

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Section 12 (3) of the Securities and Exchange Board of India Act, 1992 read with Regulation 27 of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008

In respect of

Sr. No.	Name of the Noticee	SEBI Registration No.
1.	Bonanza Portfolio Limited	INH100001666

In the matter of Bonanza Portfolio Limited

1. Bonanza Portfolio Limited is registered as a Research Analyst (“RA”) since September 09, 2015 with Securities and Exchange Board of India (hereinafter referred to as “SEBI”). It is also registered as a Stock Broker, Depository Participant, Portfolio Manager and Merchant Banker. The present proceeding is originating from the Enquiry Report dated July 24, 2024, submitted by the Designated Authority (hereinafter referred to as “DA”), in terms of the applicable provisions of the SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as “Intermediaries Regulations”).
2. SEBI had conducted an inspection of the Noticee for the period from April 01, 2020 to March 31, 2021 (hereinafter referred to as “inspection period” / “IP”) in order to examine compliance of various requirements by the Noticee with respect to the provisions of SEBI (Research Analysts) Regulations, 2014 (hereinafter referred to as **RA Regulations, 2014**). The findings/ observations made during the course of inspection were communicated to the Noticee by SEBI vide letter dated July 19, 2022. After examining the reply submitted by the Noticee, various violations observed on part of the Noticee were communicated to it vide letter dated August 19, 2022. The summary of violations alleged to have been committed by the Noticee and the corresponding regulatory provisions are given in the table below:

Table 1

Sr. No.	Alleged Violations	Regulatory Provisions
1	Not using the term 'Research Analyst' in correspondences with clients	Regulation 13(iii) of RA Regulations, 2014 and clauses 2, 6, 7 and 8 of Code of Conduct as specified in the Third Schedule under Regulation 24(2) of the RA Regulations, 2014
2	Not informing the Board regarding material changes in the information already submitted	Regulation 13(ii) and clauses 2, 6, 7 and 8 of Code of Conduct as specified in Third Schedule under Regulation 24(2) of the RA Regulations, 2014
3	Non-Compliance with the limitations on trading by Research Analyst - Rohan Patil and the Entity	Regulations 15(1), 16(1), 16(2) and 16(3) read with Regulation 16 (5) and clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24 (2) of the RA Regulations, 2014
4	Not ensuring independence of Research Activities from its other business activities; non-maintenance of an arms-length relationship and segregation / separation between its research activity and other activities	Regulations 15(2), 18(10), 24(1) and clauses 2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations, 2014
5	Non-compliances in respect of Compensation of Research Analysts	Regulations 17(2), 17(4) and clauses 2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24 (2) of the RA Regulations, 2014
6	Non-compliances in respect of maintenance of records and content in respect of research reports/ recommendations	Regulations 18(7), 20(1), 20(3), 25(1)(i) and (iii) and clauses 2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24(2) of the RA Regulations, 2014
7	Not making required disclosures in Research	Regulations 19, 21(1) and clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as

	Reports and Recommendations	specified in the Third Schedule under Regulation 24(2) of the RA Regulations, 2014
8	Not taking SCORES login and providing false information for the same	Regulation 29(2), SEBI Circular no CIR/OIAE/1/2014 dated December 18, 2014 and the clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24(2) of the RA Regulations, 2014
9	Not abiding by provisions of the Act and Regulations	Regulation 13(i) and clauses 2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule of Regulation 24(2) of the RA Regulations, 2014

3. Based on the findings of the said inspection, a DA was appointed to inquire into and to submit a report pertaining to the aforesaid allegations. The DA issued a show-cause notice (hereinafter referred to as “**SCN**”) dated April 04, 2024 to the Noticee under Regulation 25(1) of the Intermediaries Regulations to show cause as to why appropriate recommendation should not be made against it in terms of Regulation 26 of the Intermediaries Regulations for the violations alleged to have been committed by the Noticee, as mentioned above at Table No. 1. The Noticee was advised to submit its reply, if any, within 21 days of receipt of the notice.
4. The Noticee, vide its letter dated May 10, 2024 submitted a detailed reply to the aforesaid show-cause notice. Pursuant to the receipt of the said reply, an opportunity of personal hearing was granted to the Noticee to appear before the DA on May 24, 2024 which was rescheduled to June 20, 2024 at the request of the Noticee. The authorized representative of the Noticee appeared for the scheduled hearing and reiterated the submissions already made vide its letter dated May 10, 2024. Subsequently, the Noticee filed post hearing submissions dated July 05, 2024. The Noticee was also advised to submit additional information/documents in support of its submissions.
5. After considering the allegations levelled in the show-cause notice, reply filed by the Noticee, arguments made during the hearing and the material available

on record, the DA, submitted the aforesaid Enquiry Report and made the following recommendation:

“...the aforementioned non-compliances by the Noticee do not constitute grave violations. In many instances, the Noticee is observed to have taken corrective actions. Further, Noticee has been penalised vide Adjudication Order No. Order/BM/DS/2024-25/30584 dated July 24, 2024. Given the above, I am of the view that the matter may not be proceeded further.”

6. The DA report was forwarded to the Noticee in terms of Regulation 27(1) of the Intermediaries Regulations vide Notice dated August 12, 2024. It was stated in the said Notice that if the Noticee wishes to file any submission/information along with any supporting documents, it may do so within 10 days from receipt of the said Notice and pursuant thereto, the matter would be proceeded with in accordance with Regulation 27(5) of the Intermediaries Regulations.
7. I note that the Notice was delivered to the Noticee through speed post as well as through email dated August 12, 2024. However, the Noticee did not file any submissions within the stipulated time. A reminder was also sent to the Noticee through email dated September 03, 2024 to file any submissions/information. Pursuant thereto, the Noticee filed its submission vide email dated September 06, 2024.

CONSIDERATION OF ISSUES

8. I have perused the Enquiry Report issued to the Noticee along with the Notice dated August 12, 2024, the SCN issued by the DA and the replies filed by the Noticee and other material available on record. In the instant proceedings, the DA has not recommended any action against the Noticee and observed that the matter is not required to be proceeded further.
9. The SCN issued by the DA had made allegations on nine counts as mentioned above at Table 1. In response thereto, the Noticee filed its replies vide letter dated May 10, 2024 and July 05, 2024. Further, in response to the Notice dated August 12, 2024 also, the Noticee filed its submissions vide email/letter dated September 06, 2024.

10. The DA has made the following observations with respect to the allegations contained in the SCN.

Sr. No.	Alleged Violations	Observations of DA
1	Not using the term 'Research Analyst' in correspondences with clients.	Noticee has violated the provisions of Regulation 13(iii) of RA Regulations, 2014 and clauses 2, 6, 7 and 8 of Code of Conduct as specified in the Third Schedule under Regulation 24(2) of the RA Regulations, 2014
2	Not informing the Board regarding material changes in the information already submitted	Noticee has violated the provisions of Regulation 13(ii) of RA Regulations, 2014 and clauses 2, 6, 7 and 8 of Code of Conduct as specified in the Third Schedule under Regulation 24(2) of the RA Regulations, 2014
3	Non-Compliance with the limitations on trading by Research Analyst - Rohan Patil and the Entity	The violation of provisions of Regulations 15(1), 16(1), 16(2) and 16(3) read with Regulation 16(5) of RA Regulations, 2014 with respect to trading of the research entity within 30 days before and 5 days after the publication of the research recommendation does not stand established. Noticee has violated the provisions of Regulations 15(1), 16(1) and 16(2) and clauses 1, 2, 3, 6, 7 and 8 of the Code of Conduct as specified in Third Schedule under Regulation 24(2) of the RA Regulations, 2014.
4	Not ensuring independence of Research Activities from its other business activities; non-maintenance of an arms-length relationship and segregation/separation between its research	The violation of provisions of Regulations 15(2), 17(2), 17(4), 18(10), 24(1) and clauses 2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24(2) of the RA Regulations, 2014, does not stand established.

Sr. No.	Alleged Violations	Observations of DA
	activity and other activities	
5	Non-compliances in respect of Compensation of Research Analyst(s)	
6	Non-compliances in respect of maintenance of records and content in respect of research reports/ recommendations	The Noticee has violated the provisions of Regulations 18(7), 20(1), 20(3), 25(1)(i) and (iii) and clauses 2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24(2) of the RA Regulations, 2014
7	Not making required disclosures in Research Reports and Recommendations	Noticee has violated the provisions of Regulations 19, 21(1) and clauses 1, 2 3, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24(2) of the RA Regulations, 2014.
8	Not taking SCORES login and providing false information for the same	Noticee has violated the provisions of Regulation 29(2) of the RA Regulations, 2014, SEBI Circular no CIR/OIAE/1/2014 dated December 18, 2014 and the clauses 1, 2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24(2) of the RA Regulations, 2014.
9	Not abiding by provisions of the Act and Regulations	The allegation of violation of the provisions of Regulation 13(i) and clauses 2, 6, 7 and 8 of the Code of Conduct as specified in the Third Schedule under Regulation 24(2) of the RA Regulations, 2014 stand established

11. Thus, the DA has observed the following violations against the Noticee.

- a) The Noticee has not mentioned the term 'Research Analyst' in all its correspondences, and not mentioning the registration details in the research reports and its website.

