

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: Order/AK/AS/2023-24/28868)**

**UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF
INDIA ACT, 1992 R/W RULE 5 OF THE SEBI (PROCEDURE FOR HOLDING
INQUIRY AND IMPOSING PENALTIES) RULES, 1995 IN RESPECT OF**

**Star India Market Research
SEBI Registration No - INA000003627**

(Proprietor: Dharmendra Kumar)

(PAN – AJZPL7369K)

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In the matter of Star India Market Research

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) had conducted examination of Star India Market Research (hereinafter referred to as “**Noticee/ SIMR**”). The Noticee is registered as an Investment Adviser (hereinafter referred to as “**IA**”) under the SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as “**IA Regulations**”), with effect from October 12, 2015. The examination entailed, inter alia, an analysis of the details available on the website of Noticee viz. *www.starindiaresearch.com*; complaints filed against the Noticee and documents attached with the said complaints such as Risk Profiling Form (hereinafter referred to as “**RPF**”), KYC, invoices/ receipts issued to clients, etc. Based on the findings of the examination, it was alleged that the Noticee has violated various provisions of

SEBI Act, 1992 (hereinafter referred to as “**SEBI Act**”), IA Regulations, SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”), and circulars issued by SEBI.

APPOINTMENT OF ADJUDICATING OFFICER

2. Upon being satisfied that the Noticee has violated various provisions as mentioned above, SEBI, initiated adjudication proceedings in the captioned matter and appointed the undersigned as the Adjudicating Officer (AO), vide communication dated June 22, 2023 under Section 15-I of SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “**Adjudication Rules**”) to inquire and adjudge u/s Section 15C, Section 15EB, Section 15HA and Section 15 HB of SEBI Act, the alleged violations by the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice Ref. No. EAD-6/AK/AS/27840/1/2023 dated July 11, 2023 (hereinafter referred to as “**SCN**”) was issued to the Noticee in terms of the provisions of rule 4(1) of the Adjudication Rules r/w Section 15-I of SEBI Act requiring the Noticee to show cause within 14 days of the date of receipt of the SCN as to why an inquiry should not be held against it and why penalty, if any, should not be imposed under the provisions of Section 15C, Section 15EB, Section 15HA and Section 15 HB of SEBI Act, as applicable, for the alleged violations stated in the SCN. The SCN, alongwith annexures, was sent through Speed Post Acknowledgement Due (SPAD). However, the SPAD returned undelivered. Further, the digitally signed SCN was sent through email on July 11, 2023, which constitutes valid service as per Rule 7(1) of the Adjudication Rules and the same was duly delivered to the Noticee.
4. A brief of alleged violations by the Noticee as per the SCN is given hereunder;

- 4.1 Clauses 1, 2, 5, 6 and 8 as specified under Third Schedule of Code of Conduct for Investment Advisers read with Regulation 15(9) of IA Regulations.
 - 4.2 Regulation 3 (a), (b), (c) and (d), 4(1) and 4(2)(k), 4(2)(o) and 4(2)(s) of PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act, 1992 (hereinafter referred to as "SEBI Act").
 - 4.3 Regulation 13, 16 and 17 of IA Regulations.
 - 4.4 Regulations 15(1), 15(12), 16(a), 16(b), 16(c) and 16(d), 17(a) and 17(e) of IA Regulations.
 - 4.5 Regulations 6(b) and 6(f) read with Regulations 7(1)(b) and 13(a) of the IA Regulations.
 - 4.6 SEBI Circular CIR/OIAE/2014 dated December 18, 2014.
 - 4.7 Regulation 21(1) read with Regulation 28(f) of IA Regulations.
 - 4.8 SEBI Order dated November 13, 2019
5. I note that no reply was received from Noticee till August 03, 2023. In the interest of principles of natural justice, vide hearing notice (HN) dated August 03, 2023, the Noticee was accorded an opportunity of personal hearing on August 22, 2023. The digitally signed HN was sent to the Noticee through email on August 08, 2023 and the same was duly delivered. However, the Noticee neither submitted any response to the SCN nor availed the opportunity of personal hearing.

CONSIDERATION OF ISSUES

6. I have taken into consideration the facts, and material available on record. The issues that arise for consideration in the present case are as follows:
- ISSUE No. I:** Whether the Noticee violated provisions of SEBI Act, PFUTP Regulations, IA Regulations and other provisions as alleged in the SCN?
- ISSUE No. II:** Do the violations, if any, attract monetary penalty u/s Sections 15C, 15EB, 15HA and 15HB of SEBI Act, as applicable?

ISSUE No. III: If so, what should be the monetary penalty that should be imposed upon the Noticee, after taking into consideration the factors stipulated in Section 15J of the SEBI Act r/w Rule 5(2) of the Adjudication Rules?

7. Before moving forward, it is pertinent to refer to the relevant provisions which are alleged to have been violated by the Noticee. The said provisions are reproduced hereunder:

IA Regulations

Consideration of application and eligibility criteria.

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

(b) in case the applicant is an individual, he and all persons associated with investment advice are appropriately qualified and certified as specified in regulation 7;

.....

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

Qualification and certification requirement.

7.(1) An individual investment adviser or a principal officer of a non-individual investment adviser registered as an investment adviser under these regulations, shall have the following minimum qualification, at all times —

.....

(b) An experience of at least five years in activities relating to advice in financial products or securities or fund or asset or portfolio management;

Conditions of certificate.

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

- (a) the investment adviser shall abide by the provisions of the Act and these regulations;
- (b) the investment adviser shall forthwith inform the Board in writing, if any information or particulars previously submitted to the Board are found to be false or misleading in any material particular or if there is any material change in the information already submitted;
- (c) the investment adviser, not being an individual, shall include the words 'investment adviser' in its name:
Provided that if the investment advisory service is being provided by a separately identifiable department or division or a subsidiary, then such separately identifiable department or division or subsidiary shall include the words 'investment adviser' in its name;
- (d) individuals registered as investment advisers shall use the term 'investment adviser' in all their correspondences with their clients
- (e) individuals registered as investment advisers whose number of clients exceed one hundred and fifty in total, shall apply for registration as non-individual investment adviser within such time as may be specified by the Board.

General responsibility.

15.(1) An investment adviser shall act in a fiduciary capacity towards its clients and shall

disclose all conflicts of interests as and when they arise.

.....

- (9) An investment adviser shall abide by Code of Conduct as specified in Third Schedule
- (12) Investment advisers shall furnish to the Board information and reports as may be specified by the Board from time to time.

Risk profiling.

16. Investment advisers shall ensure that,-

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

- (i) age;*
- (ii) investment objectives including time for which they wish to stay invested, the purposes of the investment ;*
- (iii) income details;*
- (iv) existing investments/ assets;*
- (v) risk appetite/ tolerance;*
- (vi) liability/borrowing details.*

(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.*

(c) where tools are used for risk profiling, it should be ensured that the tools are fit for the purpose and any limitations are identified and mitigated;

(d) any questions or description in any questionnaires used to establish the risk a client is willing and able to take are fair, clear and not misleading, and should ensure that:

- (i) questionnaire is not vague or use double negatives or in a complex language that the client may not understand;*
- (ii) questionnaire is not structured in a way that it contains leading questions.*

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

(f) information provided by clients and their risk assessment is updated periodically.

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 upona 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.

Redressal of client grievances.

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

Liability for action in case of default.

28.An investment adviser who –

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(f)fails to resolve the complaints of investors or fails to give a satisfactory reply to the Board in this behalf,shall be dealt with in the manner provided under the Securities and Exchange Board of India (Intermediaries) Regulations, 2008.

THIRD SCHEDULE

CODE OF CONDUCT FOR INVESTMENT ADVISER

1. Honesty and Fairness

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

1. Diligence

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

5. *Information to its clients*An investment adviser shall make adequate disclosures of relevant material information while dealing with its clients.
6. *Fair and reasonable charges*An investment adviser advising a client may charge fees, subject to any ceiling as may be specified by the Board. The investment adviser shall ensure that fees charged to the clients is fair and reasonable.
8. *Compliance*An investment adviser including its partners, principal officer and persons associated with investment advice shall comply with all regulatory requirements applicable to the conduct of its business activities so as to promote the best interests of clients and the integrity of the market.

PFUTP Regulations

3. No person shall directly or indirectly—

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

- (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.
- (2) Dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves any of the following:

.....

(k) disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading and which is designed or likely to influence the decision of investors dealing in securities;

.....

(s) mis-selling of securities or services relating to securities market

SEBI Act

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 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 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 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.

ISSUE No. I: Whether the Noticee violated provisions of SEBI Act, PFUTP Regulations, IA Regulations and other provisions as alleged in the SCN?

8. I note that based on the examination of documents / information provided by Noticee and complainants, SEBI had, prima facie, found the following:
 - 8.1 Proprietor of Noticee had submitted his incorrect experience details to SEBI at the time of seeking Registration as an IA.
 - 8.2 Noticee had been promising assured/guaranteed returns to its clients.
 - 8.3 Noticee had failed to render advice to its clients after receipts of fees.
 - 8.4 Noticee had been charging unreasonable fees same package
 - 8.5 Noticee had failed to redress Investor Grievances
9. In view of the above observations, it was found that Noticee had violated the provisions of IA Regulations, PFUTP Regulations, SEBI Act and SEBI Circular CIR/OIAE/1/2014 dated December 18, 2014 and failed to comply with SEBI Order dated November 13, 2019. Based on the findings of the examination, interim ex-parte order dated November 13, 2019 was passed against the Noticee under Sections 11, 11B and 11D of the SEBI Act read with Regulation 35 of the Intermediaries Regulations. SEBI, vide letter dated August 19, 2020, advised the Noticee to submit information, inter alia, w.r.t. compliance with SEBI's interim order dated November 13, 2019. Vide aforesaid letter, SEBI also advised the Noticee to submit contact details of its compliance officer, copy of risk profile form(s), details of all the bank accounts of Noticee, its proprietor along with their statements, client master data, total number of clients along with their assets under advisory, sample copy of agreement entered into with the clients, sample copies of invoices for different strategies., details of fee structure, details of year wise fees collected since date of registration and copy of audited financial statements for last three years, etc.

10. The aforesaid letter was sent to the proprietor viz. Mr Dharmendra Kumar and was duly served through email and Registered post. However, Mr Dharmendra Kumar, proprietor of Noticee, failed to respond. Thereafter, vide emails dated May 14 and 23, 2022, Mr Dharmendra Kumar, was again advised to file aforesaid information. However, no response was received. Accordingly, the final examination was carried out on the basis of the data/ information/ documents available on record, Bank account statements and information/ documents, received from the complainants.
11. In note that for the purpose of examination, 23 unique pending complaints which were received post August 23, 2019, i.e. the date of the Interim Order, were considered. Name of the complainant, SCORES Registration No., and date of receipt of complaints are reproduced as under:

Sr. No.	Registration No	Complainant Name	Date of Receipt
1	SEBIE/MP21/0000438/1	Tripti Goyal	18/02/2021
2	SEBIE/MP21/0000394/1	Rajeev Kumar	07/02/2021
3	SEBIE/MP21/0000177/1	Vikram M Shah	26/12/2020
4	SEBIE/MP20/0001892/1	Yogesh Srinivas More	08/10/2020
5	SEBIE/MP20/0001729/1	Harnander Singh	08/08/2020
6	SEBIE/MP20/0001402/1	Pilli Bhaskhar	02/07/2020
7	SEBIE/MP20/0001346/1	Vikas Prajapat	22/06/2020
8	SEBIE/MP20/0001302/1	Venugopal	01/06/2020
9	SEBIE/MP20/0001248/1	Dasaradhi Pothuri	10/07/2020
10	SEBIE/MP20/0000739/1	Sunil Sukhadev Lokhande	15/02/2020
11	SEBIE/MP20/0000076/1	Nayan Vaghasia	07/12/2019
12	SEBIE/MP19/0002890/1	Pushkar Saxena	05/12/2019
13	SEBIE/MP19/0002754/1	T P Srinivasavaradan	25/11/2019
14	SEBIP/MP19/0000445/1	Jubaid Raza Saifi	08/08/2019
15	SEBIE/MP19/0002730/1	Raghunath Gadre	22/11/2019
16	SEBIE/MP19/0002460/1	Kuresh Sahu	21/09/2019
17	SEBIE/MP19/0002399/1	Prashant K Shabadi	12/09/2019
18	SEBIE/MP19/0002318/1	Karan Kumar /Self	30/08/2019
19	SEBIP/MP19/0000377/1	Manoj Kumar	17/09/2019
20	SEBIE/MP19/0002158/1	Kinhikar Manoj Arvind	09/09/2019
21	SEBIE/MP19/0002090/1	Pradeep Singh Rawat	28/08/2019
22	SEBIE/MP20/0001992/1	Shakthiyvelan	28/10/2020
23	SEBIE/MP19/0000733/1	Mr. Mamidi Jibratan	05/06/2022

12. For detailed examination of the aforesaid complaints, following details and documents were sought by sending emails dated April 14, 2022, to the abovementioned complainants pertaining to their complaints registered on SCORES portal:
- Risk Profile Assessment forms received from the Noticee.
 - Suitability Assessment received from the Noticee.
 - Invoices received from the Noticee.
 - Any email correspondences with the Noticee.
 - WhatsApp Chats with Noticee, if any.
 - Call recordings, if any.
 - Supporting evidence with regard to sharing of demat and broking account details, if any.
 - Whether the Noticee had assured profits or guaranteed returns. If yes, provide supporting evidences.
 - Summary of payments made to the Noticee, in the attached excel format, along with the payments proof.
 - Evidence for allegations made against the Noticee, if any.
13. Following complainants submitted certain documents such as copies/ screenshot of payment invoice, call recordings, risk profile assessment etc.:

Sr. No.	Registration No	Complainant Name
1	SEBIE/MP21/0000438/1	Tripti Goyal
2	SEBIE/MP21/0000394/1	Rajeev Kumar
3	SEBIE/MP21/0000177/1	Vikram M Shah
4	SEBIE/MP20/0001892/1	Yogesh Srinivas More
5	SEBIE/MP20/0001729/1	Harnander Singh
6	SEBIE/MP20/0001402/1	Pilli Bhaskhar
7	SEBIE/MP20/0001346/1	Vikas Prajapat
8	SEBIE/MP20/0001302/1	Venugopal
9	SEBIE/MP20/0001248/1	Dasaradhi Pothuri
10	SEBIE/MP20/0000739/1	Sunil Sukhadev Lokhande
11	SEBIE/MP19/0002890/1	Pushkar Saxena
12	SEBIE/MP19/0002754/1	T P Srinivasavaradan
13	SEBIE/MP19/0002730/1	Raghunath Gadre
14	SEBIE/MP19/0002090/1	Pradeep Singh Rawat
15	SEBIE/MP20/0001992/1	Shakthiyvelan
16	SEBIE/MP19/0000733/1	Mr. Mamidi Jibratan

14. Based on the material available on record and information received from the complainants, the following was alleged in the SCN against the Noticee:

14.1. Promising High Returns to Clients on their investment

- 14.1.1. It was observed that vide email dated April 20, 2022, complainant Mr. Venugopal V J stated that the Noticee had repeatedly assured profits and guaranteed returns for the fees paid to the broker. The Noticee had asked for Rs 12.5 Lakhs as service charges with assured profits of 2 to 3 times above service charges. Mr. Venugopal also submitted a copy of a brochure of the Noticee for a product viz. 'Panel Service Plan', wherein it was stated that *'You may get 3 times profit of your subscription amount till then your service will be continuing'* with the service charges as Rs. 12,50,000/-.
- 14.1.2. It was observed that Mr. Venugopal V J also furnished copies of call recordings of conversation with employees of the Noticee. It was observed from the call recording in file name *'20160618_131852_+917316653497-Pratik.3gpp'* that employee of the Noticee explained about 'Panel Service Plan' offered by the Noticee and stated that *'Let me tell you few tricks which can earn a profit on daily basis without help of any advice'*.
- 14.1.3. Further, it was observed that another complainant viz. Ms. Tripti Goyal, vide email dated April 15, 2022, submitted information and certain documents pertaining to her complaint. The aforesaid complainant also stated in her reply that she had filed a police complaint against the Noticee and also attached a copy of police complaint dated October 03, 2019, against the Noticee. It was observed from the aforesaid police complaint that two officials of the Noticee had called Ms. Tripti Goyal on multiple instances and assured that she could earn Rs. 5 to 6 Lakhs every month by investing Rs 3 lakh.
- 14.1.4. In view of the above, it was observed that the Noticee, who is a SEBI registered Investment Advisor, through its brochures offered 3 times profit on the subscription amount. Further, its representatives were

teaching people 'tricks' to earn profits on securities market daily, despite being well aware that all the investments in securities market are subject to market risk and that accuracy of recommendations and high returns could not be assured.

- 14.1.5. Therefore, it was alleged that the Noticee has violated the provisions of Regulation 15(1) and Clauses 1, 2, 5 and 8 as specified under Third Schedule of Code of Conduct for Investment Advisers read with Regulation 15(9) of the IA Regulations. Further, it was alleged that the act of assuring accuracy of recommendations and high returns from securities market by the Noticee was fraudulent and done with an intention to bring in more customers, resulting in violation of provisions of Regulation 3(a), (b), (c), (d), 4(2)(k) and (s) of the PFUTP Regulations read with Section 12A(a), (b) and (c) of the SEBI Act.

14.2. Failure to carry out Risk Profiling

- 14.2.1. In terms of Regulation 16 of the IA Regulations, an Investment Advisor is mandated to carry out risk profiling of the clients for ascertaining client's risk tolerance. In this regard, it was observed that, vide email dated April 18, 2022, complainant viz. Mr Dasaradhi Pothuri, stated, interalia, that he was not provided any kind of risk profile assessment. Similarly, another complainant viz. Mr. Venugopal V J, vide his email dated April 20, 2022, also stated that he did not receive any risk profile assessment form from the Noticee.
- 14.2.2. Further, vide emails dated May 14 and 23, 2022, SEBI advised the Noticee to furnish copies of RPFs of complainants. However, the Noticee failed to respond. Therefore, in absence of reply from the Noticee and in view of the information submitted by complainants viz. Ms. Dasaradhi Pothuri and Mr. Venugopal V J, it was alleged that the Noticee failed to carry out Risk Profiling of the aforesaid complainants, resulting in violation of provisions of Regulation 16 of the IA Regulations.

14.3. Failure to carry out Suitability Assessment

- 14.3.1. In terms of Regulation 17 of the IA Regulations, it is, inter alia, mandated that all investments on which investment advice is provided is appropriate to the risk profile of the client. It should be, inter alia, based on client's investment objectives and financial situation. Further, the investment advice should be such that the client is able to bear any related investment risks consistent with its investment objectives and risk tolerance.
- 14.3.2. Vide emails dated April 14, 2022, complainants were, inter alia, requested to provide copies of Suitability Assessment received from the Noticee. However, none of the complainants were able to provide copies of suitability assessment carried out by the Noticee. It was observed that multiple complainants viz. Mr. Pradeep Rawat, Mr. Rajeev Maurya, Ms. Dasaradhi Pothuri and Mr. Venugopal V J had stated that they did not receive copies of Suitability Assessment from the Noticee.
- 14.3.3. Vide emails dated May 14 and 23, 2022, the Noticee was, inter alia, advised to furnish copies of Suitability Assessment of complainants. However, the Noticee failed to respond. Therefore, in absence of reply from the Noticee and in view of the information submitted by complainants viz. Mr. Pradeep Rawat, Mr. Rajeev Maurya, Ms. Dasaradhi Pothuri and Mr. Venugopal V J, it was alleged that the Noticee failed to carry out Suitability Assessment of its clients, resulting in violation of provisions of Regulation 17 of the IA Regulations.

14.4. Noticee carried out improper Risk profiles of clients and failed to conduct due diligence

- 14.4.1. In terms of Regulation 16 of the IA Regulations, the IA, before selling any products to clients, should assess the risk client would be able to take and sell the suitable products accordingly in the best interest of clients. However, it was observed that the Noticee failed to carry out

risk profiling at the first time in case of 6 of clients. Details of such instances are stated in subsequent paragraphs.

14.4.2. Complainant: Sunil Lokhande

	Risk Profile dated April 18, 2019	Risk Profile dated June 04, 2019
Risk Classification	Stock Option	Stock Cash Platinum
Segment/Risk	F & O/ High	Cash/Medium
Will you prefer medium risk, medium gain or high risk, high gain	Do Not Prefer	Prefer
When market is not performing well, would you like to invest in more risky investment, instead of less risky investment to earn high return?	Prefer	Indifferent
High risk is associated with high return, medium risk is associated with medium returns and low risk is associated with low returns? What risk you can bear (not prefer)?	High	Medium
In which of the following market segments have you traded previously?	Derivatives Stocks	Stock, Derivatives Stocks
With reference to above questionnaire clients profile is considered as	Aggressive	Moderate
Products sold After both risk profiles	Index Option and Option	Platinum Cash

It was observed from the documents submitted by complainant Mr. Sunil Lokhande, that the Noticee carried out his risk profiling twice i.e. on April 18, 2019 (RPF SL1) and June 04, 2019 (RPF SL2). However, in both the risk profiles, answers of various questions had changed. For instance, in response to same question ‘*Will you prefer medium risk, medium gain or high risk, high gain*’, answer changed from *Do not Prefer* to *Prefer*. Similarly, reply of question ‘*When market is not performing well, would you like to invest in more risky investment, instead of less risky investment to earn high return?*’ changed from *prefer* to *indifferent*. It was further observed that in RPF SL1 and 2, category of complainant was changed from Aggressive to Moderate and Segment/Risk of the client was modified to Cash/Medium from F&O/High.

14.4.3. Complainant: Tripti Goyal

	Risk Profile dated November 19, 2018	Risk Profile dated December 22, 2018
Risk Classification	Stock Option Premium	Stock Cash Platinum
Segment/Risk	F & O/ High	Cash/Medium
In which of the following market segments have you traded previously?	Derivatives Stocks	Stock,
With reference to above questionnaire clients profile is considered as	Aggressive	Aggressive
Products sold After both risk profiles	Index Option and Option	Platinum Cash

It was observed that the Noticee carried out risk profiling of Ms. Tripti Goyal twice i.e. on November 19, 2018 (RPF T1) and December 22, 2018 (RPF T2). It was observed that in both the risk profiles, answers of various questions had changed. As per RPF T1 as on November 19, 2018, Ms. Tripti Goyal had traded previously in Derivative Stocks while as per RPF T2, as on December 22, 2018 she has traded previously in Stocks. Further, as per RPF T1 her Risk Classification was Stock Option Premium and as per RPF T2 her Risk Classification changed to Stock Cash Platinum.

14.4.4. Complainant: TPS Vardan

	Risk Profile dated May 31, 2018	Risk Profile dated June 30, 2018
Risk Classification	Stock Cash	Blue Chip Tips
Investment Goal	Capital Appreciation	Regular Income
Proposed investment amount	Below 1 Lakh	2 to 5 Lakh
Market Value of Portfolio held	Below 1 Lakh	2 – 5 Lakh
Size of emergency fund	1-3 month income	3-6 month income
Products sold After both risk profiles	Stock Cash and Blue Chip Tips	Blue Chip Tips

It was observed that the Noticee carried out risk profiling of Mr. TPS Vardan twice i.e. on May 31, 2018 (RPF V1) and on June 30, 2018 (RPF V2). As per RPF V1, complainant's Risk Classification was Stock Cash and as per RPF V2 the Risk Classification changed to Blue Chip Tips. Further, Investment Goal was stated to be Capital Appreciation in RPF

V1, which changed to Regular Income in RPF 2. It was further observed that there were changes in parameters like Proposed investment amount, Size of emergency fund and market value of portfolio held from RPF V1 to RPF V2.

14.4.5. Complainant: Pushkar Saxena

	Risk Profile dated January 22, 2019	Risk Profile dated January 31, 2019
Risk Classification	Stock Cash	Nifty Option
Segment/Risk	Cash/Medium	F & O/ High
Will you prefer medium risk, medium gain or high risk, high gain	Prefer	Do Not Prefer
When market is not performing well, would you like to invest in more risky investment, instead of less risky investment to earn high return?	Indifferent	Prefer
High risk is associated with high return, medium risk is associated with medium returns and low risk is associated with low returns? What risk you can bear (not prefer)?	Medium	High
In which of the following market segments have you traded previously?	Stocks	Stock, Derivatives Stocks
Proposed Investment Amount	Below 1 Lakh	1 to 2 Lakh
Market value of Portfolio Held	Below 1 Lakh	1 to 2 Lakh
With reference to above questionnaire clients profile is considered as	Moderate	Aggressive
Products sold After both risk profiles	Stock Cash	Index Option, HNI Tips

It was observed from the documents submitted by complainant viz. Mr. Pushkar Saxena, that the Noticee carried out his risk profiling twice i.e. on January 22, 2019 (RPF P1) and on January 31, 2019 (RPF P2). It was observed that in both the risk profiles, answers of various questions had changed. For instance, in response to the same question ‘*Will you prefer medium risk, medium gain or high risk, high gain*’, answer changed from *Prefer* to *Do not Prefer*. Similarly, reply of question ‘*When market is not performing well, would you like to invest in more risky investment, instead of less risky investment to earn high return?*’ changed from *indifferent* to *prefer*. Further, reply to the question ‘*In which of the following market segments have you traded previously?*’ changed to ‘*Stock, Derivatives*’ from

'Only Stock' in matter of 9 days. It was further observed that in RPF P1 and P2, category of complainant changed from Moderate to Aggressive and Segment/Risk of the client was modified to F&O/High from, Cash/Medium, earlier. After RPF P1, Noticee had sold product viz. Stock Cash while after RPF P2, Noticee had sold products viz. Index Option and HNI Tips.

14.4.6. Complainant: Sudhir Kumar Singh

	Risk Profile dated November 20, 2018	Risk Profile dated November 23, 2018
Risk Classification	Stock Cash Premium	Star Bulls Eye Plan
Segment/Risk	Cash/Medium	Cash/Medium, F & O/ High
Will you prefer medium risk, medium gain or high risk, high gain	Prefer	Do Not Prefer
When market is not performing well, would you like to invest in more risky investment, instead of less risky investment to earn high return?	Indifferent	Prefer
High risk is associated with high return, medium risk is associated with medium returns and low risk is associated with low returns? What risk you can bear (not prefer)?	Medium	High
In which of the following market segments have you traded previously?	Stocks	Stock, Derivatives Stocks
With reference to above questionnaire clients profile is considered as	Moderate	Aggressive
Products sold After both risk profiles	Cash Premium	Star Bulls Eye Plan, Swing Trades

It was observed from the documents submitted by complainant Mr. Sudhir Kumar Singh, that the Noticee had carried out his risk profiling twice i.e. on January 22, 2019 (RPF S1) and on January 31, 2019 (RPF S2). In both the risk profiles, answers of various questions changed. For instance, in response to same question *'Will you prefer medium risk, medium gain or high risk, high gain'*, answer changed from *Prefer* to *Do not Prefer*. Similarly, reply of question *'When market is not performing well, would you like to invest in more risky investment, instead of less risky investment to earn high return?'* changed from *indifferent* to *prefer*. Further,

reply to the question ‘*In which of the following market segments have you traded previously?*’ changed to ‘*Stock, Derivatives*’ from ‘*Only Stock*’ in matter of 9 days. Further, in RPF S1 and S2, category of complainant changed from Moderate to Aggressive and Segment/Risk of the client was modified to F&O/High from, Cash/Medium, earlier. After RPF S1, the Noticee sold product viz. Stock Cash while after RPF S2, the Noticee sold products viz. Index Option and HNI Tips.

14.4.7. Complainant: Mamidi Jibratan

	Risk Profile dated December 28, 2017	Risk Profile dated January 10, 2018
Risk Classification	Stock Cash/Medium	HNI/ High
Segment/Risk	Cash/Medium	F & O/ High
In which of the following market segments have you traded previously?	Stocks	Derivatives Stocks
Products sold After both risk profiles	Stock Cash	HNI Tips

It was observed from the documents submitted by complainant Mr. Mamidi Jibratan, that the Noticee carried out his risk profiling twice i.e. on December 28, 2017 (RPF J1) and on January 10, 2018 (RPF J2). In both the risk profiles, answers of various questions including preference for risk remained the same. However, risk classification of the complainant changed from ‘*Stock Cash/Medium*’ to ‘*HNI/High*’. Further, Segment/Risk of the complainant changed from ‘*Cash/Medium*’ to ‘*F&O/High*’ and past trading experience changed from ‘*Stock*’ to ‘*Derivative Stocks*’ in matter of 2 weeks.

14.4.8. It was observed that the Noticee changed risk profiling of the aforesaid 6 complainants in a span of 9 days to one month. Further, preferences and replies of clients also had been shown to have changed drastically. Category of clients had been changed from aggressive to moderate or *vice versa* and there were other significant changes in various parameters including preference for risk. It was observed that such significant changes in multiple parameters of various clients in a short

span of time showed that the Noticee had not carried out Risk profiling of clients properly in the first instance.

14.4.9. Regulation 16(a) of the IA Regulations, *inter alia*, states that an Investment Advisor should ensure that it obtains from the client, such information as is necessary for the purpose of giving investment advice, including age, investment objectives, income details, existing investments/ assets and risk appetite/ tolerance. Regulation 16(b) of the IA Regulations states that IA is obligated to ensure that it has a process for assessing the risk a client is willing and able to take. Thus, it was observed that the Noticee should have gathered required information about its prospective clients and processed that information to assess the risk a client was willing and able to take. However, it was observed that the Noticee failed to carry out proper risk profiling at the first time in 6 instances mentioned above in paragraph 14.4.2 to 14.4.7. Therefore, it was alleged that by not carrying out Risk profiling, Noticee violated the provisions of Regulation 16(a) and 16(b) of the IA Regulations, and further, the Noticee failed to abide by Code of Conduct for IA, resulting in violation of provisions of Clause 2 and 8 as specified in the Third Schedule read with Regulation 15(9) of IA Regulations.

14.5. Leading questions in the questionnaire for Risk Profiling

14.5.1. In terms of Regulation 16(d) of IA Regulations, it is mandated that any questions or description in any questionnaires, which are used to establish, the risk a client is willing and able to take, has to be fair, clear and not misleading. Further, the IA is required to ensure that (i) questionnaire is not vague or use double negatives or in a complex language that the client may not understand; (ii) questionnaire is not structured in a way that it contains leading questions.

14.5.2. On perusal of the Risk Profiling Questionnaire of the Noticee, it was observed that some of the questions were leading in nature. For instance –

Question 1: *Would you invest, where a medium return is earned associated with medium risk, instead of a high return associated with high risk?*/Direct questions to ascertain risk appetite?

Question 2: *When market is not performing well, would you like to invest in more risky investment, instead of less risky investment to earn high return?*/Direct questions to ascertain risk appetite?

Question 3: *High risk is associated with high returns, medium risk is associated with medium returns and low risk is associated with low returns. What risk you can bear?*/Direct questions to ascertain risk appetite?

- 14.5.3. It was observed that the questions 1 and 3 were leading questions. For instance, in question 1, the expression “*medium return is earned associated with medium risk, instead of a high return associated with high risk*” would inevitably lead the client to respond that he/ she could bear high risk as it is associated with high return. It was observed that the correct question should have been ‘*high risk involves greater chances of losses, Medium risk involves comparatively lesser chances of losses...*’. It was observed that the Noticee should have made the client aware that taking high risk would mean chances of large amount of losses in the investment, so that the client would have understood the risks associated with a high risk product.
- 14.5.4. It was observed that question 2 stated above was also a leading question. The expressions ‘*would you like to invest in more risky investment, instead of less risky investment to earn high return*’ emphasise on high return associated with more risky investment and leads to a positive answer. It was observed that the question was designed in such a way to put possibility of profit on prominence and conceal associated possibility of high losses.
- 14.5.5. From the above, it was observed that the above mentioned questions in the Risk Profile Questionnaire were leading, such that they had been framed in such a manner that it would be difficult for the clients to understand and provide an appropriate response. It was further observed that such questions had been framed to make the clients fall

in the high risk category so that they could be offered complex products like derivatives. Therefore, it was alleged that the Noticee violated the provisions of Regulation 16(d) of IA Regulations.

14.6. Selling Products and services to clients without Risk Profiling and Suitability Assessment

14.6.1. As observed in paragraphs 14.3 and 14.4, the Noticee had allegedly failed to carry out risk profiling of some of the clients and suitability assessment of all of its clients. Further, it was observed from the invoices submitted by the aforesaid complainants that they were sold various products on multiple occasions by the Noticee. Details of the products sold to the said complainants are given below:

Sr. No.	Name of Complainant	Products sold
1	Pradeep Rawat	Future Premium, Platinum Option, HNI Option Tips
2	Venu Gopal V J	Stock Cash, MCX Premium Services
3	Rajeev Maurya	Option , Platinum Option, Platinum Future, Option Premium

14.6.2. It was observed that the Noticee failed to carry out risk profiling of 6 of its clients and Suitability Assessment of all of its clients, and further, had been selling products to its clients without understanding whether that particular product is suitable for that client or not. It was observed that the aforesaid acts of the Noticee were in complete disregard to the responsibility entrusted on it under the provisions of IA Regulations to act in a fiduciary capacity and in the best interest of its clients. It was observed that as the Noticee had not carried out Risk Profiling and suitability assessment of the clients, it had not sold products to clients as per their risk category and tolerance level.

14.6.3. Therefore, it was alleged that the Noticee violated the provisions of Regulation 15(1) and 17(a) of IA Regulations, and allegedly failed to abide by Code of Conduct for IA, resulting in violation of provisions of Clauses 1 and 8 as specified in the Third Schedule read with regulation 15(9) of IA Regulations.

14.7. Offering products in disregard to risk bearing capacity of its clients

14.7.1. It was observed that some of the clients had stated their gross annual incomes to be in the range of Rs. 1- 5 lakhs, and that they had little or no prior experience with trading in securities. Details of the aforesaid clients are provided below:

Sr. No.	Client Name	Annual Income as per RPF (Rs.)	Products sold	Past Experience	No. of Dependents	Percentage of monthly income to pay debts
1	Mr Rajeev Kumar	1 to 5 Lakh	Option, Option Premium	Derivative, Very less Experience in Equity	1-3	0 to 20%
2	Mr Shakthiyvelan	1 to 5 Lakh	HNI Tips	Derivative, Very less Experience in Equity	1-3	Less than 20%
3	Mr Sunil Lokhande	1 to 5 Lakh	Index Option, Option	Derivative, Very less Experience in Equity	1-3	None
4	Mr TPS Varadan	1 to 5 Lakh	Blue Chip Tips	Stock, Very less Exp. in Equity	1-3	Less than 20%
5	Mr Harninder Singh	1 to 5 Lakh	Cash Premium	Stock, Very less Exp. in Equity	3+	Less than 20%
6	Ms Tripti Goyal	1 to 5 Lakh	Option Premium, Index Option	Derivative, Very less Experience in Equity	1-3	None

14.7.2. It was observed that all the above mentioned 6 clients had annual income in the range of Rs. 1 to 5 lakhs. The clients had very less experience in derivatives and equity trading. Further, they had a gross annual income between Rs. 1 to 5 lakh to support 1 to 3 dependents, with 0-20% of their monthly income used to pay debts. Being a registered Investment Adviser, the Noticee had a fiduciary duty to take care of its clients, which included providing advice after exercising due skill, care and diligence of products based on the risk appetite of its clients, in their best interest. It was observed that considering little experience, annual income, no. of dependents and debt; the risk bearing capacity of the aforementioned clients was limited, and the

aforesaid clients were not suitable for derivative products, which are considered high risk due to the high leverage involved. However, it was observed that the the Noticee had sold high risk products to the aforesaid clients on multiple occasions, irrespective of their low risk bearing capacities.

- 14.7.3. Therefore, it was alleged that the Noticee provided investment advice in disregard to the risk profile of its clients and that its recommendations were not based on clients' experience and capacity for absorbing loss, resulting in violation of provisions of Regulation 17(a) and 17(e) and Regulation 15(9) of the IA Regulations read with Clause 1 of the Code of Conduct specified for Investment Advisers under Schedule III of the IA Regulations.

14.8. Offering HNI Services to Non-HNI clients

- 14.8.1. It was observed that the client viz. Mr Shakthiyvelan was offered product named 'HNI Tips'. The details of the aforesaid client as given below:

Client Name	Annual Income as per RPF (Rs.)	Products sold	Past Experience	No. of Dependents	Percentage of monthly income to pay debts
Mr Shakthiyvelan	1 to 5 Lakh	HNI Tips	Derivative, Very less Experience in Equity	1-3	Less than 20%

- 14.8.2. It was observed that the product 'HNI Tips' was meant for High Networth Individuals (HNIs), based on the name of the product. It was observed though there is no standard definition of HNIs, it refers to high net-worth individuals who could be expected to have investible surplus of at least Rs. 25 lakh or higher. It was observed on perusal of RPF of Mr. Shakthiyvelan, that he had a gross annual income of Rs. 1-5 lakhs. Further, Mr. Shakthiyvelan had to support 1-3 dependents with less than 20% of his monthly income used to pay debts and he chose to invest Rs. 1-2 lakh in the market. In view of the same, it was observed that Mr. Shakthiyvelan was not a HNI client. As a registered Investment Adviser, Noticee was obligated to act in a fiduciary capacity in the best interest

of his clients after understanding their risk profile. However, he failed to do so by selling products meant for HNI Clients to non HNI Clients.

14.8.3. Therefore, it was alleged that the Noticee violated the provisions of Regulation 16(b), 16(c) and Regulation 15(9) of the IA Regulations read with Clause 2 of the Code of Conduct specified for Investment Advisers under Schedule III of the IA Regulations.

14.9. Charging fees arbitrarily from clients, selling services for future dates and selling services for overlapping periods

14.9.1. It was observed, upon perusal of replies of complainants as well as documents furnished by them, that there were following discrepancies in respect of fees charged by the Noticee from its clients-

14.9.2. Complainant Rajeev Kumar-

Sr. No.	Payment Amount	Invoice Date	Service Duration		Product Name	Duration in Days
			Start Date	End Date		
1	3500	26/03/2018	March 28, 2018	April 10, 2018	Option	12
2	19000	27/03/2018	April 02, 2018	April 18, 2018	Option Premium	16
3	9900	27/03/2018	Apr 19, 2018	Apr 30, 2018	Option Premium	11
4	28900	28/03/2018	May, 01 2018	May, 31 2018	Option Premium	30
5	19700	05/04/2018	Jun, 01 2018	Jun 19, 2018	Option Premium	19
6	270000	16/04/2018	April 18, 2018	July 25, 2018	Platinum Option	97
7	166800	23/04/2018	July 26, 2018	Sep 28, 2018	Platinum Option	52
8	74000	23/04/2018	Oct. 01, 2018	April 25, 2019	Platinum Option	205
9	120000	18/05/2018	April 26, 2019	June 03, 2019	Platinum Option	39
10	89700	25/05/2018	June 04, 2019	July 03, 2019	Platinum Option	30
11	21300	02/07/2018	July 04, 2019	July 11, 2019	Platinum Option	7
12	29801	31/01/2019	Feb 04, 2019	Feb 14, 2019	Platinum Future	10

14.9.2.1. **Charging fees arbitrarily** – It was observed that for the product Option Premium, Noticee charged Rs. 9,900/- for 11 days from the complainant i.e. Mr. Rajeev Kumar (around Rs 900/- per day). Similarly, for 19 and 30 days, it charged amounts of Rs. 19,700/- and Rs. 28,900, respectively, (around Rs. 1,000/- per day). However, for 16 days, Noticee charged an amount of Rs. 19,000/- (around Rs 1,200/- per day). Further, it was observed that for the product Platinum Option, Noticee charged Rs. 74,000/- for 205 days (around Rs 361 per day), while charging Rs 2,70,000/- for duration of 97 days (around Rs 2783.51 per day), which was significantly higher.

14.9.2.2. **Selling Services for future dates** - It was also observed that on March 26, 2018, Noticee sold one product viz. Option for the period March 28, 2018 to April 10, 2018. On March 27, 2018, Noticee sold another product for the period April 02 to April 18, 2018. It was further observed that on the same day, Noticee sold another product to same person for the period April 19 to April 30, 2018. Next day i.e. on March 28, 2018, Noticee again sold product option premium to the complainant for the period May 01 to May 31, 2018. It was observed that such selling of products for the future periods kept going and on July 02, 2018, Noticee sold a product for a future period July 04 to July 11, 2019, which was one year ahead from the date of invoice.

14.9.2.3. **Selling Services for overlapping periods** – It was observed that on March 27, 28, 2018, and April 05, 2018, Noticee sold product Option Premium to the complainant for service duration April 19 to June 19, 2018. Subsequently, on April 16, 2018, Noticee sold product Platinum Option to complainant for service duration April 18, 2018 to July 25, 2018, which covered period April 19 to June 19, 2018, for which plan Option Premium was already active.

14.9.3. **Complainant Sunil Sukhadev Lokhande-**

	Invoice Date		Service Duration	Product Name
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Sr. No.		Payment Amount	Start Date	End Date	
1	April 20, 2019	9333.00	May, 03 2019	May, 22 2019	Option
2	June 04, 2019	51000.00	June 06, 2019	June 24, 2019	Platinum Cash
3	June 12, 2019	110000.00	June 13, 2019	December 21, 2020	Index Option

14.9.3.1. Selling Services for future dates – It was observed that on June 12, 2019, Noticee sold the product viz. Index Option for the period June 13, 2019 to December 21, 2020, which was for a period one year ahead from the date of invoice.

14.9.3.2. Selling Services for overlapping periods – It was further observed that on June 04, 2019, Noticee sold product Platinum Cash to the complainant i.e. Mr. Sunil Sukhdev Lokhande for service duration June 06 to June 24, 2019. Subsequently, on June 12, 2019, Noticee sold product Index Option to the complainant for service duration June 13, 2019 to December 21, 2020, which covered period June 12 to June 24, 2019 for which plan Platinum Cash was already active.

14.9.4. Complainant TPS Vardan

Sr. No.	Invoice Date	Payment Amount	Service Duration		Product Name	Duration in Days
			Start Date	End Date		
1	May 31, 2018	10001.00	June 04, 2018	June 26, 2018	Stock Cash	22
2	June 12, 2018	15045.00	July 02, 2018	July 10, 2018	Blue Chip Tips	8
3	June 15, 2018	21664.00	July 11, 2018	July 18, 2018	Blue Chip Tips	7
4	June 15, 2018	70000.00	July 19, 2018	August 07, 2018	Blue Chip Tips	19
5	June 20, 2018	70000.00	August 08, 2018	August 27, 2018	Blue Chip Tips	19
6	June 25, 2018	100000.00	August 28, 2018	September 26, 2018	Blue Chip Tips	29
7	June 29, 2018	129339.00	September 27, 2018	November 07, 2018	Blue Chip Tips	41
8	June 30, 2018	205000.00	November 08, 2018	February 04, 2019	Blue Chip Tips	88

Sr. No.	Invoice Date	Payment Amount	Service Duration		Product Name	Duration in Days
			Start Date	End Date		
9	July 02, 2018	68000.00	February 05, 2019	February 25, 2019	Blue Chip Tips	20
10	July 02, 2018	2000.00	February 26, 2019	February 26, 2019	Blue Chip Tips	1
11	July 17, 2018	456164.00	February 27, 2019	September 16, 2019	Blue Chip Tips	201
12	Oct. 29, 2018	36108.00	September 17, 2019	October 03, 2019	Blue Chip Tips	16

14.9.4.1. Charging fees arbitrarily – It was observed that for the invoice date June 12, 2018, in respect of the product Blue Chip Tips, the Noticee charged Rs. 15045/- for 8 days from complainant Mr. TPS Vardan (around Rs 1,880.63 per day). However, for the invoices dated June 15 and 20, 2018 pertaining to service duration of 19 days each, the Noticee charged an amount of Rs. 70,000/- (around Rs. 3684.21 per day), which was significantly higher.

14.9.4.2. Selling Services for future dates – It was observed that Noticee started selling its services to the complainant starting from May 31, 2018 when it sold complainant the product viz. Stock Cash for the period June 04 to 26, 2018. However, before end of that service period on June 26, 2018, Noticee sold 5 more packages of the same product Blue Chip Tips for the period July 02, 2018 to September 26, 2018. Thereafter, on June 29, 2018 and June 30, 2018, Noticee sold Blue Chip Tips for the periods September 27, 2018 to November 07, 2018 and November 08, 2018 to February 04, 2019, respectively. Further, in month of July, 2018, Noticee sold Blue Chip Tips to the complainant, 3 more times for the period February 05, 2019 to September 16, 2019. On October 29, 2018, Noticee sold Blue Chip Tips to the complainant for the period September 17, 2019 to October 03, 2019, which was a period of almost one year ahead from the date of invoice.

14.9.5. Complainant Vikram Shah-

Sr. No.	Date	Amount	Service	Service Date		Duration in days
				From	To	
1	22-Feb-19	14202	OPTION PREMIUM	27-Feb-19	11-Mar-19	12
2	26-Feb-19	64192	OPTION PREMIUM	12-Mar-19	16-May-19	65
3	26-Feb-19	17632	OPTION PREMIUM	17-May-19	04-Jun-19	18
4	27-Feb-19	57291	OPTION PREMIUM	05-Jun-19	25-Jul-19	50
5	27-Feb-19	40000	OPTION PREMIUM	26-Jul-19	23-Sep-19	59
6	28-Feb-19	106683	STAR MULTIBAGGER	04-Mar-19	30-Apr-19	57
7	01-Mar-19	29999	STAR MULTIBAGGER	01-May-19	16-May-19	15
8	02-Mar-19	31080	STAR MULTIBAGGER	17-May-19	10-Jun-19	24
9	06-Mar-19	140000	HNI TIPS	08-Mar-19	10-Apr-19	33
10	23-Mar-19	49347	HNI TIPS	11-Apr-19	23-Apr-19	12
11	23-Mar-19	50551	HNI TIPS	24-Apr-19	06-May-19	12
12	26-Mar-19	43690	HNI TIPS	07-May-19	20-May-19	13
13	26-Mar-19	10211	HNI TIPS	21-May-19	23-May-19	2
14	29-Mar-19	46100	OPTION PREMIUM	24-Sep-19	04-Nov-19	41
15	31-May-19	35050	HNI TIPS	03-Jun-19	10-Jun-19	7
16	31-May-19	7136	HNI TIPS	11-Jun-19	12-Jun-19	1
17	18-Jun-19	14333	STOCK CASH	19-Jun-19	22-Jul-19	33
18	08-Jul-19	20003	STAR PARIVAR PACK	11-Jul-19	25-Jul-19	14
19	17-Jul-19	22145	STAR PARIVAR PACK	26-Jul-19	19-Aug-19	24
	Total	799645				

14.9.5.1. Charging fees arbitrarily –

Instance I – It was observed that for the product Option Premium, Noticee charged Rs. 40,000/- from the complainant viz. Mr. Vikram Shah for the period July 26, 2019 to September 23, 2019 i.e. 59 days (around Rs. 678/- per day). However, for the same product, Noticee charged Rs. 64,192/- for the period March 12, 2019 to May 16, 2019, i.e. 65 days (around Rs. 987.57 per day), which was significantly higher.

Instance II – It was observed that for the product Star Multibagger, Noticee charged Rs. 31,080/- from the complainant for the period May 17, 2019 to June 10, 2019 i.e. 24 days (around Rs. 1295/- per day).

However, for the same product, Noticee charged Rs. 1,06,683/- for the period March 04, 2019 to April 30, 2019, i.e. 57 days (around Rs. 1871.63 per day), which was significantly higher.

Instance III – It was observed that for the product HNI Tips, Noticee charged Rs. 43,690/- from the complainant for the period May 07, 2019 to May 20, 2019 i.e. 13 days (around Rs. 3360.77 per day). However, for the same product, Noticee charged Rs. 1,40,000/- for the period March 08, 2019 to April 10, 2019, i.e. 33 days (around Rs. 4,242.42 per day), which was significantly higher.

14.9.5.2. Selling Services for overlapping periods – It was observed that the Noticee sold multiple packages of product Option Premium to the complainant in the last week of February, 2019 for different durations covering period February 27, 2019 to September 23, 2019. Thereafter, Noticee sold product viz. Star Multibagger three times covering period March 04, 2019 to June 10, 2019, for which Product Option Premium was already active. Subsequently, Noticee sold product HNI Tips seven times for different durations covering the period March 08, 2019 to June 12, 2019, for which products Option Premium and Star Multibagger were already active. It was further observed that on July, 2019, Noticee sold Star Parivar Pack two times covering the period July 11, 2019 to August 19, 2019, for which product Option Premium was already active.

14.9.6. Complainant Mamidi Jibratan-

S. no	Date of invoice	Amount	Service start date	Service end date	Name of the Service	Duration in days
1	28/12/2017	18,054.00	08/01/2018	16/07/2018	STOCK CASH	189
2	02/01/2018	19,258.00	17/07/2018	25/02/2019	STOCK CASH	223
3	10/01/2018	42,126.00	11/01/2018	20/01/2018	HNI TIPS	9
4	10/01/2018	16,314.00	08/02/2018	14/02/2018	HNI TIPS	6
5	10/01/2018	16,314.00	15/02/2018	21/02/2018	HNI TIPS	6
6	10/01/2018	16,314.00	01/02/2018	07/02/2018	HNI TIPS	6
7	16/01/2018	18,054.00	22/02/2018	28/02/2018	HNI TIPS	6
8	16/01/2018	1,203.00	22/01/2018	29/01/2018	STOCK CASH	7

S. no	Date of invoice	Amount	Service start date	Service end date	Name of the Service	Duration in days
9	16/01/2018	5,416.00	30/01/2018	20/02/2018	STOCK CASH	21
10	18/01/2018	25,275.00	01/03/2018	08/03/2018	HNI TIPS	7
11	20/01/2018	30,090.00	09/03/2018	19/03/2018	HNI TIPS	10
12	22/01/2018	1,20,360.00	20/03/2018	27/04/2018	HNI TIPS	38
13	23/01/2018	52,958.00	30/04/2018	14/05/2018	HNI TIPS	14
14	29/01/2018	66,198.00	18/06/2018	13/07/2018	HNI TIPS	25
15	29/01/2018	66,198.00	15/05/2018	31/05/2018	HNI TIPS	16
16	29/01/2018	66,198.00	01/06/2018	15/06/2018	HNI TIPS	14
17	06/02/2018	30,090.00	16/07/2018	24/07/2018	HNI TIPS	8
18	07/02/2018	30,090.00	25/07/2018	02/08/2018	HNI TIPS	8
19	13/02/2018	11,016.00	03/08/2018	21/08/2018	HNI TIPS	18
20	15/02/2018	2,01,001.00	22/08/2018	09/10/2018	HNI TIPS	48
21	15/02/2018	16,248.00	10/10/2018	16/10/2018	HNI TIPS	6
22	20/02/2018	40,320.00	17/10/2018	26/10/2018	HNI TIPS	9
23	20/02/2018	1,42,145.00	29/10/2018	14/01/2019	HNI TIPS	77
24	05/03/2018	2,40,118.00	15/01/2019	12/03/2019	HNI TIPS	56
25	09/04/2018	1,28,063.00	13/03/2019	10/04/2019	HNI TIPS	28
26	03/05/2018	72,095.00	04/05/2018	11/06/2018	CIRCUIT PLAN	38
27	07/05/2018	58,675.00	12/06/2018	11/07/2018	CIRCUIT PLAN (STOCK CASH)	29
28	25/05/2018	2,50,000.00	11/04/2019	03/06/2019	HNI TIPS	53
29	30/05/2018	3,20,000.00	04/06/2019	21/08/2019	HNI TIPS	78
30	31/05/2018	80,000.00	22/08/2019	09/09/2019	HNI TIPS	18
31	08/06/2018	1,11,111.00	10/09/2019	29/10/2019	HNI TIPS	49
32	10/07/2018	1,44,004.00	12/07/2018	05/10/2018	CIRCUIT PLAN (STOCK CASH)	85
33	31/07/2018	61,022.00	08/10/2018	22/10/2018	HNI TIPS	14
34	14/08/2018	1,90,168.00	27/08/2018	11/12/2018	STAR MULTI BAGGER	106
35	14/08/2018	24,072.00	12/12/2018	26/12/2018	STAR MULTI BAGGER	14
36	16/08/2018	41,042.00	27/12/2018	17/01/2019	STAR MULTI BAGGER	21
37	16/08/2018	59,096.00	18/01/2019	18/03/2019	STAR MULTI BAGGER	59
38	17/08/2018	67,040.00	19/03/2019	23/04/2019	STAR MULTI BAGGER	35
39	24/08/2018	68,605.00	24/04/2019	30/05/2019	STAR MULTI BAGGER	36
40	30/08/2018	67,040.00	31/05/2019	08/07/2019	STAR MULTI BAGGER	38

S. no	Date of invoice	Amount	Service start date	Service end date	Name of the Service	Duration in days
41	01/09/2018	1,25,054.00	09/07/2019	19/09/2019	STAR MULTI BAGGER	72
42	17/09/2018	96,001.00	01/10/2018	12/02/2019	SWING TRADES	134
43	14/11/2018	55,004.00	15/11/2018	11/02/2019	PLATINUM FUTURE	88

14.9.6.1. Charging fees arbitrarily –

Instance 1: It was observed that on February 13, 2018, for the product HNI Tips, Noticee charged Rs. 11,016/- for 18 days from the complainant viz. Mr. Mamidi Jibratan (around Rs 612/- per day). However, February 20, 2018, for 77 days, the Noticee charged an amount of Rs. 1,42,145/- (around Rs 1846.04/- per day), and on May 30, 2018, for 78 days, Noticee charged an amount of Rs. 3,20,000/- (around Rs 4102.56 per day).

Instance 2: It was observed that on January 16, 2018, for the product Stock Cash, Noticee charged Rs. 1203/- for 7 days from complainant (around Rs. 171.85 per day). However, on same day for 21 days, Noticee charged an amount of Rs. 5,416/- (around Rs 257.90 per day), which was significantly higher.

14.9.6.2. Selling Services for future dates and for overlapping periods - It was observed that on December 28, 2017, Noticee sold one product viz. Stock Cash for the period January 08, 2018 to July 16, 2018 to the complainant. Further, on January 02, 2018, Noticee sold another product for the period July 17 to February 25, 2019 to the complainant. On January 10, 2018, Noticee sold 4 packages of product HNI Tips for the period January 11, 2018 to February 07, 2018. Thereafter, on January 16 and 18, 2018, Noticee sold two packages of each of the products HNI Tips and Stock Cash for the period February 22 to March 08, 2018. Further, between January 20 and 29, 2018, Noticee sold six packages of product HNI Tips for the period March 09, 2018 to June 15, 2018. It was observed that such selling of products for the future periods kept going and on March 05, 2018, Noticee sold a product for

a future period January 15 to March 12, 2019, which was one year ahead from the date of invoice. Further, it was observed that all the aforesaid products were sold for service duration January 11, 2018 to March 12, 2019, which covered the period January 08, 2018 to February 25, 2019, for which the product viz. Stock Cash was already active.

14.9.7. Observations-

- 14.9.7.1. It was observed that the Noticee charged price of Rs. 361/- per day (205 days) and Rs. 2783.51 per day (97 days), which comes more than 7 times, for same product Platinum Option from same person i.e. Mr. Rajeev Kumar. Further, Noticee charged price of Rs. 1880.63 per day (for 8 days) and Rs. 3684.21 per day (for 19 days) for same product Blue Chip Tips from same person i.e. Mr. TPS Vardan. It was further observed that Noticee had on various instances, charged fees arbitrarily from its clients. Further, Noticee had sold multiple products in short span of time to the same clients for future period and also, sold products for overlapping periods.
- 14.9.7.2. In this regard, vide emails dated May 14 and 23, 2022, Noticee was, interalia, advised to furnish copies of invoices and other relevant documents. However, Noticee failed to respond. In absence of response from the Noticee and in view of the discussions held in paragraphs above, it was observed that the Noticee allegedly (i) sold products by charging fees arbitrarily, (ii) sold products for future dates which were in some instances one year ahead from date of invoice and (iii) sold different products to same person for overlapping periods.
- 14.9.7.3. Therefore, it was alleged that the Noticee failed to act in fiduciary capacity towards its clients, resulting in violatin of provisions of Regulation 15(1) of IA Regulations. Further, it was also alleged that the Noticee did not act honestly, fairly, diligently and in the best interests of its clients, resulting in violation of provisions of Regulation

15(9) read with Clause 1, 2 & 6 of the Code of Conduct specified for Investment Advisers under Schedule III of the IA Regulations.

14.9.7.4. It was also alleged that the above acts of the Noticee had been carried out with the purpose of defrauding the clients and to earn maximum fees, resulting in violation of provisions of Regulation 3(a), (b), (c), (d), 4(2)(o) and 4(2)(s) of PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act.

14.10. Advisory Fees charged by SIMR from its clients is exorbitantly high in comparison to Investment Amounts and Annual Incomes of clients

14.10.1. It was observed on perusal of documents and information submitted by complainants, that the Noticee had been charging disproportionately high fees from its clients in comparison to their incomes and their proposed amount for investment. Details of such clients are given below:

Sr. No.	Client Name	Fees Charged (Rs.)	Proposed Investment (Rs.)	Annual Income (Rs.)
1	Rajeev Kumar	8,52,601/-	Less than 1 Lakh	1 to 5 Lakh
2	Sunil Lokhande	1,70,333/-	1 to 2 Lakh	1 to 5 Lakh
3	TPS Vardan	11,83,321/-	1 Lakh	1 to 5 Lakh
4	Vikram Shah	7,99,645/-	1 to 2 Lakh	5 to 15 Lakh
5	Harninder Singh	61,383/-	1 to 2 Lakh	1 to 5 Lakh
7	Pradeep Singh Rawat	1,08,094/-	1 to 2 Lakh	5 to 15 Lakh
8	Tripti Goyal	1,78,733/-	1 to 2 Lakh	1 to 5 Lakh
9	Pilli Bhaskar	7,95,048.39	1 to 2 Lakh	Below 1 Lakh
10	Mamidi Jibratan	33,09,450/-	1 to 2 Lakh	5 to 15 Lakh

14.10.2. It was observed, as provided in the table above, that the Noticee was charging exorbitantly high fees from its clients. In case of the clients viz. Rajeev Kumar, TPS Vardan, Vikram shah and Pilli bhaskar, the advisory fees charged by the Noticee was greater than their annual incomes. It was further observed that in case of 9 out of 10 clients, the fees charged by the Noticee was higher than proposed investment amount of clients. It was observed that if advisory fees itself was more

than the proposed investment amount, then the client could not earn returns on his/ her investments.

- 14.10.3. Therefore, it was observed that the Noticee did not act fairly, honestly and in best interest of clients, and that the fees charged by the Noticee was not fair and reasonable
- 14.10.4. Based on the above, it has been alleged that the Noticee has violated the provisions of Clauses 1, 2 and 6 of Code of Conduct as mentioned in Third Schedule read with regulation 15(9) of IA Regulations.
- 14.10.5. Further, the purpose of Noticee's alleged conduct was to enhance its income by defrauding the clients, and hence it was alleged that the Noticee has violated the provisions of Regulations 3(a), (b), (c) and (d) of PFUTP Regulations read with section 12A(a), (b) and (c) of SEBI Act.

14.11. Compelling clients to pay additional fees

- 14.11.1. It was observed that the Noticee had received payments towards subscriptions for its packages, however, it sought additional amount from the client while refusing to provide the service unless the client made the aforesaid payment.
- 14.11.2. It was observed that vide his complaint to SEBI, one complainant viz. Mr. Manoj Kumar stated that the Noticee initially asked him to pay Rs. 14,200/- for recommendations with 90% accuracy. After payment of the aforesaid amount, the Noticee transferred his profile to senior executive 'Ms. Supriya', who was supposed to make the client earn Rs. 3-4 Lakh per week. Thereafter, representative of the Noticee demanded an additional amount of Rs. 35,000/- to start work, and the Complainant paid the said amount to the Noticee. However, it was observed that 'Ms. Supriya' called him again and told that he was supposed to pay her fees which was actually Rs. 1,20,000/-.
- 14.11.3. It was observed that the Noticee first promised assured returns, then threatened clients to not provide services until additional payment was made in order to lure the clients into buying/ subscribing to multiple subscriptions of the same package and then charging unreasonable

fees to its clients. It was found that the aforesaid acts of the Noticee were in complete disregard to the responsibility entrusted on it under the IA Regulations to act in fiduciary capacity and in the best interest of its clients.

14.11.4. Based on the above, it has been alleged that the Noticee has violated the provisions of Clauses 1, 2 and 6 of Code of Conduct as mentioned in Third Schedule read with regulation 15(9) of IA Regulations.

14.11.5. Further, it was observed that the above act of the Noticee was done with the sole purpose of increasing its income by defrauding its clients, and hence it was alleged that the Noticee has violated the provisions of Regulations 3(a), (b), (c) and (d) of PFUTP Regulations read with section 12A(a), (b) and (c) of SEBI Act.

14.12. Failure to render service even after receipt of fees

14.12.1. It was observed that in case of two complainants, the Noticee did not render the advisory services even after receiving the required service fees, and further, did not refund the fee amount. Deatails of the two complainants are given below:

14.12.1.1. Complaint of Mr. Rajesh Kumar: The complainant stated that he had paid fees amounting to Rs. 1,73,023/- in tranches to avail the services. However, after receiving the fees, representatives of the Noticee stopped receiving his calls and failed to render any services.

14.12.1.2. Complaint of Mr. Tejas Mohan Bhasme: The complainant in his complaint dated June 04, 2018 to SEBI stated that he had paid amount of Rs. 7,34,000/- in tranches for subscription packages. Thereafter, he was asked by the Noticee to upgrade services. The complainant then requested to the Noticee for refund of money, however, the Noticee neither paid heed to his request nor provided him with any services.

14.12.2. It was found that the aforesaid acts of the Noticee were in complete disregard to the responsibility entrusted on it under the IA Regulations to act in fiduciary capacity and in the best interest of its clients,

- 14.12.3. Based on the above, it has been alleged that the Noticee has violated the provisions of Clauses 1, 2 and 6 of Code of Conduct as mentioned in Third Schedule read with regulation 15(9) of IA Regulations.
- 14.12.4. Further, it was observed that the above mentioned act of the Noticee was done with the sole purpose of increasing its income by defrauding its clients, and hence it was alleged that the Noticee has violated the provisions of Regulations 3(a), (b), (c) and (d) of PFUTP Regulations read with section 12A(a), (b) and (c) of SEBI Act.

14.13. Non Redressal of investor grievances

- 14.13.1. In terms of Circular CIR/OIAE/2014 dated December 18, 2014 on “Redressal of Investor grievances through SEBI Complaints Redress System (SCORES) Platform” it was advised, interalia, that Investment Advisers are required to review their investors grievances redressal mechanism so as to further strengthen it and correct the existing shortcomings, if any. Further, it was directed that, interalia, Investment Advisers, to whom complaints are forwarded through SCORES, should take immediate efforts on receipt of a complaint for its resolution, within thirty days. The said circular has stated that in case of failure to file the Action Taken Report (hereinafter referred to as “**ATR**”) under SCORES within thirty days of date of receipt of the grievance, it should be treated as failure to furnish information to SEBI and deemed to constitute non-redressal of investor grievance. Further, Regulation 21(1) of IA Regulation mandates that Investment Adviser must redress client grievances promptly. Regulation 28(f) of IA Regulation states that Investment Adviser would be liable for action if it failed to resolve the complaints of investors or failed to give a satisfactory reply to the Board.
- 14.13.2. In view of the above, it was observed that there were 24 unique complaints pending against the Noticee. The aforesaid complaints were forwarded to the Noticee by SEBI, however, the Noticee failed to redress the complaints, and did not file ATR. Details of the 24 complaints are given below:

S. No.	Complaint No.	Name of the complainant	Status	Date of receipt	Date of forwarding to IA	Date of Final ATR filed by the complainant
1	SEBIE/MP21/00 00438/1	Tripti goyal	Pending	18/02/2021	22/03/2021	ATR not received
2	SEBIE/MP21/00 00177/1	Vikram M Shah	Pending	26/12/2020	27/01/2021	ATR not received
3	SEBIE/MP20/00 01992/1	Shakthiyvelan	Pending	28/10/2020	19/12/2020	ATR not received
4	SEBIE/MP20/00 01892/1	Yogesh Srinivas More	Pending	10/08/2020	08/12/2020	ATR not received
5	SEBIE/MP20/00 01729/1	Harnander Singh	Pending	08/08/2020	08/12/2020	ATR not received
6	SEBIE/MP20/00 01402/1	Pilli Bhaskhar	Pending	07/02/2020	08/12/2020	ATR not received
7	SEBIE/MP20/00 01346/1	Vikas Prajapat	Pending	22/06/2020	19/12/2020	ATR not received
8	SEBIE/MP20/00 01302/1	Venugopal	Pending	06/01/2020	19/12/2020	ATR not received
9	SEBIE/MP20/00 01248/1	Dasaradhi Pothuri	Pending	07/10/2020	15/07/2020	ATR not received
10	SEBIE/MP20/00 00739/1	sunil sukhadev lokhande	Pending	15/02/2020	21/12/2020	ATR not received
11	SEBIE/MP20/00 00076/1	Nayan vaghasia	Pending	12/07/2019	04/12/2020	ATR not received
12	SEBIE/MP19/00 03171/1	Nayan vaghasia	Pending	28/11/2019	04/12/2020	ATR not received
13	SEBIE/MP19/00 02894/1	shakthiyvelan	Pending	12/06/2019	25/02/2020	ATR not received
14	SEBIE/MP19/00 02890/1	Pushkar Saxena	Pending	12/05/2019	25/02/2020	ATR not received
15	SEBIE/MP19/00 02754/1	T P Srinivasavarad n	Pending	25/11/2019	25/02/2020	ATR not received
16	SEBIE/MP19/00 02753/1	T P Srinivasavarad n	Pending	25/11/2019	25/02/2020	ATR not received
17	SEBIE/MP19/00 02730/1	Raghunath Gadre	Pending	22/11/2019	25/02/2020	ATR not received
18	SEBIE/MP19/00 02729/1	Raghunath Gadre	Pending	22/11/2019	25/02/2020	ATR not received
19	SEBIE/MP19/00 02460/1	kuresh sahu	Pending	21/09/2019	23/10/2019	ATR not received
20	SEBIE/MP19/00 02399/1	prashant k shabadi	Pending	09/12/2019	14/10/2019	ATR not received

S. No.	Complaint No.	Name of the complainant	Status	Date of receipt	Date of forwarding to IA	Date of Final ATR filed by the complainant
21	SEBIE/MP19/00 02318/1	Karan Kumar	Pending	30/08/2019	14/10/2019	ATR not received
22	SEBIP/MP19/00 00377/1	Manoj Kumar	Pending	17/09/2019	24/09/2019	ATR not received
23	SEBIE/MP19/00 02158/1	Kinhikar Manoj Arvind	Pending	09/09/2019	12/09/2019	ATR not received
24	SEBIE/MP19/00 02090/1	Pradeep Singh Rawat	Pending	28/08/2019	12/09/2019	ATR not received

14.13.3. Therefore, it was alleged that the Noticee violated the provisions of SEBI circular CIR/OIAE/2014 dated December 18, 2014, and Regulation 21(1) and 28(f) of IA Regulations.

14.14. Non submission of information sought by SEBI

14.14.2 In terms of Regulation 15(12) of the IA Regulation, Investment Advisor is mandated to furnish to SEBI, the information and reports as may be specified from time to time.

14.14.3 It was observed that SEBI, vide letter dated August 19, 2020, had advised the Noticee to submit information, inter alia, w.r.t. compliance with SEBI's interim order dated November 13, 2019. Vide aforesaid letter SEBI had also advised the Noticee to submit contact details of its compliance officer, copy of Risk Profile Form(s), details of all the bank accounts of the Noticee and its proprietor along with their statements, client master data, total number of clients along with their assets under advisory, sample copy of agreement entered into with the clients, sample copies of invoices for different strategies., details of fee structure, details of year wise fees collected since date of registration and copy of audited financial statements for last three years, etc. The said letter was duly served through email and Registered post to the Noticee. However, it was observed that the Noticee failed to respond. Thereafter, it was observed that vide emails dated May 14 and 23, 2022,

the Noticee was again advised to file aforesaid information. However, the Noticee again failed to respond.

14.14.4 It was alleged that the Noticee did not submit the information sought from it despite repeated reminders vide letter dated August 19, 2020 and email dated May 14 & 23, 2022, resulting in violation of provisions of Regulation 15(12) of IA Regulations.

14.15. Non-compliance of SEBI order dated November 13, 2019

14.15.1. It was observed that SEBI had passed the ex-parte interim order dated November 13, 2019 under Sections 11, 11B and 11D of the SEBI Act read with Regulation 35 of Intermediaries Regulations, in the matter of Star India Market Research and its proprietor Mr. Dharmendra Kumar, *inter-alia*, directing as under:

'Mr. Dharmendra Kumar, proprietor of Star India Market Research is directed to:

- i. cease and desist from soliciting/ acquiring any fresh clients for investment advisory services and undertaking the activity of acting and representing through any media (physical or digital) as an investment advisor, directly or indirectly, in any manner whatsoever till further directions;*
- ii. cease and desist from offering any new investment advisory services to its existing clients for which fresh payment is required to be made by these clients. It is clarified that the services for which the existing clients have already made payment to the Noticee shall be duly delivered to these clients and no renewal of these services shall be permitted;*
- iii. discharge all their obligations, as required under the SEBI (Investment Adviser) Regulations, 2013, towards the existing clients in respect of the investment advisory services that it has to deliver;*
- iv. circulate a copy of this Order to all its existing clients and display the contents of the same on its website immediately.'*

- 14.15.2. The copy of aforesaid ex-parte interim order dated November 13, 2019 was served upon the Noticee vide letter dated November 14, 2019 on November 18, 2019 as well as by affixture November 29, 2019. Further, vide letter dated August 19, 2020, copy of the interim order was again served upon Mr. Dharmendra Kumar, proprietor of the Noticee through Speed Post and he was, inter alia, advised to furnish status of compliance of aforesaid interim order.
- 14.15.3. However, it was alleged that the Noticee failed to confirm compliance with the directions of SEBI issued vide aforesaid interim order, and therefore, failed to comply with the SEBI order dated November 13, 2019.

14.16. Submission of incorrect experience details by the Noticee at the time of seeking Registration as an IA

- 14.16.1. It was observed in the Interim Order dated November 13, 2019, that the Noticee, which is a proprietorship, was registered as an Investment Adviser since October 12, 2015. It was observed that the proprietor, Mr Dharmendra Kumar, holds a degree in Bachelor of Science from Devi Ahilya University, Indore. At the time of seeking registration, Noticee submitted an experience certificate of Arihant Capital Markets Ltd (SEBI registered Stock Broker), signed by one Mr Krishna Yadav in his capacity as SEBI registered sub-broker of Arihant Capital Markets Ltd, as a Supporting Financial Advisor from October 01, 2009 to February 05, 2015.
- 14.16.2. It was observed that to determine veracity of the said experience certificate, confirmation was sought from Arihant Capital Markets Ltd regarding the authenticity of the experience certificate submitted to SEBI by Mr Dharmendra Kumar. In response, compliance officer of Arihant Capital Market Ltd submitted the following
- 14.16.2.1 Mr Dharmendra Kumar was not working with Arihant Capital Markets Ltd as mentioned in the experience certificate.

- 14.16.2.2 The certificate issued by the sub-broker has never been authorized by it.
- 14.16.2.3 The said sub-broker viz. Mr Krishna yadav, was registered with SEBI on March 12, 2010 and had been cancelled by SEBI on December 30, 2014.
- 14.16.3. It was observed that Arihant Capital Markets Ltd was also advised to obtain the comments of the sub-broker who confirmed that the said experience certificate was issued by him to Mr Dharmendra Kumar. The Compliance officer of Arihant Capital Markets Ltd submitted that the said sub-broker had no turnover after FY 2011-12, and application for cancellation of his registration was filed on March 18, 2014 and approved by SEBI on December 30, 2014.
- 14.16.4. It was observed that in terms of the IA Regulations, one of the eligibility criteria for grant of registration is that where an applicant is an individual, he/ she should be appropriately qualified and certified. The IA Regulations further require that an applicant who is a graduate in any discipline must have an experience of *“at least five years in activities relating to advice in financial products or securities or fund or asset or portfolio management”*.
- 14.16.5. It was observed that the experience letters submitted by Mr. Dharmendra Kumar state that *“This is to certify Mr. Dharmendra Kumar was working at Arihant Capital Markets Ltd. Under Mr. Krishna Yadav Sub Broker. As a Supporting Financial Advisor from 1st Oct 2009 to 5th Feb 2015.”* It was observed that the Noticee, by virtue of this submission as the applicant, knowingly made an untrue and inaccurate representation of the facts on the following grounds:
- 14.16.5.1 While the experience letter mentioned that Mr. Dharmendra Kumar was working under the sub-broker from October 01, 2009, till February 05, 2015, the operations of the sub-broker had been inactive after March 31, 2012, in view of his nil turnover, as reported by the broker. It was observed that in the absence of any active clients and no transactions being executed through the sub-broker

after March 31, 2012, the Noticee had no occasion to gain any experience under the sub-broker. Therefore, it was observed that if the Noticee, Mr. Dharmendra Kumar was working under the sub-broker from March 12, 2010 (the date of registration with the Broker) till March 31, 2012, then Mr. Dharmendra Kumar infact had atmost two years of actual experience of working in the securities markets as against the minimum requirement of five years. However, the fact that the sub-broker was not active should be known to the Noticee in view of the absence of transactions after March 31, 2012, through the sub-broker. It was observed that despite this knowledge of the Noticee, he misrepresented in his application for registration that he had five years of experience under the sub-broker. Therefore, it was observed that the Noticee knew that he did not meet the minimum requirement of five years' experience and had knowingly misrepresented his experience details to SEBI when seeking registration.

14.16.5.2 It was observed that the submission that he was working at Arihant Capital Markets Ltd., had also been denied by the said broker and it further submitted that the issuance of the experience letter was never authorized by it.

14.16.6. In view of the above, it was observed that, Mr. Dharmendra Kumar had not submitted true and accurate facts of his experience to SEBI at the time of seeking registration as an IA and he was not appropriately qualified to seek registration. In effect, by obtaining registration from SEBI on the basis of incorrect information, the Noticee had also knowingly misrepresented to investors that he was competent to possess the certificate of registration as an investment adviser under the IA Regulations.

14.16.7. Therefore, it was alleged that the Noticee had obtained registration from SEBI as an investment adviser by submitting incorrect information, resulting in violation of provisions of Regulation 13 of the IA

Regulations; and Regulations 6(b) and 6(f) read with Regulations 7(1)(b) and 13(a) of the IA Regulations.

15. I note that Noticee has not submitted any response with regard to any of the allegations made in the SCN and as mentioned at para 14 above, has not availed of the opportunity of personal hearing. It is pertinent to refer the judgment of Hon'ble Securities Appellate Tribunal (SAT) in the matter of Classic Credit Ltd. vs. SEBI (Appeal No. 68 of 2003 decided on December 08, 2006) wherein it, inter alia, held 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 showcause notice were admitted by them"

16. Since the Noticee has failed to provide any response, I proceed to deal with each allegation ex-parte, on merits, as under;

16.1 I find from the record that target returns were promised by the Noticee. I note that every investment in the market is subject to market risk and any investment made by the client can also run into losses and even become zero. Therefore, I find that assured returns / assured loss recovery given by Noticee was an active concealment of truth and the above conduct was an act of being dishonest on the part of and also not acting in the best interest of the clients. I find that the above act of the Noticees giving assured returns was known to be false and misleading in a reckless and careless manner, which was designed to influence the decision of investors dealing in securities. Such act of the Noticees are fraudulent inducement to its clients as a market participant to deal in securities with the objective of enhancing their brokerage or commission or income and comprises mis-selling of services relating to securities market. Hence, I find that the Noticee has violated Regulation 15(1) and Clauses 1, 2, 5 and 8 as specified under Third Schedule of Code of Conduct for Investment Advisers read with Regulation 15(9) of the IA

Regulations and Regulation 3(a), (b), (c), (d), 4(2)(k) and (s) of the PFUTP Regulations read with Section 12A(a), (b) and (c) of the SEBI Act.

- 16.2 I note that in terms of Regulation 16 of IA Regulations, IA is supposed to carry out risk profiling of the client for ascertaining client's risk tolerance, income, loss absorbing capacity, capacity of accepting loss of capital, liabilities/borrowing, etc. Further, it also states that the risk profiling should be communicated to the client after risk assessment is done. The primary purpose of the same is that the respective client is given an opportunity to assess his/her risk profile before agreeing to accept the advice for products/services. However, the Noticee failed to do the same resulting in violation of provisions of Regulation 16 of the IA Regulations.
- 16.3 I note that since the Noticee failed to carry out Suitability Assessment of its clients, it has violated Regulation 17 of the IA Regulations.
- 16.4 By not carrying out Risk profiling, Noticee has violated the provisions of Regulation 16(a) and 16(b) of the IA Regulations, and failed to abide by Code of Conduct for IA, resulting in violation of provisions of Clause 2 and 8 as specified in the Third Schedule read with Regulation 15(9) of IA Regulations.
- 16.5 I note that the questions in the 'Risk Profile Questionnaire' were leading, such that they had been framed in such a manner that it would be difficult for the clients to understand and provide an appropriate response. I note that such questions had been framed to make the clients fall in the high risk category so that they could be offered complex products like derivatives. Therefore, the Noticee has violated the provisions of Regulation 16(d) of IA Regulations.
- 16.6 I note that Noticee has sold products to clients without assessing their risk category and tolerance level and hence, has violated Regulation 15(1) and 17(a) of IA Regulations, and also failed to abide by Code of Conduct for IA, resulting in violation of provisions of Clauses 1 and 8 as specified in the Third Schedule read with regulation 15(9) of IA Regulations.

- 16.7 I note that Noticee provided investment advice in disregard to the risk profile of its clients and that its recommendations were not based on clients' experience and capacity for absorbing loss, which resulted in violation of provisions of Regulation 17(a) and 17(e) and Regulation 15(9) of the IA Regulations read with Clause 1 of the Code of Conduct specified for Investment Advisers under Schedule III of the IA Regulations.
- 16.8 I note that the Noticee sold HNI services to non HNI clients which is in violation of Regulation 16(b), 16(c) and Regulation 15(9) of the IA Regulations read with Clause 2 of the Code of Conduct specified for Investment Advisers under Schedule III of the IA Regulations.
- 16.9 I note that Noticee charged arbitrary fees from the clients, sold multiple products in short span of time to same client for future dates and also sold products for overlapping periods. This was done with the purpose of defrauding the clients and to earn maximum fees. I note that the Noticee did not act honestly, fairly, diligently and in the best interests of its clients. Thus, the Noticee has violated provisions of Regulation 15(1) and 15(9) read with Clause 1, 2 & 6 of the Code of Conduct specified for Investment Advisers under Schedule III of the IA Regulations. Further, by inducing its clients to trade in the market, Noticee has violated Regulation 3(a), (b), (c), (d), 4(2)(o) and 4(2)(s) of PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act.
- 16.10 I note that the Noticee charged exorbitant fees from its clients to enhance its income and hence has violated Clauses 1, 2 and 6 of Code of Conduct as mentioned in Third Schedule read with Regulation 15(9) of IA Regulations. However, I am of the considerate view that charging of high fees is not covered under the definition of "fraud" under PFUTP Regulations and hence I feel that there is no violation of Regulations 3(a), (b), (c) and (d) of PFUTP Regulations read with section 12A(a), (b) and (c) of SEBI Act, in this regard.
- 16.11 I note that the act of Noticee to first promise assured returns, then threatening the clients to not provide services until additional payment was made in order to lure the clients into buying/ subscribing to multiple

subscriptions of the same package and then charging unreasonable fees from its clients was in complete disregard to the responsibility entrusted on it under the IA Regulations to act in fiduciary capacity and in the best interest of its clients. I note that the above act of the Noticee was done with the sole purpose of increasing its income by defrauding its clients and hence the Noticee has violated Clauses 1, 2 and 6 of Code of Conduct as mentioned in Third Schedule read with regulation 15(9) of IA Regulations. I note that while charging unreasonable fee is not covered under the definition of “fraud” under PFUTP Regulations, promising assured returns induces the clients to trade in securities market and hence the Noticee has also violated Regulations 3(a), (b), (c) and (d) of PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act.

16.12 I note that not giving the services even after receipt of fees from clients was in complete disregard to the responsibility entrusted on the Noticee under the IA Regulations to act in fiduciary capacity and in the best interest of its clients and hence the Noticee has violated Clauses 1, 2 and 6 of Code of Conduct as mentioned in Third Schedule read with regulation 15(9) of IA Regulations. However, I am of the considerate view that charging of fees and not rendering the fees is not covered under the definition of “fraud” under PFUTP Regulations and hence I feel that there is no violation of Regulations 3(a), (b), (c) and (d) of PFUTP Regulations read with section 12A(a), (b) and (c) of SEBI Act, in this regard.

16.13 I note that there were 24 unique complaints pending against the Noticee. The said complaints were forwarded to the Noticee by SEBI, however, the Noticee failed to redress the complaints, and did not file ATR. By failing to redress the complaints it is established that the Noticee has violated the provisions of SEBI circular CIR/OIAE/2014 dated December 18, 2014, and Regulation 21(1) and 28(f) of IA Regulations.

16.14 I note from the provision of Regulations 15 (12) that it is a general responsibility of the Noticees to furnish to the Board information and reports as may be specified by the Board from time to time. I note that the Noticee did not furnish the information, as mentioned at para 14.14

above, despite repeated reminders, hence, it is established that the Noticee has violated Regulation 15(12) of IA Regulations.

16.15 With regard to non-compliance with the SEBI Order dated November 13, 2019, I note that just the failure to confirm compliance by the Noticee with the directions of SEBI order alone cannot establish non-compliance by the Noticee with the SEBI order dated November 13, 2019. There is nothing on record which otherwise prove that the directions have not been complied with by the Noticee and hence I am not inclined to agree with the allegation that the Noticee has not complied with the directions of the said order just on the basis of non-confirmation by the Noticee.

16.16 With regard to allegation that Noticee had obtained registration from SEBI as an investment adviser by submitting incorrect information, it is clear from the submissions of Arihant Capital Markets Ltd. that Noticee did not submit true and accurate facts of his experience to SEBI at the time of seeking registration as an IA and he was not appropriately qualified to seek registration. Thus, it is established that the Noticee has violated Regulation 13 of the IA Regulations and Regulations 6(b) and 6(f) read with Regulations 7(1)(b) and 13(a) of the IA Regulations.

ISSUE No. II: Do the violations, if any, attract monetary penalty u/s Section 15C, 15EB, 15HA and 15 HB of SEBI Act, as applicable?

17. In view of the above findings, monetary penalty is attracted against the Noticee under the provisions of Sections 15C, 15HB, 15HA and 15 HB of SEBI Act.

ISSUE No. III: If so, what should be the monetary penalty that should be imposed upon the Noticee, after taking into consideration the factors stipulated in Section 15J of the SEBI Act r/w Rule 5(2) of the Adjudication Rules?

18. While determining the quantum of penalty under sections 15C, 15EB, 15HB and 15HA of SEBI Act, the following factors stipulated in Section 15J of the SEBI Act have to be given due regard:-

SEBI Act

15J. Factors to be taken into account by the adjudicating officer

While adjudging quantum of penalty under Section 23-I, 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.*

19. I note that there is no material on record to indicate any specific disproportionate gains or unfair advantage which accrued to the Noticee, or loss suffered by the investors. I note that a SEBI registered IA has the responsibility to act in a fiduciary capacity towards its clients. An IA cannot go beyond the role as prescribed in the Regulations. The role of an investment advisor is crucial to the development of the securities market, especially for the entry of the small investors who may rely on the advice of such IAs. The violations of the Noticee as brought out in the preceding paragraphs are serious in nature and clearly shows that it has grossly failed in its fiduciary duties owed to its clients.

ORDER

20. After taking into consideration the facts and circumstances of the case, in exercise of powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose the following penalty on the Noticee;

Noticee (PAN)	Violation of provisions	Penalty u/s	Penalty
Star India Market Research (SEBI Registration No - INA000003627) Proprietor: Dharmendra Kumar (PAN- AJZPL7369K)	SEBI Circular CIR/OIAE/2014 dated December 18, 2014. Regulation 21(1) read with Regulation 28(f) of IA Regulations. Clauses 1, 2, 5, 6 and 8 as specified under Third Schedule of Code of Conduct for Investment Advisers r/w Regulation 15(9) of IA Regulations. Regulation 13, 16 and 17 of IA Regulations. Regulations 15(1), 15(12), 16(a), 16(b), 16(c) and 16(d), 17(a) and 17(e) of IA Regulations. Regulations 6(b) and 6(f) read with Regulations 7(1)(b) and 13(a) of the IA Regulations. Regulation 3 (a), (b), (c) and (d), 4(1) and 4(2)(k), 4(2)(o) and 4(2)(s) of PFUTP Regulations r/w Section 12A(a), (b) and (c) of SEBI Act	Section 15C of SEBI Act Section 15EB of SEBI Act (for violation subsequent to March 8, 2019); and Section 15 HB of the SEBI Act (for violation prior to March 8, 2019) Section 15HA of SEBI Act	Rs. 20,00,000/- (Rs. Twenty Lakhs Only)

21. I find that the said penalty is commensurate with the violations committed by the Noticee in this case.
22. 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

23. 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.

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

PLACE: MUMBAI
DATE: AUGUST 23, 2023

AMIT KAPOOR
ADJUDICATING OFFICER