

SECURITIES AND EXCHANGE BOARD OF INDIA**ENQUIRY 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 and Regulation 32 of the Securities and Exchange Board of India (Research Analysts) Regulations, 2014.

In respect of -

Name of the Noticee:	SEBI Registration No:	PAN:
Grovalue Financial Services Private Limited – Research Analyst	INH000003499	AAF CG8218G

In the matter of Grovalue Financial Services Private Limited

Background:

1 Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted an inspection into the matters of a SEBI registered Research Analyst namely, Grovalue Financial Services Private Limited (hereinafter referred to as the “**Noticee**”) having SEBI registration number INH000003499. The aforesaid inspection was carried out for the period from April 01, 2021 to August 31, 2022 (hereinafter referred to as the “**Inspection Period**”).

2 The inspection was carried out to verify (i) whether the books of accounts, records and other documents are being maintained in the manner as specified by the provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the “**SEBI Act**”), Securities and Exchange Board of India (Research Analysts) Regulations, 2014 (hereinafter referred to as the “**Research Analysts Regulations**”) and the circulars issued thereunder; (ii) whether adequate steps for redressal of grievances of the investors are being taken and the conditions of registrations are complied with; and (iii) whether the provisions of the SEBI Act, Research Analysts Regulations and the circulars issued thereunder are being complied with by the Noticee.

3 From the materials available in the matter, I note that the Noticee failed to respond to the Pre-Inspection Questionnaire sent along with the Inspection Notice, hence, the extant proceeding has emanated from an inspection carried out off-line on the basis of the information/data available with SEBI. The findings of the inspection thereof along with the relevant provisions alleged to have been violated by the Noticee are provided as under:

- 3.1. The Noticee failed to submit relevant data /information for the Inspection Period and failed to respond to the Pre-Inspection Questionnaire (“PIQ”) sent along with the Inspection Notice, thereby violating Regulation 13(i), 24(4), 29 (1) & (2), 32 (i), (ii) & (v) and Regulation 24(2) read with clause 7 of Third Schedule of Code of Conduct for Research Analyst under the Research Analysts Regulations.
- 3.2. The Noticee failed to intimate SEBI regarding the change in address of the registered office of the Noticee, thereby violating Regulation 13(ii) of the Research Analysts Regulations.
- 3.3. The Noticee failed to pay the registration renewal fee, thereby violating Para 3 of the Second Schedule read with Regulation 11 of the Research Analysts Regulations.
- 3.4. The Noticee failed to redress the investor grievance as per the SEBI circular CIR/OIAE/1/2014 dated December 18, 2014 read with Regulation 32 (vi) of the Research Analysts Regulations.

4 In light of the abovementioned violation of the findings of the inspection, enquiry proceedings in terms of the SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as the “**Intermediaries Regulations**”) were initiated against the Noticee and accordingly, a Designated Authority (hereinafter referred to as the “**DA**”) was appointed under Regulation 24 of the Intermediaries Regulations to enquire into the aforesaid alleged violations against the Noticee.

Enquiry by the Designated Authority:

5 The DA had issued a Show Cause Notice dated September 21, 2023 (hereinafter referred to as the “**SCN**”) under Regulation 25(1) of the Intermediaries

Regulations, calling upon the Noticee to show cause as to why an appropriate action should not be recommended against the Noticee under the provisions of the Intermediaries Regulations.

6 The aforesaid SCN was sent at two addresses of the Noticee by Speed Post Acknowledgment Due (SPAD). The SCN was delivered and a signed Acknowledgment Due card was duly received from the address of the Noticee as derived from the Ministry of Corporate Affairs (MCA) website, viz., 5B, 64B, 2nd Floor, Raja Bahadur Bansilal Building, J.S.S. Road, Girgaon, Opera House, Mumbai-400004. However, the SCN sent at the address of the Noticee as available with the records with SEBI viz., 03, Enterprise Center, Off Nehru Road, Near Domestic Airport, Vile Parle (East), Mumbai 400099 was returned undelivered with a remark "left".

7 Since no response was received from the Noticee, in the interest of natural justice, the Noticee was granted an opportunity of personal hearing on October 20, 2023 vide Hearing Notice dated October 13, 2023. The said Hearing Notice was duly delivered (at the address- 5B, 64B, 2nd Floor, Raja Bahadur Bansilal Building, J.S.S. Road, Girgaon, Opera House, Mumbai- 400004) but the Noticee failed to avail the opportunity of hearing.

8 Further, vide email dated October 20, 2023 at email address viz., grovaluefinancial@gmail.com and compliance@grovalue.in another opportunity of personal hearing was granted to the Noticee on October 26, 2023. The Noticee failed to avail the said hearing opportunity.

9 A final opportunity of personal hearing was granted to the Noticee on December 15, 2023 vide Hearing Notice dated December 8, 2023. The Noticee was further informed that in case no appearance is made of the aforesaid date of hearing, the matter shall be proceeded with on the basis of the facts/materials available on record. The Hearing Notice was duly delivered (at the address- 5B, 64B, 2nd Floor, Raja Bahadur Bansilal Building, J.S.S. Road, Girgaon, Opera House, Mumbai- 400004) but the Noticee again failed to avail the opportunity of hearing.

10 Accordingly, the DA has proceeded on the basis of the material available on record and has submitted an Enquiry Report dated March 27, 2024 (hereinafter referred to as the “**Enquiry Report**”) wherein, the DA has recommended that the license of the Noticee bearing SEBI Registration No. INH000003499 be cancelled.

Post-Enquiry Proceedings:

11 Upon consideration of the Enquiry Report as submitted by the DA, a Post-Enquiry Show Cause Notice dated April 15, 2024 (hereinafter referred to as the “**Post-Enquiry SCN**”) was issued to the Noticee enclosing therewith a copy of the Enquiry Report dated March 27, 2024 (as submitted by the DA), under Regulation 27(1) of the Intermediaries Regulations calling upon the Noticee to show cause as to why action as recommended by the DA or any other action as contemplated under the Intermediaries Regulations should not be taken against the Noticee. In the Post-Enquiry SCN the Noticee was further advised to submit its reply, if any, within 21 days of receipt of the said SCN.

12 The Post-Enquiry SCN was duly delivered at the address - 5B, 64B, 2nd Floor, Raja Bahadur Bansilal Building, J.S.S. Road, Girgaon, Opera House, Mumbai-400004. However, no response was received from the Noticee.

13 Thereafter, in terms of Regulation 27(4) of the Intermediaries Regulations, the Noticee was provided with an opportunity of personal hearing on June 10, 2024 vide hearing notice dated May 30, 2024. The said notice was duly delivered at the aforementioned address of the Noticee, however, the Noticee failed to avail the said hearing.

14 Considering the aforesaid, I note that sufficient opportunity was granted to the Noticee to make his submissions and appear for personal hearing not only at the Post-Enquiry Proceeding stage but also before the DA. The notices were duly delivered at the address of the Noticee but the Noticee has neither responded nor furnished any reason/s for not attending the hearings. I am therefore of the view that the principles of natural justice have been adhered to and now proceed to examine the matter on the material available on record.

Consideration of Issues and Findings:

15 Before proceeding to deal with the allegations against the Noticee on merit, for the purposes of easy reference, the relevant provisions of the applicable regulations and the circulars which are alleged to have been contravened by the Noticee are reproduced hereunder:

Renewal of certificate.

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

Conditions of certificate.

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

- (i) the research analyst shall abide by the provisions of the Act and these regulations;
- (ii) the research analyst shall forthwith inform the Board in writing, if any information or particulars previously submitted to the Board are found to be false or misleading in any material particular or if there is any material change in the information already submitted;

General responsibility.

24.(1)...

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

(3)...

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

Obligation of research analyst on inspection.

Obligation of research analyst on inspection.

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

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

Liability for action in case of default.

32. Research analyst or research entity who:

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

THIRD SCHEDULE

CODE OF CONDUCT FOR RESEARCH ANALYST

7.Compliance

Research analyst or research entity shall comply with all regulatory requirements applicable to the conduct of its business activities.

SECOND SCHEDULE

FEES

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

SEBI circular no. CIR/OIAE/1/2014 dated December 18, 2014

(Details of the SEBI Circular can be perused at the hyperlink as mentioned as under)

https://www.sebi.gov.in/web/?file=/sebi_data/attachdocs/1418897075639.pdf#page=1&zom=page-width,-16,792

16 The allegation against the Noticee are now examined on merits in the following paragraphs.

17 Non submission of relevant data /information by the Noticee:

17.1. From the SCN of the DA, it is alleged that the Noticee failed to submit relevant data/information for the inspection period and had failed to respond to the Inspection Notice and the Pre-Inspection Questionnaire (hereinafter referred to as “PIQ”) sent along with the Inspection Notice dated September 21, 2022.

17.2. It is noted that the Inspection Notice along with the PIQ dated September 21, 2022 was sent to the Noticee at the address available on record with SEBI viz., *03, Enterprise Center, Off Nehru Road, Near Domestic Airport, Vile Parle (East), Mumbai 400099* as well as through email at *research@grovalue.in*. The inspection Notice along with the PIQ sent via Speed Post was returned undelivered.

17.3. Thereafter, vide letter dated October 19, 2022 the aforesaid Inspection Notice along with the PIQ was forwarded at the address of the Noticee as available on the Ministry of Corporate Affairs (MCA) website viz; *5B, 64B, 2nd Floor, Raja Bahadur Bansilal Building J.S.S. Road, Girgaon, Opera House, Mumbai- 400004*. The Noticee was also advised to provide the relevant documents/information as sought by SEBI latest by October 24, 2022. From the Speed Post tracking details available on record, I note that the letter dated October 19, 2022 was delivered at the new address of the Noticee, however, no response was received by SEBI from the Noticee.

17.4. Subsequently, SEBI had vide letters dated November 11, 2022 and reminder letter dated November 24, 2022 forwarded the observations/findings made during the course of inspection and advised the Noticee to provide its comments/explanations on the observations/findings in a prescribed format. The letters were delivered at the address available on MCA website of the Noticee at - *5B, 64B, 2nd Floor, Raja Bahadur Bansilal Building J.S.S. Road, Girgaon, Opera House, Mumbai- 400004*, however, no response were received from the Noticee.

17.5. I note that despite the various correspondences and opportunities provided to the Noticee to provide an explanation to the observations/findings made during the course of the inspection, the Noticee has not made any submissions in the matter. As per Regulation 13(i) of the Research Analysts Regulations, all registered Research Analyst shall abide by the provisions of the SEBI Act and the Research Analyst Regulations. Regulation 24 of the Research Analysts Regulations mandates every Research Analysts to furnish to SEBI such information and reports as may be specified by the Board from time to time. As per Regulation 29 every Research Analysts in respect of whom an inspection is ordered is required to produce to the inspecting authority such books, accounts

and other documents in his custody or control and furnish him with such statements and information as the inspecting authority may require for the purposes of the inspection. Regulation 29(2) further directs Research Analysts to provide to the inspecting authority all such assistance and to extend all such co-operation as may be required in connection with the inspection and to furnish such information as sought by the inspecting authority in connection with the inspection. Under Regulation 24 (2) read with Clause 7 of the Third Schedule of the Code of Conduct for Research Analyst, Research Analysts are required to comply with all regulatory requirements applicable to the conduct of its business. Regulation 32 of the Research Analysts Regulations provides liability to Research Analysts in cases of default wherein, a Research Analyst who contravenes with any provisions of the SEBI Act or any regulations or circulars issued thereunder or fails to furnish any information relating to its activity as required by SEBI or fails to co-operate in any enquiry, inspection or investigation conducted by SEBI, then the Research Analyst shall be dealt with in the manner as provided under the SEBI Act or the Intermediaries Regulations.

17.6. It is noted that the Noticee being a Research Analyst was mandated under the aforesaid provisions to furnish such information and fully co-operate with the inspecting authority for the purposes of the inspection. In the extant matter, the Noticee has failed to provide the relevant data /information for the Inspection Period from April 01, 2021 to August 31, 2022 by not responding to the PIQs even after the notices were duly delivered at the address of the Noticee. Further, the Noticee has also failed to provide any comments/explanations to the observations/findings made during the course of the inspection.

17.7. As the Noticee has failed to extend such assistance and co-operation in connection with the inspection to the inspecting authority and failed to furnish such information as sought by the inspecting authority, I concur with the findings of the DA and find the Noticee in violation of Regulation 13(i), 24(4), 29 (1) & (2), 32 (i), (ii) & (v) and Regulation 24(2) read with clause 7 of the Third Schedule of the Code of Conduct for Research Analyst under the Research Analysts Regulations.

18 **Non intimation to SEBI regarding material change in information:**

- 18.1. From the SCN of the DA, it is observed that from the website of the Ministry of Corporate Affairs (MCA) the registered office address of the Noticee is shown as “5B, 64B, 2nd Floor, Raja Bahadur Bansilal Building J.S.S. Road, Girgaon, Opera House, Mumbai- 400004”, whereas, the registered office address of the Noticee available in SEBI SI portal is shown as “03, Enterprise Center, Off Nehru Road, Near Domestic Airport, Vile Parle (East), Mumbai 400099”.
- 18.2. As per Regulation 13(ii) of Research Analysts Regulations, a Research Analyst shall inform SEBI in writing, if any information or particulars previously submitted to SEBI are found to be false or misleading in any material particular or if there is any material change in the information already submitted.
- 18.3. The issue is whether the ‘change in registered address’ of the Noticee is considered as ‘material change in the information already submitted’ as per Regulation 13(ii) of the Research Analyst Regulations.
- 18.4. In this regard, it is noted that Regulation 3(2) of the Research Analyst Regulations *inter alia* states that an application for grant of certificate of registration shall be made in Form A as specified in the First Schedule. Upon perusal of Form A, it is observed that the Form is meant for use by the applicant for grant of certificate of registration as a Research Analyst. Under the ‘General Information’ to be provided under Form A by the applicant/Research Analyst, the details of “Name, address of the registered office, address for correspondence and principal place of business, telephone number(s), fax number(s), e-mail address of the applicant.” is to be submitted at the time of filing an application for grant of registration. Further, under the ‘Declaration Statement’ in Form A, the applicant/Research Analyst is required to declare that the applicant shall notify SEBI immediately any change in the information provided in the application.
- 18.5. In light thereof, it is noted that the ‘change in registered office address’ of the Noticee is a material change in the information under Regulation 13(ii) of the Research Analysts Regulation and the Noticee being a SEBI registered

Research Analyst was required to notify SEBI promptly of any change in information including the change in registered address of the Noticee.

18.6. Further, the DA has noted in the Enquiry Report that the Noticee had telephonically informed SEBI regarding the closure of the registered office address available in SEBI SI portal. This however does not absolve the Noticee from the violation, as Regulation 13(ii) of the Research Analyst Regulation requires the Noticee to inform SEBI in writing any change in the information already submitted.

18.7. Thus, as observed by the DA, I hold that the Noticee has violated Regulation 13(ii) of the Research Analyst Regulation.

19 **Non-payment of fee for renewal of certificate of registration:**

19.1. The Enquiry Report has observed that the Noticee was granted certificate of registration by SEBI w.e.f October 16, 2016 and the Noticee has failed to pay the fee required to keep the registration in force.

19.2. In order to keep its registration in force, a Research Analyst shall, in terms of Paragraph 3 of the Second Schedule read with Regulation 11 of the Research Analysts Regulations, pay a prescribed fee every five years from the date of grant of certificate of registration.

19.3. Section 12(1) of the SEBI Act further mandates that any intermediary in the capital market shall function as such only under a Certificate of Registration issued by SEBI. In case of non-payment of renewal fees, the certificate of registration granted to the Research Analyst loses its validity. In the extant matter, I note from material available on record that the Noticee has neither cancelled nor surrendered its registration. Further, the Noticee has also not paid the prescribed fee to renew its registration till date.

19.4. The Noticee has therefore violated Paragraph 3 of the Second Schedule read with Regulation 11 of the Research Analysts Regulations.

20 **Investor Grievance Redressal:**

20.1. It is noted from the Enquiry Report that as per the complaint status obtained from the SEBI SCORES portal, the Noticee had received 10 complaints during April 01, 2021 to August 31, 2022 out of which 2 complaints were pending as on August 31, 2022. Further, the Noticee failed to resolve 8 complaints within 30 days. In light thereof, the DA has found that the Noticee has violated SEBI circular CIR/OIAE/1/2014 dated December 18, 2014 read with Regulation 32 (vi) of the Research Analyst Regulations.

20.2. I note that SEBI circular CIR/OIAE/1/2014 dated December 18, 2014 mandates that all SEBI registered intermediaries are to take immediate action in the resolution of complaints within a period of thirty days and file an Action Taken Report (ATR) with SEBI. Further, non-filing of ATR under SCORES within thirty days of date of receipt of the grievance shall *inter alia* be treated as a failure to constitute non-redressal of investor grievance. Regulation 32(iv) of the Research Analyst Regulations provides for liability for action in case of default to submit periodic reports as required by the Board.

20.3. Here, it is pertinent to refer to the judgement Hon'ble SAT in the matter of *S. S. Forgings & Engineering Limited & Others v SEBI*, (Order dated August 28, 2014) wherein, it was observed that – “.....*This Tribunal has consistently held that redressal of investors' grievances is extremely important for the Regulator to regulate the capital market. If the grievances are not redressed within a time bound framework, it leads to frustration among the investors' who may not be motivated to further invest in the capital market. Hence the importance of complaints redressal system initiated by SEBI in June, 2011 cannot be undermined and its sanctity has to be maintained*”

20.4. It is the duty of SEBI to ensure speedy resolution of investor grievances and to further the cause, SEBI has come out with SCORES which is a centralized web based complaints redress system that enable the investors to lodge and follow up their complaint from any location. It is of utmost importance that every intermediary assigns high priority to investor grievances and takes all necessary steps to redress the complaints received from investors at the earliest. In view of the same, I hold that by not redressing the grievances of investors within the time

prescribed, the Noticee has violated SEBI circular CIR/OIAE/1/2014 dated December 18, 2014 read with Regulation 32 (vi) of the Research Analyst Regulations.

21 I shall now proceed to consider the directions that should be issued against the Noticee that would commensurate with the violations established in this Order. It may be noted that the Research Analyst Regulations have been formulated with the main objective of regulating activities of Research Analysts with a view to safeguard the interests of investors and users of their research. Registration of Research Analysts under the Regulations has been mandated to provide protection to investors trading in the securities market relying on the research published by such entities. Registration requirements are intended to ensure that only registered Research Analysts, in compliance with the terms and conditions of the certificate of registration and by fulfilling the prudential norms, disclosure and other requirements mandated under the Regulations, carryout Research Analyst related activities. It is further noted that the certificate of registration is subject to the condition that the Research Analyst abides by the provisions of the SEBI Act and the Research Analyst Regulations (Regulation 13(1)). However, in the extant matter, the Noticee has contravened with the provisions of the Research Analyst Regulations and failed to abide by the conditions of his certificate of registration. Further, the non-cooperation shown during the inspection and the non-appearance and lack of response to the notices issued by SEBI show lackadaisical attitude of the Noticee which is concerning of an intermediary responsible to analyse investment decisions of investors. From the materials available on record, I further note that during the inspection Shri Vineet Chopda (Director of the Noticee) had informed that the company is not in operation from the last one year.

22 Given the above, considering the company is not in operation for the last one year and the Noticee's lack of interest in renewing the certification of registration as well as the failure to respond to SEBI's notices and the casual approach adopted by the Noticee in resolving the investor complaints which is serious in nature, I am inclined to accept the recommendation given by DA in the Enquiry Report.

23 I note that an Adjudication Proceeding was also initiated against the Noticee for the violations in the extant matter and vide Adjudication Order dated March 27, 2024

a penalty of Rs.3,00,000/- (Rupees Three Lakhs only) has been imposed on the Noticee.

Directions:

24 In view of the aforesaid observations and findings, I, in exercise of powers conferred upon me in terms of Section 12(3) and Section 19 of the SEBI Act read with Regulation 27(5) of the Intermediaries Regulations and Regulation 32 of the Research Analysts Regulations, hereby, cancel the Certificate of Registration of the Noticee, viz. Grovalue Financial Services Private Limited, having SEBI Registration number - INH000003499.

25 This order shall come into force with immediate effect.

26 A copy of this order shall be forwarded to the Noticee.

DATE: JUNE 14, 2024

PLACE: MUMBAI

**G. RAMAR
CHIEF GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA**