



**भारतीय प्रतिभूति  
और विनिमय बोर्ड**  
Securities and Exchange  
Board of India

DEPUTY GENERAL MANAGER  
INDORE LOCAL OFFICE

SEBI/WRO/ILO/NM/OW/P/26857/1/2022  
June 30, 2022

| Name of the Noticee                                                                              | Address                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| M/s. Profit Guru<br>(Proprietor: Mr. Satish Shukla)<br>(SEBI Registration No. -<br>INA000003510) | 415, Shekhar Central, Near Palasia Petrol Pump,<br>AB Road, Indore- 452001, Madhya Pradesh.                                                                                   |
|                                                                                                  | Satish Shukla,<br>S/o. Shri. Arun Kumar Shukla,<br>174, Satna Nagar, Lokhan Akhada Tak,<br>Ward No. 41, Satna Gram, Tehsil Raghuraj Nagar,<br>Satna, Madhya Pradesh - 485001. |
|                                                                                                  | ✓ Satish Shukla,<br>Shop No. 118, Maharaja Shivaji Rao School Parisar,<br>Subhash Marg, Chimanbag Square, Indore - 452007.                                                    |
|                                                                                                  | 106, Royal Platinam, Near Bombay Hospital,<br>Indore - 452016, Madhya Pradesh.                                                                                                |

Subject: Show Cause Notice under Sections 11(1), 11(4), 11B(1) and 11D of the Securities and Exchange Board of India Act, 1992 in the matter of M/s Profit Guru (Proprietor: Mr. Satish Shukla)

1. M/s. Profit Guru, Proprietor: Mr. Satish Shukla (hereinafter interchangeably referred to as Noticee / PG / IA) is registered with SEBI as an Investment Adviser (IA) bearing registration no. INA000003510 with effect from September 18, 2015.
2. An inspection of the Noticee by Securities and Exchange Board of India (hereinafter referred to as SEBI) was proposed to be carried out from December 09, 2019. The focus of the inspection was to look into the compliance of regulatory requirements stipulated under SEBI Act, 1992 (hereinafter referred to as SEBI Act), SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as IA Regulations) and other circulars and guidelines framed thereunder. The period of inspection was from April 01, 2018 to December 09, 2019 (hereinafter referred to as inspection period).
3. SEBI, vide letter no. WRO/PLO/IMD/Insp./30268/2019 dated November 15, 2019, informed the Noticee that an inspection of its books of accounts/records and other documents pertaining

Show Cause Notice in Respect of Profit Guru, Proprietor: Mr. Satish Shukla

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104-105, प्रथम मंजिल, सतगुरु परिणय, सी-21 मॉल के सामने, ए.बी. रोड, इन्दौर - 452010 (म.प्र.)

दूरभाष : 0731-2557003/04/05 टेलीफैक्स : 0731- 2557002 E-mail : indore-lo@sebi.gov.in

104 & 105, 1st Floor, Satguru Parinay. Opp. C-21 Mall, A.B. Road, Indore - 452010 (M.P.)

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to its registration as an investment advisor will be carried out by SEBI, under Regulation 23 of IA Regulations. Accordingly, the Noticee was advised to send its reply to the pre-inspection questionnaire latest by November 29, 2019 (Copy of SEBI's letter dated November 15, 2019 is placed at **Annexure 1**). The Noticee acknowledged the said letter on November 15, 2019. Subsequently, the Noticee produced a letter dated November 21, 2019 vide which it authorized Mr. Abhishek Mishra (a Company Secretary having membership number: A56048) to represent the Noticee before SEBI (Copy of the letter dated November 21, 2019, received from the Noticee, is placed at **Annexure 2**).

4. Since the Noticee had not given any reply to the aforementioned letter dated November 15, 2019, an email dated November 29, 2019 was sent by SEBI to the Noticee instructing it to send the reply to the pre-inspection questionnaire. A reminder to the said email was also sent on December 02, 2019 to the Noticee. However, no reply was received from the Noticee (Copy of SEBI's emails dated November 29, 2019 and December 02, 2019 are placed at **Annexure 3**).
5. SEBI, vide letter no. WRO/PLO/IMD/Insp./31891/1/2019 dated December 02, 2019 informed the Noticee that the inspection of its books of account and other records shall commence from December 09, 2019 onwards. Subsequently, Noticee produced a letter dated December 04, 2019 (copy of SEBI letter dated December 02, 2019 and copy of Noticee's letter dated December 04, 2019 are placed at **Annexure 4**) vide which it submitted that, "*Mr. Arvinder Ajmani is authorized to represent PG before SEBI, ILO to do all such act and deed as may be required with respect to Inspection*".
6. On the day of commencement of inspection at the registered office address of the Noticee located at 415, Shekhar Central, Near Palasia, Petrol Pump, AB Road, Indore- 452001, (**hereinafter referred as Office Address**), it was found that only security guard was present in the office and the entire office was vacant. On asking the guard about the owner of PG, the guard led the team to 6th floor of the same building at the address, "612". It was noticed that 4 persons were present in the office who were surprised at the inspecting team visit. It was observed that no person including Mr. Satish Shukla, the Proprietor of Profit Guru, Mr. Abhishek Mishra or Mr. Arvinder Ajmani (authorized persons of the Noticee) was present in the office. The inspecting team asked the guard and the 4 persons present there to contact the aforesaid 3 persons of PG. The team was informed that the owner of PG is not in office due to some personal problems. The team tried to contact all the 3 persons over phone; however, none of them could be contacted.
7. It is noted that the Noticee, despite giving its confirmation to cooperate with the inspection, failed to do so by being absent during the inspection. Further, no explanation was given for the absence of the authorized persons. It is also noted that the Noticee did not reply to the pre-

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104-105, प्रथम मंजिल, सतगुरु परिणय, सी-21 मॉल के सामने, ए.बी. रोड, इन्दौर - 452010 (म.प्र.)  
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inspection questionnaire sent by SEBI despite multiple reminders. In view thereof, it is alleged that by failing to furnish information relating to its activity as an IA during Inspection as required by the Board and not cooperating with SEBI by being absent during inspection, the Noticee has contravened the Regulation 13(a), 25(1), 25(2) read with 24(3), Clause 8 of Code of Conduct for Investment Advisers as specified under Third Schedule of IA Regulations read with Regulation 15(9) of IA Regulations.

8. Later, SEBI vide letter dated August 7, 2020, had advised the Noticee to submit information *inter alia* w.r.t. bank account statements of the Proprietor, year wise fees collected since date of registration, client master data, copy of audited financial statements for last three years, sample copy of agreement entered into with the clients. The letter dated August 7, 2020 was also forwarded vide email dated September 11, 2020 to 'satishshukla4@yahoo.com', as per the UCC details obtained from BSE Ltd. (Copy of SEBI's letter dated August 07, 2020 is placed at **Annexure 5** and copy of SEBI's email dated September 11, 2020 is placed at **Annexure 6**) However, no reply was received from the Noticee.

9. The details of bank accounts, as available in the website of the Noticee is as under:

|                                                                                                        |
|--------------------------------------------------------------------------------------------------------|
| Axis Bank Ltd.<br>Branch: A. B. Road, Indore<br>Account No.: 916020012377930<br>NEFT/IFSC: UTIB0001680 |
|--------------------------------------------------------------------------------------------------------|

10. Further, as noted from the details mentioned on invoices issued to its clients, Noticee has the following bank accounts, viz.:

|                                                                                             |                                                                                             |
|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| State Bank of India<br>Branch: Indore<br>Account No.: 36191784125<br>NEFT/IFSC: SBIN0011763 | State Bank of India<br>Branch: Indore<br>Account No.: 38042844659<br>NEFT/IFSC: SBIN0030463 |
|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|

11. As observed from the client master (obtained from the Personal Computers (PCs) of the Noticee as part of inspection), the total fees earned during the inspection period i.e. April 2018 – December 09, 2019 (i.e. the day of inspection) appeared to be around Rs. 13,85,40,150/-. The figure is approximate as the inspection team could not get the data of clients of the Noticee due to non-cooperation by the Noticee. The data of client master is placed at **Annexure 7 in CD**.
12. During interaction with the available persons in the premises of the Noticee, the security guard and the 3 persons left the premises without intimating the inspecting team. Only 1 person was



available for interaction with the team. He informed that he is employed as a Business Analyst, however, during subsequent interaction with him, he told that he looks after the IT infrastructure. He assisted the inspection team in accessing the PCs, logging into CRM (software used by the Noticee in daily operations) and retrieving some of the data available in the PCs kept in the premises. Subsequently, the inspection team could gather some of the data relating to the clients of the Noticee in soft copy saved in the PCs.

13. While retrieving data from CRM, the team observed that stock tips were being generated on real time basis on CRM despite non-availability of any of the Noticee's staff in the office. The screenshot of the CRM is placed at **Annexure 8**. The sample message produced in CRM is reproduced below:

*"Cash Call: Sell OIL INDIA below 159.10, TGT 157.1-153.1, SL-162.10  
SENT Date and Time: 09-12-2019, 12:09:54"*

14. From the above, it was clear that the Noticee was sending investment advice to its clients on a real time basis. However, the Noticee did not cooperate with the Inspection by deliberately not being present.
15. The inspection team fetched the client master detail of the Noticee by logging into CRM with the help of the employee as mentioned in paragraph 12 above. From the extracted data, it was observed that the Noticee had approximately 2,500 - 2,700 clients during the inspection period. However, this data may not be exhaustive as the entire client data may not be available on CRM.

#### Examination of SCORES complaint

16. SEBI has been receiving a number of complaints against PG. As on November 30, 2020, total 204 complaints, have been received against PG in SCORES portal, out of which 162 complaints were from unique complainants. As on November 30, 2020, 42 unique complaints were pending against PG. The number of pending complaints as on November 30, 2020 is as under:

| Year         | Pending Investors Complaints as on November 30, 2020 |
|--------------|------------------------------------------------------|
| 2018-19      | 3                                                    |
| 2019-20      | 34                                                   |
| 2020-21      | 5                                                    |
| <b>Total</b> | <b>42</b>                                            |

17. The list of pending complaints is placed as **Annexure 9**.



Noticee Promised Assured / Guaranteed Unrealistic Returns to its Clients

18. On an examination of complaints and the material available on record, it was observed that PG has been promising assured profit / unrealistic returns on the investment made by the clients and luring them to avail its services. For example- PG has promised the following on its website [www.profitguru.co.in](http://www.profitguru.co.in) (screenshot taken at the time of inspection) to lure clients into taking its services as observed during the time of inspection: -

*"You are surely going to make profits if you do investments on the basis of advisory given by our Profit Guru team...."*

*"You are definitely going to make profits if you make investments on the basis of stock cash advisory given by our team...."*

19. Such a statement is in the nature of promising assured returns and the same has been promised in its multiple services namely Cash, Cash HNI, etc. The sample screenshots of the pages of its website are placed as **Annexure 10**.
20. From the documents submitted by Mr. Kuldeep Raj (one of the clients of the Noticee) in his complaint against the Noticee on SCORES portal bearing registration no. SEBIE/MP20/0000695/1, it is noted that the Noticee vide email dated October 11, 2019 (Copy of SCORES complaint of Mr. Kuldeep Raj and email from the Noticee is placed at **Annexure 11**) promised guaranteed returns to the client. The details are as under:

*"Service and payment details: -*

| Service details                |                             |
|--------------------------------|-----------------------------|
| Service Name                   | Customized Equity Cash Pack |
| Service amount                 | Rs. 2,36,000/-              |
| Expected Return                | 7.5 to 8 lakh               |
| Required Amount for Activation | Rs 59,000/-                 |

*If your return of investment will not come in given tenure than your service duration will be extend without any disturbances."*

21. Further, from the call recordings provided by one of the clients, Mr. Lokesh (Call records in CD), who had lodged a complaint against the Noticee on SCORES portal bearing registration number SEBIE/MP19/0002655/1, it was noted that the representative of the Noticee promised unrealistic



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/ exorbitant returns (earning 1% daily from the market) to the client. The transcript of conversation of one the representatives of the Noticee with Mr. Lokesh is given below: -

**Call recording at 1:15: PG** "Toh kyon na aap apne paise ka utilize kare proper intraday mein agar 20000 ka investment hain, aap din ka bazaar, do bazaar rupaye bhi kamate hain toh sir machine ka bota hain around 20,000 to 30,000, agar apan yearly bhi baat karte hain to aaram se jaata hain sir do lakh ke above."

**Call recording at 2:32: PG** "Yadi aap din ka 1% Kamate ho, Saal me hote hai 365 din, Agar hum Baat kare 200 din ki bhi, agar 200% return apne liya to kya koi jyada investment hai aapka, apne jo 20000 lagaya hai, wo paisa Market se Kamane ke liye lagaya hai, naa ki bas lagaane ke liye"

22. From the call recordings provided by Mr. T.G. Srinivasan, who had lodged a complaint against the Noticee on SCORES portal bearing registration number SEBIE/MP19/0001504/1 (**Call records and SCORES complaint of Mr Lokesh in CD**), it was noted that the representative of the Noticee promised to recover the losses previously incurred by the client on accounts of trade executed on the advice of the Noticee and also service charges paid by the client to the Noticee. The transcript of conversation of one the representatives of the Noticee with Mr. Srinivasan is given below:

**Call recording at 4:29: PG** "mein aapko mail par likh kar dene ko taiyaar hu, 4 machine mein itna aapko profit, itna return aapko nikalkar de dunga mein, plus aapko apni jeb se kuch bhi na..., aapko apni jeb se kuch bhi nahi dena hai, sir, hum yaha se khud amount jo bhi rahega aapki limit mein hum khud yaha se transfer...., mein aapko, hum aapko amount transfer kar denge, aap apne demat mein daliye, theek hai, phir jo bhi rahega daily basis par mein khud aapko kam karaunga or aap within 4 month ka aap time dijiye mujhe mein aapko proper sir aapko mail par bhi de dunga, aap 4 month ka time dijiye mujhe, mein aapko proper sab karwa dunga jitna aapko losses hua hai plus jo bhi loss vagera, jo aapne company ko pay kiya hai, woh pura ka pura aapko nikalkar de diya jayega, theek hain, ek baar aap bharosa kijiye sir aur 4 machine ka time dijiye

**Client:** nahi nahi bharosha karke hi aapko paisa diya hai

**PG:** toh phir wahi to mein aapse keh raha hu sir ek baar bharosha kijiye, aapko, ek baat bataiye sir, aapko toh kuch paisa nahi dena hai, mein aapko ye to nahi bol raha hu ki aap demat mein phir se paisa daliye, maine aapse toh nahi kaha ki aap daliye, mein khud bol raha hu ki, theek hai sir, hum daal denge aapke demat mein paisa hum daal denge, teek hain, aap daily basis par kaam karwaunga mein aapko, profit dhire dhire nikalta hain, aap chaho to sir bar 10 din 15 din mein pay out dalte rehna, jaise maan lo 40 bazaar 50 bazaar ka profit hua hain aapko lag raha hain to aap 10 din 15 din mein pay out nikalte rehna, theek hai,

**Client:** aap mail kar dijiye mereko



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PG: bilkul bilkul mein mail kar dunga, shriniwasan ji, mein aapko mail kar dunga, but aap mujhe ab bataiye ke apna 70 thousand ka aap bol rahe na losses hua hai??

23. From the copy of the email provided by Mr. Girdharilal (email dated December 09, 2020 from the Noticee to Mr Girdharilal is placed as **Annexure 12**) who had lodged a complaint against the Noticee on SCORES portal bearing registration no. SEBIE/MP20/0000726/1 dated February 13, 2020 (Copy of SCORES complaint placed at **Annexure 12**), it was noted that the Noticee has, *inter-alia*, mentioned the following in email:

*"For us, the first priority is profit of our clients and we achieve this by working constantly for them and their good. Our reliable services and transparent transactions help our clients achieve their stock related targets and stay with us for long time."*

24. Mr. Sudhir G. who had lodged a complaint against the Noticee on SCORES Portal bearing registration no. SEBIE/MP20/0002009/1 dated October 01, 2020, submitted an email dated December 17, 2020, to SEBI forwarding an email dated July 28, 2018 from the Noticee wherein a customized package (Equity and commodity pack) has been mentioned. As per the content of the email Mr. G. Sudheer has to pay Rs. 48,800/- to Profit Guru and duration of such service was 6 months. As mentioned in the email, the expected profit on the service is mentioned as Rs.12 lakhs on minimum investment of Rs. 1 lacs (Copy of email from G Sudheer and copy of SCORES complaint is placed as **Annexure 13**).
25. By making / promising assured profits and unrealistic returns, it is alleged that the Noticee has tried to deceive its clients. Neither there exist any grounds for belief for such unrealistic returns nor can the assured profits be achieved. Further, it is alleged that showing guaranteed returns on investments regardless of the market segment or security in which the investment is made, knowing fully well that the same is practically impossible, is equal to knowingly misrepresenting the truth on part of PG. Such representation is therefore, *prima facie*, fraudulent and is covered within the definition of "fraud" defined under Regulation 2(1)(c) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (**hereinafter referred to as PFUTP Regulations**). Hence, it is alleged that the Noticee has violated the provisions of Regulation 3 (a), (b), (c) and (d), 4(1) and 4(2)(k), (s) read with Regulations 2(1)(c) of PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act, 1992.
26. Moreover, it is also observed that by promising its clients of assured profits and unrealistic returns and not informing them about the material aspect that their investment in the securities market is subject to market risk where their capital can even erode, shows that the Noticee has not been honest and has not taken due care in its dealings in the best interest of its clients. Thus, it is alleged that the Noticee has failed to act in a fiduciary capacity towards its clients, thereby violating

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Regulation 15(1) and clauses 1 (honesty and fairness), 2 (diligence) and 8 (compliance) as specified under Third Schedule of Code of Conduct for Investment Adviser read with Regulation 15(9) of IA Regulations.

**Selling Multiple Services and collecting unreasonable payments:**

27. Following were observed from the documents provided by Mr. Pinal Mistry who had lodged a complaint against PG on SCORES portal bearing registration no. SEBIE/MP19/0000223/1 (invoices, suitably assessment, Risk Profile Form (hereinafter referred to as RPF) etc. and copy of SCORES complaint of Pinal Kumar Mistry are placed in CD):

27.1. Noticee took multiple payments from Mr. Pinal within a period of 1 month and generated multiple invoices for 'Options HNI' service, the details of which are as under:

| Invoice date | Product            | Client risk category as per RPF | Period of Service as per Invoice | Invoice Amount (Rs.) |
|--------------|--------------------|---------------------------------|----------------------------------|----------------------|
| 27-06-2018   | Cash Tips Intraday | High Risk                       | 30-11-0001 to 30-11-0001         | 6,627.50             |
| 03-07-2018   | Future HNI Tips    | High Risk                       | 30-11-0001 to 30-11-0001         | 60,250.00            |
| 05-07-2018   | Option HNI Tips    | High Risk                       | 30-11-0001 to 30-11-0001         | 1,60,654.20          |
| 17-07-2018   | Future HNI Tips    | High Risk                       | 30-11-0001 to 30-11-0001         | 1,50,625.00          |
| 18-07-2018   | Option HNI Tips    | High Risk                       | 30-11-0001 to 30-11-0001         | 50,007.50            |
| 29-07-2018   | Future HNI Tips    | High Risk                       | 30-11-0001 to 30-11-0001         | 27,474.00            |
| 31-08-2018   | Option HNI Tips    | High Risk                       | 30-11-0001 to 30-11-0001         | 60,839.00            |

27.2. Noticee further sold 'Future HNI' service also to the client during the same period as tabulated above. The period of service has not been clearly mentioned in all the invoices and therefore, the client has no means to know the start and end date of the service. Clause 5 (Information to its clients) of the Code of Conduct for IA specified in the Third Schedule of IA Regulations stipulates that "An investment adviser shall make adequate disclosures of relevant material information while dealing with its clients". From the above table, it is observed that the invoice did not specify the period of service and hence it is alleged that the Noticee has violated clause 5 of the Code of Conduct for IA specified in the Third Schedule of IA Regulations.

27.3. From an email dated August 31, 2018, sent by a representative of the Noticee to Mr. Pinal, it is noted that the Noticee sold 'PG Special Package' to the client, though the package is not mentioned anywhere on its website as observed during the course of inspection.

27.4. It was further observed from the mail sent by the Noticee dated August 31, 2018, that the service amount of this package was Rs. 6,90,000/- while the investment required from client



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is Rs. 1 lakh- Rs 1.2 lakh. From the above, it was observed that the service fee itself is more than 6 times the proposed investment of the client (Copy of email from the Noticee to Mr Pinal Mistry is placed at Annexure 14).

28. As noted from the invoices submitted by Mr. Anand Patel to SEBI (placed in CD), it was observed that the Noticee has mentioned only the period of duration on the invoice i.e. one month / half yearly etc. and therefore the client has no means to know the actual start date of service and end date of service. There are instances where the Noticee had sold services to clients even before the tenure of the earlier package could end. As mentioned in the table below, amount of Rs. 1,19,000/- was collected from the client within 4 days (October 26<sup>th</sup>-30<sup>th</sup>) by selling service of 'Cash HNI Tips' and 'Option HNI Tips'.

| Invoice No. | Payment Date | Service         | Duration    | Amount (Rs.) | Risk categorization* |
|-------------|--------------|-----------------|-------------|--------------|----------------------|
| 7230        | 26-10-2018   | Cash HNI Tips   | Half Yearly | 10,000       | Medium               |
| 7232        | 26-10-2018   | Option HNI Tips |             | 15,000       | High                 |
| 7286        | 29-10-2018   | Option HNI Tips |             | 40,000       | High                 |
| 7294        | 30-10-2018   | Cash HNI Tips   |             | 14,000       | Medium               |
| 7295        | 30-10-2018   | Cash HNI Tips   |             | 20,000       | Medium               |
| 7298        | 30-10-2018   | Option HNI Tips |             | 20,000       | High                 |
| Total       |              |                 |             | 1,19,000     |                      |

\*The Risk categorization was obtained from the Client Master accessed from the PCs of PG.

29. From the documents provided by Mr. Khush Ranjan (one of the clients of PG) who had lodged a complaint against PG on SCORES portal bearing registration no. SEBIE/MP19/0001824/1 dated July 26, 2019, it was observed that following payments were taken by the Noticee from the client:

| Invoice No. | Payment Date | Service   | Amount (Rs.) | Duration of the service  | Risk categorization* |
|-------------|--------------|-----------|--------------|--------------------------|----------------------|
| 8807        | 07-02-2019   | Cash Tips | 3,500        | 08-02-2019 to 22-02-2019 | Medium Risk          |
| 8900        | 15-02-2019   |           | 1,05,000     | 16-02-2019 to 16-03-2020 |                      |
| 9188        | 02-03-2019   | Cash HNI  | 1,35,000     | 02-03-2019 to 23-05-2019 |                      |
| Total       |              |           | 2,43,500     |                          |                      |

\*The Risk categorization was obtained from the Client Master accessed from the PCs of PG.

- 29.1. From the above table, it is observed that client has been charged Rs. 2.43 lakh within 25 days for providing 2 services of Cash Tips and Cash HNI Tips at the same time. As noted from above, the client had paid Rs. 3,500/- on February 07, 2019 for 'Cash Tips' services till February 22, 2019. Before the expiry of this service, the same service was again sold on February 15, 2019 and Rs. 1,05,000/- taken for the same service, for providing services till



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March 16, 2020. While the 'Cash Tips' was ongoing, 'Cash HNI' was sold to client on March 02, 2019 by charging Rs. 1,35,000/- for the same (Invoices issued by PG, Welcome email, suitability assessment, RPF and copy of SCORES complaint of Mr. Khush Ranjan is placed as **Annexure 15 in CD**).

30. Mr. Jai Prakash Singh lodged a complaint against the Noticee on SCORES portal bearing registration no. SEBIE/MP19/0001858/1 dated July 30, 2019, in which he, *inter alia*, alleged that he had paid three-month fees but incurred losses based on trades done on the advice provided by the Noticee (Invoices issued by PG, RPF and suitability assessment, welcome email etc. and SCORES complaint of Mr. Jai Prakash Singh is placed in **CD**). Details of payments made by complainant to the Noticee is given below:

| Invoice No.  | Payment Date | Service           | Duration (DMY)           | Amount (Rs.)  | Risk categorization* |
|--------------|--------------|-------------------|--------------------------|---------------|----------------------|
| 11137        | 12-07-2019   | Cash Premium Tips | 16-07-2019 to 08-08-2019 | 15,500        | Medium               |
| 11189        | 17-07-2019   | Cash HNI Tips     | 18-07-2019 to 30-07-2019 | 20,000        | Medium               |
| 11190        | 17-07-2019   | Cash HNI Tips     | 31-07-2019 to 03-08-2019 | 3,500         | Medium               |
| 11165        | 15-07-2019   | Cash Premium Tips | 19-08-2019 to 17-09-2019 | 20,000        | Medium               |
| 11164        | 15-07-2019   | Cash Premium Tips | 18-09-2019 to 26-09-2019 | 5,000         | Medium               |
| <b>Total</b> |              |                   |                          | <b>64,000</b> |                      |

\*The Risk categorization was obtained from the Client Master accessed from the PCs of PG.

- 30.1. From the above table, it is observed that, client was charged Rs. 64,000/- within 3 days for providing 2 services of 'Cash Premium Tips' and 'Cash HNI Tips' at the same time. As noted from the above, the client had paid Rs. 15,500/- on July 12, 2019 for Cash Premium Tips for providing services during July 08, 2019 to August 08, 2019. Before expiry of this service, Cash HNI service was sold to client for the period July 18, 2019 to August 30, 2019.
31. Mr. Ashok Senegar lodged a complaint against the Noticee on SCORES portal bearing registration no. SEBIE/MP20/0000624/1 dated March 03, 2020 (**Annexure 16**), in which he, *inter alia*, alleged that he had paid Rs. 2,34,326/- to the Noticee. The first payment was made on March 18, 2018, and last payment on May 31, 2019 in SBI account of the Noticee. They had also handled his demat account. Due to which he incurred a loss of Rs. 2,50,000/-. Complainant vide email dated September 11, 2020, provided copy of invoices received by him, RPF, Suitability assessment received from PG (**Annexure 16**). Details of payments made by complainant to IA is given below:

| Invoice No. | Payment Date | Service           | Duration (DMY)           | Amount (Rs.) | Risk categorization |
|-------------|--------------|-------------------|--------------------------|--------------|---------------------|
| 9494        | 22-03-2019   | Cash Tips         | 04-04-2019 to 07-05-2019 | 8,726        | High                |
| 9665        | 02-04-2019   | Cash Premium Tips | 04-04-2019 to 12-04-2019 | 5,000        |                     |
| 9662        | 02-04-2019   | Cash Premium Tips | 04-04-2019 to 08-06-2019 | 45,000       |                     |

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104-105, प्रथम मंजिल, सतगुरु परिणय, सी-21 मॉल के सामने, ए.बी. रोड, इन्दौर - 452010 (म.प्र.)

दूरभाष : 0731-2557003/04/05 टेलीफैक्स : 0731- 2557002 E-mail : indore-lo@sebi.gov.in

104 & 105, 1st Floor, Satguru Parinay. Opp. C-21 Mall, A.B. Road, Indore - 452010 (M.P.)

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| Invoice No. | Payment Date | Service         | Duration (DMY)           | Amount (Rs.) | Risk categorization |
|-------------|--------------|-----------------|--------------------------|--------------|---------------------|
| 9694        | 05-04-2019   | Option HNI Tips | 06-04-2019 to 18-04-2019 | 20,000       |                     |
| 9918        | 16-04-2019   | Option Tips     | 27-04-2019 to 01-07-2019 | 23,600       |                     |
| 9982        | 25-04-2019   | Cash HNI Tips   | 02-05-2019 to 06-05-2019 | 6,000        |                     |
| 9981        | 30-04-2019   | Option HNI Tips | 02-05-2019 to 02-06-2019 | 51,000       |                     |
| 10489       | 09-05-2019   | Cash HNI Tips   | 17-06-2019 to 26-06-2019 | 15,000       |                     |
| 10490       | 30-05-2019   | Cash HNI Tips   | 01-06-2019 to 16-06-2019 | 25,000       |                     |
| 10519       | 31-05-2019   | Option HNI Tips | 03-06-2019 to 21-06-2019 | 30,000       |                     |
| Total       |              |                 |                          | 2,29,326     |                     |

31.1. As per the RPF, the client wanted to invest an amount between Rs. 2 lakhs to Rs. 5 lakhs and his gross annual income was between Rs. 5 lakh to Rs. 10 lakh. Further, the investment objective of the client was to earn Regular income.

31.2. From the RPF and payment details above, it was observed that products had already been sold by the Noticee and advisory fees had been charged even before the Risk Profiling of the client was completed. It appears that the IA had sold products just to earn advisory fees.

31.3. It is also observed that the client has been charged Rs. 2,29,000/- within a period of 60 to 70 days for providing Cash Tips, Cash HNI Tips, Cash Premium Tips, Option Tips, Option HNI Tips etc. However, there is no major difference in the services offered by PG.

32. Mr. Jithender Bangaru lodged a complaint against the Noticee on SCORES portal bearing registration no. SEBIE/MP20/00001293/1 dated May 20, 2020 (Copy of SCORES complaint placed at Annexure 17) in which he, *inter alia*, alleged that, company promised to give profit of Rs. 1,32,700/- to his demat account but he incurred losses after following advice to them. He had paid Rs. 4,98,000/- to them after taking loans from various persons.

32.1. Complainant vide email dated September 25, 2020, provided the RPF, suitability assessment, copy of the invoices, email dated November 29, 2019 sent by the Noticee to the complainant (placed at Annexure 17). Details of payments made by the complainant to the Noticee is given below:

| Invoice No. | Payment Date | Service           | Duration                 | Amount (Rs.) | Risk categorization |
|-------------|--------------|-------------------|--------------------------|--------------|---------------------|
| 11478       | 09-08-2019   | Cash Tips         | 13-08-2019 to 02-09-2019 | 7,122        | Medium              |
| 11659       | 27-08-2019   | Cash premium Tips | 30-08-2019 to 27-10-2019 | 40,077       |                     |
| 11975       | 24-09-2019   | Cash premium Tips | 29-10-2019 to 26-12-2019 | 40,000       |                     |
| 12007       | 25-09-2019   | Cash Tips         | 26-09-2019 to 25-12-2019 | 33,000       |                     |
| 12000       | 25-09-2019   | Cash HNI Tips     | 26-09-2019 to 13-10-2019 | 28,000       |                     |



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| Invoice No.  | Payment Date | Service           | Duration                 | Amount (Rs.)    | Risk categorization |
|--------------|--------------|-------------------|--------------------------|-----------------|---------------------|
| 12102        | 28-09-2019   | Cash premium Tips | 04-02-2020 to 20-02-2020 | 11,000          |                     |
| 12084        | 28-09-2019   | Cash premium Tips | 06-01-2020 to 03-02-2020 | 19,000          |                     |
| 12085        | 28-09-2019   | Cash premium Tips | 27-12-2019 to 05-01-2020 | 6,000           |                     |
| 12129        | 30-09-2019   | Cash premium Tips | 16-03-2020 to 19-03-2020 | 2,000           |                     |
| 12130        | 30-09-2019   | Cash premium Tips | 06-03-2020 to 14-03-2020 | 5,452           |                     |
| 12115        | 30-09-2019   | Cash premium Tips | 26-02-2020 to 05-03-2020 | 5,000           |                     |
| 12116        | 30-09-2019   | Cash premium Tips | 21-02-2020 to 25-02-2020 | 2,500           |                     |
| 12321        | 11-10-2019   | Cash premium Tips | 20-03-2020 to 13-07-2020 | 80,000          |                     |
| 12998        | 23-11-2019   | Cash premium Tips | 04-09-2020 to 01-11-2020 | 39,998          |                     |
| 12019        | 23-11-2019   | Cash Tips         | 27-03-2020 to 11-07-2020 | 38,508          |                     |
| 13000        | 23-11-2019   | Cash Tips         | 26-12-2019 to 26-03-2020 | 33,015          |                     |
| 13001        | 23-11-2019   | Cash premium Tips | 14-07-2020 to 03-09-2020 | 35,007          |                     |
| 13128        | 29-11-2019   | MCX Premium Tips  | 02-12-2019 to 23-01-2020 | 68,001          | High*               |
| <b>Total</b> |              |                   |                          | <b>4,93,680</b> |                     |

\*As per data obtained from the PC of the Noticee.

32.2. From the above table, it is observed that, the client was charged Rs. 4,93,680/- within a period of around 110 days for services Cash Tips, Cash Premium Tips, Cash HNI Tips, MCX Premium Tips. Noticee further sold 'MCX Premium Tips' service also to the client during the same period as tabulated above.

32.3. It was observed that the Noticee was selling the same advisory products/services to the client before completion of the tenure of the previous service. Complainant was charged multiple times for one single service even before the expiry of duration of that service. From September 28, 2019 till October 11, 2019, the Noticee raised 8 invoices for selling Cash Premium Tips services covering the service period December 27, 2019 to July 13, 2020. Within such 13 days' time, Noticee collected Rs. 1,30,592/- from the complainant. Similarly, on November 23, 2019, Noticee sold future service of Cash Premium Tips to complainant, for the service period starting from July 14, 2020 to November 01, 2020.

32.4. Further, on the same date i.e. on November 23, 2019, Noticee sold Cash Tips service to clients covering the period December 26, 2019 to July 11, 2020. Thus, overlapping service was sold by the Noticee to the complainant, when Cash Premium Tips service was sold to the client and there is no difference between Cash Tips service and Cash Premium Tips service.

33. Mr. Girdharilal lodged a complaint against the Noticee on SCORES portal bearing registration no. SEBIE/MP20/0000726/1 dated February 13, 2020 (Copy of SCORES complaint is placed at



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Annexure 12), in which he, *inter alia*, alleged that he had paid Rs. 9,60,000/- to the Noticee. Noticee had assured him profit of Rs. 30 lacs. Noticee was not providing any services to him.

33.1. Complainant vide email dated September 12, 2020, October 27, 2020 and October 27, 2020, provided copy of invoices received by him, payments receipts etc., email received from PG for selling customized packages (placed as Annexure 18). Details of payments made by complainant to the Noticee is given below:

| S. No. | Invoice No. | Payment Date | Service           | Duration (DMY)            | Amount (Rs.) | Payment Gateway | Transaction ID          | UPI Transaction ID | Risk category |
|--------|-------------|--------------|-------------------|---------------------------|--------------|-----------------|-------------------------|--------------------|---------------|
| 1      | 11970       | 23-09-2019*  | Cash Tips *       | 24-09-2019 to 11-10-2019  | 5,900        | PhonePe         | P1909231740193822421752 |                    | Medium        |
| 2      | 12013       | 25-09-2019   | Cash Tips*        | 14-10-2019 to 11-11-2019  | 10,000       | PhonePe         | P1909251647295238966219 |                    |               |
| 3      | 12012       | 25-09-2019   | Cash Tips*        | 13-11-2019 to 07-01-2020  | 20,000       | PhonePe         | P1909251646110480583884 |                    |               |
| 4      | NA          | 26-09-2019   | NA                | NA                        | 2,850        | PhonePe         | P1909261300477359179940 |                    |               |
| 5      | 12292       | 09-10-2019   | Cash Tips         | 17-01-2020 to 12-03-2020  | 20,000       | PhonePe         | P1910091904212776888709 |                    | Medium        |
| 6      | 12310       | 10-10-2019   | Option Tips       | 11-10-2019 to 19-12-2019  | 25,000       | PhonePe         | P1910101344345743427059 |                    | High          |
| 7      | 12408       | 16-10-2019   | Option HNI Tips   | 18-10-2019 to 30-10-2019  | 20,000       | PhonePe         | P1910161359315316046468 |                    |               |
| 8      | NA          | 16-10-2019   | Option HNI Tips * | 04-11-2019 to 16-11-2019  | 20,000       | PhonePe         | P1910161358202070623906 |                    |               |
| 9      | 12410       | 16-10-2019   | Option HNI Tips   | 31-10-2019 to 03-11-2019  | 5,000        | PhonePe         | P1910161400085860119889 |                    |               |
| 10     | 12474       | 19-10-2019   | Cash Tips         | 13-03-2020 to 10-04-2020  | 10,000       | PhonePe         | P1910191601357685586542 |                    | Medium        |
| 11     | 12756       | 08-11-2019   | Cash Tips         | 13-04-2020 to 21-05-2020  | 13,750       | PhonePe         | P1911081347181255360151 |                    |               |
| 12     | 12840       | 16-11-2019   | MCX Tips          | 09-12-2019 to 08-01-2020  | 20,000       | PhonePe         | P1911161432340425896420 |                    | High          |
| 13     | 12841       | 16-11-2019   | MCX Tips          | 19-11-2019 to 06-12-2019  | 10,900       | PhonePe         | P1911161434039495691530 |                    |               |
| 14     | 12987       | 23-11-2019   | MCX Tips          | 30-03-2020 to 29-Apr-2020 | 20,000       | PhonePe         | P1911232303552528772757 |                    |               |
| 15     | NA          | 23-11-2019   | NA                |                           | 20,000       | PhonePe         | P1911123457493945378552 |                    |               |
| 16     | 13133       | 23-11-2019   | MCX Tips          | 31-08-2020 to 30-09-2020  | 20,000       | PhonePe         | P1911231455220878183469 |                    |               |
|        | 12988       | 23-11-2019   | MCX Tips*         | 27-02-2020 to 28-03-2020  | 20,000       |                 |                         |                    |               |

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104-105, प्रथम मंजिल, सतगुरु परिनय, सी-21 मॉल के सामने, ए.बी. रोड, इन्दौर - 452010 (म.प्र.)

दूरभाष : 0731-2557003/04/05 टेलीफेक्स : 0731- 2557002 E-mail : indore-lo@sebi.gov.in



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| S. No. | Invoice No. | Payment Date | Service   | Duration (DMY)           | Amount (Rs.) | Payment Gateway | Transaction ID           | UPI Transaction ID | Risk category |
|--------|-------------|--------------|-----------|--------------------------|--------------|-----------------|--------------------------|--------------------|---------------|
|        | 12989       | 23-11-2019   | MCX Tips* | 27-01-2020 to 26-02-2020 | 20,000       |                 |                          |                    |               |
| 17     | 12990       | 23-11-2019   | MCX Tips* | 09-01-2020 to 24-01-2020 | 10,000       | PhonePe         | P19112311458585283973912 |                    | High          |
| 18     | NA          | 23-11-2019   | NA        |                          | 10,000       | PhonePe         | P1911232308096058264756  |                    |               |
| 19     | 13144       | 27-11-2019   | MCX Tips  | 30-04-2020 to 08-05-2020 | 5,000        | PhonePe         | P19111271510433321769723 |                    |               |
| 20     |             | 27-11-2019   | NA        |                          | 20,000       | PhonePe         | P1911271507476579310543  |                    |               |
| 21     |             | 27-11-2019   |           |                          | 20,000       | PhonePe         | P1911271505389302762437  |                    |               |
| 22     |             | 08-12-2019   |           |                          | 1,000        | Gpay            | CICAgKD2xZa-Kg           | "934213259455      |               |
| 23     | 13375       | 18-12-2019   | MCX Tips  | 30-06-2021 to 07-08-2021 | 25,000       |                 |                          |                    |               |
| 24     | NA          | 18-12-2019   | NA        |                          | 25,000       | PhonePe         | P1912181712057790128440  |                    |               |
| 25     |             | 18-12-2019   |           |                          | 25,000       | PhonePe         | P1912181710221033156131  |                    |               |
| 26     |             | 18-12-2019   |           |                          | 25,000       | PhonePe         | P1912181715203695271876  |                    |               |
| 27     |             | 18-12-2019   |           |                          | 25,000       | PhonePe         | P1912181714005721852685  |                    |               |
| 28     |             | 18-12-2019   |           |                          | 49,000       | Gpay            | CICAgKCOwcvQVQ           | "93521704106       |               |
| 29     |             | 18-12-2019   |           |                          | 32,000       | Gpay            | CICAgKCOwe_Fxq           | "93521717458       |               |
| 30     |             | 18-12-2019   |           |                          | 19,000       | Gpay            | CICAgKCO0ZaKRQ           | "935217376302      |               |
| 32     | NA          | 19-12-2019   | NA        |                          | 25,000       | PhonePe         | P1912191716556673317604  |                    |               |
| 33     |             | 19-12-2019   |           |                          | 25,000       | PhonePe         | P1912191714423901645690  |                    |               |
| 34     |             | 19-12-2019   |           |                          | 6,000        | PhonePe         | P191219171839840694337   |                    |               |
| 35     |             | 19-12-2019   |           |                          | 25,000       | PhonePe         | P191219713059534575253   |                    |               |
| 36     | 13413       | 19-12-2019   | MCX Tips  | 09-08-2021 to 09-11-2021 | 20,160       |                 | CICAgKCo2ZCDLg           | "935317084963      |               |
| 37     | 13408       | 19-12-2019   | MCX Tips  | 07-12-2021 to 14-01-2022 | 25,000       |                 |                          |                    |               |
| 38     | 13374       | 25-12-2019   | MCX Tips  | 01-10-2020 to 08-11-2020 | 25,000       |                 |                          |                    |               |

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दूरभाष : 0731-2557003/04/05 टेलीफेक्स : 0731- 2557002 E-mail : indore-lo@sebi.gov.in

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| S. No. | Invoice No. | Payment Date | Service  | Duration (DMY)           | Amount (Rs.) | Payment Gateway | Transaction ID          | UPI Transaction ID | Risk category |
|--------|-------------|--------------|----------|--------------------------|--------------|-----------------|-------------------------|--------------------|---------------|
| 39     | 13523       | 26-12-2019   | MCX Tips | 17-01-2022 to 02-04-2022 | 50,000       |                 |                         |                    |               |
| 40     | NA          | 26-12-2019   | NA       | NA                       | 50,000       | Gpay            | CICAgkD0nN21Dw          | "936017022353      |               |
| 41     |             | 26-12-2019   |          |                          | 50,000       | Gpay            | CICAgkD0nP35Hg          | "936017032561      |               |
| 42     |             | 31-12-2019   |          |                          | 23,190       | Gpay            | CICAgKDOm2cFA           | "936516192095      |               |
| 43     | INV 13522   | 26-12-2019   | MCX Tips | 04-04-2022 to 18-06-2022 | 50,000       |                 |                         |                    |               |
| 44     | NA          | 03-02-2020   | NA       | NA                       | 25,000       | PhonePc         | P2002031549057209272408 |                    |               |
| 45     |             | 03-02-2020   |          |                          | 5,000        | PhonePc         | P2002031547431714757439 |                    |               |
| 46     |             | 03-02-2020   |          |                          | 6,000        | PhonePc         | P2002031745526672563411 |                    |               |
| Total  |             |              |          |                          | 9,84,750     |                 |                         |                    |               |

\* The data was obtained from the Client Master accessed from the PCs of PG.

- 33.2. From the above table, it is observed that complainant was charged Rs. 9,84,750/- by the Noticee from September 23, 2019 to February 03, 2020. The complainant was offered services of Cash Tips, Option Tips, Option HNI Tips and MCX Tips.
- 33.3. It is observed that, the complainant has been charged Rs. 30,000/- within 6 days for providing 2 services of Option Tips and Option HNI Tips. As noted from above table, the client had paid Rs. 25,000/- on October 10, 2020, for providing Option Tips for the period October 11, 2019 to December 12, 2019. Before expiry of this service, Option HNI Tips service was sold to a client for the period October 31, 2019 to November 03, 2019.
- 33.4. From September 23, 2019 to February 03, 2020, Noticee had sold advisory products 17 times. Out of this MCX Tips service was sold 12 times. Cash Tips service was sold thrice and Option HNI service was sold twice and Option Tips service was sold once.
- 33.5. On October 09, 2019, Noticee had sold the service of Cash Tips for the period January 17, 2020 to March 12, 2020. On October 19, 2019, again the same service was sold for the period starting from March 13, 2020 to April 10, 2020. On November 08, 2019, again same service i.e. Cash Tips was sold for the period April 13, 2020 to May 21, 2020.
- 33.6. On November 16, 2019, Noticee had sold the service of MCX Tips for the period November 11, 2019 to December 06, 2019. On the same date again the same service was sold for the period December 09, 2019 to January 08, 2020. Within a week i.e. on November



23, 2019, PG had sold the same service i.e. MCX Tips three times covering the period January 09, 2020 to January 24, 2020; March 30, 2020 to April 29, 2020 and August 31, 2020 to September 30, 2020. On November 27, 2019, Noticee had sold the same service i.e. MCX Tips for the period April 30, 2020 to May 08, 2020. From December 18, 2019 to January 10, 2020, Noticee had sold the same service i.e. MCX Tips for the period starting from October 01, 2020 to November 08, 2020; June 30, 2021 to August 07, 2021; August 09, 2021 to September 09, 2021; December 07, 2021 to January 14, 2022; January 17, 2022 to April 04, 2022 and April 04, 2022 to June 18, 2022.

33.7. Thus, it is observed that the Noticee was selling another service, before expiry of the earlier service and future services, which will commence after a period 5 months to 15 months has been sold by the Noticee.

33.8. Vide emails dated October 27, 2020 and October 28, 2020, Mr. Girdharilal provided payments made by him to the Noticee. Based on documents submitted by the complainant, it is observed that PG has not issued many invoices to clients for the payments received by him. Thus, client is not aware which products were sold to him, duration of such services and purpose for receiving payment by the Noticee.

34. Mr. Ushar Kanti Dutta lodged a complaint against the Noticee on SCORES portal bearing registration no. SEBIE/MP20/0000174/1 dated January 17, 2020 (Copy of SCORES complaint is placed at **Annexure 19**), in which he, *inter alia*, alleged that he had paid them cash on a time to time basis, but did not get the required service from them. He had paid Rs. 2,88,300/- through PNB and Bank of India.

34.1. Complainant vide email dated September 25, 2020, provided copy of invoices received by him from the Noticee, payments receipts, and email received from CVL KRA for fetching of KYC details and email dated May 10, 2018 for offering customized package and charges for the same (**Annexure 19**). Complainant vide aforesaid email also mentioned that the Noticee had not issued two invoices for which payments were made by him. Details of payments made by the complainant to the Noticee and data obtained from the PC(s) of the Noticee at the time of inspection is given below:

| Invoice No. | Payment Date | Service            | Duration (DMY)           | Amount (Rs.) | Risk category* |
|-------------|--------------|--------------------|--------------------------|--------------|----------------|
| 4029        | 13/04/2018   | Cash tips Intraday | 19-04-2018 to 19-05-2018 | 5,900        | Medium         |
| 4076**      | 17/04/2018   | Cash Premium       | 17-04-2018 to 17-05-2018 | 10,000       | Medium         |
| 4067        | 17/04/2018   | Cash Premium       | 17-04-2018 to 17-05-2018 | 40,000       | Medium         |



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|-------|------------|------------|--------------------------|-------------|--------|
| NA**  | 17/04/2018 | NA         | NA                       | 20,000      | NA     |
| 4145  | 24/04/2018 | Future HNI | 24-04-2018 to 24-05-2018 | 62,100      | High   |
| NA**  | 24/04/2018 | NA         | NA                       | 9,900****   | NA     |
| NA**  | 02/05/2018 | Cash HNI   | NA                       | 1,50,400*** | Medium |
| Total |            |            |                          | 2,98,300    |        |

\* The data was obtained from the Client Master accessed from the PCs of PG

\*\* Payment proof not provided by complainant

\*\*\* Complainant vide email dated September 25, 2020, provided deposit slips of Bank of India, for making payment to PG

\*\*\*\* Complainant vide email dated September 25, 2020, provided deposit slips of Punjab National Bank, for making payment to PG

34.2. From the above table, it is observed that, complainant was charged Rs. 2,98,300/- within a period of 20 days i.e. from April 13, 2018 to May 02, 2018, for providing Cash Tips Intraday, Cash Premium and Future HNI service.

34.3. On April 13, 2018, Noticee had sold the service of Cash Tips Intraday for the period April 17, 2018 to May 19, 2018. On April 17, 2018, Cash Premium service was sold to a client for the period April 17, 2018 to May 17, 2018. On perusal of the invoices provided by complainant, it was observed that on April 17, 2018, the Noticee had raised two invoices i.e. invoice no. INV4076 and INV4067 for selling Cash Premium service to the complainant amounting to Rs. 10,000/- and Rs. 40,000/- respectively. The period of service was also the same i.e. April 17, 2018 to May 17, 2018.

34.4. Vide email dated September 25, 2020, complainant provided invoices against payments made by him to the Noticee. Based on documents submitted by the complainant, it was observed that the Noticee did not issue invoices to client for the payments received by him on May 02, 2018 for an amount of Rs 1,50,400/-, April 24, 2018 for an amount of Rs 9,900/- and April 17, 2018 for an amount of Rs 20,000/-.

35. Mr. Mohammed Ashif lodged a complaint against the Noticee on SCORES portal bearing registration no. SEBIE/MP20/0000845/1 dated March 02, 2020 (Copy of SCORES complaint is placed at **Annexure 20**) in which he, *inter alia*, alleged that he had paid Rs. 57,000/- to the Noticee for investment purposes. However, the company had issued him receipts for the services offered by the Noticee.

35.1. Complainant vide email dated September 25, 2020, provided the WhatsApp chat, invoices issued by the Noticee, payment history etc. (**Annexure 20**). As per the RPF (complainant provided WhatsApp communication for RPF), risk tolerance level of the complainant is "Moderate". Details of payments made by complainant to the Noticee is given below:

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104-105, प्रथम मंजिल, सतगुरु परिणय, सी-21 मॉल के सामने, ए.बी. रोड, इन्दौर - 452010 (म.प्र.)

दूरभाष : 0731-2557003/04/05 टेलीफेक्स : 0731- 2557002 E-mail : indore-lo@sebi.gov.in

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



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| Invoice No.   | Payment Date | Service             | Duration (DMY)           | Amount (Rs.) | Risk categorization |
|---------------|--------------|---------------------|--------------------------|--------------|---------------------|
| 13728         | 10-01-2020   | Cash Tips           | 23-01-2020 to 01-02-2020 | 3,000        | Medium              |
| 13774         | 16-01-2020   | Cash Tips           | 03-02-2020 to 14-02-2020 | 4,000        | Medium              |
| 13817         | 21-01-2020   | Future HNI Tips     | 24-01-2020 to 29-01-2020 | 10,000       | Medium              |
| 13861         | 24-01-2020   | Option Premium Tips | 03-02-2020 to 21-02-2020 | 12,300       | Medium              |
| Not available | 10-01-2020   | Not available       |                          | 2,400        | Medium              |
|               | 16-01-2020   |                     |                          | 10,000       | Medium              |
|               | 21-01-2020   |                     |                          | 10,000       | Medium              |
|               | 22-01-2020   |                     |                          | 5,000        | Medium              |
| Total         |              |                     |                          | 56,700       |                     |

35.2. From the above table, it is observed that the client was charged Rs. 56,700/- within 14 days for providing Cash Tips, Future HNI Tips and Option Premium Tips.

35.3. On January 10, 2020, Noticee had sold the service of Cash Tips for the period January 23, 2020 to February 01, 2020. On January 16, 2020, again the same service was sold for the period starting from February 03, 2020 to February 14, 2020. Thus, before completion of one service another service was sold to the client by the Noticee.

35.4. Vide email dated October 29, 2020, the complainant provided bank statements for the payment made by him to the Noticee. From the documents submitted, it was observed that the Noticee did not issue invoices to the complainant for the payments received by him on January 10, 2020; January 16, 2020; January 21, 2020 and January 22, 2020. Thus, complainant is not aware which products were sold to him, duration of such services and purpose for making payment to the Noticee.

36. Mr. Mihir Dharod lodged a complaint against the Noticee on SCORES portal bearing registration no. SEBIE/MP19/0002906/1 dated November 06, 2019 (Copy of SCORES complaint is placed at Annexure 21), in which he, *inter alia*, alleged that he had paid Rs. 41,500/- total to the Noticee. Based on his advice he incurred a loss of more than Rs. 1 lakh based on trades done on the advice provided by the Noticee.



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- 36.1. Vide email dated December 14, 2020, Mr. Mihir Dharod, provided the copies of RPF, suitability assessment, invoices, email correspondences, WhatsApp chat (**Annexure 21**). Details of payments made by complainant to the Noticee is given below:

| Invoice No. | Payment Date | Service   | Duration (DMY)           | Amount (Rs.) | Risk categorization |
|-------------|--------------|-----------|--------------------------|--------------|---------------------|
| 10193       | 17-05-2019   | Cash Tips | 18-05-2019 to 08-06-2019 | 5,500        | Medium              |
| 10284       | 22-05-2019   | Cash Tips | 09-06-2019 to 22-10-2019 | 36,000       | Medium              |
| Total       |              |           |                          | 41,500       |                     |

- 36.2. From the above table, it is observed that, client was charged Rs. 41,500/- within 5 days for providing 2 services of 'Cash Tips'. As noted from the above table, the client had paid Rs. 5,500/- on May 17, 2019 for Cash Tips for providing services during May 18, 2019 to June 08, 2019. Before expiry of this service, Cash Tips service was sold to clients for the period June 09, 2019 to October 22, 2019.

37. Mr. Ram Charan Vijay lodged a complaint against the Noticee on SCORES portal bearing registration no. SEBIE/MP19/0003189/1 dated December 31, 2019 (Copy of SCORES complaint is placed at **Annexure 22**), in which he, *inter alia*, alleged that, the Noticee has trapped him with attractive profit advisory, and they are declining for the service and refund. Mr. Ram Vijay vide email dated December 12, 2020 submitted the invoices issued by Profit Guru and welcome email received by him on December 14, 2019 (**Annexure 22**). As per welcome email client has been categorized as High Risk client. Details of payments made by complainant to the Noticee is given below:

| Invoice No. | Payment Date | Service             | Duration (DMY)       | Amount (Rs.) | Risk categorization |
|-------------|--------------|---------------------|----------------------|--------------|---------------------|
| 13333       | 14/12/2019   | Option Tips         | 17-12-19 to 31-12-19 | 5,000        | High                |
| 13526       | 26/12/2019   | Option Premium Tips | 17-01-20 to 22-02-20 | 25,000       |                     |
| 13527       | 26/12/2019   | Option Premium Tips | 27-12-19 to 16-01-20 | 14,000       |                     |
| Total       |              |                     |                      | 44,000       |                     |

- 37.1. From the above table, it is observed that, client has been charged Rs. 44,000/- within 12 days for providing 3 services of Option Tips and Option Premium Tips. As noted from the above, the client had paid Rs. 5,000/- on December 17, 2019 for Options Tips for the service period starting from December 17, 2019 to December 31, 2019. On December 26, 2019 Option Premium services were sold twice for the period starting from December 27, 2019 to January 16, 2020 and January 17, 2020 to February 22, 2020. It is to be noted that as per Welcome Email dated December 14, 2019, client has been offered services of Option Tips



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and the duration of the service in email has been mentioned as December 17, 2019 to January 01, 1970.

38. Mr. Chothe Ganesh Popat lodged a complaint against the Noticee on SCORES portal bearing registration no. SEBIE/MP20/0000318/1 dated February 02, 2020 (Copy of SCORES complaint is placed at **Annexure 23**), in which he, *inter alia*, alleged that as per statement provided by Mr. Satish Shukla, company has to disburse Rs. 1,40,000/- by January 2020 in equated instalment. But company failed to disposed of Rs. 60,000/-.

38.1. Mr. Chothe Ganesh Popat, vide email dated December 08, 2020, forwarded WhatsApp chat executed with one of the representative of the Noticee, Invoices received by him and screenshots about his trading ledger (**Annexure 23**). Details of payments made by the complainant to the Noticee and data as obtained from the PC of the Noticee is given below

| Invoice No. | Payment Date | Service            | Duration (DMY)           | Amount (Rs.) | Risk categorization* |
|-------------|--------------|--------------------|--------------------------|--------------|----------------------|
| 3573        | 19-03-2018   | Cash Tips Intraday | One week                 | 2,017        | Medium               |
| 4178        | 26-04-2018   | Cash HNI Tips      | One Month                | 25,000       |                      |
| 4219        | 30-04-2018   | Cash Premium Tips  | One Month                | 41,750       |                      |
| 4299        | 08-05-2018   | Cash HNI Tips      | One Month                | 41,500       |                      |
| 4361        | 11-05-2018   | Cash Premium Tips  | One Month                | 40,000       |                      |
| 4362        | 11-05-2018   | Cash HNI Tips      | One Month                | 30,000       |                      |
| 4360        | 11-05-2018   | Cash Premium Tips  | One Month                | 30,000       |                      |
| 4355        | 11-05-2018   | Cash Premium Tips  | Two Week                 | 3,974        |                      |
| 4420        | 17-05-2018   | Cash Premium Tips  | One Month                | 43,000       | NA                   |
| 4440        | 18-05-2018   | Cash Premium Tips  | One Month                | 43,000       | Medium               |
| 4455        | 19-05-2018   | Cash HNI Tips      | One Month                | 43,000       |                      |
| 4596        | 28-05-2018   | Cash HNI Tips      | One Month                | 55,000       |                      |
| 4806        | 12-06-2018   | Cash HNI Tips      | One Month                | 50,000       |                      |
| 4853        | 15-06-2018   | Cash HNI Tips      | One Month                | 40,000       |                      |
| 5042        | 26-06-2018   | Cash HNI Tips      | One Month                | 41,500       |                      |
| 5568        | 26-07-2018   | Cash HNI Tips      | One Month                | 50,000       | Medium               |
| 5597        | 28-07-2018   | MCX Tips           | One Month                | 48,802       | High                 |
| 6035        | 23-08-2018   | Cash HNI Tips      | Four Month               | 1,37,000     | Medium               |
| 6824        | 04-10-2018   | MCX Tips           | Four Month               | 77,501       | High                 |
| 6823        | 04-10-2018   | MCX Tips           | Four Month               | 77,500       | High                 |
|             | 18-12-2018   | Cash Tips          | One Month                | 15028        | Medium               |
|             | 19-12-2018   | Cash HNI Tips      | One month                | 50090        |                      |
| 8069        | 21-12-2018   | Cash HNI Tips      | One Month                | 15,000       |                      |
| 8068        | 21-12-2018   | Cash HNI Tips      | One Month                | 40,000       |                      |
| 8866        | 14-02-2019   | Cash Tips          | 15-02-2019 to 20-05-2019 | 25,048       |                      |

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| Invoice No. | Payment Date | Service          | Duration (DMY)                                               | Amount (Rs.) | Risk categorization* |
|-------------|--------------|------------------|--------------------------------------------------------------|--------------|----------------------|
|             | 28-02-2019   | MCX Premium Tips | Four months<br>(as per invoice:<br>01-03-2019 to 12-04-2019) | 55,000       |                      |
| 10112       | 09-05-2019   | MCX Tips         | 10-05-2019 to 10-06-2019                                     | 20,036       | High                 |
| 10128       | 10-05-2019   | MCX Tips         | 11-06-2019 to 10-07-2019                                     | 19,034       |                      |
| 10127       | 10-05-2019   | MCX Tips         | 11-07-2019 to 15-07-2019                                     | 2,004        |                      |
| 10167       | 14-05-2019   | MCX Tips         | 15-07-2019 to 23-Jul-2019                                    | 4,008        |                      |
| 10389       | 27-05-2019   | MCX Premium Tips | 28-05-2019 to 24-06-2019                                     | 35,063       |                      |
| 10447       | 29-05-2019   | Cash Tips        | 10-05-2019 to 22-06-2019                                     | 6,012        | Medium               |
| 11997*      | 30-05-2019   | MCX Tips         | 24-07-2019 to 15-08-2019                                     | 14026        | High                 |
| 11996*      | 24-09-2019   | Cash Tips        | 26-09-2019 to 03-10-2019                                     | 2486         | Medium               |
| 11997*      | 24-09-2019   | Cash Tips        | 04-10-2019 to 06-10-2019                                     | 514          | Medium               |
| Total       |              |                  |                                                              | 12,23,893    |                      |

\* The data was obtained from the Client Master accessed from the PCs of PG

- 38.2. From the above table, it is observed that, client was charged Rs. 12,23,893/- within a period of 14 months for providing Cash tips, Cash HNI tips, Cash premium Tips, Cash Tips Intraday, MCX Tips, MCX Premium Tips etc. As observed from the above table, from March 19, 2018, till December 21, 2018, the duration of the service has been mentioned as one week / one month / four months / two weeks etc. Thus, the client is not aware about the starting and end date of services for which payments was made by him. From the above table, it is seen that the invoice did not specify the period of service.
39. Mr. Kamal Solanki lodged a complaint against the Noticee on SCORES portal bearing registration no. SEBIE/MP20/0000187/1 dated November 05, 2020 (Copy of SCORES complaint is placed at Annexure 25), in which he, *inter alia*, alleged that company i.e. Profit Guru has assured him to provide guaranteed returns by way of trading in the securities market. He had paid Rs.1,24,000/- to the company. Presently company is not giving him any advice neither refunding any money to him.
- 39.1. Vide email dated December 16, 2020, Kamal Solanki provided the invoices received by him from the Noticee (Annexure 25). Details of payments made by the complainant and as per the data obtained from the PC(s) of the Noticee, the payments received by the Noticee is given below: -

| Invoice No. | Payment Date (DMY) | Service   | Duration (DMY)           | Amount (Rs.) | Risk categorization |
|-------------|--------------------|-----------|--------------------------|--------------|---------------------|
| 11615       | 19-08-19           | Cash Tips | 26-08-2019 to 04-09-2019 | 3,000        | Medium              |
| 11649       | 20-08-19           | Cash Tips | 09-10-2019 to 12-10-2019 | 1,000        |                     |
| 11617       | 23-08-19           | Cash Tips | 05-09-2019 to 22-09-2019 | 6,000        |                     |

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|--------------|------------|-----------|--------------------------|-----------------|
| 11616        | 23-08-19   | Cash Tips | 23-09-2019 to 07-10-2019 | 5,000           |
| 11688        | 29-08-19   | Cash      | 09-09-2019 to 17-09-2019 | 5,000           |
| 11698        | 29-08-19   | Premium   | 02-12-2019 to 17-12-2019 | 10,000          |
| 11687        | 29-08-19   | Tips      | 04-10-2019 to 19-10-2019 | 10,000          |
| 11685*       | 29-08-19   |           | 30-08-2019 to 07-09-2019 | 5,000           |
| 11686        | 29-08-19   |           | 18-09-2019 to 03-10-2019 | 10,000          |
| 11695        | 29-08-19   |           | 15-11-2019-To-30-11-2019 | 10,000          |
| 11694        | 29-08-19   |           | 21-10-2019 to 29-10-2019 | 5,000           |
| 11696        | 29-08-19   |           | 30-10-2019 to 14-11-2019 | 10,000          |
| 11806*       | 31-08-2019 |           | 07-01-2020 to 22-01-2020 | 10,000          |
| 11808        | 06-09-19   |           | 03-01-2020 to 06-01-2020 | 1,500           |
| 11807        | 06-09-19   |           | 18-12-2019 to 02-01-2020 | 10,000          |
| <b>Total</b> |            |           |                          | <b>1,01,500</b> |

\* Data provided by the complainant

- 39.2. From the above table, it is observed that, client was charged Rs. 1,01,500/- within a period of 17 days for providing Cash Premium Tips and cash tips. Further, before expiry of one service, another service was sold to the client.
40. It is observed from above tables that the Noticee sold same service again and again to clients even before expiry of tenure of previous service. Further, just to earn maximum advisory fee, Noticee sold multiple services to the clients at a time even before lapse of tenure of previous services. Noticee also sold same product multiple times to the client within a short span of time.
41. It is alleged that the above acts of the Noticee have been carried out with the purpose of defrauding the clients and to earn maximum fees. The above acts come under the purview of 'fraud' as defined under Regulation 2(1)(c) of PFUTP Regulations, 2003. Accordingly, it is alleged that Noticee has violated Regulation 3(a),(b),(c),(d) and 4(2)(o) of PFUTP Regulations, 2003 read with section 12A(a),(b) and (c) of SEBI Act.
42. It is alleged that the Noticee has failed to act honestly, fairly and diligently while dealing with clients. Fees was charged by the Noticee from its clients multiple times within a short span of time, adequate disclosures were not made to the clients while dealing with them by the Noticee, and by selling multiple services in a short span of time even before expiry of the existing service, the Noticee did not act to promote the best interest of its clients. Therefore, it is alleged that the Noticee has violated clauses 1, 2, 5, 6 and 8 of Code of Conduct for investment advisers provided in Third Schedule of IA Regulations read with Regulation 15(9) of IA Regulations.

**Charging Unfair and Unreasonable fees for same kind of services and offering of customized packages**

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43. It is observed that the Noticee adopted unethical business practices to manipulate the clients into buying multiple packages by designing a variety of services which have different fee structure but essentially the same offering (stock tips). The comparison of three service are tabulated below (as taken from PG website): -

| Details          | Cash Basic                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Cash Premium                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Cash HNI                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Salient Feature  | <ul style="list-style-type: none"> <li>Limited but Quality 3-4 calls on a daily basis.</li> <li>Proper follow ups of calls with Timely Entry and Exit with Stop loss.</li> <li>Stock to watch provided in Early Morning.</li> <li>Nifty and Bank Nifty overview provided before market.</li> <li>Timely World Market updates.</li> <li>Free Daily &amp; Weekly Reports.</li> <li>24/7 customer support</li> <li>We provide you call through SMS</li> </ul> | <ul style="list-style-type: none"> <li>Limited but Quality 2-3 calls on a daily basis.</li> <li>Proper follow ups of calls with Timely Entry and Exit with Stop loss.</li> <li>Stock to watch provided in Early Morning.</li> <li>Nifty and Bank Nifty overview provided before market.</li> <li>Timely World Market updates.</li> <li>Free Daily &amp; Weekly Reports.</li> <li>24/7 customer support</li> <li>Assistance by call as well as messages</li> </ul> | <ul style="list-style-type: none"> <li>1-2 Intraday Advisory daily via SMS and phone calls.</li> <li>We provide you NSE, BSE &amp; Equity Research call</li> <li>Proper follow ups of calls with Timely Entry and Exit with Stop loss.</li> <li>Stock to watch provided in Early Morning.</li> <li>Pre Market Calls</li> <li>Timely World Market updates.</li> <li>Free Daily &amp; Weekly Reports.</li> <li>24/7 customer support</li> <li>We provide you call through SMS.</li> </ul> |
| Monthly fees     | Rs. 11,000/-                                                                                                                                                                                                                                                                                                                                                                                                                                               | Rs. 21,000/-                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Rs. 50,000/-                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Quarterly fees   | Rs. 29,000/-                                                                                                                                                                                                                                                                                                                                                                                                                                               | Rs. 55,000/-                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Rs. 130,000/-                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Half-Yearly Fees | Rs. 50,000/-                                                                                                                                                                                                                                                                                                                                                                                                                                               | Rs. 95,000/-                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Rs. 230,000/-                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

*A screenshot of the services is attached as Annexure 26*

44. As seen from the table above, Noticee offered three kind of intra-day services which are essentially giving 2-4 intraday calls to clients with 24/7 customer support, daily/weekly reports, etc. Despite having similar offerings in the 3 services, the prices charged for them are very much different. Example - The monthly fees for Cash Basic is Rs. 11,000/-; for Cash Premium is Rs. 21,000/- while for Cash HNI is Rs. 50,000/-.

### Customized Packages

45. Mr. Ushar Dutta who had lodged a complaint against the Noticee on SCORES portal (registration no. SEBIE/MP20/0000174/1 dated January 17, 2020) has submitted an email from Profit Guru dated May 10, 2018, (Annexure 19) from which it was observed that, a service named Customized Package was offered to him. The fees charged for this service was Rs. 4,68,000/-. Mr. Dutta had



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to pay Rs. 3,10,000/- for completing the first instalment and due date for such payment was May 20, 2018. As per the email, Mr. Dutta had paid Rs. 60,000/- as first instalment. However, from the payment details provided by Mr. Dutta, it was observed that Mr. Dutta had paid Rs. 2,98,300/- for other services prior to May 10, 2018.

46. Mr. Jithender Bangaru who had lodged a complaint against PG on SCORES (registration no. SEBIE/MP20/00001293/1 dated May 20, 2020) submitted an email dated November 29, 2019 (Annexure 17), from which it was observed that customized Package (Equity & Derivatives) was offered to him. As per the content of the email for selling such package, Rs. 4,25,678/- was received from complainant and Rs. 68,000/- were to be received from him and only after payment of balance amount, his service would start. As per RPF, Mr. Jithender Bangaru is a 'Medium Risk' category client and as per suitability assessment provided by Mr. Bangaru to SEBI vide email dated September 25, 2020, stock cash and positional stock services were suitable for Medium Risk clients. Further, as per welcome email sent by PG to Mr. Bangaru on August 09, 2018, cash tips service was sold to him. However, PG ignored clients' interests and offered him customized services for Equity and Derivative segments.
47. Mr. Girdharilal who had lodged a complaint against PG on SCORES portal (registration no. SEBIE/MP20/0000726/1 dated February 13, 2020) submitted an email dated November 16, 2019 (Annexure 18), wherein a customized package (Equity option and commodity pack) was offered to him. As per the content of the email Mr. Girdharilal had paid Rs. 1,82,900/- to PG and the duration of such service was 4 months. The service begin date was October 24, 2019.
48. As per clause 6 of the Code of Conduct for IA, investment advisers shall ensure that fees charged to the clients are fair and reasonable. Charging of reasonable fees includes not only the quantum of fees to be charged for a particular service but also the mode or manner in which the fees are levied on the clients.
49. From the above, it is observed that the PG has deliberately devised multiple packages (which are essentially offering same service) to earn huge amount of service fee from its clients. The above mentioned modus operandi is to fraudulently induce clients with an objective of enhancing service fee.
50. The above act of PG is fraudulent in nature and is covered within the definition of "fraud" defined under regulation 2(1)(c) of PFUTP Regulations. In view of this, it is alleged that the Noticee has violated Regulation 3 (a), (b), (c) and (d), 4(1) and 4(2)(o) read with Regulations 2(1)(c) of PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act, 1992



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51. Further, it is alleged that the Noticee failed in its responsibility to act in fiduciary capacity to its clients that is entrusted upon him under Regulation 15(1) of IA Regulation. Noticee also failed to abide by Clauses 1 (honesty and fairness), 2 (diligence) and 6 (fair and reasonable charges) of the Code of Conduct for Investment Advisors as specified in the Third Schedule of IA Regulations read with Regulation 15(9) of IA Regulations.

**Changing RPF of Clients multiple times on an arbitrary basis**

52. Mr. G. Sudheer lodged a complaint against PG on SCORES portal having SCORES registration no. SEBIE/MP20/0002009/1 dated February 02, 2020 (Copy of SCORES complaint placed at **Annexure 13**), in which he, *inter alia*, alleged that he had paid Rs. 12,23,833/- to PG, but he had received invoice for Rs. 11,55,775/- from PG and PG has not provided invoice for Rs. 68,078/-. Further, it was alleged that PG had promised them to give a profit of Rs. 23 Lakh by providing trading recommendation in NSE segment.

- 52.1. Mr. G. Sudheer, vide email dated December 18, 2020, forwarded tips received by him through whatsapp, RPF, email received by him for various services and invoices received by him from PG (**Annexure 24**). The payment made by Mr. G. Sudheer to PG and data obtained from PC(s) of PG during the course of inspection is given below:

| Invoice No. | Payment Date | Service            | Duration (DMY) | Amount (Rs.) | Risk categorization* |
|-------------|--------------|--------------------|----------------|--------------|----------------------|
| 3573        | 19-03-2018   | Cash Tips Intraday | One week       | 2,017        | Medium               |
| 4178        | 26-04-2018   | Cash HNI Tips      | One Month      | 25,000       |                      |
| 4219        | 30-04-2018   | Cash Premium Tips  | One Month      | 41,750       |                      |
| 4299        | 08-05-2018   | Cash HNI Tips      | One Month      | 41,500       |                      |
| 4361        | 11-05-2018   | Cash Premium Tips  | One Month      | 40,000       |                      |
| 4362        | 11-05-2018   | Cash HNI Tips      | One Month      | 30,000       |                      |
| 4360        | 11-05-2018   | Cash Premium Tips  | One Month      | 30,000       |                      |
| 4355        | 11-05-2018   | Cash Premium Tips  | Two Week       | 3,974        |                      |
| 4420        | 17-05-2018   | Cash Premium Tips  | One Month      | 43,000       | NA                   |
| 4440        | 18-05-2018   | Cash Premium Tips  | One Month      | 43,000       | Medium               |
| 4455        | 19-05-2018   | Cash HNI Tips      | One Month      | 43,000       |                      |
| 4596        | 28-05-2018   | Cash HNI Tips      | One Month      | 55,000       |                      |
| 4806        | 12-06-2018   | Cash HNI Tips      | One Month      | 50,000       |                      |
| 4853        | 15-06-2018   | Cash HNI Tips      | One Month      | 40,000       |                      |
| 5042        | 26-06-2018   | Cash HNI Tips      | One Month      | 41,500       |                      |
| 5568        | 26-07-2018   | Cash HNI Tips      | One Month      | 50,000       | Medium               |
| 5597        | 28-07-2018   | MCX Tips           | One Month      | 48,802       | High                 |
| 6035        | 23-08-2018   | Cash HNI Tips      | Four Month     | 1,37,000     | Medium               |
| 6824        | 04-10-2018   | MCX Tips           | Four Month     | 77,501       | High                 |

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दूरभाष : 0731-2557003/04/05 टेलीफैक्स : 0731- 2557002 E-mail : indore-lo@sebi.gov.in



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| Invoice No.  | Payment Date | Service          | Duration (DMY)                                         | Amount (Rs.)     | Risk categorization* |
|--------------|--------------|------------------|--------------------------------------------------------|------------------|----------------------|
| 6823         | 04-10-2018   | MCX Tips         | Four Month                                             | 77,500           | High                 |
|              | 18-12-2018   | Cash Tips        | One Month                                              | 15028            | Medium               |
|              | 19-12-2018   | Cash HNI Tips    | One month                                              | 50090            |                      |
| 8069         | 21-12-2018   | Cash HNI Tips    | One Month                                              | 15,000           |                      |
| 8068         | 21-12-2018   | Cash HNI Tips    | One Month                                              | 40,000           |                      |
| 8866         | 14-02-2019   | Cash Tips        | 15-02-2019 to 20-05-2019                               | 25,048           |                      |
|              | 28-02-2019   | MCX Premium Tips | Four months (as per invoice: 01-03-2019 to 12-04-2019) | 55,000           |                      |
| 10112        | 09-05-2019   | MCX Tips         | 10-05-2019 to 10-06-2019                               | 20,036           | High                 |
| 10128        | 10-05-2019   | MCX Tips         | 11-06-2019 to 10-07-2019                               | 19,034           |                      |
| 10127        | 10-05-2019   | MCX Tips         | 11-07-2019 to 15-07-2019                               | 2,004            |                      |
| 10167        | 14-05-2019   | MCX Tips         | 15-07-2019 to 23-Jul-2019                              | 4,008            |                      |
| 10389        | 27-05-2019   | MCX Premium Tips | 28-05-2019 to 24-06-2019                               | 35,063           |                      |
| 10447        | 29-05-2019   | Cash Tips        | 10-05-2019 to 22-06-2019                               | 6,012            | Medium               |
| 11997*       | 30-05-2019   | MCX Tips         | 24-07-2019 to 15-08-2019                               | 14026            | High                 |
| 11996*       | 24-09-2019   | Cash Tips        | 26-09-2019 to 03-10-2019                               | 2486             | Medium               |
| 11997*       | 24-09-2019   | Cash Tips        | 04-10-2019 to 06-10-2019                               | 514              | Medium               |
| <b>Total</b> |              |                  |                                                        | <b>12,23,893</b> |                      |

52.2. From the above table, it is observed that client was offered services of Cash Tips Intraday, Cash HNI Tips, Cash Premium Tips, MCX Tips, MCX Premium Tips.

52.3. While offering the services of Cash Tips Intraday, Cash HNI Tips, Cash HNI Tips (the payment date March 19, 2018 to July 26, 2018), the client was categorized as Medium Risk client. On July 28, 2018, the client was categorized as High Risk client and offered a service of MCX Tips. Within a gap of around 25 days again Cash HNI Tips service was sold to the client and client was categorized as Medium Risk client. On October 04, 2018, the client was categorized as High Risk client and MCX Tips service was sold to the client.

52.4. On December 21, 2018 and on February 14, 2019, the client was offered services of Cash HNI Tips and Cash Tips respectively and he was classified as Medium Risk client. From February 28, 2019 till May 28, 2019, the client was offered the service of MCX Tips and MCX Premium Tips and he was classified as High Risk client. Subsequently, on May 29, 2019 the client was categorized as Medium Risk client while offering the service of Cash Tips.

53. Mr. Anand Patel has lodged a complaint no. SEBIE/MP19/0000979/1 on SCORES on March 18, 2019 (Copy of SCORES complaint placed at Annexure 27), wherein he had alleged that, "I/

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*has forcefully taken his money and never started his service. Further, he has paid Rs. 1 lakh to LA. However, LA is demanding more and more money from him".*

53.1. Complainant had requested SEBI to refund the money. Complainant had also forwarded invoices issued by PG and some of the emails exchanged with it. Invoices issued by PG, RPF, suitability assessment, welcome email etc. as obtained from the PC of PG at the time of inspection are placed in CD.

53.2. The amount collected by the Noticee from the complainant is given below (data gathered from the client master data as retrieved from PCs kept in the premises of PG):

| Invoice No. | Payment Date | Service         | Duration    | Total Amount (Rs.) | Risk categorization* |
|-------------|--------------|-----------------|-------------|--------------------|----------------------|
| 4676        | 31-05-2018   | Option Tips     | One month   | 3,540              | High                 |
| 7230        | 26-10-2018   | Cash HNI Tips   | Half yearly | 10,000             | Medium               |
| 7232        | 26-10-2018   | Option HNI Tips |             | 15,000             | High                 |
| 7286        | 29-10-2018   | Option HNI Tips |             | 40,000             | High                 |
| 7294        | 30-10-2018   | Cash HNI Tips   |             | 14,000             | Medium               |
| 7295        | 30-10-2018   | Cash HNI Tips   |             | 20,000             | Medium               |
| 7298        | 30-10-2018   | Option HNI Tips |             | 20,000             | High                 |
| Total       |              |                 |             | 122,540            |                      |

\*The Risk categorization was obtained from the Client Master accessed from the PCs of PG.

53.3. From the above table, following was observed:

53.3.1. As per RPF, Mr. Patel was categorized as 'High Risk' client and was offered the service of Option Tips.

53.3.2. Subsequently, as per the above table there was a revision in the risk categorization in October 2018 and Mr. Patel was categorized as 'Medium Risk' client and offered service of Cash HNI Tips. The client was again categorized as 'High Risk' client and offered service of Option HNI Tips on the same date i.e. October 26, 2018. The RPF is placed as **Annexure 27**.

54. Mr. Dinesh Singla had raised a complaint no. SEBIE/KN19/0000520/1 in SCORES dated September 25, 2019 (Copy of SCORES complaint placed at **Annexure 28**) wherein he alleged that, "LA has initially offered a plan of one month, forced him to purchase a plan of 1 year, there were revision in duration of plan i.e. 6 months. Company has also handled their demat password and user id". Complainant submitted following payment details made by him to the Noticee (**Annexure 28**):

| Invoice No. | Payment Date | Service   | Duration (DMY)           | Amount (Rs.) | Risk categorization* |
|-------------|--------------|-----------|--------------------------|--------------|----------------------|
| 11520       | 12-08-2019   | Cash Tips | 14-08-2019 to 20-08-2019 | 2,000        | Medium               |

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| Invoice No.  | Payment Date | Service           | Duration (DMY)           | Amount (Rs.)    | Risk categorization* |
|--------------|--------------|-------------------|--------------------------|-----------------|----------------------|
| 11541        | 14-08-2019   | Cash Tips         | 21-08-2019 to 15-09-2019 | 9,000           | Medium               |
| 11593        | 21-08-2019   | Cash Premium Tips | 23-08-2019 to 31-08-2019 | 5,000           | Medium               |
| 11680        | 29-08-2019   | Cash Tips         | 16-09-2019 to 30-09-2019 | 5,000           | Medium               |
| 11765        | 02-09-2019   | Cash Premium Tips | 04-09-2019 to 16-12-2019 | 71,500          | Medium               |
| 11827        | 10-09-2019   | Cash HNI Tips     | 12-09-2019 to 30-10-2019 | 80,000          | Medium               |
| 12833*       | 15-11-2019   | MCX Tips          | 19-11-2019 to 04-12-2019 | 10,000          | High                 |
| 12950*       | 21-11-2019   | MCX Tips          | 05-12-2019 to 14-12-2019 | 5,500           | High                 |
| 13068*       | 26-11-2019   | MCX Tips          | 03-02-2020 to 05-02-2020 | 1,000           | High                 |
| 13069        | 26-11-2019   | MCX Tips          | 31-01-2020 to 02-02-2020 | 1,000           | High                 |
| 13067        | 26-11-2019   | MCX Tips          | 16-12-2019 to 30-01-2020 | 30,000          | High                 |
| <b>Total</b> |              |                   |                          | <b>2,20,000</b> |                      |

\*The Risk categorization and data was obtained from the Client Master accessed from the PCs of PG.

54.1. From the above table it is observed that: -

54.1.1. Client was sold services of Cash Tips, Cash Premium Tips and Cash HNI Tips by categorizing him as Medium Risk (as per client master sheet details obtained from PCs of PG) client during the month of August 2019 to September 2019.

54.1.2. Subsequently, during November 2019, client was re-categorized as High Risk client and was sold service of MCX Tips covering service period from November 2019 till February 2020.

55. Mr. T.G. Srinivasan raised complaint no. SEBIE/MP19/0001504/1 on SCORES dated June 19, 2019 (Copy of SCORES complaint placed at **Annexure 29**), wherein he alleged that, "one of the representative has called him and gave him a commitment plan of Rs. 11 lakh. He had paid Rs. 3,58,100/- to him and also provided demat account details of Zerodha and Goodwill. There was loss incurred by him". The amount collected by the Noticee from the complainant is given below (Invoices provided by Mr. Srinivasan are placed as **Annexure 29**):

| Invoice No.    | Payment Date | Service           | Duration                 | Amount (Rs.) | Risk categorization* |
|----------------|--------------|-------------------|--------------------------|--------------|----------------------|
| Not available* | 25-02-2019   | Cash Premium Tips | One week                 | 5,500        | Not available        |
| Not available* | 07-03-2019   | Option HNI Tips   | Two Week                 | 16,400       | Not available        |
| Not available* | 11-03-2019   | Option HNI Tips   | Two Week                 | 13,600       | Not available        |
| Not available* | 13-03-2019   | Cash HNI Tips     | Two Week                 | 20,000       | Not available        |
| 9335           | 13-03-2019   | Cash HNI Tips     | 14-03-19 to 29-03-19     | 25,000       | Not available        |
| 9438           | 18-03-2019   | Cash HNI Tips     | One Month                | 50,000       | Not available        |
| 9506           | 22-03-2019   | Stock Tips        | One Month                | 70,000       | Not available        |
| Not available* | 28-03-2019   | Cash HNI Tips     | One Month                | 55,000       | Not available        |
| Not available* | 30-03-2019   | Cash HNI Tips     | One week                 | 15,000       | Not available        |
| 9701           | 05-04-2019   | Cash HNI Tips     | 22-06-2019 to 28-06-2019 | 10,000       | Medium               |

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| Invoice No. | Payment Date | Service           | Duration                  | Amount (Rs.) | Risk categorization* |
|-------------|--------------|-------------------|---------------------------|--------------|----------------------|
| 9738        | 09-04-2019   | Cash HNI Tips     | 29-06-2019 to 02-07-2019  | 5,000        | Medium               |
| 9763        | 11-04-2019   |                   | 03-Jul-2019 to 18-07-2019 | 25,000       | Not available        |
| 9913        | 26-04-2019   | Option HNI Tips   | 27-04-2019 to 15-05-2019  | 30,000       | High                 |
| 9946        | 29-04-2019   | Cash HNI Tips     | 22-07-2019 to 31-07-2019  | 15,000       | Not available        |
| 9947        | 30-04-2019   | Cash HNI Tips     | 19-07-2019 to 21-07-2019  | 2,600        | Medium               |
| 9976*       | 30-04-2019   | Cash Premium Tips | 02-05-2019 to 12-05-2019  | 7,000        | Medium               |
| Total       |              |                   |                           | 3,65,100     |                      |

\*The Risk categorization and data was obtained from the Client Master accessed from the PCs of PG.

55.1. From the above table, it is observed that client was offered service of Cash Premium Tips, Stock Tips, Cash HNI Tips and Option HNI Tips etc.

55.2. As observed from above table while offering Cash HNI Tips for the service period starting from June 22, 2019 to July 18, 2019, client was categorized as Medium Risk client (payment received by PG between April 05, 2019 to April 11, 2019). Subsequently, while offering Option HNI Tips for the service starting from April 27, 2019 to May 15, 2019 (payment received by PG on April 26, 2019), client was categorized as High Risk client. Later on while selling the service of Cash HNI Tips and Cash Premium Tips, the client was identified as Medium Risk. (Payment received by PG on April 29, 2019 and April 30, 2019).

56. Mr. Ushar Kanti Dutta lodged a complaint against PG on SCORES portal having SCORES registration no. SEBIE/MP20/0000174/1 dated January 17, 2020 (Copy of SCORES complaint placed at Annexure 19), in which he, *inter alia*, alleged that he had paid them cash on a time to time basis, but did not get the required service from them. He had paid Rs. 2,88,300/- through PNB and Bank of India. Details of payment made by complainant to the Noticee and data obtained from the PC(s) of PG at the time of inspection is given below:

| Invoice No. | Payment Date | Service            | Duration (DMY)           | Amount (Rs.) | Risk category* |
|-------------|--------------|--------------------|--------------------------|--------------|----------------|
| 4029        | 13-04-2018   | Cash tips Intraday | 19-04-2018 to 19-05-2018 | 5,900        | Medium         |
| 4076**      | 17-04-2018   | Cash Premium       | 17-04-2018 to 17-05-2018 | 10,000       | Medium         |
| 4067        | 17-04-2018   | Cash Premium       | 17-04-2018 to 17-05-2018 | 40,000       | Medium         |
| NA**        | 17-04-2018   | NA                 | NA                       | 20,000       | NA             |
| 4145        | 24-04-2018   | Future HNI         | 24-04-2018 to 24-05-2018 | 62,100       | High           |
| NA**        | 24-04-2018   | NA                 | NA                       | 9,900        | NA             |
| NA**        | 02-05-2018   | Cash HNI*          | NA                       | 1,50,400     | Medium         |
| Total       |              |                    |                          | 2,98,300     |                |

\* The data was obtained from the Client Master accessed from the PCs of PG



56.1. As observed from above table, while offering services of Cash Tips Intraday and Cash Premium service, client was categorized as Medium Risk client. On April 24, 2018, Future HNI service was sold to the client and client was categorized as High Risk Client. On May 02, 2018, again cash HNI service was sold to the client and client was categorized as Medium Risk client.

57. From the above, it is alleged that PG has behaved deceptively with the clients by changing their risk categorization on multiple occasions which tantamount to fraud committed by PG. The above act of PG comes under the purview of 'fraud' as defined under Regulation 2(1)(c) of PFUTP Regulations, 2003 and hence it is alleged that PG has violated Regulation 3(a), (b), (c) and (d) of PFUTP Regulations, 2003 read with section 12A(a), (b) and (c) of SEBI Act.

58. It is observed that PG sold products and charged advisory fees from the clients without undertaking Risk Profiling of client. Thus, it is alleged that PG violated Regulation 17(a) of IA Regulations, 2013. Further, by changing the RPF without following the process of assessing the risk, it is alleged that PG is in violation of Regulation 16(b)(i) to (iii) of IA Regulations, 2013.

59. Further, it is alleged that PG did not act in fiduciary capacity and proper due diligence was not carried out by PG. It is also alleged that PG failed to carry out its obligations and responsibilities cast upon him under IA Regulations and violated Regulation 15(1) and clause 1 (honesty and fairness), 2 (diligence) and 8 (compliance) of Code of Conduct for IA as mentioned in Third Schedule read with Regulation 15(9) of the IA Regulations.

**Not following the Guidelines regarding Risk Profiling and Suitability Assessment of Clients**

60. Mr. Sunil Kothari had lodged a complaint no. SEBIP/MP19/0000366/1 dated September 11, 2019 (Copy of SCORES complaint placed at **Annexure 30**), on SCORES portal wherein he had alleged that PG had cheated him by taking a huge amount of fees.

60.1. From the RPF of Mr. Sunil Kothari retrieved from the PCs of PG, it was observed that gross annual income of Mr. Kothari is Rs. 5 Lakhs to Rs. 10 Lakhs. The client's proposed investment amount is Rs. 2 Lakhs to Rs. 5 Lakhs (copy of RPF placed as **Annexure 30**). However, PG took an amount of Rs. 16.73 lakhs from the client, which is in total disregard to the financial condition of the client as disclosed in RPF of client.

61. Mr. T.G. Srinivas had lodged a complaint no. SEBIE/MP19/0001504/1 dated June 19, 2019 wherein he had alleged that, 'PG gave me a profit commitment of Rs. 11 lakh and I paid them Rs. 3,58,100/-'.



- 61.1. As per the RPF done by PG (copy of RPF placed as Annexure 31), it was observed that the client's gross annual income was between Rs. 1 lakh to Rs. 5 lakh and proposed investment amount was between Rs. 1 lakh to Rs. 2 lakh, however, but PG collected Rs. 3,65,100/- from him within 45 days.
- 61.2. The suitability assessment of the client is not signed by PG. Even name of the client, service offered is not mentioned in the suitability assessment (Copy of suitability assessment is placed as Annexure 32).
62. Mr. Pyare Lal had lodged a complaint no. SEBIE/MP18/0001976/1 dated June 27, 2018 (Copy of SCORES complaint placed at Annexure 33) wherein he had alleged that, "I deposited Rs. 3540/- on December 27, 2017, subsequently, I was forced to deposit Rs. 8.46 lakh by 21st February 2018. Although, I was not interested, payments were taken from me, by blackmailing situation created by 3 employees". All the invoices issued by PG to Mr. Pyare Lal were perused and are tabulated below:

| Invoice No.  | Payment Date | Service             | Duration    | Total Amount (Rs.) |
|--------------|--------------|---------------------|-------------|--------------------|
| 2077         | 27-12-2017   | Stock Tips          | Two weeks   | 3,540              |
| 2106         | 29-12-2017   | Stock Tips          | Quarterly   | 25,960             |
| 2127         | 29-12-2017   | Stock Tips          | Two Weeks   | 10,325             |
| 2146         | 30-12-2017   | Stock Tips          | Quarterly   | 47,200             |
| 2157         | 01-01-2018   | Stock Tips          | Quarterly   | 72,570             |
| 2158         | 01-01-2018   | Stock Tips          | Quarterly   | 29,500             |
| 2168         | 02-01-2018   | Future Premium Tips | Quarterly   | 11,800             |
| 2165         | 03-01-2018   | Stock Tips          | Quarterly   | 18,880             |
| 2200         | 03-01-2018   | Future Premium Tips | Quarterly   | 88,500             |
| 2216         | 04-01-2018   | Future Premium Tips | Quarterly   | 64,900             |
| 2253         | 05-01-2018   | Future Premium Tips | Quarterly   | 47,200             |
| 2254         | 05-01-2018   | Future Premium Tips | Quarterly   | 41,300             |
| 2265         | 06-01-2018   | Future Premium Tips | Monthly     | 59,000             |
| 2266         | 06-01-2018   | Future Premium Tips | Monthly     | 35,400             |
| 2344         | 10-01-2018   | Future Premium Tips | Yearly      | 79,650             |
| 2361         | 11-01-2018   | Future Premium Tips | Quarterly   | 35,400             |
| 2364         | 11-01-2018   | Future Premium Tips | Monthly     | 44,250             |
| 2698         | 25-01-2018   | Future Premium Tips | Four Months | 60,180             |
| 2847         | 02-02-2018   | Future Premium Tips | Four Months | 50,032             |
| 2887         | 06-02-2018   | Cash Premium Tips   | Monthly     | 8,968              |
| 3184         | 21-02-2018   | Cash HNI Tips       | Five Months | 11,800             |
| <b>Total</b> |              |                     |             | <b>8,46,355</b>    |



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- 62.1. As per the RPF done by PG (copy of RPF placed as Annexure 33), it was observed that the client's gross annual income was between Rs. 1 lakh to Rs. 5 lakh, proposed investment amount between Rs. 1 lakh to Rs. 2 lakh, and the current market portfolio is Rs. 1 lakh to Rs. 2 lakh. However, PG collected Rs. 8,46,355/- from him within 50 days.
- 62.2. It is also seen from the RPF of the client that the client was offered Future Premium Tips on the day of RPF, i.e. December 27, 2017, however, the invoices were generated for Stock Tips also. By following such unethical practices, PG collected revenue of Rs. 8,46,355/- within a short period of 50 days by selling four services to the client.
63. Mr. Jithender Bangaru lodged a complaint against PG on SCORES portal bearing registration no. SEBIE/MP20/00001293/1 dated May 20, 2020 in which he, *inter alia*, alleged that, company gave promise to give profit of Rs.1,32,700/- profit to his demat account but he incurred losses after following advice from them. He had paid Rs. 4,98,000/- to them after taking loans from various persons. All the invoices issued by PG to Mr. Jithender Bangaru were perused and are tabulated below:

| Invoice No. | Payment Date | Service           | Duration                 | Amount (Rs.) | Risk categorization |
|-------------|--------------|-------------------|--------------------------|--------------|---------------------|
| 11478       | 09-08-2019   | Cash Tips         | 13-08-2019 to 02-09-2019 | 7,122        | Medium*             |
| 11659       | 27-08-2019   | Cash premium Tips | 30-08-2019 to 27-10-2019 | 40,077       |                     |
| 11975       | 24-09-2019   | Cash premium Tips | 29-10-2019 to 26-12-2019 | 40,000       |                     |
| 12007       | 25-09-2019   | Cash Tips         | 26-09-2019 to 25-12-2019 | 33,000       |                     |
| 12000       | 25-09-2019   | Cash HNI Tips     | 26-09-2019 to 13-10-2019 | 28,000       |                     |
| 12102       | 28-09-2019   | Cash premium Tips | 04-02-2020 to 20-02-2020 | 11,000       |                     |
| 12084       | 28-09-2019   | Cash premium Tips | 06-01-2020 to 03-02-2020 | 19,000       |                     |
| 12085       | 28-09-2019   | Cash premium Tips | 27-12-2019 to 05-01-2020 | 6,000        |                     |
| 12129       | 30-09-2019   | Cash premium Tips | 16-03-2020 to 19-03-2020 | 2,000        |                     |
| 12130       | 30-09-2019   | Cash premium Tips | 06-03-2020 to 14-03-2020 | 5,452        |                     |
| 12115       | 30-09-2019   | Cash premium Tips | 26-02-2020 to 05-03-2020 | 5,000        |                     |
| 12116       | 30-09-2019   | Cash premium Tips | 21-02-2020 to 25-02-2020 | 2,500        |                     |
| 12321       | 11-10-2019   | Cash premium Tips | 20-03-2020 to 13-07-2020 | 80,000       |                     |
| 12998       | 23-11-2019   | Cash premium Tips | 04-09-2020 to 01-11-2020 | 39,998       |                     |
| 12019       | 23-11-2019   | Cash Tips         | 27-03-2020 to 11-07-2020 | 38,508       |                     |
| 13000       | 23-11-2019   | Cash Tips         | 26-12-2019 to 26-03-2020 | 33,015       |                     |
| 13001       | 23-11-2019   | Cash premium Tips | 14-07-2020 to 03-09-2020 | 35,007       |                     |
| 13128       | 29-11-2019   | MCX Premium Tips  | 02-12-2019 to 23-01-2020 | 68,001       | High                |
| Total       |              |                   |                          | 4,93,680     |                     |

\*The Risk categorization was obtained from the Client Master accessed from the PCs of PG.

- 63.1. As per the RPF done by PG (copy of RPF placed as Annexure 34), it was observed that the client's gross annual income was between Rs. 1 lakh to Rs. 5 lakh, proposed investment



amount was between Rs. 1 lakh to Rs. 2 lakh and the current market portfolio between Rs. 1 lakh to Rs. 2 lakh. However, PG collected Rs. 4,93,680/- from him within a period of around 110 days.

64. Mr. Ashok Senegar lodged a complaint against PG on SCORES portal having SCORES registration no. SEBIE/MP20/0000624/1 dated March 03, 2020, in which he, *inter alia*, alleged that he had paid Rs. 2,34,326/- to PG. The first payment was made on March 18, 2018 and last payment on May 31, 2019 in SBI account of PG. They had also handled his demat account. Due to which he incurred a loss of Rs. 2,50,000/-. Complainant vide email dated September 11, 2020, provided copy of invoices received by him, RPF, Suitability assessment received from PG.

64.1. From the RPF of Ashok Senegar, it was observed that gross annual income of Mr. Senegar is Rs. 5 Lakhs to Rs. 10 Lakhs. The client's proposed investment amount was between Rs. 2 Lakhs to Rs. 5 Lakhs (copy of RPF placed as Annexure 35). However, PG took an amount of Rs. 2,29,326/- from the client, as service fees.

#### Leading Questions in RPF

65. PG's Risk Profiling questionnaire has 21 questions to measure risk appetite / tolerance of the clients (Refer Annexure 27). Corresponding to each question, a set of answer has been stated. Each answer has been assigned a particular weightage. Depending on the response of the client, the total score of the client was calculated. The maximum total score is 2400. Based on the response of the clients, assigned scores were given and risk appetite of the client was assessed. Depending on the score, PG classified the clients into following Risk categories: -

| Risk Profiling Questionnaire SCORE | Risk Category of the Client |
|------------------------------------|-----------------------------|
| 0-800                              | Low                         |
| 800-1600                           | Medium                      |
| 1600-2400                          | High                        |

65.1. Based on the Risk category of the client, PG offered following products:

| S. No. | SCORE | Type of Investor | Level of Risk Tolerance | Suitable Services | Characteristics of services |
|--------|-------|------------------|-------------------------|-------------------|-----------------------------|
| 1      | 0-800 | Conservative     | Low                     | Nil               | NA                          |



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| S. No. | SCORE          | Type of Investor | Level of Risk Tolerance | Suitable Services | Characteristics of services                                                                                                                                                                                                                    |
|--------|----------------|------------------|-------------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2      | 800-1600       | Moderate         | Medium                  | Group A           | Offer Medium Risk and reward, Generally principal is exposed to risk but not 100% exposed to risk<br>Approximately 4-5 tips per service and mostly intraday                                                                                    |
| 3      | 1600 and above | Aggressive       | High                    | Group B           | Offers High Risk and High Return, principal may be at 100% risk, suitable only for experienced investors/ willing to take risk in markets for high returns.<br>Approximately 4-5 tips per service and sometimes required to hold the position. |

65.1.1. Low Risk Investor: An Investor who has low ability to accept risk. To achieve better returns, able to invest a portion in equity funds or stocks for capital gains.

65.1.2. Moderate Risk Investor: An investor who understand risk in investment and accept short to long term fluctuation to achieve a high return and capital gain. Capital values can fluctuate and may fall under original investment capital, during economy downturn. Such Investor should be offered services classified under Group A.

65.1.3. High Risk Investor: An Investor who seek for high return investment, able to accept short to long term fluctuation to earn very high returns. Services under group B are recommended however client may also opt for services under Group A.

65.2. Classification of services:

| S. No. | Group A           | Group B             |
|--------|-------------------|---------------------|
| 1      | Stock Cash        | Futures and Options |
| 2      | Positional Stocks | Commodities         |

65.3. On perusal of the Risk Profiling Questionnaire of PG, the following was observed:

65.3.1. Risk Profile of PG includes following 03 questions to ascertain risk appetite of the clients:

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- i. *Would you invest where a small return is earned associated with small risk instead of a high return associated with high risk?*
- ii. *When market is not performing well would you like to invest in more risky investment instead of less risky investment to earn high return?*
- iii. *High risk is associated with high return, Medium risk is associated with medium returns and low risk is associated with low returns? What risks can you bear (not prefer)?*

65.3.2. The total maximum weights assigned to the aforesaid 3 such questions are 600 out of 2400 i.e. 25% of total weights. Regulation 16(b)(iii) of IA Regulations provides that the process for assessing risk of client appropriately interprets client responses to questions and should not attribute inappropriate weight to certain answers. From the above, it appears that PG has earmarked 25% of the total score for the aforesaid questions.

65.3.3. The 3 questions mentioned above appear be leading questions. For example - the expression "High Risk is associated with high return..." would inevitably lead the client to respond that he can bear High Risk as it is associated with high return. Instead of stating 'High Risk is associated with high return', the correct question should have been 'High Risk involves greater chances of losses, Medium Risk involves comparatively lesser chances of losses.....' Had the IA made aware to the client that taking High Risk would mean chances of large amount of losses in the investment, it would have been better for the client to understand the risks associated with a High Risk product.

65.3.4. From the above, it was observed that the above mentioned questions in the Risk Profile Questionnaire are vague, ambiguous and misleading. As per Regulation 16(b)(iii) of the IA Regulations, the IA has to appropriately interpreting client responses to questions and not attributing inappropriate weight to certain answers. From the question mentioned above, it is clear that the questions used for assessing Risk Profile of the client are leading questions. Moreover, disproportionately large amount of weights were assigned to only three questions. It appears that the questions mentioned in the Questionnaire were framed in such a manner so that it would be difficult for the clients to understand and provide an appropriate response. It further appears that such questions were framed to make the clients fall in High Risk category so that they can be offered complex products like derivatives. It was also observed that few questions are leading questions and prompted the clients to respond to the questions in a certain way.

66. It is alleged that the Risk Profiling exercise done by PG was a baseless exercise and was done by PG to merely fulfil the requirement of IA Regulations. The RPF has actually not been followed in



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spirit and the fee has been charged disproportionately. It is also observed that PG has not obtained signatures on RPF or any confirmation from the client regarding his risk categorization.

67. It is alleged that PG did not obtain from the clients such information as is necessary for the purpose of carrying out Risk Profiling of clients and did not follow a process for assessing the risk of a client is willing to take.
68. In view of the above, it is alleged that PG has failed in its responsibility to act in fiduciary capacity to its clients, which is entrusted upon him under Regulation 15(1) of IA Regulation, 2013. It is further alleged that PG has also failed to abide by Clauses 1 (honesty and fairness), 2 (diligence), and 8 (compliance) of the Code of Conduct for Investment Advisors as specified in Third Schedule of IA Regulations read with Regulation 15(9) of IA Regulations.
69. Mr. Kiran Aravalli, Mr. S.K. Gupta who had filed complaints in SCORES, vide emails dated December 12, 2019 (**Annexure 36**), mentioned that they did not receive any RPF or suitability assessment form from PG. Since, PG did not cooperate with SEBI in the Inspection, the allegation raised by complainant could not be verified. In view of complaints of Mr Kiran Aravalli and S K Gupta, it is alleged that PG has violated Regulation 16(a), (b), (d) and (e) of IA Regulations.
70. It is alleged that PG did not consider clients' income and proposed investment amount while charging fees from its clients. It is alleged that PG failed to understand the nature and risks of products suitable for its clients. It is alleged that the investment advice provided to the client was not in line with appropriate risk assigned to its clients and the process followed by PG for selecting investment advice was faulty, as it failed to understand the clients' objective and financial situations. It is alleged that the recommendation made to the clients was without client's investment objectives, ignoring the risk tolerance capacity of the clients, without understanding the knowledge /experience of the clients in such type of products. In view of the same, it is alleged that PG failed to comply with Regulation 17(a)(b)(d)(e) of IA Regulations.
71. It is alleged that PG devised a deliberate ploy to categorize a particular investor in the High Risk bracket by framing ambiguous questions, so that PG can earn large amount of fees by providing advices in all types of products including products in futures and options segment. Further, by doing Risk Profiling of the clients in the manner as described above, it is alleged that PG violated Regulation 3(a), (b), (c) and (d) of PFUTP Regulations read with Section 12A(a), (b) and (c) of SEBI Act, 1992.

**Violation of Conditions of Certificate**

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72. From a conversation of a representative of PG with one prospective client, namely Mr. Uttam Bhadouria, it was noted that PG has several branches and it primarily operates from the office address registered in SEBI records. During the inspection, the team had found another office of PG at 6<sup>th</sup> floor of the same building as mentioned above in paragraph 6 above. The transcript of the aforementioned conversation is given below:

*Call recording at 00:05: PG (02\_10.01.2019): "Apne 4 branches hain, mainly jo hamara branch hai wo Shekhar Central wala hai. Mainly saari cheezein wahan se operate hoti hain".*

73. As mandated under Regulation 13(b) of IA Regulations, "The Investment advisor 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." It is however noted that PG did not inform SEBI of its other offices, which is a change of material nature. It is, therefore, alleged that PG has violated Regulation 13(b) of IA Regulations.

#### Non Redressal of Investor Grievances:

74. SEBI, vide Circular CIR/OIAE/2014 dated December 18, 2014 regarding Investor grievances through SEBI Complaints Redress System (hereinafter referred to as "SCORES") platform, has advised that all SEBI registered intermediaries shall review their investors grievances redressal mechanism so as to further strengthen it and correct the existing shortcomings, if any. The SEBI registered intermediaries, to whom complaints are forwarded through SCORES, shall take immediate efforts on receipt of a complaint, for its resolution, within thirty days. Further, the said circular has stated that in case of failure by SEBI registered intermediaries to file Action Taken Report (hereinafter referred to as "ATR") under SCORES within thirty days of date of receipt of the grievance, it shall be treated as failure to furnish information to SEBI and deemed to constitute non-redressal of investor grievance.
75. It is observed from the data obtained from SCORES that 42 unique complaints are pending against PG as on November 30, 2020 (Refer **Annexure 9**). Out of such 42 complaints, it is seen that in 11 complaints, PG had filed the ATR after 30 days which is not in compliance with directions given in the SEBI Circular CIR/OIAE/2014 dated December 18, 2014.
76. The details of pending complaints in which PG had filed ATR after 30 days and complaints in which PG has not yet filed any reply from the date of last communication are given below. The details of complaints are placed as **Annexure 37 in CD**.



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| S. No. | SCORES Complaint No.  | Name of Complainant        | Date of receipt of complaint | Date of forwarding the complaint to IA (X) | Date of receipt of initial reply from IA (Y) | Difference between X and Y | Date of last communication |
|--------|-----------------------|----------------------------|------------------------------|--------------------------------------------|----------------------------------------------|----------------------------|----------------------------|
| 1      | SEBIE/MP19 /0000979/1 | Anand Patel                | 18-03-2019                   | 26-04-2019                                 | 09-06-2019                                   | 44                         | 25-10-2019                 |
| 2      | SEBIE/MP19 /0000223/1 | Mistry Pinalkumar Ramanlal | 27-12-2018                   | 07-02-2019                                 | 02-05-2019                                   | 84                         | 16-11-2019                 |
| 3      | SEBIE/MP18 /0001976/1 | Pyare Lal                  | 27-06-2018                   | 16-08-2018                                 | 20-09-2018                                   | 35                         | 16-10-2019                 |
| 4      | SEBIP/MP19 /0000376/1 | Kiran Aravalli             | 19-09-2019                   | 25-09-2019                                 | 16-11-2019                                   | 52                         | 22-11-2019                 |
| 5      | SEBIE/MP20 /0000174/1 | Ushar Kanti Dutta          | 17-01-2020                   | 05-02-2020                                 | No reply received                            | 299                        |                            |
| 6      | SEBIE/MP19 /0003189/1 | Ram Charan Vijay           | 31-12-2019                   | 01-01-2020                                 | No reply received                            | 334                        |                            |
| 7      | SEBIE/MP19 /0003117/1 | Ajinkya Bhosale            | 26-11-2019                   | 28-12-2019                                 | No reply received                            | 338                        |                            |
| 8      | SEBIE/MP19 /0002906/1 | Mihir Dharod               | 06-11-2019                   | 27-11-2019                                 | No reply received                            | 369                        |                            |
| 9      | SEBIE/MP19 /0002655/1 | Lokesh kumar Gahlot        | 15-11-2019                   | 27-11-2019                                 | No reply received                            | 369                        |                            |
| 10     | SEBIE/MP19 /0002331/1 | Sivannarayana Jakkamsetti  | 02-10-2019                   | 28-11-2019                                 | No reply received                            | 368                        |                            |
| 11     | SEBIE/MP19 /0002203/1 | Srinibas Rao P             | 14-08-2019                   | 17-12-2019                                 | No reply received                            | 349                        |                            |

77. Since, the IA did not submit ATR in a time bound manner as prescribed by SEBI and did not resolve investors' grievance, it is alleged that the IA has violated provisions of SEBI Circular CIR/OIAE/2014 dated December 18, 2014 and Regulation 21(1) of IA Regulations.

78. In light of the above, Noticee, Profit Guru, (Proprietor: Mr. Satish Shukla, PAN – BLWPS1911G), is hereby called upon to show cause as to (i) why suitable directions, including the following, under Sections 11B(1) and 11(4) read with section 11(1) of SEBI Act, 1992, should not be issued against the Noticee for the aforesaid violations:

78.1. to cease and desist from acting as an investment advisor including the activity of acting and representing through any media (physical or digital) as an investment advisor, directly or indirectly, and cease to solicit or undertake such activity or any other activities in the securities market, directly or indirectly, in any matter whatsoever;

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- 78.2. not to access the securities market and buy, sell or otherwise deal in securities or associates themselves with securities market, in any manner whatsoever whether directly or indirectly;
- 78.3. to immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, communications etc., in digital mode or otherwise, in relation to its investment advisory activity or any other activity in the securities market;
- 78.4. to refund the amounts received from the clients/investors/complainants, as fees or consideration or in any other form in respect to investment advisory activities.
79. The written submissions of the Noticee, if any, along with documentary evidences that the Noticee chooses to rely upon in support of their submissions, should reach the undersigned, at the address given below and also in softcopy (in Microsoft Word format) by e-mail at email-IDs [nirmalm@sebi.gov.in](mailto:nirmalm@sebi.gov.in) and [amitn@sebi.gov.in](mailto:amitn@sebi.gov.in) within 21 days from the date of receipt of this notice, failing which it shall be construed that Noticee have no reply to submit and SEBI shall be free to take action against them on the basis of evidence available on record in terms of the provisions of SEBI Act and other applicable laws.

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80. The Noticee may also indicate in its reply whether it is desirous of a personal hearing before the Whole Time Member, SEBI, in the matter. The Noticee is advised to keep SEBI informed about the change in correspondence address, if any, till the proceedings in the extant matter are complete.
81. Further, the Noticee is hereby advised to keep SEBI informed of all type of bank accounts (savings, deposits, recurring, current, etc.) mentioning the account no., name and address of the bank/branch held by him, details of all demat accounts / mutual fund units held by him and list of all the movable / immovable assets owned by him.
82. The Noticee may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulations, 2018. If the Noticee wish to opt for the settlement process, he may apply for the same in the manner specified in the aforesaid Regulations under intimation to the undersigned. Further, the Noticee may note that filing of settlement application does not confer any right to seek the settlement of the proceedings.
83. The documents relied upon in the Notice have been annexed as per the Annexures mentioned above.

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*Nirmal Mehrotra*  
Nirmal Mehrotra  
Deputy General Manager

Enclosures: As above

| Documents                                                                                                                                                                                          | Annexure |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Copy of SEBI's letter dated November 15, 2019, informing Noticee regarding inspection of its books of accounts.                                                                                    | 1        |
| Copy of the Noticee's letter dated November 21, 2019, authorizing Mr Abhishek Mishra.                                                                                                              | 2        |
| Copy of SEBI's emails dated November 29, 2019 and December 02, 2019, sent to the Noticee, to submit reply to pre-inspection questionnaire.                                                         | 3        |
| Copy of SEBI letter dated December 02, 2019, to the Noticee informing the date of commencement of inspection and copy of Noticee's letter dated December 04, 2019 authorizing Mr. Arvinder Ajmani. | 4        |
| Copy of SEBI's letter dated August 07, 2020 to the Noticee to submit information                                                                                                                   | 5        |
| Copy of SEBI's email dated September 11, 2020, forwarding SEBI's letter dated August 07, 2020, to the Noticee.                                                                                     | 6        |
| Client Master data.                                                                                                                                                                                | 7 in CD  |
| Screenshot of CRM.                                                                                                                                                                                 | 8        |
| List of pending SCORES complaints.                                                                                                                                                                 | 9        |
| Sample screenshots of the pages of website of the Noticee.                                                                                                                                         | 10       |
| Copy of SCORES complaint of Mr. Kuldeep Raj and email from the Noticee.                                                                                                                            | 11       |
| Email dated December 09, 2020 from the Noticee to Mr Girdharilal and copy of SCORES complaint of Mr Girdharilal.                                                                                   | 12       |
| Copy of email from G Sudheer and copy of SCORES complaint of Mr G Sudheer.                                                                                                                         | 13       |
| Copy of email from the Noticee to Mr Pinal Mistry.                                                                                                                                                 | 14       |
| Invoices issued by PG, Welcome email, suitability assessment, RPF and copy of SCORES complaint of Mr. Khush Ranjan.                                                                                | 15 in CD |
| Copy of invoices received by him, RPF, Suitability assessment and copy of SCORES complaint of Ashok Sengar                                                                                         | 16       |
| RPF, suitability assessment, copy of the invoices, email dated November 29, 2019, sent by the Noticee to Mr Jithender Bangaru.                                                                     | 17       |
| Copy of SCORES complaint of Mr Jithender Bangaru.                                                                                                                                                  |          |
| Copy of invoices, payments receipts etc., email received by Mr. Girdharilal from PG.                                                                                                               | 18       |

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|                                                                                                                                                                                                                                           |          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Copy of invoices, payments receipts, and email received from CVL KRA for fetching of KYC details and email dated May 10, 2018, received by Mr. Ushar Kanti Dutta, from the Noticee.<br>Copy of SCORES complaint of Mr. Ushar Kanti Dutta. | 19       |
| WhatsApp chat, invoices issued by the Noticee, payment history of Mr. Mohmmmed Ashif.<br>Copy of SCORES complaint of Mr. Mohmmmed Ashif.                                                                                                  | 20       |
| Copies of RPF, suitability assessment, invoices, email correspondences, WhatsApp chat etc. of Mr. Mihir Dharod.<br>Copy of SCORES complaint of Mr. Mihir Dharod.                                                                          | 21       |
| Invoices issued by Profit Guru and welcome email received dated December 14, 2019 received by Mr. Ram Charan Vijay.<br>Copy of SCORES complaint of Mr. Ram Charan Vijay.                                                                  | 22       |
| WhatsApp chat between Mr. Chothe Ganesh Popat and one of the representatives of the Noticee, Invoices received and screenshots of trading ledger, of Mr. Chothe Ganesh Popat.<br>Copy of SCORES complaint of Mr. Chothe Ganesh Popat.     | 23       |
| Tips received by Mr. G. Sudheer through whatsapp, RPF, email received by him for various services and invoices received by him from the Noticee.                                                                                          | 24       |
| Invoices received by Mr. Kamal Solanki from the Noticee.<br>Copy of SCORES complaint of Mr. Kamal Solanki.                                                                                                                                | 25       |
| Screenshot of services offered by the Noticee in Cash segment.                                                                                                                                                                            | 26       |
| Copy of RPF of Mr. Anand Patel.<br>Copy of SCORES complaint of Mr. Anand Patel.                                                                                                                                                           | 27       |
| Payment Details of Mr. Dinesh Singla.<br>Copy of SCORES complaint of Mr. Dinesh Singla.                                                                                                                                                   | 28       |
| Invoices provided by Mr. T G Srinivasan.<br>Copy of SCORES complaint of Mr. T G Srinivasan.                                                                                                                                               | 29       |
| Copy of RPF of Mr. Sunil Kothari.<br>Copy of SCORES complaint of Mr. Sunil Kothari.                                                                                                                                                       | 30       |
| Copy of RPF of Mr. T.G Srinivas.                                                                                                                                                                                                          | 31       |
| Copy of suitability assessment of Mr. T.G Srinivas.                                                                                                                                                                                       | 32       |
| Copy of RPF of Mr. Pyare Lal.<br>Copy of SCORES complaint of Mr. Pyare Lal.                                                                                                                                                               | 33       |
| Copy of RPF of Mr. Jithender Bangaru.                                                                                                                                                                                                     | 34       |
| Copy of RPF of Mr. Ashok Senegar.                                                                                                                                                                                                         | 35       |
| Emails from Mr. Kiran Aravalli and Mr. S.K. Gupta.                                                                                                                                                                                        | 36       |
| Details of SCORES complaints.                                                                                                                                                                                                             | 37 in CD |

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| Documents in CD                                                                                                                    |
|------------------------------------------------------------------------------------------------------------------------------------|
| Call records and SCORES complaint of Mr Lokesh.                                                                                    |
| Call records of Mr T G Srinivasan.                                                                                                 |
| Client Master (Annexure 7).                                                                                                        |
| Invoices, suitability assessment, Risk Profile Form and copy of SCORES complaint of Mr. Pinal Kumar Mistry.                        |
| Invoices, RPF, suitability assessment, welcome email from the Noticee to Mr. Anand Patel.                                          |
| Invoices issued by PG, Welcome email, suitability assessment, RPF and copy of SCORES complaint of Mr. Khush Ranjan. (Annexure 15). |
| Invoices issued by PG, RPF and suitability assessment, welcome email etc. and SCORES complaint of Mr. Jai Prakash Singh.           |
| Details of SCORES Complaints (Annexure 37)                                                                                         |

sub



Provisions of SEBI Act / SEBI Regulations

The text of the relevant provisions of SEBI Act / SEBI Regulations mentioned above are reproduced below:

SEBI Act

12A. No person shall directly or indirectly—

- (a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the Regulations made thereunder;
- (b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;
- (c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (PFUTP Regulations)

2. (1) In these Regulations, unless the context otherwise requires,—

- (c) “fraud” includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—
  - (1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;
  - (2) a suggestion as to a fact which is not true by one who does not believe it to be true;
  - (3) an active concealment of a fact by a person having knowledge or belief of the fact;
  - (4) a promise made without any intention of performing it;
  - (5) a representation made in a reckless and careless manner whether it be true or false;
  - (6) any such act or omission as any other law specifically declares to be fraudulent,
  - (7) deceptive behaviour by a person depriving another of informed consent or full participation,
  - (8) a false statement made without reasonable ground for believing it to be true.

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- (9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.

And "fraudulent" shall be construed accordingly; Nothing contained in this clause shall apply to any general comments made in good faith in regard to— (a) the economic policy of the government (b) the economic situation of the country (c) trends in the securities market or (d) any other matter of a like nature whether such comments are made in public or in private;

3. Prohibition of certain dealings in securities:

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 manipulative, fraudulent or an unfair trade practice in securities markets. [Explanation.— For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.]
- (2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—

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(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;

Explanation-For the purpose of this clause, "mis-selling" means sale of securities or services relating to securities market by any person, directly or indirectly, by—

- i. knowingly making a false or misleading statement, or
- ii. knowingly concealing or omitting material facts, or
- iii. knowingly concealing the associated risk, or
- iv. not taking reasonable care to ensure suitability of the securities or service to the buyer;

(o) fraudulent inducement of any person by a market participant to deal in securities with the objective of enhancing his brokerage or commission or income;

**SEBI (Investment Advisers) Regulations, 2013 (IA Regulations)**

**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;

15(1) An investment adviser shall act in a fiduciary capacity towards its clients and shall disclose all conflicts of interests as and when they arise.

(9) An investment adviser shall abide by Code of Conduct as specified in Third Schedule.

**Risk profiling.**

16. Investment adviser shall ensure that,-

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

- (i) age;

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- (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.
- (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.
- (c) risk profile of the client is communicated to the client after risk assessment is done;

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

### Redressal of client grievances

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

#### Notice before inspection

24(3) During the course of an inspection, the investment adviser against whom the inspection is being carried out shall be bound to discharge its obligations as provided in regulation 25.

#### Obligation of investment adviser on inspection

25. (1) It shall be the duty of every investment adviser in respect of whom an inspection has been ordered under the regulation 23 and any other associate person who is in possession of relevant information pertaining to conduct and affairs of such investment adviser, including partners, directors, principal officer and persons associated with investment advice, 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 every investment adviser and any other associate person who is in possession of relevant information pertaining to conduct and affairs of the investment adviser to give to the inspecting authority all such assistance and shall extend

### THIRD SCHEDULE

Securities and Exchange Board of India (Investment Advisers) Regulations, 2013

[See Sub Regulation (9) of Regulation 15]

#### 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.

##### 2. 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 after thorough 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 84[\*\*\*]. 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.

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