BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER No. Order/AN/SM/2023-24/30175

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

In respect of

Grovalue Financial Services Private Limited
(PAN- AAFCG8218G)
(SEBI Reg. No.- INH000003499)

In the matter of Grovalue Financial Services Private Limited

A. BRIEF BACKGROUND

1. Securities and Exchange Board of India (hereinafter also referred to as 'SEBI') conducted inspection of Grovalue Financial Services Pvt. Ltd. (hereinafter referred to as "RA-Grovalue" / "RA"/ "Noticee"/ "Grovalue") for the period April 01, 2021 to August 31, 2022 (hereinafter also referred to as 'Inspection Period' / 'IP'). The focus of the inspection was to look into the compliance inter alia with respect to concerned Regulations and Circulars, investor service/complaints, on-boarding of clients, fees/charges and necessary due diligence carried out by the Research Analyst.

2. The findings of the Inspection were communicated by SEBI to the Noticee vide SEBI letter dated November 11, 2022 and comments were sought. However, no reply was received from the Noticee, accordingly, reminder letter was sent vide letter dated November 24, 2022. However, no reply was received from the Noticee to the findings of the Inspection despite the reminder(s).

3. Based on the findings of the inspection, SEBI initiated Adjudication Proceedings under Section 15-I of Securities and Exchange Board of India Act, 1992 ('SEBI

Act') in respect of Grovalue Financial Services Private Limited in the subject matter for the alleged violations of the following provisions:

- Regulation 13(i), Regulation 24(4), Regulation 29 (1) & (2), Regulation 32 (i), (ii) & (v) and Regulation 24(2) read with clause 7 of Third Schedule of Code of Conduct for Research Analyst of SEBI (Research Analyst) Regulation 2014 (hereinafter also referred to as "SEBI (RA) Regulation 2014")
- Regulation 13(ii) of SEBI (Research Analyst) Regulation 2014.
- Para 3 of Second Schedule to SEBI (Research Analyst) Regulation, 2014 read with Regulation 11 of SEBI (Research Analyst) Regulation, 2014
- SEBI circular CIR/OIAE/1/2014 dated December 18, 2014 (hereinafter also referred to as "SEBI Circular") read with Regulation 32 (vi) of SEBI (Research Analyst) Regulation 2014.

B. APPOINTMENT OF ADJUDICATING OFFICER

4. Whereas, the Competent Authority was prima facie of the view that there were sufficient grounds to adjudicate upon the alleged violations by the Noticee, as stated above and therefore, in exercise of the powers conferred under Section 19 read with Section 15 I of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter also referred as "*Adjudication Rules*"), the Competent Authority appointed the undersigned as Adjudicating Officer ("*AO*") vide order dated September 07, 2023 to inquire into and adjudicate under Section 15EB, 15A(a) and 15C of the SEBI Act, 1992 the aforesaid alleged violations of the Noticee. The said proceedings of appointment were communicated to the undersigned vide Communique dated September 13, 2023.

C. SHOW CAUSE NOTICE, REPLY OF THE NOTICEE AND HEARING

5. A Show Cause Notice No SEBI/EAD5/P/OW/2023/39792/1-2 dated September 21, 2023 (hereinafter also referred to as "SCN" / "said SCN") was issued to Noticee to show cause as to why an inquiry should not be held against it and why penalty, if any, under sections 15EB, 15A(a) and 15C of SEBI Act be not imposed upon the Noticee for the violation alleged to have been committed by the Noticee.

6. The summary of allegations brought out in the SCN is as hereunder:

"….

6.1. <u>Non-submission of relevant data/information</u>

RA - Grovalue has not submitted relevant data /information for the inspection period from April 01, 2021 to August 31, 2022 in response to the Pre-Inspection Questionnaire(PIQ) sent along with the inspection notice.

6.1.1. *RA-Grovalue has not submitted relevant data /information for the inspection period from April 01, 2021 to August 31, 2022 in response to the inspection notice along with copy of PIQ vide no. SEBI/HO/MIRSD/DOS-1/P/OW/2022/49389/1 dated September 21, 2022 (undelivered) therefore the same letter with PIQ again sent at different address vide no MIRSD/DoS1/PJ/MP/2022/50805/1 dated September 30, 2022 (Annexure A2) and vide no. SEBI/HO/MIRSD/DOS-1/P/OW/2022/53231/1 dated October 19, 2022 (Annexure B3) and SEBI email dated 02/11/2022 (Annexure F6).*

In view thereof, it is alleged that RA - Grovalue has not submitted relevant data /information for the inspection period from April 01, 2021 to August 31, 2022 in response to the Pre-Inspection Questionnaire(PIQ) sent along with the inspection notice and therefore, Noticee has violated Regulation 13(i), Regulation 24(4), Regulation 29 (1) & (2), Regulation 32 (i), (ii) & (v) and Regulation 24(2) read with clause 7 of Third Schedule of Code of Conduct for Research Analyst of SEBI (Research Analyst) Regulation 2014.

6.2. <u>Condition of the certificate</u>

The material change in information pertaining to change in address of registered office has not been submitted to the Board.

6.2.1. *<u>Provisions of Regulations / Circulars etc.:</u> The certificate granted under regulation 9 shall, inter alia, be subject to the following conditions: -*
the research analyst shall abide by the provisions of the Act and these regulations;

(i) the research analyst 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;
(ii) Research analyst registered under these regulations shall use the term 'research analyst' in all correspondences with its clients.

a. <u>Documents Sought/relied upon:</u>
Sample Copies of correspondence sent to the clients as per point no. 30(g) of PIQ.

b. <u>SEBI Observations</u>:

It is observed from MCA website that the registered office address of the RA-Grovalue is "5B. 64B, 2nd Floor, Raja Bahadur Bansilal Building, J.S.S. Road, Girgaon, Opera House, Mumbai – 400004" from where presently it carries its business, whereas, the registered office address available in SEBI SI portal is "03, Enterprise Center, Off Nehru Road, Near Domestic Airport, Vile Parle (East), Mumbai 400099'. This material change in information has not been submitted to the Board Annexure C4 (data from SEBI SI portal), Annexure D5 (data from MCA website).

In view thereof, it is alleged that the material change in information pertaining to change in address of registered office has not been submitted to the Board and therefore, Noticee has violated Regulation 13(ii) of SEBI (Research Analyst) Regulation 2014.

6.3. <u>Non-payment of registration renewal fee</u>

RA – Grovalue failed to pay the registration renewal fee due to keep the registration in force.

Copy of Email from MIRSD-RAC 1 placed at Annexure X7.

In view thereof, it is alleged that RA – Grovalue failed to pay the registration renewal fee due to keep the registration in force and therefore, Noticee has violated Para 3 of Second Schedule to SEBI (Research Analyst) Regulation, 2014 read with Regulation 11 of SEBI (Research Analyst) Regulation, 2014

6.4. <u>Investor Grievance Redressal</u>

As per the complaint status obtained from the SEBI SCORES portal, RA received 10 complaints during April 01, 2021 to August 31, 2022 out of which 2 complaints were pending as on August 31, 2022. Further, 9 complaints were processed/resolved beyond 30 days during April 01, 2021 to August 31, 2022.

6.4.1. *Regulation 13 (1) of SEBI (Intermediaries) Regulations, 2008 read with SEBI circular SEBI/HO/IMD/IMD-II CIS/P/CIR/2021/0685 dated December 13, 2021 dealing with publishing of investor charter and disclosure of investor complaints on website / Mobile Application of RA along with Circular No. SEBI/HO/OIAE/IGRD/CIR/P/2019/86 dated August 2, 2019 regarding SCORE registration details.*

a. <u>Documents sought / Relied upon</u>:

1. *Details of the SCORES registration as per point no. 31 of PIQ*
2. *Details of complaints handled as per point no. 32 of the PIQ.*

b. <u>SEBI Observation</u>:

(i) It is observed from the submissions of RA-Grovalue that has not provided the relevant data /information for the inspection period from April 01, 2021 to August 31, 2022 in response to the inspection notice along with copy of PIQ vide no. SEBI/HO/MIRSD/DOS-1/P/OW/2022/49389/1 dated September 21, 2022 (undelivered) therefore the same letter with PIQ again sent at different address vide no MIRSD/DoS1/PJ/MP/2022/50805/1 dated September 30, 2022 (Annexure A2) and vide no. SEBI/HO/MIRSD/DOS-1/P/OW/2022/53231/1 dated October 19, 2022. (Annexure B3).

(ii) RA-Grovalue has not submitted details of the complaints received by it, however, below mention are the complaints pulled out from the SEBI SCORES portal:

Number complaints received during the period April 01, 2021 to August 31, 2022	*Number of complaints resolved during the period April 01, 2021 to August 31, 2022*	*Number of complaints pending as on August 31, 2022*	*Number of complaints pending for more than 30 days during the period April 01, 2021 to August 31, 2022*

10	*8*	*2*	*9*

In view thereof, it is alleged that as per the complaint status obtained from the SEBI SCORES portal, RA received 10 complaints during April 01, 2021 to August 31, 2022 out of which 2 complaints were pending as on August 31, 2022. Further, 9 complaints were processed/resolved beyond 30 days during April 01, 2021 to August 31, 2022 and therefore, Noticee has violated SEBI circular CIR/OIAE/1/2014 dated December 18, 2014 read with Regulation 32 (vi) of SEBI (Research Analyst) Regulation 2014.

…."

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7. The SCN was sent through Speed Post Acknowledgment Due (SPAD) on two addresses of the Noticee viz., (i) 5B, 64B, 2nd Floor, Raja Bahadur Bansilal Bldg, J.S.S. Road, Girgaon, Opera House, Mumbai- 400004 and (ii) 03, Enterprise Center, Off Nehru Road, Near Domestic Airport, Vile Parle (East), Mumbai 400099. The said SCN was delivered through SPAD on September 30, 2023 at the first address viz. 5B, 64B, 2nd Floor, Raja Bahadur Bansilal Bldg, J.S.S. Road, Girgaon, Opera House, Mumbai- 400004. In this regard, Signed Acknowledgment Due card has been received. The SCN sent on second address was returned undelivered with remark "left". As regards Noticee's reply to the SCN, I note that no reply to the SCN has been received.

8. Vide Hearing Notice reference no. SEBI/HO/EAD/EAD-5/P/OW/2023/42301/1 dated October 13, 2023, Noticee was granted an opportunity of hearing on October 20, 2023. I note that Signed SPAD card was received from Noticee from the first address. However, no response was received from the Noticee in this regard and on the scheduled hearing date, the Noticee failed to appear for the hearing. In the interest of natural justice, email dated October 20, 2023, was sent to Noticee at its email address viz., grovaluefinancial@gmail.com and compliance@grovalue.in inter alia granting another opportunity of Hearing on October 26, 2023. However, Noticee failed to avail the said Hearing opportunity.

9. Vide Hearing Notice dated December 08, 2023, having regard to principles of natural justice another opportunity as last opportunity of hearing was granted to Noticee on December 15, 2023 and Noticee was inter alia informed that he had

failed to avail the hearing opportunities provided previously and no reply to the SCN had been received from the Noticee as on that date. In this regard, I note that signed SPAD card has been received from Noticee. Thereafter, vide letter dated March 06, 2024, Noticee was inter alia informed that since no reply had been received from the Noticee to the SCN and no appearance was made by the Noticee for hearing, the matter shall be proceeded with on the basis of facts /material available on record in terms of sub-rule (7) of Rule (4) of the Adjudication Rules.

10. Having regard to sufficient opportunities been provided to Noticee to submit reply to the SCN and appear for hearing and that the Noticee neither appeared for hearing nor any response was received as reply to the SCN from the Noticee, Accordingly, I am constrained to proceed to deal with the matter Ex-parte on the basis of material available on record in terms of Rule 4(7) of the Adjudication Rules which reads as under: -

> *“*
> *….*
> *4(7) If any person fails, neglects or refuses to appear as required by sub-rule (3) before the Board or the adjudicating officer, the Board or the adjudicating officer may proceed with the inquiry in the absence of such person after recording the reasons for doing so.*
> *…*
> *”*

11. Further, in this regard, reliance is placed on Hon’ble Securities Appellate Tribunal (SAT) order dated December 08, 2006 in the matter of Classic Credit Ltd. vs. SEBI wherein Hon’ble SAT had, inter alia, observed that, *"......the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them”.* It is also pertinent to note that the Hon’ble SAT in the matter of Sanjay Kumar Tayal (File Ref No.: EAD2/SS/VS/64/111/2019-20) & Others vs SEBI (Appeal No. 68 of 2013 decided on February 11, 2014), has also, inter alia, observed that: *“........... appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges leveled against them in the show cause notices...”* Further, the same position is reiterated by the Hon’ble SAT in the matter of Dave Harihar

Kirtibhai Vs SEBI (Appeal No. 181 of 214 dated December 19, 2014), wherein the Hon'ble SAT observed as under*:"...further, it is being increasingly observed by the Tribunal that many persons/entities do not appear before SEBI (Respondent) to submit reply to SCN or, even worse, do not accept notices/letters of Respondent and when orders are passed ex-parte by Respondent, appear before Tribunal in appeal and claim non-receipt of notice and do not appear and/or submit reply to SCN but claim violation of principles of natural justice due to not being provided opportunity to reply to SCN or not provided personal hearing. This leads to unnecessary and avoidable loss of time and resources on part of all concerned and should be eschewed, to say the least. Hence, this case is being decided on basis of material before this Tribunal...".* Further, in the matter of Shri. B.Ramalinga Raju vs. SEBI (Appeal no. 286 of 2014), *"eventhough the Noticees remained ex-parte, I find it relevant that I should be guided by the documents available on record".*

In view thereof, I hereby proceed to deal with the matter on the basis of material available on record and on the basis of presumption that the allegations /charges have been admitted by Noticee.

D. CONSIDERATION OF ISSUES AND FINDINGS:

12. The issues that arise for consideration in the instant matter are following:

ISSUE I - Whether the Noticee has violated the provisions of SEBI (RA) Regulation, 2014 and SEBI Circular as alleged?

ISSUE II: If yes, whether the Noticee is liable for imposition of monetary penalty under provisions of Section 15EB, 15A(a), 15C of SEBI Act, 1992?

ISSUE III - If yes, what should be the monetary penalty that can be imposed upon the Noticee?

ISSUE I - Whether the Noticee has violated the provisions of SEBI (RA) Regulation, 2014 and SEBI Circular as alleged?

13. The following was inter alia observed and /or alleged in respect of the Noticee:

13.1. **Non-submission of relevant data/information**

13.1.1. It was inter alia alleged in the SCN that Noticee had not submitted relevant data /information for the inspection period from April 01, 2021 to August 31, 2022 in response to the Pre-Inspection Questionnaire(PIQ) sent along with the inspection notice and therefore, Noticee had violated Regulation 13(i), Regulation 24(4), Regulation 29 (1) & (2), Regulation 32 (i), (ii) & (v) and Regulation 24(2) read with clause 7 of Third Schedule of Code of Conduct for Research Analyst of SEBI (Research Analyst) Regulation 2014.

13.1.2. In this regard, it is pertinent to refer to the provisions of Regulation 13(i), Regulation 24(4), Regulation 29 (1) & (2), Regulation 32 (i), (ii) & (v) and Regulation 24(2) read with clause 7 of Third Schedule of Code of Conduct for Research Analyst of SEBI (Research Analyst) Regulation 2014 which inter alia states:

SECURITIES AND EXCHANGE BOARD OF INDIA (RESEARCH ANALYSTS) REGULATIONS, 2014

"…
Conditions of certificate.
13*. The certificate granted under regulation 9 shall, inter alia, be subject to the following conditions:-*
(i) the research analyst shall abide by the provisions of the Act and these regulations;
…"

General responsibility.

.... "

***24**.(1)…*

(2) Research analyst or research entity shall abide by Code of Conduct as specified in Third Schedule.

(3)…

(4) Research analyst or research entity shall furnish to the Board information and reports as may be specified by the Board from time to time.

…".

"…

Obligation of research analyst on inspection.

29. (1) It shall be the duty of every research analyst or research entity in respect of whom an inspection has been ordered under the regulation 27 and any other associate person who is in possession of relevant information pertaining to conduct and affairs of such research analyst or research entity including their representative, if any, to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with such statements and information as the inspecting authority may require for the purposes of inspection.

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

…"

"…

Liability for action in case of default.

32. Research analyst or research entity who:
(i) contravenes any of the provisions of the Act or any regulations or circulars issued thereunder;
(ii) fails to furnish any information relating to its activity as a research analyst as required by the Board;
(v) does not co-operate in any enquiry, inspection or investigation conducted by the Board;
shall be dealt with in the manner provided under the Act or the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

…"

13.1.3. I note from Regulation 24 of SEBI (Research Analyst) Regulation 2014 that it is general responsibility of RA to furnish to Board (SEBI) information and reports as may be specified by the Board from time to time. Further, Regulation 29 of SEBI (Research Analyst) Regulation 2014 inter alia requires every RA in respect of whom an inspection is ordered to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with such statements and information as the inspecting authority may require for the purposes of inspection. Further, Regulation 29(2) requires RA to give to the inspecting authority all such assistance and to extend all such co-operation as may be required in connection with the inspection and to furnish such information as sought by the inspecting authority in connection with the inspection. Further, Regulation 32 (v) states that if and RA does not co-operate in any enquiry, inspection or investigation conducted by the Board, he shall be dealt with in the manner provided under the Act or the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

13.1.4. I note that SEBI ordered Inspection inter alia against Noticee vide Order no. HO/RA/1/2022-23 dated September 19, 2022. In this regard, I note from the material available on record that Pre-Inspection Questionnaire(PIQ) was sent to the Noticee along with the Inspection Notice dated September 21, 2022 via both SPAD at the postal address available on record viz., “03, Enterprise Center, Off Nehru Road, Near Domestic Airport, Vile Parle (East), Mumbai 400099” and email at research@grovalue.in on September 22, 2022. The PIQ sent via SPAD was returned undelivered. In this regard, I note from material available on record that Noticee telephonically informed SEBI inter alia regarding the closure of aforesaid address (being the registered office address available in SEBI SI portal) and also provided another email Id viz., accounts@grovalue.in. Thereafter, SEBI vide letter dated October 19, 2022 sent reminder letter at the registered address as available on MCA Website viz; 5B, 64B, 2nd Floor, Raja Bahadur Bansilal Building J.S.S. Road, Girgaon, Opera House, Mumbai- 400004 enclosing inter alia SEBI letter dated September 21, 2022 whereby Noticee was once again advised to provide the information as sought by SEBI latest by October 24, 2022. In this regard, I note from India Post tracking details, as available on record that the said letter dated October 19, 2022 was delivered at the said address on October 21, 2022. However, I note from material available on record in this regard that no response was received by SEBI from Noticee.

13.1.5. In this regard, I note that no reply to the SCN has been received from the Noticee.

13.1.6. In view thereof, I find that the allegation that Noticee had not submitted relevant data /information for the inspection period from April 01, 2021 to August 31, 2022 in response to the Pre-Inspection Questionnaire (PIQ) stands established. Therefore, I hold that Noticee has violated Regulation 13(i), Regulation 24(4), Regulation 29 (1) & (2), Regulation 32 (i), (ii) & (v) and Regulation 24(2) read with clause 7 of Third Schedule of Code of Conduct for Research Analyst of SEBI (Research Analyst) Regulation 2014.

13.2. **Condition of the certificate**

13.2.1. It was inter alia alleged in the SCN that the material change in information pertaining to change in address of registered office had not been submitted to the Board and therefore, Noticee had violated Regulation 13(ii) of SEBI (Research Analyst) Regulation 2014.

13.2.2. In this regard, it is pertinent to refer Regulation 13(ii) of SEBI (Research Analyst) Regulation 2014 which inter alia states that:

Conditions of certificate.

"…

13. The certificate granted under regulation 9 shall, inter alia, be subject to the following conditions:-
(i) …
(ii) the research analyst 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;
…"

13.2.3. From the above, I note that Regulation 13(ii) of SEBI (Research Analyst) Regulation 2014 inter alia requires RA to inform the Board in writing if there is any material change in the information already submitted.

13.2.4. In this regard, I note from MCA website that the registered office address of the Noticee is "5B, 64B, 2ND FLOOR, RAJA BAHADUR BANSILAL BLDG, J.S.S. ROAD, GIRGAON, OPERA HOUSE, Mumbai City, MUMBAI, Maharashtra, India, 400004" ("Address 1"), whereas, the registered office address available in SEBI SI portal is "03, Enterprise Center, Off Nehru Road, Near Domestic Airport, Vile Parle (East), Mumbai 400099' ("Address 2"). I note from material available on record that during Inspection Noticee was carrying its business from its business Address 1.

13.2.5. I note from material available on record that the registered office address of Noticee available in SEBI SI portal reads as *"03, Enterprise Center, Off Nehru Road, Near Domestic Airport, Vile Parle (East), Mumbai 400099".* In this regard, I note from material available on record that Noticee had telephonically informed SEBI inter alia regarding the closure of aforesaid address (being the registered office address available in SEBI SI portal) as also brought out earlier in the foregoing. I further note from material available on record that the registered office address of the Noticee on MCA website read as *"5B, 64B, 2ND FLOOR, RAJA BAHADUR BANSILAL BLDG, J.S.S. ROAD, GIRGAON, OPERA HOUSE, Mumbai City, MUMBAI, Maharashtra, India, 400004"*.

13.2.6. In this regard, I note that no reply to the SCN has been received from the Noticee.

13.2.7. In view thereof, I find that the allegation that material change in information pertaining to change in address of registered office had not been submitted to the Board by the Noticee, stands established. Therefore, I hold that Noticee has violated Regulation 13(ii) of SEBI (Research Analyst) Regulation 2014.

13.3. Non-payment of fee with respect to Renewal of certificate

13.3.1. It was inter alia alleged in the SCN that Noticee failed to pay the registration renewal fee due, to keep the registration in force and therefore, Noticee has violated Para 3 of Second Schedule to SEBI (Research Analyst) Regulation, 2014 read with Regulation 11 of SEBI (Research Analyst) Regulation, 2014.

13.3.2. In this regard, it is pertinent to refer to Para 3 of Second Schedule to SEBI (Research Analyst) Regulation, 2014 read with Regulation 11 of SEBI (Research Analyst) Regulation, 2014 which inter alia states that:

SECOND SCHEDULE
Securities and Exchange Board of India (Research Analysts) Regulations, 2014 [See Regulation 3(2) and Regulation 9]
FEES

"….

3. [16][A Research Analyst who has been granted a certificate of registration, to keep its registration in force, shall pay fee prescribed …… every five years , from the date of grant of certificate of registration or from the date of grant of certificate of registration granted prior to the commencement of the Securities and Exchange Board of India (Change in Conditions of Registration of Certain Intermediaries) (Amendment) Regulations, 2016, as the case may be, within three months before expiry of the period for which fee has been paid.]

…"

"…

Renewal of certificate.

[5] [11. The research analyst who has already been granted certificate of registration by the Board, prior to the commencement of the Securities and Exchange Board of India (Research Analysts) (Amendment) Regulations, 2016 shall be deemed to have been granted a certificate of registration, subject to payment of fee, as prescribed in Schedule II of these regulations.]

…"
.

13.3.3. I note from material available on record that Noticee is registered with SEBI as Research Analyst. Noticee was granted certificate of registration by SEBI w.e.f October 16, 2016. In this regard, I note that in order to keep its registration in force, Noticee is required to pay prescribed fee every five years from the date of grant of certificate of registration as per Para 3 of Second Schedule to SEBI (Research Analyst) Regulation, 2014 read with Regulation 11 of SEBI (Research Analyst) Regulation, 2014. In this regard, I note from the email dated May 31, 2023 of the concerned department of SEBI, copy of which had also been sent to Noticee as part of Annexure to the SCN that Noticee had failed to pay the fee required to keep the registration in force.

13.3.4. In this regard, I note that Regulation 10 of the SEBI (RA) Regulations provides that the certificate of registration granted to Research Analyst shall be valid till it is suspended or cancelled by SEBI. Further, Para 3 of Second Schedule to SEBI (Research Analyst) Regulation, 2014 provides that RA has to pay prescribed fees, every five year from the date of grant of certificate of registration in order to keep its registration in force. In this regard, on a conjoint reading of the aforesaid provisions, in my view, as long as the registration has not been cancelled or surrendered, the Noticee was required to pay prescribed fee every five years to keep its registration in force. In this regard, I note from material available on record that the registration of the Noticee has neither been cancelled nor surrendered and that the Noticee had not paid prescribed fee as was due in terms of extant applicable Securities laws.

13.3.5. In this regard, I note that no reply to the SCN has been received from the Noticee.

13.3.6. In view thereof, I find that the allegation that Noticee failed to pay fee with respect to Renewal of certificate, to keep the registration in force stands established. Therefore, Noticee has violated Para 3 of Second Schedule to SEBI (Research Analyst) Regulation, 2014 read with Regulation 11 of SEBI (Research Analyst) Regulation, 2014.

13.4. **Investor Grievance Redressal**

13.4.1. It was inter alia alleged in the SCN that as per the complaint status obtained from the SEBI SCORES portal, RA received 10 complaints during April 01, 2021 to August 31, 2022 out of which 2 complaints were pending as on August 31, 2022. Further, 9 complaints that were disposed beyond 30 days during April 01, 2021 to August 31, 2022 and therefore, Noticee has violated SEBI circular CIR/OIAE/1/2014 dated December 18, 2014 read with Regulation 32 (vi) of SEBI (Research Analyst) Regulation 2014.

13.4.2. In this regard, it is pertinent to refer to the relevant extract of SEBI circular CIR/OIAE/1/2014 dated December 18, 2014 and Regulation 32 (vi) of SEBI (Research Analyst) Regulation 2014.

> "…
>
> *Failure by listed companies and SEBI registered intermediaries to file ATR under SCORES within thirty days of date of receipt of the grievance shall not only be treated as failure to furnish information to SEBI but shall also be deemed to constitute non-redressal of investor grievance.*
>
> *…"*

Liability for action in case of default.

32. Research analyst or research entity who:
"…
(iii) does not submit periodic returns or reports as required by the Board;
…."
"….
shall be dealt with in the manner provided under the Act or the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.
…"

13.4.3. I note that SEBI Circular dated mandates that all SEBI registered intermediaries are to take immediate action in the resolution of complaints within a period of thirty days and file an Action Taken Report (ATR) with SEBI. Further, it clearly states that non-filing of ATR under SCORES within thirty days of date of receipt of the grievance shall not only be treated as failure to furnish information to SEBI but shall also be deemed to constitute non-redressal of investor grievance. Further, Regulation 32 of SEBI (RA) Regulations, 2014 provides for Liability for action in case of inter alia default to submit periodic reports as required by the Board. In this regard I note from material available on record that total 10 complaints had been filed against Noticee. Out of those 10 complaints, in 8 complaints Noticee failed to resolve the complaints within 30 days of the receipt of the grievance. I note that the delay to dispose of the said 8 complaints ranged from 80 days to 327 days.

13.4.4. In this regard, I note that no reply to the SCN has been received from the Noticee.

13.4.5. In view thereof, I find that Noticee received 10 complaints during April 01, 2021 to August 31, 2022 out of which 8 complaints were disposed beyond 30 days. Therefore, I hold Noticee has violated SEBI circular CIR/OIAE/1/2014 dated December 18, 2014 read with Regulation 32 (vi) of SEBI (Research Analyst) Regulation 2014.

ISSUE II: If yes, whether the Noticee is liable for imposition of monetary penalty under provisions of Section 15EB, 15A(a), 15C of SEBI Act, 1992?

14. It has been established in the preceding paragraphs that Noticee had violated the stated provisions of SEBI (RA) Regulations, 2014 and SEBI Circular viz., Regulation 13(i), Regulation 24(4), Regulation 29 (1) & (2), Regulation 32 (i), (ii) & (v) and Regulation 24(2) read with clause 7 of Third Schedule of Code of Conduct for Research Analyst of SEBI (RA) Regulation 2014, Regulation 13(ii) of SEBI (RA)

Regulation 2014, Para 3 of Second Schedule to SEBI (Research Analyst) Regulation, 2014 read with Regulation 11 of SEBI (RA) Regulation 2014, SEBI Circular CIR/OIAE/1/2014 dated December 18, 2014 read with Regulation 32 (vi) of SEBI (RA) Regulation 2014.

15. In this regard, reliance is placed upon the order of the Hon'ble Supreme Court of India in the matter of Chairman, SEBI Vs Shriram Mutual Fund {[2006][5] SCC 361} – wherein the Hon'ble Supreme Court of India inter alia held:

> *"….*
> *In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant*
> *….*
> *".*

16. Therefore, for the established violations, as brought out in the foregoing paragraphs, I find that Noticee is liable for monetary penalty under section 15EB, 15A(a) and 15C of the SEBI Act, 1992 which reads as follows:

Securities and Exchange Board of India Act, 1992

[62][CHAPTER VIA
PENALTIES AND ADJUDICATION

"….

Penalty for failure to furnish information, return, etc.

15A. If any person, who is required under this Act or any rules or regulations made thereunder,—
(a) to furnish any document, return or report to the Board, fails to furnish the same [63][or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents], he shall be liable to [64][a penalty [65][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]];

…."

"….

[73][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 74[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 [75][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 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.]

….".

(Note: for detailed/ complete text of the provisions, relevant Acts etc., may please be referred.)

ISSUE III - If so, what should be the monetary penalty that can be imposed upon the Noticee?

17. While determining the quantum of penalty under section 15EB, 15A(a) and 15C of the SEBI Act, 1992, it is important to consider the factors relevantly as stipulated in section 15J of the SEBI Act, 1992 which reads as under-

"….
Factors to be taken into account while adjudging quantum of penalty

15J. *While adjudging quantum of penalty under section 15-I, or section 11 or section 11B, the Board or the adjudicating officer] shall have due regard to the following factors, namely:-*

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;*
c) *the repetitive nature of the default.*
….
".

18. In the instant case, I find that the material available on record does not quantify any disproportionate gain or unfair advantage or consequent loss caused to investor or group of investors or profit made by the Noticee as a result of the

violations committed by the Noticee. There is nothing on record to show that the violations committed by the Noticee are repetitive in nature. However, I cannot ignore that as a SEBI Registered intermediary viz., Research Analyst, it was obligatory on the Noticee to ensure compliance with extant applicable securities laws, which the Noticee failed to, as dealt with and established in the foregoing and which SEBI is duty-bound to enforce. In view thereof, I am of the view that such violations on part of the Noticee needs to be dealt with suitable penalty.

E. ORDER

19. After taking into consideration the facts and circumstances of the case, material available on record and also the factors mentioned in the preceding paragraphs, in exercise of the powers conferred upon me under section 15-I of the SEBI Act, 1992 r/w rule 5 of the SEBI Adjudication Rules, 1995, I hereby impose following penalty, as per Table below, on the Noticee for the aforementioned violations, as discussed in this order. In my view, the said penalty will be commensurate with the violations committed by the Noticee in this case:

Name of Noticee	**Penalty Under Section**	**Penalty Amount (Rs.)**
Grovalue Financial Services Private Limited	Section 15EB, of the SEBI Act, 1992	1,00,000/-
	Section 15A(a) of the SEBI Act, 1992	1,00,000/-
	Section 15C of the SEBI Act, 1992	1,00,000/-
Total		3,00,000/- (Three Lakhs only)

20. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW

21. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings 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.

22. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

Date: March 27, 2024
PLACE: MUMBAI

AMAR NAVLANI
ADJUDICATING OFFICER