

WTM/AB/WRO/ILO/ 12/2020-21

SECURITIES AND EXCHANGE BOARD OF INDIA
FINAL ORDER

UNDER SECTIONS 11, 11(4), 11B(1) and 11D OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992.

In respect of:

Noticee No.	Name of the entity	PAN No.
1.	Rushabh Research (Proprietor: Mr. Nitin Nanalal Dedhia)	AFNPD2723F

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1. The present proceedings have emanated from an ex-parte ad-interim order cum show cause notice dated February 7, 2020 (hereinafter referred to as “**the interim order**”) passed by Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) *inter alia* against Rushabh Research and its sole proprietor Shri Nitin Nanalal Dedhia, (hereinafter collectively referred to as “**the Noticees**”), as the unregistered investment advisory activities of the Noticees were found to be in violation of the provisions of Section 12(1) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act, 1992**”) and Regulation 3(1) of SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as “**IA Regulations, 2013**”). Further, in the interim order, the activities of the Noticees were *prima facie* found to be fraudulent and manipulative and in violation of provisions of Section 12A (a), (b) & (c) of SEBI Act, 1992 and Regulations 3 (b), (c) & (d) and Regulations 4(1) and 4(2)(k) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations, 2003**”). By the interim order, following directions were issued against the Noticees:

- i The Noticees shall 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 manner whatsoever, until further orders.*
- ii The Noticees shall not access the securities market and buy, sell or otherwise deal in securities in any manner whatsoever, directly or indirectly, until further orders.*
- iii The Noticees shall not divert any funds raised from investors, kept in bank account(s) and/or in their custody until further orders.*
- iv The Noticees shall not dispose of or alienate any assets, whether movable or immovable, or any interest or investment or charge on any of assets held in their name, including money lying in bank accounts except with the prior permission of SEBI.*
- v The Noticees shall immediately withdraw and remove all advertisements, representations, literatures, brochures, materials, publications, documents, websites, communications etc., in relation to their investment advisory activity or any other unregistered activity in the securities market until further orders.*
- vi The Noticees shall provide a full inventory of all assets held in the name of the proprietorship or the proprietor and firm or the partner, whether movable or immovable, or any interest or investment or charge on any of such assets, including details of all bank accounts, demat accounts and mutual fund investments, immediately but not later than 5 working days from the date of receipt of this order.*
- vii Any person while working under the above mentioned Noticees as employee or otherwise, shall cease and desist from undertaking the activity of investment advisory services, including the activity of acting and representing through any media (physical or digital) as an investment advisor, directly or indirectly, till further orders.*
- viii The Banks are directed not to allow any debits/ withdrawals from **or credits** to the accounts of the Noticees, held jointly or severally, without the permission of SEBI. The Banks are directed to ensure that all the above directions are strictly enforced.*
- ix The Depositories are directed to ensure that till further directions no debits are made in the demat accounts of the Noticees held jointly or severally.*
- x The Registrar and Transfer Agents are also directed to ensure that till further directions the securities, including Mutual Fund units, held in the name of the Noticees, jointly or severally, are not transferred or redeemed.*

2. The interim order was also in the nature of a show cause notice wherein the Noticees were provided with the opportunity to file their objections/reply, if any, within 21 days from the date of the interim order and were also provided with an opportunity of personal hearing before SEBI, on a date and time to be fixed on a specific request to be made by the Noticees, in that regard. In this regard, it is noted that the Noticees have neither filed any reply/objections to the interim order nor sought any personal hearing. Hence, I shall now proceed to examine the matter *ex-parte* and on the basis of material available on record.

3. I find that the interim order passed in the matter contained following observations with respect to the Noticees:

- (i) SEBI received an email dated September 26, 2019 from Mr. Aman Parwani ('Complainant'), *inter alia*, alleging that fake advisory is running in Indore by the name of Rushabh Research, which has the address of Mumbai on the website but has actual office in Indore.
- (ii) With the aforesaid email, Mr. Aman Parwani has attached some of his documents and also mentioned that it does artificial stock movement in BSE market as well as its website as rushabhresearch.com. From the website link shared by the complainant, it is observed that IndusInd bank details bearing account no. - 201003475660 are mentioned on website.
- (iii) IndusInd Bank vide email dated October 31, 2019, *inter alia*, forwarded the bank accounts statement for Rushabh Research. From the account statement, it is observed that around Rs. 6,10,254/- have been credited during the period June 29, 2019 to October 30, 2019. It is also observed that various credits have been received from Easebuzz payment gateway and UNIFIED Payment Interface.
- (iv) The Beneficiary details are as under:

Name	Rushabh Research
Email	info@rushabhresearch.com

Bank Details	IndusInd Bank, Account No. - 201003475660, Shekar Central, A.B. Road, Indore
PAN	AFNPD2723F
Business Name	Nitin Nanalal Dedhia

- (v) An internet search made in the name of 'Rushabh Research' showed its website - rushabhresearch.com. Further, it is seen from the website that Rushabh Research advertises itself as a leading Investment Advisory Firm. It has also been mentioned on the website that, *"Rushabh Research is a leading investment advisory firm having a team of specialized financial market analysts having monumental experience in carrying out secondary market research. We delivers tested recommendation for equity cash, equity derivatives (future and option) traded in the NSE, also gives services in commodities such as bullions, base metals energy and agro commodities traded in the MCX and NCDEX. We also provide the customized research on various segments where trader can get satisfactory returns with proper risk reward ratio analysis."* It also offers recommendations in Cash, Futures, Index, Bullions, Metals and Energy.

4. In addition to the above observations made in the interim order, from the copy of the printouts of the webpages of the Rushabh Research, I find that Noticees had provided the following rates for availing their investment advisory services:

Service	Monthly	Quarterly	Half Yearly	Yearly
Stock Cash Intra Day	7100	16500	31500	59500
Stock Cash Premium	15500	37200	59500	95200
Stock Future Intraday	7600	18000	32400	58300
Stock Future Premium	25500	61200	110000	175000
Stock Option	5500	13200	23700	42500
Index Option	20500	54000	97200	151500

Bullion Intra Day	8200	20500	36200	65100
Base Metal	7800	18700	33600	60500
Bullion Premium Services	14000	33600	60200	108000

5. I note that the definition of investment adviser, as given in Regulation 2(1)(m) of IA Regulations, 2013, provides that 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”*. Regulation 2(1) (l) of the IA Regulations defines investment advice as *“advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, and advice on investment portfolio containing securities or investment products, whether written, oral or through any other means of communication for the benefit of the client and shall include financial planning.”*

6. I note that Noticees on their website i.e. rushabresearch.com advertised Rushabh Research as an investment adviser giving advice in Cash, F&O, Commodities including bullions and metals,. The website page mentioned that it delivered tested recommendation for equity cash, equity derivatives (future and option) traded in the NSE and also gave services in commodities such as bullions, base metals energy and agro commodities traded in the MCX and NCDEX. I find that these services were being offered by the Noticees in lieu of the consideration which could be paid by the investor concerned in the IndisInd Bank Account No. 201003475660 of Rushabh Research details of which were provided on the website. From the detail of the said bank account, I note that total of Rs. 6,10,254/- have been credited during the period June 29, 2019 to October 30, 2019. It is also observed that various credits have been received in this account from Easebuzz payment gateway and UPI. From the aforesaid facts, I find that Rushabh Research was engaged in giving advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, through its website rushabresearch.com. I note that the Account Opening Form for the IndusInd Bank Account no. 201003475660 of Rushabh Research, copy of which was forwarded by the bank to SEBI, states that

constitution of Rushabh Research is proprietorship firm. The said Account Opening Form further shows that Shri Nitin Nanalal Dedhia is the Authorised Signatory of Rushabh Research for the said bank account. Moreover, the Account Opening form bears a stamp of Rushabh Research wherein under 'proprietor' the signature of Nitin Nanalal Dedhia is seen, which matches with the signature on the PAN card of Shri Nitin Nanalal Dedhia. Thus, I find that Rushabh Research was the proprietary concern of Shri Nitin Nanalal Dedhia and was engaged in investment advisory activity. In view of this, I find that Noticees were providing the investment advice, in lieu of consideration. In terms of Regulation 2(1) (l) of IA Regulations, 2013 such an advice is "investment advice". Therefore, I find that Noticees were engaged in the business of providing investment advice to public, for consideration and were thus, acting as an investment adviser, as defined under Regulation 2(1) (m) of the IA Regulations, 2013.

7. Section 12(1) of the SEBI Act, 1992 provides as under:

"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."

8. In order to protect the interest of investors and to maintain integrity of the securities market, IA Regulations, 2013 provides safeguards to ensure that the investors who receive investment advice are protected. One such safeguard is that any person carrying out investment advisory activities has to obtain registration from SEBI as required under Regulation 3(1) of the IA Regulations, 2013. Regulation 3(1) 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"* and conduct its activities in accordance with the provisions of IA Regulations. Further, safeguards provided under IA Regulations, 2013 includes continued minimum professional qualification and net-worth requirement for investment adviser, disclosure of all conflict of interest, prohibition on entering into transactions which

are contrary to advice given for 15 days, risk profiling of investors, maintaining documented process for selecting investment for client based on client's objective and risk profile, understanding the nature and risks of products or assets selected for clients, etc.

9. The activities of the Noticees, as brought out from the various materials described above, seen in the backdrop of the aforesaid provisions show that the Noticees were holding themselves out and acting as an investment adviser. However, it is noted that the Noticees is not registered with SEBI in the capacity of Investment Advisor. Hence, I find that these activities/ representations as being made by the Noticees without holding the certificate of registration as investment adviser are in violation of Section 12(1) of SEBI Act, 1992 read with Regulation 3(1) of the IA Regulations, 2013.
10. In my view, unregistered investment advisors like the Noticees in the present case can put investors at great risk by misleading them. In the present case, Noticees on their website mentioned that Rushabh Research is a leading investment advisory firm having a team of specialized financial market analysts having monumental experience in carrying out secondary market research and that it delivers tested recommendation for equity cash, equity derivatives (future and option) traded in the NSE and that it also gives services in commodities such as bullions, base metals energy and agro commodities traded in the MCX and NCDEX and that it also provide the customized research on various segments where trader can get satisfactory returns with proper risk reward ratio analysis and that it also offers recommendations in Cash, Futures, Index, Bullions, Metals and Energy. As stated above, SEBI Act, 1992 and IA Regulations, 2013 requires any investment advisor to hold a certificate of registration to act as such. I find that Noticees were not holding any certificate of registration from SEBI to act as investment adviser. Thus, the claims/representations made by the Noticees on their website were misleading and were made to allure investors to avail investment advisory services being offered by the Noticees. The Noticees have knowingly misrepresented on the websites floated by them that Rushab Research is leading investment advisory firm and they have a team of specialized financial market analysts having monumental experience in carrying out secondary market research, without holding any registered Investment

Advisor certificate, the Noticees have held themselves out as investment advisors and offered services through their website to investors with the objective of raising money through subscriptions to their various plans. The above discussed misleading representations are deceptive activities of the Noticee and therefore, fraudulent and are covered within the definition of “fraud” defined under Regulation 2(1)(c) of the PFUTP Regulations, 2003. It is noted that fraudulent activities/ conduct/ act/ practice of the Noticees, as discussed above, are also in violation of provisions of Section 12A (c) of SEBI Act, 1992 and Regulations 3(d) and Regulations 4(1) of PFUTP Regulations, 2003. Regulation 4(2)(k) of PFUTP Regulations, 2003, provides that dealing in securities shall be deemed to be a manipulative, fraudulent or an unfair trade practice if it involves 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. In the present case, Noticees without holding certificate of registration as investment adviser, knowingly hold themselves as investment adviser on their website. Thus, I find that Noticees have also violated Regulations 4(2)(k) of PFUTP Regulations, 2003.

11. I note that the material available on record does not indicate the exact amount of fees collected by the Noticees, as a result of providing investment advice to investors, in violation of the provisions of the IA Regulations, 2013. However, IndusInd Bank vide email dated October 31, 2019, *inter alia*, forwarded the bank account statement for IndusInd Bank Account no. 201003475660 belonging to Rushabh Research with trade name Nitin Nanalal Dedhia and mentioned in its website. From the account statement, it is observed that the bank account received credits of Rs. 6,10,254/- during the period June 29, 2019 to October 30, 2019.
12. In view of the foregoing, I, in exercise of the powers conferred upon me under Sections 11, 11(4), 11B(1) and 11D, read with of Section 19 of the SEBI Act, 1992 and Regulation 11 of the PFUTP Regulations, 2003, and in supersession of the directions in the interim order, hereby direct that:
 - (i) The Noticees shall within a period of three months from the date of coming into force of this direction, refund the money received from the

clients/investors/complainant, as fees or consideration or in any other form, in respect of their unregistered investment advisory activities;

- (ii) The Noticees shall issue public notice in all editions of two National Dailies (one English and one Hindi) and in one local daily with wide circulation, detailing the modalities for refund, including the details of contact person such as names, addresses and contact details, within 15 days of coming into force of this direction;
- (iii) The repayments to the clients/investors shall be effected only through Bank Demand Draft or Pay Order or electronic fund transfer or through any other appropriate banking channels, which ensures audit trails to identify the beneficiaries of repayments;
- (iv) The Noticees are prevented from selling their assets, properties and holding of mutual funds/shares/securities held by them in demat and physical form except for the sole purpose of making the refunds as directed above. Further, the banks are directed to allow debit only for the purpose of making refunds to the clients/investors who were availing the investment advisory services from the Noticees, as directed in this order, from the bank account of the Noticees, wherein debit has been frozen by virtue of interim order dated February 07, 2020;
- (v) After completing the aforesaid repayments, the Noticees shall file a report of such completion with SEBI addressed to the Division Chief, CIS Division, Investment Management Department, SEBI Bhavan, Plot No. C4 A, G Block, Bandra Kurla Complex, Bandra (East) Mumbai – 400051, within a period of 15 days, after completion of three months from the coming into force of this order, duly certified by an independent Chartered Accountant. The restraint contained in para 12(iv) shall cease to operate once the refund to the investors is complete and the report as contemplated herein is filed;
- (vi) In case of failure of the Noticees to comply with the aforesaid directions in sub-para (i) and (v), SEBI, on the expiry of the stipulated time period therein

may recover the amounts mentioned in para 11 above or any other amount, as may be found to have been raised by the Noticees, from the Noticees, in accordance with Section 28A of the SEBI Act, 1992 including such other provisions contained in securities laws;

- (vii) The Noticees are debarred from accessing the securities market, directly or indirectly and are prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever, for a period of 2 (two) years from the date of this order or till the expiry of 2 (two) years from the date of completion of refunds to investors as directed in paragraph 12(i) above, whichever is later;
- (viii) The Noticees are also restrained from associating with any company whose securities are listed on a recognized stock exchange and any company which intends to raise money from the public, or any intermediary registered with SEBI in any capacity for a period of 2 (two) years from the date of this order or till the expiry of 2 (two) years from the date of completion of refunds to investors as directed in paragraph 12(i) above, whichever is later; and
- (ix) The Noticees shall not undertake, either during or after the expiry of the period of debarment/restraint as mentioned in paragraph 12(vii) and (viii) above, either directly or indirectly, investment advisory services or any activity in the securities market without obtaining a certificate of registration from SEBI as required under the securities laws.

- 13. The direction for refund, as given in paragraph 12(i) above, does not preclude the clients/investors to pursue the other legal remedies available to them under any other law, against the Noticees for refund of money or deficiency in service before any appropriate forum of competent jurisdiction.
- 14. This order comes into force with immediate effect. However, in view of the exceptional circumstances emerged due to the outbreak of a COVID-19 and consequential lockdowns imposed in different parts of the country, the direction given in paragraph 12 (i) and (ii) above, shall come into force on July 01, 2021.

15. A copy of this order shall be sent to the Noticees, recognized Stock Exchanges, the relevant banks, Depositories and Registrar and Transfer Agents of Mutual Funds to ensure that the directions given above are strictly complied with.

Place: Mumbai

Date: June 07, 2021

ANANTA BARUA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA