भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

DEPUTY GENERAL MANAGER
INDORE LOCAL OFFICE

SEBI/WRO/ILO/NM/OW/P/7249/1/2022
May 27, 2022

M/s Star World Research
Proprietor – Manish Kumar Gour
Office No. 601, 6th Floor, Dhan Trident
Scheme No. 54, Vijay Nagar, Indore
Madhya Pradesh – 452001.

Mr Manish Kumar Gour
Plot No. 42, Flat No. 201, M.R. – 3
Near Bombay Hospital, Indore
Madhya Pradesh – 452001.

Mr Manish Kumar Gour
465, Rukmani Nagar, Indore
Madhya Pradesh – 452001.

Mr Manish Kumar Gour
162, Mangal City, Indore
Madhya Pradesh – 452001.

Subject: Show Cause Notice under Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) read with Sections 15C, 15HA, 15HB, 15EB and 15I of the Securities and Exchange Board of India Act, 1992, read with Rule 4(1) of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and Regulation 35 of SEBI (Intermediaries) Regulations, 2008 read with Regulation 28 of SEBI (Investment Advisers) Regulations, 2013, in the matter of Star World Research, Proprietor – Manish Kumar Gour.

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') received multiple complaints against M/s. Star World Research (hereinafter referred to as 'SWR / Noticee') a SEBI registered Investment Adviser bearing registration no. INA000005499. Subsequently, documents such as KYC forms, Risk Profiling Form (hereinafter referred to as 'RPF'), invoices and client master were sought from the Noticee through emails and information available of website of Noticee was also gathered. All the above documents / information received from 23 complainants and SWR as mentioned above were examined. The observations made after examination of the aforesaid documents / information are as under-

2. **Products meant for High Risk Bearing Clients Sold to Medium Risk Bearing clients**

2.1. Details of products categorized for medium and high risk category of clients were provided by Noticee vide email dated July 1, 2020. The category of products / services offered to clients bearing different risk appetite are mentioned below (**Annexure – 1**):

स्थानीय कार्यालय–इन्दौर / Local Office - Indore
104–105, प्रथम मंजिल, सतगुरु परिणय, सी–21 मॉल के सामने, ए.बी. रोड़, इन्दौर – 452010 (म.प्र.)
दूरभाष : 0731–2557003/04/05 टेलीफेक्स : 0731– 2557002 E-mail : indore-lo@sebi.gov.in

104 & 105, 1st Floor, Satguru Parinay. Opp. C-21 Mall, A.B. Road, Indore - 452010 (M.P.)
Phone : 0731-2557003/04/05, Telefax : 0731 - 2557002 E-mail : indore-lo@sebi.gov.in

'IA Regulations'), SWR was required to ensure that all investments on which investment advice is provided is appropriate to the Risk Profile of the client. Further, as per Regulation 17(c) of the IA Regulations SWR was required to understand the nature and risks of products or assets selected for clients. As per Regulation 17(d) of the IA Regulations, SWR was required to have a reasonable basis for believing that a recommendation meets the client's investment objective and the client is able to bear any related investment risks consistent with its investment objectives and risk tolerance. As per Regulation 17(e) of IA Regulations, SWR was required to ensure that a recommendation is given based on a reasonable assessment that the risk reward profile of the financial product is consistent with client's risk appetite and capacity for absorbing loss. In view of the above, it is alleged that SWR has violated Regulation 17(a), (c), (d) and (e) of the IA Regulations.

2.7. SWR has sold products meant for High Risk category clients to clients having Medium Risk, which is in violation of Regulation 17 of the IA Regulations. In view of the same, it is alleged that has violated Regulation 15(1) and clauses 1, 2 of the Code of Conduct as specified in Schedule III read with Regulation 15(9) of IA Regulations.

3. **Unfair and unreasonable Amount of Fees Charged from Clients**

3.1. It was observed that out of the 23 sample clients, for following clients, fees received from the client was more than the annual income of the clients, as disclosed in the respective RPF of the clients. The details of fees received are obtained from client master provided by SWR vide email dated June 26, 2020.

Table – 3:

S. No.	Name of client	Fees received from clients by SWR as provided in client master (Rs.)	Annual income as per RPF (Rs.)
1	Suraj Bhan	24,42,000/-	1-3 Lakh
2	Ashutosh Kumar	15,34,070/-	1-3 Lakh
3	Syamal Biswas	14,33,660/-	More than 10 Lakh
4	G Durairaj	12,31,000/-	1-3 Lakh
5	Amrit Pal Singh Bagga	10,11,407/-	Below 2 Lakh
6	Yogesh Vasant Khond	9,14,000/-	2-5 Lakh
7	Pravin Punjahari Dighe	5,18,000/-	1-3 Lakh
8	Santosh Hanamant Patil	4,75,900/-	1-3 Lakh
9	Dushyant Jivanlal Desai	4,41,000/-	2-5 Lakh
10	Megharam Kanaram Suthar	3,66,000/-	2-5 Lakh
11	Vijay Singh	3,19,729/-	1-3 Lakh
12	Sahil Kalariya	2,95,556/-	1-3 Lakh
13	Muthyam Reddy Vemula	2,91,516/-	2 Lakh
14	Kiran Oza	2,50,508/-	1-3 Lakh

स्थानीय कार्यालय–इन्दौर / Local Office - Indore
104–105, प्रथम मंजिल, सतगुरु परिणय, सी–21 मॉल के सामने, ए.बी. रोड़, इन्दौर – 452010 (म.प्र.)
दूरभाष : 0731–2557003/04/05 टेलीफेक्स : 0731– 2557002 E-mail : indore-lo@sebi.gov.in

104 & 105, 1st Floor, Satguru Parinay, Opp. C-21 Mall, A B Road, Indore - 452010 (M.P.)
Phone : 0731-2557003/04/05, Telefax : 0731 - 2557002 E-mail : indore-lo@sebi.gov.in

SWR has violated Regulation 15(1) of IA Regulations on account of the above.

3.5. It was observed that while carrying out Risk Profiling of clients, SWR had received all information from clients like proposed investment amount, annual income and other financial details and despite SWR being aware of aforesaid financial details, It had charged exorbitant amount of fees from clients, which was sometimes more than eight times of his annual income / proposed investment. In view of the foregoing, it is alleged that SWR had deceived his clients by extorting fees which was more than the investment amount or total annual income of the client and SWR was just focused on earning higher fees.

4. **SWR was not doing Risk Profiling of the clients properly**

4.1. It was observed that in case of following 6 clients SWR did not carry out Risk Profile of the clients properly. The actual age as per their KYC and RPF of IA do not match and therefore age details captured are not correct.

S. No.	Name of client	DOB as per KYC	Age group mentioned in Risk Profile	Difference in years	Fees charged from clients (Rs.)
1	G Durairaj	14-07-1960	Under 35	24	1,231,000/-
2	Suraj Bhan	15-05-1971	Under 35	13	2,95,556/-
3	Santosh Hanamant Patil	31-08-1979	Under 35	5	24,42,000/-
4	Kamlesh Kumar	02-11-1980	Under 35	4	NA*
5	Syamal Biswas	01-04-1972	35-45	2	4,75,900/-
6	Dipak Mali	10-03-1983	Under 35	1	1,433,660/-

**As per client master provided by SWR no fees were received from client kamlesh kumar.*

4.2. It was observed that in respect of Mr. G Durairaj, had SWR mentioned correct age in Risk Profile form, the risk category of the client would have been medium. Thus, Mr. Durairaj was capable of taking medium risk as he was eligible for products earmarked to Medium Risk category clients. In view of the above, it is alleged that it was intentional on the part of SWR to deliberately show the age of the client lesser than the actual age so that the client could categorized as 'High Risk' instead of 'Medium Risk'. SWR changed the risk category of the client with the only motive of earning higher fees.

4.3. In view of the above, it is alleged that SWR did not carry out Risk Profiling of its clients in true spirit and it had deliberately misreported the age of client in the Risk Profile in order to receive higher amount fees by selling maximum number of products.

4.4. It is also alleged that SWR did not act with due skill, care, diligence and honesty while carrying out Risk Profiling of its clients. Further, in view of the age difference mentioned in KYC of the client and age category mentioned in Risk Profiling, it is alleged that the motive of SWR was to keep the clients in

स्थानीय कार्यालय–इन्दौर / Local Office - Indore
104–105, प्रथम मंजिल, सतगुरु परिणय, सी–21 मॉल के सामने, ए.बी. रोड़, इन्दौर – 452010 (म.प्र.)
दूरभाष : 0731–2557003/04/05 टेलीफेक्स : 0731– 2557002 E-mail : indore-lo@sebi.gov.in

104 & 105, 1st Floor, Satguru Parinay. Opp. C-21 Mall, A.B. Road, Indore - 452010 (M.P.)
Phone : 0731-2557003/04/05, Telefax . 0731 - 2557002 E-mail : indore-lo@sebi.gov.in

Further, it was also observed that service charges are collected disproportionately for the product 'Cash' i.e. on December 19, 2020, for 6 month service SWR charged Rs. 5,000/- whereas on December 27, 2019 for the same product and duration the SWR had charged Rs. 2,90,000/- which is 58 times higher.

5.3. Further, 'Cash' product was sold 10 times during the period from December 19, 2019 to December 27, 2019. The duration of service was same 6 months for all products. From the above, it is evident that the same product was sold multiple times to Mr. Ashutosh Kumar and duration for which the product 'Cash' was sold, overlapped.

Client Name: Durairaj (Copy of invoices placed at **Annexure – 2**)

S. No.	Invoice Date	Invoice number	Product	Duration of service	Invoice Amount (Rs.)
1	15-11-2019	INV2702	Option	1 month	11,000/-
2	15-11-2019	INV2703	Option	1 month	20,000/-
3	18-11-2019	INV2717	Option	1 month	70,000/-
4	18-11-2019	INV2718	Option	1 month	1,00,000/-
5	21-11-2019	INV2733	Option	2 year	5,00,000/-
6	19-11-2019	INV2763	Option	2 year	4,30,000/-
7	22-11-2019	INV2772	Option	2 year	1,00,000/-
				Total	**12,31,000/-**

5.4. It is observed from the above table that service charges are collected disproportionately for the product 'Option' i.e. for 1 month service on November 15, 2019, IA has charged Rs. 11,000/- and for same service for 1 month, on November 18, 2019, IA has charged Rs. 1,00,000/- which is 10 times higher. Further, 'Option' product was sold 7 times from November 15, 2019 to November 22, 2019, the duration of which ranged from 1 month to 2 year. From the above, it is evident that the same product was sold multiple times to Mr. Durairaj and duration for which the product 'Cash' was sold, overlapped.

Client Name: Italian Ashwin (Copy of invoices placed at **Annexure – 2**)

S. No.	Invoice Date	Invoice number	Product	Duration of service	Invoice Amount (Rs.)
1	18-09-2019	INV2120	Equity Option	6 months	30,000/-
2	18-09-2019	INV2121	Equity Option	6 months	5,500/-
3	18-09-2019	INV2125	Equity Option	6 months	63,000/-
4	21-09-2019	INV2187	Equity Option	6 months	50,000/-
				Total	**1,48,500/-**

स्थानीय कार्यालय–इन्दौर / Local Office - Indore
104–105, प्रथम मंजिल, सतगुरु परिणय, सी–21 मॉल के सामने, ए.बी. रोड़, इन्दौर – 452010 (म.प्र.)
दूरभाष : 0731–2557003/04/05 टेलीफेक्स : 0731– 2557002 E-mail : indore-lo@sebi.gov.in

104 & 105, 1st Floor, Satguru Parinay. Opp. C-21 Mall, A.B. Road, Indore - 452010 (M.P.)
Phone : 0731-2557003/04/05, Telefax : 0731 - 2557002 E-mail : indore-lo@sebi.gov.in

Cash' product was sold 4 times from August 20, 2019 to September 16, 2019, the duration of which is same for all products. From the above, it is evident that the same product was sold two times to Mr. Kiran Ojha and duration for which the product 'Equity Cash' was sold, overlapped.

Client Name: Sahil Kalariya (Copy of invoices placed at **Annexure – 2**)

S. No.	Invoice Date	Invoice number	Product	Duration of service	Invoice Amount (Rs.)
1	10-08-2017	INV500	Stock Option and Stock Future	6 months	50,000/-
2	17-08-2017	INV501	Stock Option and Stock Future	6 months	50,000/-
3	19-08-2017	INV509	Stock Option and Stock Future	6 months	1,00,000/-
4	21-08-2017	INV515	Stock Option and Stock Future	6 months	20,000/-
5	30-08-2017	INV520	Stock Option and Stock Future	6 months	10,000/-
6	11-09-2017	INV544	Stock Option and Stock Future	6 months	10,000/-
				Total	**2,40,000/-**

5.8. It is observed from the above table that service charges were collected disproportionately for the product 'Stock Option & Stock Future' i.e. for 6 months service sold on August 30, 2017, SWR had charged Rs. 10,000/- and for same service sold on August 19, 2017, it had charged Rs. 1,00,000/- which is 10 times higher. Further, 'Stock Option and Stock Future' product was sold 6 times during the period August 10, 2017 to September 11, 2017, the duration of which was same for all products. From the above, it is evident that the same product was sold six times to Mr. Sahil Kalariya and duration for which the product 'Stock Option and Stock Future' was sold, overlapped.

Client Name: Sunny Mishra (Copy of invoices placed at **Annexure – 2**)

S. No.	Invoice Date	Invoice number	Product	Duration of service	Invoice Amount (Rs.)
1	23-09-2019	INV2214	Stock cash	1 month	20,672/-
2	23-09-2019	INV2216	Stock cash	1 month	24,444/-
3	27-09-2019	INV2245	Stock cash	1 month	34,000/-
4	27-09-2019	INV2253	Stock cash	1 month	32,500/-
				Total	**1,11,616/-**

स्थानीय कार्यालय–इन्दौर / Local Office - Indore
104–105, प्रथम मंजिल, सतगुरु परिणय, सी–21 मॉल के सामने, ए.बी. रोड़, इन्दौर – 452010 (म.प्र.)
दूरभाष : 0731–2557003/04/05 टेलीफेक्स : 0731– 2557002 E-mail : indore-lo@sebi.gov.in

104 & 105, 1st Floor, Satguru Parinay, Opp. C-21 Mall, A B Road, Indore - 452010 (M.P.)
Phone : 0731-2557003/04/05, Telefax : 0731 - 2557002 E-mail : indore-lo@sebi.gov.in

abide by Clauses 1 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. It is further alleged that the above act of SWR was done with the intention of enhancing its income by defrauding its clients and such act of SWR is fraudulent in terms of the definition of 'fraud' as defined in Regulation 2(1) (c) of PFUTP Regulations.

6. As per Regulation 3 of PFUTP Regulations, no person (including an IA) shall directly or indirectly use or employ any scheme or device to defraud, in connection with dealing in securities; or engage in any act, practice, course of business which operates as fraud or deceit upon any person (clients) in connection with any dealing in securities in contravention of the provisions of the Act or the rules and the regulations made there under.

7. The modus operandi adopted by SWR, discussed hereinabove, *prima facie*, shows that SWR was actually not practicing investment advisory in the manner envisaged under the IA Regulations, which essentially would involve advising the client considering his/ her financial situation, risk appetite, financial goal, etc. However, as observed in paragraphs 2, 3, 4 and 5 above, it is *prima facie* found that SWR knowingly acted in a deceitful manner, by:
   7.1. selling products meant for High Risk category clients to clients having Medium Risk.
   7.2. charging fees from clients which are disproportionate to their annual income / proposed investment.
   7.3. changing age group of client by mentioning wrong details in RPF and therefore, not carrying out Risk Profiling correctly.
   7.4. knowingly selling multiple subscriptions of the same product / service to same clients for future period, while an existing subscription is still active.

8. The above activities, *prima facie*, are the devices adopted by SWR to defraud its clients in connection with their dealings in securities. Hence, SWR is, *prima facie*, running a scheme and defrauding its clients, with an intention to maximize its income through advisory fees by employing the above said devices, without keeping in mind the requirements of the clients and keeping its own interest ahead of its client's interest.

9. Thus, the above discussed nongenuine and deceptive 'advisory' activities of SWR are, *prima facie*, fraudulent and are covered under the definition of 'fraud' under Regulation 2(1)(c) of the PFUTP Regulations. Therefore, it is alleged that, SWR, through its fraudulent act/ scheme as discussed above, has, *prima facie*, violated the provisions of Section 12A(a), (b) and (c) of the SEBI Act, 1992, and Regulations 3 (a), (b), (c) and (d) of the PFUTP Regulations.

10. SWR promised assured / guaranteed unrealistic returns to its clients

10.1. Complaint of Mr. Suraj Bhan (SEBIP/BH19/0000012/1) was received in SCORES wherein complainant had submitted copies of various emails sent by SWR (Copies of emails received by client are placed at **Annexure 3**). The extracts of said email are mentioned below:

स्थानीय कार्यालय–इन्दौर / Local Office - Indore
104–105, प्रथम मंजिल, सतगुरु परिणय, सी–21 मॉल के सामने, ए.बी. रोड़, इन्दौर – 452010 (म.प्र.)
दूरभाष : 0731–2557003/04/05 टेलीफेक्स : 0731– 2557002 E-mail : indore-lo@sebi.gov.in

104 & 105, 1st Floor, Satguru Parinay. Opp. C-21 Mall, A.B. Road, Indore - 452010 (M.P.)
Phone : 0731-2557003/04/05, Telefax : 0731 - 2557002 E-mail : indore-lo@sebi.gov.in

		stamp paper of Rs. 1000. Pay me 40 lakhs right now
	06:57 to 07.05	*within next ten trading session you will be in the profit of 10 lakhs after recovering every single penny you have lost*
Call-2	09:24 to 09:35	*sir how much fund is there in your dmat? Even if you are putting one lakh also on a intra day basis we can recover Rs. 30,000 to Rs. 40,000 easily and we are taking the responsibility.*
	10:05 to 10.17	*now what the management is going to write a mail management is writing a mail, that sir we are ready to recover your losses we are taking the responsibility of recovering your losses and we provide good services.*
Call-3	00:00 to 00:30	*The market we are going to earn very big ok. That's why I called you. Today I am going to make you profit of minimum 1 lakh. Today we will make it.*

10.4. Complaint of Mr. Yogesh Vasant Khond (SEBIE/MP19/0000078/1) received on SCORES was examined and it was observed that SWR sent following emails to client: (Copies of email placed at **Annexure 5**)

Email dated September 21, 2018

As per discussion with Mr. Sourabh your ASBP Plan charge is INR 5,00,000/- for this plan total paid amount is INR 5,00,000/-. As per the company policy you have to pay your service remaining GST amount INR 90,000/-. This is your final due amount. After complete this amount your service will be fully activated.

Profit slab amount INR 15,00,000/- profit duration 45 working days. *So kindly complete this profile and enjoy your ASBP Plan. Than your service will be activate within 24 Hours.*

Email dated September 27, 2018

As per discussion with Mr. Maheshwari your ASBP Plan is approved. Your plan amount is INR 9,20,000/- for this plan total paid amount is INR 5,90,000/-. As per the company policy your remaining amount INR 3,30,000/-adjust buy your executive and you have to pay your remaining GST amount INR 1,65,600/-. After complete this amount your profile will be transfer Mr. Sumit Gupta.

Profit slab amount INR 18,50,000/- profit duration 35 to 45 working days. *So kindly complete this profile and enjoy your ASBP Plan. Than your service will be activate with in 24 Hours.*

10.5. From the above details, it is observed that SWR vide email dated September 21, 2018 confirmed the client receiving Rs. 5,00,000/- and assured him of profit of Rs. 15,00,000/- within a period of 45 days. Again, vide email dated September 27, 2018, SWR changed the earlier plan and asked the client to deposit additional Rs. 3,30,000/- for modification of earlier plan and assured profit of Rs. 18,50,000/- within a period 35 to 45 working days.

10.6. In view of the above, it was observed that SWR provided tips / tele-messages pertaining to products of

स्थानीय कार्यालय–इन्दौर / Local Office - Indore
104–105, प्रथम मंजिल, सतगुरु परिणय, सी–21 मॉल के सामने, ए.बी. रोड़, इन्दौर – 452010 (म.प्र.)
दूरभाष : 0731–2557003/04/05 टेलीफेक्स : 0731– 2557002 E-mail : indore-lo@sebi.gov.in

104 & 105, 1st Floor, Satguru Parinay. Opp. C-21 Mall, A.B. Road, Indore - 452010 (M.P.)
Phone : 0731-2557003/04/05, Telefax : 0731 - 2557002 E-mail : indore-lo@sebi.gov.in

MP20/0000987/1) wherein, he, *inter alia*, alleged the following:

'Date-10/12/2019: Since huge money was at stake and under immense pressure I arranged for remaining cash-4,45,000. They asked to round off the amount to 4,50,000. They asked me to come to Patna anyhow and handover the cash to their executive who has flown all the way to Patna at the behest of the director of the company. I had no other option but to pay as I thought that huge sum of mine is at stake. I paid 4,45,000 by cash at Patna.'

(Copy of email dated December 10, 2019 is placed at **Annexure – 7**)

12.2. Complainant Mr. Ashutosh Kumar through email dated June 19, 2020 alleged that a total of Rs. 18,89,070/- paid to SWR through various channels including cash payment. Details of payments made to SWR, as informed by Mr. Ashutosh Kumar, are mentioned below:

Date	Amount (Rs.)	Transaction ID/UPI ID/NEFT UTR/Bank Ref ID
19-12-2019	5,000/-	935317055209
20-12-2019	55,000/-	935415920778
20-12-2019	60,000/-	935416233914
20-12-2019	30,000/-	935417281503
20-12-2019	1,50,000/-	PayU Payment Id- 291794768
21-12-2019	10,000/-	935518136520
23-12-2019	1,00,000/-	935710347286
23-12-2019	80,000/-	935710845931
27-12-2019	1,52,000/-	BKIDN19361802403
27-12-2019	1,00,000/-	936110974562
27-12-2019	2,90,000/-	BKIDN19361907343
31-12-2019	1,51,515/-	BKIDN19365188543
09-01-2020	2,55,555/-	BKIDN20009352573
10-01-2020	4,45,000/-	**Paid in cash at Patna**
10-01-2020	5,000/-	BKIDN20010533668

12.3. The details of invoices issued to client is mentioned below:

S. No.	Invoice Date	Invoice number	Product	Duration of service	Invoice Amount (Rs.)
1	19-12-2019	INV2952	Cash	6 months	5,000/-
2	20-12-2019	INV2963	Cash	6 months	55,000/-
3	20-12-2019	INV2964	Cash	6 months	60,000/-
4	20-12-2019	INV2965	Cash	6 months	30,000/-
5	20-12-2019	INV2966	Cash	6 months	1,50,000/-

स्थानीय कार्यालय–इन्दौर / Local Office - Indore
104–105, प्रथम मंजिल, सतगुरु परिणय, सी–21 मॉल के सामने, ए.बी. रोड़, इन्दौर – 452010 (म.प्र.)
दूरभाष : 0731–2557003/04/05 टेलीफेक्स : 0731– 2557002 E-mail : indore-lo@sebi.gov.in

104 & 105, 1st Floor, Satguru Parinay. Opp. C-21 Mall, A.B. Road, Indore - 452010 (M.P.)
Phone : 0731-2557003/04/05, Telefax : 0731 - 2557002 E-mail : indore-lo@sebi.gov.in

'Clients are classified only in three categories low risk medium risk and high risk clients with respective scores 41-52, 53-65, 66+ and accordingly product is recommended to them.'

Risk Classification	SCORE
Low	41-52 points
Medium	53-65 points
High	66+ points

13.2. However, on perusal of risk classification in respect of following 4 clients, it was observed that though their score in risk classification is more than 66+ they are categorized as Medium Risk clients.

Name of client	Risk Profile Score	Risk category
Kiran Oza	71	Medium
Santosh Hanamant Patil	71	Medium
Sunny Mishra	71	Medium
Ashutosh Kumar	67	**Medium**

13.3. For Mr. Ashutosh Kumar, though his risk score as per RPM was 67, he was categorized as Medium Risk category client. As per the suitability policy of SWR, Mr. Ashutosh Kumar falls under High Risk category. After categorizing Mr. Ashutosh Kumar as Medium Risk category client, SWR sold services earmarked for High Risk category i.e. Stock Cash HNI and HNI services which is contrary to suitability policy of SWR itself.

13.4. As per Regulation 16 (b) IA is required to have a process for assessing risk of client is willing to take. However, the above process of Risk Profiling followed by SWR is arbitrary and not in compliance with the said Regulation Further, as per Regulation 17 of IA Regulations, the IA has to ensure that all investments on which investment advice is provided is appropriate to the Risk Profile of the client. Further, the IA shall have a reasonable basis for believing that a recommendation meets the client's investment objective and the client is able to bear any related investment risks consistent with its investment objectives and risk tolerance. However, it is observed that, though SWR had classified clients based on their risk assessment as Low, Medium and High Risk category of clients the classification is done on arbitrary basis. Further, the suitability policy for choosing products for respective clients Risk Profile were also done arbitrarily and same was not followed by SWR itself.

13.5. On account of the above, it is alleged that SWR has violated Regulations 16(b), 17, clauses 1 & 2 of Code of Conduct as specified under III schedule read with Regulation 15(9) of IA Regulations.

14. **Non Redressal of Investor Grievances**

14.1. Regulation 21 of IA Regulations mandates that IA shall redress clients' grievances promptly. Further,

स्थानीय कार्यालय–इन्दौर / Local Office - Indore
104–105, प्रथम मंजिल, सतगुरु परिणय, सी–21 मॉल के सामने, ए.बी. रोड़, इन्दौर – 452010 (म.प्र.)
दूरभाष : 0731–2557003/04/05 टेलीफेक्स : 0731– 2557002 E-mail : indore-lo@sebi.gov.in

104 & 105, 1st Floor, Satguru Parinay. Opp. C-21 Mall, A.B. Road, Indore - 452010 (M.P.)
Phone : 0731-2557003/04/05, Telefax : 0731 - 2557002 E-mail : indore-lo@sebi.gov.in

15. Threatening the Complainant to close the complaint on SCORES

15.1 It was observed that Mr. Ashutosh Kumar has filed the following complaints on SCORES.

Complaint registration no.	Date of complaint
SEBIE/MP20/0000987/1	06-05-2020
MINPA/E/2020/00099	14-02-2020
CBOEC/E/2020/00796	14-02-2020
DOCAF/E/2020/00712	14-02-2020
PMOPG/E/2020/0073779	13-02-2020
DARPG/E/2020/03138	14-02-2020
SEBIE/MH20/0000934/1	18-01-2020
SEBIE/MP20/0000188/1	18-01-2020

15.2. Complainant informed that subsequent to filing complaint with SEBI, SWR started threatening complainant that they would initiate a legal action against him and threated to send legal notice to his address if the complaint is not withdrawn. SWR also threatened the complainant that he would not get a single penny if the complaint were not withdrawn from SCORES.

15.3. The complainant had forwarded call data records of executives of SWR (Call recordings are in the folder named as **Annexure – 9** in the CD enclosed with this SCN). Some of the conversation exchanged between complainant and executive of SWR through call data records are mentioned below:

Recording	Duration	Details communicated
Call-1	01:50 to 02:28	***Executive:*** *my dear friend what I am saying, this issue will be resolved. We have told you clearly to wait so you should wait. As of now you need to close that complaint from SEBI, then only, then only it will be resolved from our end because the concern has been forwarded to our legal team. Legal team will directly contact and advocate will also intervene and he will handle accordingly. I am saying as of now close the complaint from there so that we can look into the matter personally and into the company level.*
	09:00 to 10:00	***Executive:*** *kabhi bi kya hota hai, case agar legal team handle karegi na to usme aapka nuksaan hai jyada. Pata hai kyun, kyunki vo case kitane lambe samay tak chalega uska kuch keh nahi sakte, dusri baat uska resolution kya hota hai, kab aapko milega uska koi time limit nahi hai upar se aapki noukri par dikkat ho sakti hai.* ***Client:*** *aap meri noukri ki kyun chinta kar rahe hain ye muje samaj nahi aa raha?* ***Executive:*** *Nahi sir family me to pata chalega notice jaayega legal notice aapke ghar jaayega.* ***Client:*** *aane dijiye family me pata hai sabko. Mujhe kuch nahi sunana.* ***Executive:*** *aap bas itana bata dijiye ki legal end pe jaana chahate hain ya personal end pe jana chahate hain.*

स्थानीय कार्यालय–इन्दौर / Local Office - Indore
104–105, प्रथम मंजिल, सतगुरु परिणय, सी–21 मॉल के सामने, ए.बी. रोड़, इन्दौर – 452010 (म.प्र.)
दूरभाष : 0731–2557003/04/05 टेलीफेक्स : 0731– 2557002 E-mail : indore-lo@sebi.gov.in

104 & 105, Ist Floor, Satguru Parinay, Opp. C-21 Mall, A.B. Road, Indore - 452010 (M.P.)
Phone : 0731-2557003/04/05, Telefax : 0731 - 2557002 E-mail : indore-lo@sebi.gov.in

view of the same it is alleged that, SWR is collecting fees including GST amount on cancelled GSTN (Client Master is in the folder named as **Annexure – 10** in the CD enclosed with this SCN). The status of GSTN on GST website and some of the sample invoices issued by SWR post suo-moto cancellation of GST are placed at **Annexure – 11**.

16.2. As per Code of Conduct for investment advisor an investment advisor shall comply with all regulatory requirements applicable to the conduct of business activities. In view of the above it is alleged that SWR had failed to abide by Clauses 8 of Code of Conduct for Investment Advisors as specified in Schedule III of IA Regulations read with Regulation 15 (9) of IA Regulations.

16.3. Further, the aforesaid act on the part of SWR comes under the definition of 'fraud' as defined in Regulation 2(1)(c) of PFUTP Regulations. On account of the above, the SWR has violated Regulation 3(a), (b), (c) and(d) of PFUTP Regulations read with Section 12(A)(a), (b), (c) of SEBI Act.

17. **Misrepresentation to clients**

17.1. Complainant Mr. Durairaj had submitted various call records exchanged with SWR representative. It was observed from the conversation, that the representatives of SWR provided misinformation to clients (Call records are in the folder named as **Annexure – 12** in the CD enclosed with this SCN). The some of the details are mentioned below:

Recording	Duration	Details communicated
Call-1	03:55 to 4:30	***Client:*** *where you people are working Indore or Bombay? Some of your people are telling Indore some are telling Bombay I don't know where you people are working.* ***Executive:*** *we have the two branches in Mumbai also and in Indore also both.* ***Client:*** *so now you are in Bombay or Indore.* ***Executive:*** *Indore* ***Client:*** *Where is Arnav and Sunil?* ***Executive:*** *Sunil is also from Indore and Arnav is from Mumbai.* ***Client:*** *No. Both were telling that they were working from same place.* ***Executive:*** *usually they come to Indore as well and we work for both the branches as well.*
Call-2	08:16 to 08:28	***Client:*** *You are the Board of Director you can change anything* ***Executive:*** *Sir there are **11 board of directors** in the company.*

17.2. SWR vide letter dated April 13, 2018, informed SEBI that the registered office address of SWR is changed from Plot no 43, Flat no. 201, MR3, Indore, MP - 452010 to 162, Mangal City, Indore - 452010. As per the available records, the SWR is operating only from the above address. SWR did not inform SEBI that its branch was operational in Mumbai. It is observed that either the clients were misguided by SWR or the IA was operating branch in Mumbai without informing SEBI.

स्थानीय कार्यालय–इन्दौर / Local Office - Indore
104–105, प्रथम मंजिल, सतगुरु परिणय, सी–21 मॉल के सामने, ए.बी. रोड़, इन्दौर – 452010 (म.प्र.)
दूरभाष : 0731–2557003/04/05 टेलीफेक्स : 0731– 2557002 E-mail : indore-lo@sebi.gov.in

104 & 105, 1st Floor, Satguru Parinay. Opp. C-21 Mall, A.B. Road, Indore - 452010 (M.P.)
Phone : 0731-2557003/04/05, Telefax : 0731 - 2557002 E-mail : indore-lo@sebi.gov.in

As per Regulation 22 (1) of IA Regulations an individual IA shall not provide distribution services. In view of the above, it is alleged that SWR has violated Regulation 22 (1) of IA Regulations.

19. In light of the above, Noticee, Star World Research (Proprietor - Manish Kumar Gour), 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 read with Regulation 35 of SEBI (Intermediaries) Regulations, 2008 read with Regulation 28 of IA Regulations and SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 should not be issued against the Noticee for the aforesaid violations :
    19.1. 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;
    19.2. 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,
    19.3. 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;
    19.4. to refund the amount of Rs 14,85,78,407/-, received from the clients/investors/complainant on or after January 01, 2017, as fees or consideration or in any other form in respect to the investment advisory activities.

20. The written submissions of the Noticee, Star World Research (Proprietor- Manish Kumar Gour), 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 MS Word format) by e-mail at email-ids amitn@sebi.gov.in, 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.

Securities and Exchange Board of India
Indore Local Office
104-105, Satguru Parinay, Opposite C-21 Mall,
A.B. Road, Indore - 452010, Madhya Pradesh.

21. 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 Noticees are advised to keep SEBI informed about the change in their correspondence address, if any, till the proceedings in the extant matter are complete.

स्थानीय कार्यालय–इन्दौर / Local Office - Indore
104–105, प्रथम मंजिल, सतगुरु परिणय, सी–21 मॉल के सामने, ए.बी. रोड़, इन्दौर – 452010 (म.प्र.)
दूरभाष : 0731–2557003/04/05 टेलीफेक्स : 0731– 2557002 E-mail : indore-lo@sebi.gov.in

104 & 105, 1st Floor, Satguru Parinay. Opp. C-21 Mall, A.B. Road, Indore - 452010 (M.P.)
Phone : 0731-2557003/04/05, Telefax : 0731 - 2557002 E-mail : indore-lo@sebi.gov.in

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

Relevant provisions of IA Regulations:

Conditions of certificate.

13. The certificate granted under Regulation 9 shall, inter alia, be subject to the following conditions:-

(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.

Risk profiling.

16. *Investment adviser shall ensure that,-*

(a) it obtains from the client, such information as is necessary for the purpose of giving investment advice, including the following:-

(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;

(iii) appropriately interpreting client responses to questions and not attributing inappropriate weight to certain answers.

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;

(b) It has a documented process for selecting investments based on client's investment objectives and financial situation;

(c) It understands the nature and risks of products or assets selected for clients;

(d) It has a reasonable basis for believing that a recommendation or transaction entered into:

(i) meets the client's investment objectives;

(ii) is such that the client is able to bear any related investment risks consistent with its investment objectives and risk tolerance;

(iii) is such that the client has the necessary experience and knowledge to understand the risks involved in the transaction.

(e) Whenever a recommendation is given to a client to purchase of a particular complex financial product, such recommendation or advice is based upon a reasonable assessment that the structure and risk reward profile of financial product is consistent with clients experience, knowledge, investment objectives, risk appetite and capacity for absorbing loss.

स्थानीय कार्यालय–इन्दौर / Local Office - Indore
104–105, प्रथम मंजिल, सतगुरु परिणय, सी–21 मॉल के सामने, ए.बी. रोड़, इन्दौर – 452010 (म.प्र.)
दूरभाष : 0731–2557003/04/05 टेलीफेक्स : 0731– 2557002 E-mail : indore-lo@sebi.gov.in

104 & 105, 1st Floor, Satguru Parinay. Opp. C-21 Mall, A.B. Road, Indore - 452010 (M.P.)
Phone : 0731-2557003/04/05, Telefax : 0731 - 2557002 E-mail : indore-lo@sebi.gov.in

(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.

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 failure to redress investors' grievances.
15C. *If any listed company or any person who is registered as an intermediary, after having been called upon by the Board in writing including by any means of electronic communication, to redress the grievances of investors, fails to redress such grievances within the time specified by the Board, such company or intermediary shall be liable to a 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.*
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.*

स्थानीय कार्यालय–इन्दौर / Local Office - Indore
104–105, प्रथम मंजिल, सतगुरु परिणय, सी–21 मॉल के सामने, ए.बी. रोड़, इन्दौर – 452010 (म.प्र.)
दूरभाष : 0731–2557003/04/05 टेलीफेक्स : 0731– 2557002 E-mail : indore-lo@sebi.gov.in

104 & 105, 1st Floor, Satguru Parinay. Opp. C-21 Mall, A.B. Road, Indore - 452010 (M.P.)
Phone : 0731-2557003/04/05, Telefax : 0731 - 2557002 E-mail : indore-lo@sebi.gov.in