- b) The Noticee has not informed about material changes with respect to changes in 'research analysts' associated with it to the SEBI and has not updated various details on the SI portal.
- c) The Noticee has not been able to monitor the trading activities of research analyst employed with the Noticee.
- d) The Noticee has not recorded and maintained rationale with respect to 980 technical recommendations during the inspection period, not provided graph of daily closing price for the securities covered in the research report for the period assigned or for a 3-year period whichever is shorter and has not signed various research reports.
- e) Noticee has not provided required disclosures along with its research recommendations through WhatsApp, Telegram groups and trading terminals, and in its published articles and while appearing in the media.
- f) The Noticee had not obtained SCORES registration at the time of inspection. However, in its reply to the pre-inspection questionnaire, wherein SCORES registration details were asked, the Noticee had incorrectly provided the SCORES login ID with respect to its PMS activities.

12. Accordingly, to summarize, the DA has observed that the Noticee has violated Regulations 13(i), (ii), (iii), 15(1), 16(1), 16(2), 18(7), 19, 20(1), 21(1), 20(3), 25(1)(i) and (iii), 29(2) of the RA Regulations, 2014 and Clauses 1, 2, 3, 6, 7 and 8 of Code of Conduct as specified in the Third Schedule under Regulation 24(2) of the RA Regulations 2014 and SEBI Circular no CIR/OIAE/1/2014 dated December 18, 2014.

13. I note that in response to the Notice dated August 12, 2024, the Noticee has *interalia* submitted the following.

- a) The AO in its Order highlighted that there were no quantifiable figures to assess the disproportionate gain or unfair advantage resulting from Noticee's gain and acknowledged the difficulty in determining the exact monetary loss to investors/clients, yet penalty was imposed upon it.
- b) The AO has recognized that the violations were not repetitive and that the Noticee had no prior penalties. The Noticee had rectified the issues

and was in full compliance at the time of the Order and yet penalty was imposed upon it.

- c) Research reports and research calls were always circulated to Broking clients only whose details were well known to the Noticee. Also, the fact that the Noticee is a Research Analyst registered with SEBI is known to its clients. Therefore, non-mentioning of the term 'Research Analyst' at each and every correspondence has not impacted the clients adversely. It is also submitted that there is no allegation against the Noticee that it has mislead its clients.
- d) The messages in WhatsApp and Telegram Apps were only meant for the existing Clients of Bonanza. In WhatsApp, it was always titled as 'Bonanza research' instead of 'Research Analyst'. The very nature of the messages in WhatsApp and Telegram were cryptic in nature and the focus of the message was only to draw the attention of the Client to the Research report, by giving the buy price and target price.
- e) The Whatsapp service had less than 256 members against the total registered clients of more than four lakhs as it was voluntary for the clients to join the group. WhatsApp service has also been discontinued effective April 6, 2022 and after the inspection, the Noticee has also started mentioning the title "Research Analyst" on the telegram Channel.
- f) All the research recommendation and reports were communicated through the Whatsapp and Telegram groups, website and trading terminal to the existing broking clients of the Noticee.
- g) The Noticee did not have separate clients who were exclusively taking the Research service from the Noticee. Furthermore, the Noticee was not charging its RA client as there were no separate RA clients or no specialized onboarding was taking place to on board them. The maintenance of the Website was not stipulated under the RA Regulations and therefore non mentioning of the registration details on the homepage of the website of the Noticee is not a violation. The Noticee submits that website cannot be termed as a communication with the RA clients under the Regulation. The Noticee provided the Screen shot of the disclosure of the telegram, copies of the updated KYC and the Research Report containing the registration number.

- h) Change in the employee is not a material change requiring RA to inform SEBI under Regulation 13(ii). The employees of RA keep changing and it is not practical to inform every time the joining and leaving of the organization by an employee.
- i) Noticee's Board underwent some changes between the date of registration and inspection period. While there was no change in the Promoter Directors, the independent director of Bonanza portfolio resigned/ retired. Since this change was communicated to the Exchanges, it was not informed to SEBI under Regulation 13 (ii). Noticee further submit that it is not a listed company, changes in the independent directors is not a material change from registration of RA perspective.
- j) Certain material changes in the information submitted by the Noticee to SEBI, have been updated on SEBI's Intermediary Portal. However, due to some technical issue on SI Portal, remaining part of data was pending for updating on SI Portal at the time of inspection. Noticee had already sent an email dated August 11, 2022 at 'portalhelp@sebi.gov.in'. The remaining data was also uploaded on SI Portal as soon as the technical issue was resolved.
- k) With regards to the change in the research analyst, Mr. Harsh Anil Gupta resigning on October 12, 2016, it is submitted that inadvertently the said change was not communicated to the SEBI, however upon the inspection, the Noticee immediately informed it to the SEBI and the changes were also effected on the SI portal.
- l) With regards to non-compliance with the limitation on trading by RA, Rohan Patil, it is submitted that the trading activity undertaken by the said RA was negligible. He was unaware about his trading activities. He never disclosed his investments which he maintained with another broker. During the inspection, Noticee had informed the inspection team that the Noticee had taken action against the said RA by issuing him warning letters, in response, the RA stated that he had miscalculated the time period applicable under the limitation of trading under the Regulation. Noticee had issued a warning letter to him and pursuant to the said warning letter, the said RA also left the services of the Noticee on September 10, 2022.

- m) With regards to the non-compliances in respect of maintenance of records and content in respect of research reports/recommendations, it is submitted that the technical calls of more than one week were maintained by it. It was also submitted that the Noticee is maintaining all the records with regards to the fundamental research reports. The technical calls generated were momentary in nature such as breakout calls given on the basis of the formation of some technical patterns/ breakout and hence the records were not maintained due to the paucity of the time. Although it had not maintained the reports in respect of the technical calls, the rationale behind the calls can be demonstrated at any given time. It is further submitted that it has now started documenting the intraday calls/ breakout calls also.
- n) The research reports were generated computerized and stored in the nature of soft copy and thus were not signed. It is further submitted that the Noticee has now started maintaining the research reports in the manner as required under the Regulation.
- o) The video clips that are attached to the SCN are from TV channels and videos of RA's themselves. The Noticee submits that, it is for the respective channel to ensure that the appropriate disclosures were made. The Noticee submits that it was informed by the concerned RA that the necessary disclosures were made during the program in the respective channel.
- p) All the clients of the Noticee are captive clients. If there is any complaint they would lodge the complaint against the Noticee. Noticee submits that it has login IDs for both broking and PMS activities. However, since the Noticee does not have RA clients they have not taken the separate ID for the SCORES. However, the Noticee has applied for it and has now obtained a SCORES ID for RA activity also.
- q) The Noticee has submitted that during the course of inspection, it has rectified the open points and since then it has started abiding by the regulatory requirements. It is also taking due care and maintaining the professional standard and is compliant with all necessary regulatory requirement.

14. On a perusal of the aforesaid submissions made by the Noticee, I note that the same submissions were made by it before the DA also, who after carefully examining the same, has made her recommendation in the Enquiry Report. It is also noted that the DA has also noted that these non-compliances by the Noticee did not constitute grave violations and on many instances, the Noticee was also observed to have taken corrective actions.
15. Be that as it may, the fact of the violations being not grave in nature, does not absolve the Noticee from its liabilities. However, at the same time, it is noted that for the same set of allegations, adjudication proceedings were also initiated by SEBI which were concluded with passing of Adjudication Order dated July 24, 2024 whereby, the Adjudicating Officer imposed a penalty of ₹9,00,000 upon the Noticee, which has been paid by the Noticee. Further, the DA has also observed that the Noticee has taken corrective actions. It is further noted that there are certain mitigating circumstances such as non-repetitive nature of violations and the Noticee facing technical issues in relation to non-updation of material changes on the SI Portal. Therefore, considering the totality of circumstances, I agree with the recommendation made by the DA that no action is warranted in this case and the matter is not required to be proceeded further.
16. In view of the above, I, in exercise of the powers conferred upon me under Section 19 of the SEBI Act read with Regulation 27(5) of the Intermediaries Regulations, dispose of the present proceedings initiated against the Noticee, Bonanza Portfolio Limited without issuance of any direction.
17. A copy of the Order shall be served on the Noticee and the concerned Market Infrastructure Institutions for their information and record.

DATE: NOVEMBER 18, 2024
PLACE: MUMBAI

Sd/-
AMARJEET SINGH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA