

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Sections 11(1), 11 (4), 11B and 11D of the Securities and Exchange Board of India Act, 1992 read with Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 in respect of :-

Sr. No.	Company	DIN/CIN	PAN
1.	Capquest Research Pvt. Limited	U74140DL2015PTC279589	NA
Promoters & Directors			
2.	Gitesh Malik	07159286	BJVPM8516J
3.	Shanshanka Sharma	07159273	EFHPS5052E
4.	Prashant Kumar	07159278	BTDPK3372G

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1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") received complaints wherein it was alleged that Capquest Research Private Limited and its promoters / directors namely Gitesh Malik, Shashanka Sharma and Prashant Kumar (hereinafter collectively referred to as "CRPL") were offering trading tips / investment advice and were soliciting clients through their website (www.capquestresearch.com) under various plans.
 2. On a preliminary examination, it was observed that CRPL was offering stock, index and derivative tips through various plans and was soliciting clients under various schemes.

CRPL was seen assuring guaranteed return on execution of its stock tips and is providing assurance of 90% accuracy of its tips on its website.

3. As all the aforesaid information received from the complainants and the website of CRPL prima facie indicated that the activities of CRPL are in the nature of offering financial advisory services to the clients, SEBI vide letters dated August 13, 2015, September 14, 2015 and January 18, 2016 advised CRPL to submit details in respect of its business, promoters and directors etc. In response, CRPL vide letters dated August 21, 2015, September 21, 2015 and January 21, 2016 submitted the following information:

- I. Names of directors, along with their mobile numbers; PAN numbers, email id along with self-attested copies of their identity and address proofs.
- II. List of clients along with amount of fees collected.
- III. List of trading services provided by CRPL
- IV. Copies of disclaimer, terms & conditions, cancellation and refund policy and privacy policy
- V. Copies of its Memorandum of Association (MoA) & Articles of Association (AoA).
- VI. Bank account statements of CRPL

4. With regard to its financial advisory activities, CRPL submitted that :-

- I. It is operating in the stock market and providing stock market recommendations / stock tips to its clients;
- II. It has started its operation on May 11, 2015;
- III. It only provides trading tips in equity and equity derivatives. It also provides market outlook and the market related information useful for the clients;
- IV. In its letter dated August 21, 2015, CRPL submitted that it has 237 clients out of which 117 clients are still active and working with the company and taking services while the services of 120 clients expired on August 21, 2015;
- V. Further, CRPL vide letter dated January 21, 2016, has submitted that it has more than 250 clients;

- VI. CRPL has not provided any kind of portfolio management services;
 - VII. CRPL has not provided any kind of investment advisory services,
 - VIII. It is not involved in trading on behalf of the customers;
 - IX. It is not registered with SEBI but is under process to meet the eligibility criteria as per SEBI (Investment Advisors) Regulations, 2013;
 - X. It is unable to provide the audited financial accounts for last three years as the company started operations only three months back.
5. On an examination of the information available on the website of CRPL, reply received from CRPL, information/documents obtained from the MCA website, RoC portal, it is observed that-
- (i) Capquest Research Private Ltd. (CIN:U74140DL2015PTC279589) was incorporated on April 28, 2015. Its registered address is A-30, FIFE Complex, Okhla Industrial Area, Phase -11, New Delhi -20. Gitesh Malik, Shashanka Sharma and Prashant Kumar are the directors/ promoters of CRPL.
 - (ii) The main object of CRPL as per its MoA is *"To carry on the work of research activities in the area of equity, investment, stock, securities and real estate and to act as portfolio managers, fund managers, investment consultant & advisors to corporate bodies, individuals and others, to give advice and suggest ways to maximize their capital, to support the clients for timely and well informed investment decisions, to provide both fundamental and technical analysis, to provide a cost effective way of doing research and analysis, to help investors in investment decisions, to make them understand whether to enter or exit a market position. "*
 - (iii) From the website of CRPL and from submissions of CRPL vide letter dated September 21, 2015, it is observed that CRPL offered the following types of services at the indicated prices:

Sr. no	Type of Service & related details	Nature	Pricing			
1	Cash Intraday (Day trading, taking advantage of rising and falling market, short selling taking advantage of falling stock prices.)	On daily basis one call	Plan	Basic	Standard	Premium
			Duration	INR	INR	INR
			1 month	9,000	12,000	15,000
			3 month	20,000	25,000	30,000
			6 month	30,000	40,000	50,000
			12 month	45,000	55,000	65,000
2	Cash Positional (Maximum holding period will be 2-3 days, designed for traders who avoid taking risk in futures, trade in stocks which are technically strong)	7-8 calls in a month	Plan	Basic	Standard	Premium
			Duration	INR	INR	INR
			1 month	15,000	20,000	25,000
			3 month	30,000	35,000	40,000
			6 month	45,000	50,000	60,000
			12 month	60,000	75,000	90,000
3	Intraday Futures (For traders taking advantage of intraday trading in huge volume and market conditions, approx. 5-7% profit per lot, all open position squared off automatically)	On daily basis one cell	Plan	Basic	Standard	Premium
			Duration	INR	INR	INR
			1 month	9,000	15,000	20,000
			3 month	20,000	30,000	45,000
			6 month	30,000	45,000	60,000
			12 month	45,000	60,000	80,000
4	BTST/STBT PRO (For traders who don't have time to track the stocks in the live market, approx. 8-10 % profit per lot)	10-15 calls in month	Plan	Basic	Standard	Premium
			Duration	INR	INR	INR
			1 month	15,000	20,000	25,000
			3 month	30,000	45,000	60,000
			6 month	45,000	60,000	80,000
			12 month	60,000	85,000	1,00,000
5	Futures jackpot (Entry and exit on right time and with daily market outlook update, approx. 6-8% profit per lot, Monthly 1 Jackpot call)	7-8 calls in a month	Plan	Basic	Standard	Premium
			Duration	INR	INR	INR
			1 month	20,000	25,000	30,000
			3 month	30,000	45,000	60,000
			6 month	40,000	60,000	90,000
			12 month	50,000	85,000	1,20,000
6	Intraday options (Earning on daily basis, guidance and better opportunities to make money on daily basis with trading discipline.)	On daily basis one call	Plan	Basic	Standard	Premium
			Duration	INR	INR	INR
			1 month	7,000	10,000	15,000
			3 month	15,000	20,000	25,000
			6 month	20,000	25,000	30,000
			12 month	25,000	30,000	40,000
7	Option BTST (For making huge amount of money overnight with	10-15 calls in month	Plan	Basic	Standard	Premium
			Duration	INR	INR	INR
			1 month	10,000	15,000	20,000

	minimum risk, approx. 150-200% profit per lot, entry in the last hour and exit in the first hour)		3 month	20,000	25,000	30,000
			6 month	30,000	40,000	50,000
			12 month	40,000	50,000	60,000
8	Option Payoff (For traders with less capital and risk avoiders, buy option, limited risk and unlimited profit, safe strategy with required knowledge)	7-8 calls in month	Plan	Basic	Standard	Premium
			Duration	INR	INR	INR
			1 month	15,000	20,000	25,000
			3 month	30,000	45,000	60,000
			6 month	45,000	60,000	80,000
			12 month	60,000	85,000	1,00,000
9	Index Intraday (Help overcome fluctuations in NIFTY because of the news that come at night. Efficient profit management)	On daily basis one call	Plan	Basic	Standard	Premium
			Duration	INR	INR	INR
			1 month	9,000	12,000	15,000
			3 month	20,000	25,000	30,000
			6 month	30,000	40,000	50,000
			12 month	45,000	55,000	65,000
10	Index Champion (Index trading based on technical analysis tools, for traders looking for low risk and high returns in a very short period, holding period 1-2 days, 1 contract active at one time.)	7-8 calls in month	Plan	Basic	Standard	Premium
			Duration	INR	INR	INR
			1 month	15,000	20,000	25,000
			3 month	30,000	45,000	60,000
			6 month	45,000	60,000	80,000
			12 month	60,000	85,000	1,00,000

- (iv) Under these plans of service, CRPL is offering stock tips in both segments *i.e.* cash and derivatives. Further, the frequency of calls/recommendation vary from segment to segment. For instance, an investor opting for intraday cash, the recommendation frequency is 1 call per day. Similarly, an investor opting for "Cash Positional", the recommendation frequency is 7 to 8 calls per month
- (v) From the aforesaid details displayed in their website, it is observed that the users/investors are advised by CRPL to undertake the transactions based on the updates/stock tips provided through Mail, SMS, web-login etc. It is also observed that depending on the plan opted for by the investors, recommendation calls are made by CRPL for giving tips to them. Similarly on an analysis of information on the website www.capquestresearch.com, it is observed that the company is also assuring guaranteed return on execution of its stock tips and is providing assurance of 90% accuracy of its tips.
- (vi) CRPL has stated that there is no executed copy of agreement with the client, but CRPL does send invoice to the customer along with copies of disclaimer, terms

and conditions, cancellation and refund policy and privacy policy as per information provided to SEBI. It is also observed that the same are also appearing on its website. This indicates that CRPL is having a contractual arrangement with its clients with respect to the plans subscribed and services provided.

(vii) Analysis of bank account statements of CRPL indicate that there are regular flow of funds in the bank accounts through cash or online transfers. Further, such cash deposits have been made from various locations like Aurangabad, Nasik, Delhi, Solapur, Tiruvottiyur, Mumbai, Kashipur etc. indicating that CRPL has clients all across India.

(viii) As per letter dated 21/09/2015 submitted by CRPL to SEBI, it has received Rs.24,19,716 from 233 investors. Further, as per letter dated 21/01/2016, CRPL has received Rs. 24,82,239 from 228 investors.

(ix) It is also relevant to note that CRPL in all its letters to SEBI admitted that they are engaged in the business of providing stock tips to its clients and is in the process of applying to SEBI for seeking registration as an investment adviser. In its letter dated January 21, 2016 it stated that “ *The company is not at all involved in the trading on behalf of the customer or any other medium, the company is only involved in advising the clients to BUY/SELL the stocks based on the research and analysis.*”

6. From the analysis of the available information, it is *prima facie* observed that CRPL and its Promoters / Directors are engaged in providing investment advisory services to investors on payment of fees as discussed in the preceding paragraphs, which fall under the definition of “*investment adviser*” as defined by Regulation 2(m) of the SEBI (Investment Advisers) Regulations, 2013 (the “SEBI IA Regulations” in short) which reads as under:
- “investment adviser” means any person, who for consideration, is engaged in the business of providing investment advice to clients or other persons or group of persons and includes any person who holds out himself as an investment adviser, by whatever name called; .*

7. It is imperative that any person carrying out investment advisory activities has to obtain registration from SEBI and conduct its activities in accordance with the provisions of the SEBI IA Regulations. Section 12(1) of the SEBI Act, 1992 reads as below:-

“No stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act.”

Further, Regulation 3(1) of the SEBI IA Regulations provides that *“On and from the commencement of these regulations, no person shall act as an investment adviser or hold itself out as an investment adviser unless he has obtained a certificate of registration from the Board under these regulations”*.

8. SEBI has a statutory duty to protect the interests of investors in securities and promote the development of, and to regulate the securities market. Section 11 of the SEBI Act has empowered it to take such measures as it thinks fit for fulfilling its legislative mandate. The Investment Advisers Regulations have been formulated with the main objective of regulating such advisory activities to safeguard the interests of investors through registration. Registration of investment advisers under the IA Regulations has been mandated so as to provide protection to investors trading in the securities market relying on the investment advices rendered by such entities. Registration ensures that a registered Investment Advisor will carry out its activities in compliance with the terms and conditions of the certificate of registration and by fulfilling the prudential / risk profiling/ suitability/

disclosure and other requirements mandated under the Regulations. Registration enables SEBI to extend its regulatory powers over the entity and initiate suitable action as provided under the IA Regulations in case of any breach by such entities.

9. In view of the facts stated in the foregoing paragraphs and in light of the prima facie finding against CRPL, it is felt inevitable that as an urgent preventive measure to protect the interest of investors, an *ex-parte ad-interim order* is passed against CRPL with immediate effect, to ensure that it does not continue any further with its investment advisory business.
10. In view of the foregoing, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4)(b), 11B and 11D read with Section 19 of the SEBI Act, 1992, the following directions –
 - (i) Capquest Research Private Limited and its promoters / directors namely Gitesh Malik PAN (BJVPM8516J), Shashanka Sharma PAN (EFHPS5052E) and Prashant Kumar PAN (BTDPK3372G) are directed to:-
 - a. *cease and desist from acting as an investment advisor and cease to solicit or undertake such activity or any other activities in the securities market, including buy, sell or otherwise deal in securities market, either directly or indirectly with immediate effect;*
 - b. *not to divert any funds raised from investors, kept in bank account(s) and/or in their custody until further orders, except for the purpose of refunds to the clients; and*
 - c. *withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, websites, etc. in relation to their investment advisory activity or any other unregistered activity in the securities market with immediate effect.*

11. This order is without prejudice to the right of SEBI to take any other action that may be initiated against Capquest Research Private Limited and its promoters / directors Gitesh Malik, Shashanka Sharma and Prashant Kumar in accordance with law.
12. Capquest Research Private Limited and its promoters / directors Gitesh Malik, Shashanka Sharma and Prashant Kumar may file objections, if any, within twenty one (21) days from the date of this Order and, if so desired, avail of an opportunity of personal hearing before the Securities and Exchange Board of India, on a date and time to be fixed on a specific request, received from him.
13. This Order shall come into force with immediate effect and shall be in force until further orders.

Date: July 4, 2017
Place: Mumbai

G MAHALINGAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA