Adjudication Rules read with Section 15I(1) & (2) of the SEBI Act, and penalty, if any, be not imposed on it under the provisions of Sections 15EB and 15HA of SEBI Act for the alleged violations as specified in paragraph 2 above.

13. The Noticee shall submit the reply to the Show Cause Notice supported by such documentary evidence, if any, which it may like to adduce in support of its reply within 15 days from the date of receipt of this notice, failing which the matter shall be proceeded on the basis of the material/facts available on record. Further, a soft copy of the reply may also be sent via email at somam@sebi.gov.in and aloks@sebi.gov.in. In case no reply is received from the Noticee within the prescribed time mentioned above, it would be presumed that Noticee has no submissions to make and the matter shall be proceeded with on the basis of material/facts on record. A copy of PAN Card, contact details (contact

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person, phone number, email details, fax etc) of the Noticee may also be submitted along with the reply.

14. You may also note that a settlement mechanism is provided under the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018. If you wish to avail the benefit of the settlement process, you may apply for the same in the manner provided in the said regulations under intimation to the undersigned.

15. Further, you may note that if there is any change in your address during the period of the current adjudication proceedings, you are required to inform the same to the Adjudicating Officer, immediately.

SOMA MAJUMDER
ADJUDICATING OFFICER

Enclosures: - One CD containing following Annexures

Annexure A	Copy of Communique dated August 21, 2023.
Annexure B	Copy of Post Inspection Analysis.
Annexure C	Copy of SEBI inspection report.
Annexure D	Copy of reply submitted by Noticee.
Annexure E	Relevant Provisions of law ease of reference