

National Stock Exchange of India Circular

Department: Investigation	
Download Ref No: NSE/INVG/52886	Date: July 05, 2022
Circular Ref. No: 86/2022	

To All NSE Members

Sub: SEBI Order in the matter of Shri C. Paranitharan and Others

SEBI vide its order no. WTM/AB/SRO/SRO/17806/2022-23 dated July 05, 2022 has hereby debarred the entities Shri C. Paranitharan (PAN :- APWPP4519C), Capitaltarget Financials (PAN:- AAHFC0266F) and C. Muralitharan (PAN :- AFKPC7801E) 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 6 months from the date of this order or till expiry of 6 months from the date of completion of the refunds to complainants/investors as directed in paragraph 24(a) of SEBI Order, whichever is later.

The Order shall come into force with the immediate effect.

The detailed order is available on SEBI website (<http://www.sebi.gov.in>).

Further, the consolidated list of such entities is available on the Exchange website <http://www.nseindia.com> home page under “Home-Regulation-Members-Action against Members-Regulatory Actions”.

Members are advised to take note of the above and ensure compliance.

In case of any further queries, members are requested to contact the following officials:

Mr. Jayesh Solanki (Extension: 22404), Mr. Anand Jangir (Extension: 22385)
Direct No: 022-26598417/18 Fax: 022-26598195

For and on behalf of



National Stock Exchange of India

National Stock Exchange of India Limited

Anand Jangir
Manager

National Stock Exchange of India

Annexure

SEBI Order in the matter of Shri C. Paranitharan and Others

WTM/AB/SRO/SRO/17806/2022-23

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

Under Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992

In respect of:

Sr. No.	Noticee	PAN
1.	Shri C. Paranitharan, Proprietor of M/s Capital Target Advisory Services and Partner of M/s Capital Target Financials	APWPP4519C
2.	M/s. Capitaltarget Financials, Partnership Firm	AAHFC0266F
3.	Shri C. Muralitharan, Partner of Capital Target Financials	AFKPC7801E

In the matter of Unregistered Investment Adviser

(The aforesaid entities are hereinafter individually referred to by their respective name or Noticee number and collectively as "the Noticees".)

1. The present proceedings emanate from a show cause notice dated July 19, 2021 (hereinafter referred to as "**SCN**") issued by Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") against Shri C. Paranitharan, M/s. Capitaltarget Financials (hereinafter also referred to as "**the partnership firm**") and Shri C. Muralitharan. Noticee no. 1, Shri C. Paranitharan has been issued the SCN in his capacity as the sole proprietor of M/s Capital Target



Advisory Services (hereinafter also referred to as **“the proprietorship firm”**) and as partner of M/s Capitaltarget Financials (hereinafter also referred to as **“the partnership firm”**). Shri C. Muralitharan, Noticee no. 2, has been issued the SCN as a partner of M/s Capitaltarget Financials. The SCN *prima facie* found that the Noticees were engaged in investment advisory services without obtaining a certificate of registration from SEBI 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”**). The SCN called upon the Noticees to show cause as to why suitable directions including refund of fees collected, debarment, non-association with listed entities, intermediaries, etc should not be issued against the Noticees under sections 11B and 11(4) of the SEBI Act, 1992.

2. I note that the SCN alleges the following:

- i. SEBI received a reference dated 13.06.2019 from S Jansirani against Capita Target Advisory wherein it was alleged that Capital Target Advisory had provided investment advice without registration.
- ii. As per the website www.capitaltarget.com, the bank account details of two entities, M/s Capital Target Advisory Services and M/s Capitaltarget Financials were mentioned for collection of fees for the investment advisory activities
- iii. In view of the complaint received, SEBI carried out a preliminary examination to ascertain whether unregistered investment advisory activities are being carried out by the Noticees. To that end the website, www.capitaltarget.com, reply of the Noticees, financial statements of the proprietorship firm/ partnership firm and particulars of their bank accounts were perused to gather information. The aforesaid website is inactive. However, during the course of preliminary examination, print outs of web pages of the website have been placed on record.
- iv. On the website www.capitaltarget.com certain bank accounts were mentioned for making payment.



- v. For two such bank accounts in the name of M/s Capital Target Advisory Services, the KYCs were obtained. As per the KYC documents of M/s Capital Target Advisory Services submitted by ICICI bank and HDFC bank, the following were noted:
- C. Paranitharan s/o Chithanathan is the proprietor of M/s Capital Target Advisory Services. The date of incorporation of the firm is 09.10.2015.
 - The address is 71, Muthalamman Kovil Street, Thirumangalam, Madurai. 625706. The email id is vidhme@gmail.com. The contact number is 9843737855.
 - Shri C.Paranitharan, the proprietor of M/s Capital Target Advisory Services is the authorized signatory of the bank accounts of ICICI bank and HDFC bank.
- vi. For three other bank accounts mentioned on the website, which were in the name of M/s Capitaltarget Financials, KYC documents from the banks- HDFC Bank, ICICI Bank, State Bank of India and the certificate of registration of Department of Industries and Commerce dated 14.01.2011 were obtained. The partnership deed of M/s Capitaltarget Financials dated 01.11.2010 was also obtained. From the aforesaid, the following were noted:
- M/s Capitaltarget Financials is the partnership firm incorporated on 01.11.2010. The address is No. 683, PTN Complex, 2nd floor, Opposite to State Bank of India, Madurai Road, Thirumangalam – 625706. The email ids are vidhme@gmail.com and muralitharan@gmail.com The contact numbers are 9843737855 and 04549283236.
 - Shri C.Paranitharan S/o Chithanathan is the partner of M/s Capitaltarget Financials. The addresses are No. 22, Muthalamman Kovil Street, Thirumangalam and 71, Muthalamman Kovil Street, Thirumangalam, Madurai. 625706. The email id is vidhme@gmail.com. The contact number is 9843737855.
 - Shri C.Muralitharan S/o Chithanathan is the partner of M/s Capitaltarget Financials. The addresses are No. 22, Muthalamman Kovil Street, Thirumangalam and 20/22,



Chinnavadakarai, Thirumangalam TK, Madurai Dist.

- g. Rs. 1,00,000 is the total capital of the partnership firm. Both the partners have contributed Rs. 50,000/- each towards the capital of the partnership firm. Both the partners shall be working partners and shall be paid a monthly salary of Rs. 7500 per month. The partners are entitled to a simple interest on their capital and additional capital contribution in current account at the rate of 12% per annum.
 - h. The bank account shall be opened in the name of the partnership firm and shall be operated by both the partners jointly.
 - i. Any death or retirement of the partners, the partnership firm shall not be dissolved. The partnership firm shall be continued by admitting the legal heirs of the deceased partner.
 - j. As per the KYC documents of M/s Capitaltarget Financials, Shri C. Muralitharan and Shri C. Paranitharan are the authorized signatories and persons authorized to operate the bank accounts of State Bank of India, HDFC bank and ICICI bank.
 3. The SCN was served on the Noticees. Reply dated August 02, 2021 was received from Noticee no.1 and reply dated August 05, 2021 was received from Noticee no. 3 stating that they were not aware of the rule to have SEBI certified investment advisor to run the advisory company, and they shut down the website and closed all business bank account as soon as they received the notice via email dated on 1st July 2019. They further submitted in their replies that they cannot disclose the client details and account details as they shut down the server and closed the bank accounts at that time and as a law obeying citizen & honest taxpayer, they stopped all the business activities like shutting down the website www.Capitaltarget.com and closing company bank accounts as soon as they realized running the business without SEBI certified advisor is illegal. Also, their replies states that the person named S. Jansirani, who raised the complaint against them was not their customer and they never sent any advisory SMS / Call to her.
 4. The Noticees also sought a personal hearing with respect to the SCN. Thereafter, on October 14, 2021 the matter was placed before me for obtaining



a hearing date on October 14, 2021, and an opportunity of hearing was granted to the Noticees on January 05, 2022. On the said date the Noticees appeared through video conference and made submissions. Thus, the hearing was concluded *qua* the Noticees.

Consideration of submissions and findings:

5. I have considered the allegations made in the SCN along with the findings of the examination by SEBI stated therein, reply received in the matter and submissions made by the Noticees during the hearing.
6. In this regard, I note that the definition of Investment Adviser as given in Regulation 2(1)(m) of the IA Regulations, 2013 is as follows:

“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;”

Further, Regulation 2(1)(l) of IA Regulations, 2013 states as follows:

“investment advice means 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:

Provided that investment advice given through newspaper, magazines, any electronic or broadcasting or telecommunications medium, which is widely available to the public shall not be considered as investment advice for the purpose of these regulations;”

7. I note that, Noticees have not contested that the website www.capitaltarget.com, was run by them. The website *inter alia* claimed as follows:

- a) *Capital Target is a leading Indian Stock Market Advisory Company, having a strong hold in providing most authentic and accurate Intraday Tips after huge analysis and research.*
- b) *Capital Target greatly deal in client's satisfaction. We believe in providing best Quality Intraday and Positional Trading Tips to investors who shows faith in us by joining hands with us.*



- c) *Capital Target brings you a new concept of minting money in Stock & Commodity Market for Medium to High risk traders, Individuals, HNIs, Financial Institutes, Brokers/Sub-Brokers. All our recommendations may be Intraday basis or positional basis with proper entry & exit follow-ups on time.*
- d) *We will recommend you how many lots you have to buy or sell.*
- e) *Complete follow-up SMS and Gtalk messenger throughout the life cycle of the tips from entry to close. Complete support on mobile number will be provided.*
- f) *You have to trade in all our tips.*
- g) *Maximum two open positions at a time.*
- h) *Assured profits end of every month. Great capital appreciation with disciplined trading.*
- i) *Call will be given on SMS and Gtalk messenger.*
- j) *Bank details of Capitaltarget Financials: a/c no. 31590958322 - State Bank of India, a/c no. 20878320000012 - HDFC Bank, a/c no. 618305012963 - ICICI Bank*
- k) *Bank details of Capital Target Advisory Services: a/c no. 50200015412630 - HDFC Bank and a/c no. 618305025286 – ICICI Bank.*
- l) *The payment may be made by depositing cash in favour of "Capital Target Advisory Services" at any branch of ICICI bank.*
- m) *The payment may be made by depositing a local cheque drawn in favour of "Capitaltarget Financials" at any branch of ICICI bank.*
- n) *Sample investment advice packages mentioned in the website is given below:*

S.No.	Package	One Month Fee (in Rs.)	Three Months Fee (in Rs.)
1	Equity Intraday Tips	5000	12000
2	Equity BTST Tips	5000	12000
3	Stock Future Tips	7500	18000
4	Stock Future Premium	15000	36000

- o) *The address mentioned as No.9, Kamarajpuram, 3rd Street, Opposite to Kerosene Bulk, Thirumangalam, Madurai 625706.*
- p) *Contact number mentioned as 8270046879 and email ids are support@CapitalTarget.com and capitaltargetfinancials@gmail.com.*

8. From the above, I note that the website www.capitaltarget.com, provided recommendations for trading in Indian stock and commodity market. The website claimed to offer stock trading tips. The website claimed that Capital Target is an Indian Stock Market Advisory Company, having a strong hold in



providing most authentic and accurate Intraday Tips after huge analysis and research. The website also mentioned types of the tips provided, which included Equity Intraday tips, Equity BTST Tips, Stock Future Tips and Stock Future Premium Tips. As per the website, these services were provided through SMS and Gtalk messenger service. I note that in their replies the Noticee nos. 1 and 3 have not denied that they were providing investment advise but have submitted that they were not aware of the rule that one need to have SEBI certification for acting as an investment advisor and to run advisory company, and they shut down the website and closed all business bank account as soon as they received the notice from SEBI.

9. Further, in the present matter, investment advisory services were being offered on the website *in lieu* of consideration. The payment page of the website has displayed three bank accounts in the name of Capital Target Financials (partnership firm in which C. Paranitharan and C. Muralitharan are partners) – State Bank of India (31590958322), HDFC (20878320000012), ICICI (618305012963) and two bank accounts in the name of Capital Target Advisory Services – HDFC (50200015412630) and ICICI (618305025286) for which C Paranitharan is the proprietor. The details of the accounts are given below:

S. N.	Account holder	Bank Name	Bank A/c. No.	Authorised Signatory	Address
1	Capitaltarget Financials, Partnership firm. C.Paranitharan and C.Muralitharan are partners	State Bank of India	31590958322	C.Paranitharan, C.Muralitharan	683, PTN complex, 2nd floor, opposite to State Bank of India, Madurai road, Thirumangalam. 625706.
2		HDFC	20878320000012		
3		ICICI	618305012963		
4	Capital Target Advisory Services, Proprietor – C.Paranitharan	HDFC	50200015412630	C.Paranitharan	71, Muthulamman kovil street, Thirumangalam. 625706.
5		ICICI	618305025286		

10. From the above, I find that the Noticees were running the website and receiving the consideration *in lieu* of the investment advise rendered on the website. The website of the proprietorship firm and partnership firm is not active. From the print out of the web pages of the website, as available on record, the details of a few subscription packages are reproduced below:



S.No.	Package	One Month Fee (in Rs.)	Three Months Fee (in Rs.)
1	Equity Intraday Tips	5000	12000
2	Equity BTST Tips	5000	12000
3	Stock Future Tips	7500	18000
4	Stock Future Premium	15000	36000

I note that the Noticees have not contested above-mentioned details of the pricing of various services offered by them.

11. From the transaction statement of M/s Capital Target Advisory Services received from ICICI bank, HDFC Bank and transaction statement of M/s Capitaltarget financials received from HDFC Bank, ICICI Bank and State Bank of India it is noted that a total of 105 credits were made from different sources into the State Bank of India, HDFC bank and ICICI Bank accounts of M/s Capitaltarget Financials. The total credits received in the said bank accounts are Rs. 9,34,238. The summary of the credit transactions is given below:

Account Number & Bank	Transaction period	Total Credits (Rs.)	No. of Credit Transactions	Last Transaction date	Closing Balance	Remarks
State Bank of India, a/c no. 31590958322 (Closed)	26.10.2013 to 02.07.2014	45,250	5	02.07.2014	0	Annexure-16
HDFC a/c no. 20878320000012 (Closed)	26.10.2013 to 01.05.2015	42,750	6	01.05.2015	0	Annexure-17
ICICI a/c no. 618305012963 (Closed)	21.10.2013 to 30.09.2015	8,46,238	94	30.09.2015	0	Annexure-18
Total credits received by M/s Capitaltarget Financials		9,34,238	105			

12. A total of 34 credits were made from different sources into HDFC bank and ICICI bank accounts of M/s Capital Target Advisory Services. The total credits received in the said bank accounts are Rs. 2,24,275. The summary of the credit transactions is given below:

Account Number & Bank	Transaction period	Total Credits (Rs.)	No. of Credit Transactions	Last Transaction date	Closing Balance	Remarks
HDFC a/c no. 50200015412630 (Closed)	19.08.2016 to 28.11.2017	92,725	13	28.11.2017	0	Annexure-19
ICICI a/c no. 618305025286	11.04.2016 to 19.01.2019	1,31,550	21	19.01.2019	0	Annexure-20



Total credits received by M/s Capital Target Advisory Services	2,24,275	34			
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It is observed from the credit transactions that M/s Capitaltarget Financials and M/s Capital Target Advisory Services have collected the fees of Rs. 11,58,513 during the period 21.10.2013 to 19.01.2019.

13. I further note that Shri C. Paranitharan was asked vide letter dated 01.07.2019 to submit the details of activities carried out by M/s Capitaltarget Advisory Services. Vide email dated 05.07.2019 he submitted that he has stopped the investment advisory activity and attached a screen shot in relation to the closure of the website i.e., www.capitaltarget.com. However, Shri C. Paranitharan did not provide the complete details of number of clients and the fees collected. It is observed that the fees were directly credited in the bank accounts of M/s Capitaltarget Financials, M/s Capital Target Advisory Services as mentioned in the website www.capitaltarget.com in lieu of providing investment advisory activities under the guise of various investment advice packages. I note that, Shri C. Paranitharan, the partner of M/s Capitaltarget Financials and the proprietor of M/s Capital Target Advisory Services did not provide the details of the fees collected from the clients and neither the Noticees have disputed in their reply or during personal hearing the amount alleged to be collected by them in the SCN. The Noticees have also not contended that these amounts deposited in their accounts were for any other purpose. Therefore, I find that, the amount credited in the bank accounts i.e., Rs.11.58 lakh are treated as part of the fees received by M/s Capitaltarget Financials and M/s Capital Target Advisory Services, towards rendering investment advice.
14. From the aforesaid facts, I find that the proprietorship firm and the partnership firm were engaged in giving advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, through its website, www.capitaltarget.com in lieu of consideration. I observe that, if an entity is engaged in providing 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 *in lieu* of consideration, including entities which are holding themselves out as investment advisers, will be covered by the definition of 'Investment Adviser' as given in Regulation 2(1)(m) of the IA Regulations, 2013. I find that in terms of Regulation 2(1)(l) of IA Regulations, 2013 the proprietorship firm and partnership firm were providing "investment advice" through their website. As noted above, the proprietorship firm received Rs.11.58 lakh in the bank accounts mentioned on its website for the investment advisory services provided by it. Hence, I find that these services were being offered by the Noticees *in lieu* of the consideration, as noted above. Therefore, I find that the proprietorship firm and the partnership firm were engaged in the business of providing investment advice to its clients, for consideration, and thus, acting as investment adviser/s, as defined under Regulation 2(1)(m) of the IA Regulations, 2013. From the discussion above, I further find that the proprietorship firm and the partnership firm were holding themselves out to be Investment Adviser' as given in Regulation 2(1)(m) of the IA Regulations, 2013. Therefore,

15. I also note that, it is imperative that any person carrying out investment advisory activities must necessarily obtain registration from SEBI and conduct its activities in accordance with the provisions of SEBI Act, 1992 and Regulations framed thereunder. Section 12(1) of SEBI Act, 1992 reads 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."

16. It is relevant to note that in order to protect the interest of investors and to preserve the integrity of the securities market, IA Regulations, 2013 has been framed by SEBI which provide various safeguards to ensure that the interest of the investors who receive investment advice are protected. One such safeguard provided under the said Regulations is that any person carrying out investment advisory activities has to first obtain a certificate of registration from SEBI as mandated under regulation 3(1) of the IA Regulations, 2013, which, *inter alia*,



provides that, 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 SEBI and it has to conduct its activities in accordance with the provisions of IA Regulations, 2013. Further safeguards provided under IA Regulations, 2013 include continued minimum professional qualification and compliance with net-worth requirement for acting as an investment adviser, prior disclosure of all conflicts of interest, prohibition on entering into transactions which are contrary to advice given to the clients at least for 15 days from the date of giving advice to the clients, mandatory risk profiling of investors, maintaining documented process for selecting investment products for clients based on client's investment objective and risk profile and understanding of the nature and risks of products or assets selected for such client, etc.

17. I note that for seeking a certificate of registration for acting as an investment adviser, an entity is required to satisfy *inter alia* the following requirements, as provided under IA Regulations, 2013:

- (i) An application for seeking certificate of registration to be made to Local Office, Regional Office or Head Office, of SEBI, as the case may be, in Form A as specified in the First Schedule to IA Regulations, 2013 alongwith requisite non-refundable application fee;
- (ii) The applicant, in case of an individual investment adviser or its principal officer in case of a non-individual investment adviser shall be appropriately qualified and certified as under:
 - a. A professional qualification or post-graduate degree or post graduate diploma (minimum two years in duration) in finance, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university or an institution recognized by the Central Government or any State Government or a recognised foreign university or institution or association or a professional qualification by completing a Post Graduate Program in the Securities Market (Investment Advisory) from NISM of a duration not less than one year or a professional qualification by obtaining a CFA Charter from the CFA Institute;



- b. An experience of at least five years in activities relating to advice in financial products or securities or fund or asset or portfolio management;
 - c. Applicant in case of individual investment adviser or its principal officer in case of a non-individual investment adviser, and persons associated with investment advice shall have, at all times a certification on financial planning or fund or asset or portfolio management or investment advisory services, from (a) NISM; or (b) any other organization or institution including Financial Planning Standards Board of India or any recognized stock exchange in India provided such certification is accredited by NISM.
 - (iii) Individual applicant must have net worth of not less than 5 lakh rupees and non-individual applicant must have net worth of not less than 50 lakh rupees.
18. The activities engaged in by the proprietorship firm and the partnership firm, as brought out from the various materials described above, seen in the backdrop of the aforesaid regulatory provisions show that the proprietorship firm and the partnership firm were holding themselves out and was acting as an IA, although the proprietorship firm and the partnership firm were not registered with SEBI in the capacity of IA. Hence, I find that these activities/ representations as were being made by the proprietorship firm and the partnership firm without holding the mandatory 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.
19. Moreover, as stated above, SEBI Act, 1992 and IA Regulations, 2013 mandate that an investment advisor has to hold a certificate of registration to act as such. However, as already pointed out above, I find that neither the proprietorship firm nor the partnership firm was not holding any certificate of registration from SEBI to act as an investment advisor.



20. The following are noted from the KYC documents of M/s Capital Target Advisory Services submitted by ICICI bank and HDFC Bank:

- a. Shri C. Paranitharan (Noticee no.1) is the proprietor of M/s Capital Target Advisory Services.
- b. Shri C. Paranitharan is the authorized signatory of the bank accounts of ICICI and HDFC.

In view of the same, Shri C. Paranitharan who conduct the business is responsible for the activities of M/s Capital Target Advisory Services. Accordingly, Shri C. Paranitharan is liable for the activities done through M/s Capital Target Advisory Services.

21. As per the partnership deed of M/s Capitaltarget Financials dated 01.11.2010, KYC documents of M/s Capitaltarget Financials submitted by HDFC Bank, ICICI Bank, State Bank of India and the certificate of registration of Department of Industries and Commerce dated 14.01.2011, the following are noted:

- a. M/s Capitaltarget Financials is the partnership firm incorporated on 01.11.2010. Shri C. Paranitharan and Shri C.Muralitharan are the partners of M/s Capitaltarget Financials.
- b. Rs. 1,00,000 is the total capital of the firm. Both the partners have contributed Rs. 50,000/- each towards the capital of the firm. Both the partners shall be working partners and shall be paid a monthly salary of Rs. 7500 per month. The partners are entitled to a simple interest on their capital and additional capital contribution in current account at the rate of 12% per annum.
- c. The bank account shall be opened in the name of the firm and shall be operated by both the partners jointly.
- d. Any death or retirement of the partners, the firm shall not be dissolved. The firm shall be continued by admitting the legal heirs of the deceased partner.

As per the KYC documents of State Bank of India, HDFC bank and ICICI bank, Shri C. Muralitharan and Shri C. Paranitharan are the authorized signatories and persons authorized to operate the aforesaid bank accounts.



22. Further, as per Section 2(a), 4, 18 and 25 of Indian Partnership Act, 1932 and Section 27 of the SEBI Act 1992, every partner is liable, jointly with all the other partners and also severally, for all acts of the firm done while he is a partner. The relevant provisions are given below:

Section 2(a) of Indian Partnership Act, 1932

An 'act of a firm' means any act or omission by all the partners, or by any partner or agent of the firm which gives rise to a right enforceable by or against the firm.

Section 4 of Indian Partnership Act, 1932

Definition of "partnership", "partner", "firm" and "firm name": 'Partnership' is the relation between persons who have agreed to share the profits of a business carried on by all or any of them for all. Persons who have entered into partnership with one another are called individually 'partners' and collectively a 'firm' and the name under which their business is carried on is called the 'firm name'.

Section 25 of Indian Partnership Act, 1932

Liability of a partner for acts of the firm: Every partner is liable, jointly with all the other partners and also severally, for all acts of the firm done while he is a partner.

Section 27 of the SEBI Act 1992.

27. (1) Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company, every person who at the time the contravention was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such contravention.

(2) Notwithstanding anything contained in sub-section (1), where contravention under this Act has been committed by a company and it is proved that the contravention has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the 171[contravention] and shall be liable to be proceeded against and punished accordingly.

Explanation : For the purposes of this section,—

(a) "company" means any body corporate and includes a firm or other association of individuals; and

(b) "director", in relation to a firm, means a partner in the firm.

In view of the above, Shri C. Paranitharan and Shri C. Muralitharan are responsible for the activities of M/s Capitaltarget Financials.

23. Therefore, Noticee nos. 1, 2 and 3 are in violation of Section 12(1) of SEBI Act, 1992 read with Regulation 3(1) of the IA Regulations, 2013.

DIRECTIONS



24. In view of the foregoing, I, in exercise of the powers conferred upon me in terms Sections 11(4) and 11B read with of Section 19 of the SEBI Act, 1992, hereby direct that:

- a. The Noticees shall within a period of three months from the date coming into force of this direction, jointly and severally, refund the money received from any complainants/ investors, as fees or consideration or in any other form, in respect of their unregistered investment advisory activities;
- b. 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;
- c. The repayments to the complainants/ 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;
- d. 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/ complainants who were availing the investment advisory services from the Noticees, as directed in this order, from the bank accounts of the Noticees;
- e. After completing the aforesaid repayments, within a period of 15 days, 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, duly certified by an independent Chartered Accountant and the direction at para 24(d) above shall cease to operate upon filing of such report on completion of refunds to complainants/ investors;



- f. 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 6 months from the date of this order or till the expiry of 6 months from the date of completion of refunds to complainants/ investors as directed in para 24(a) above, whichever is later;
- g. The Noticees shall not undertake, either during or after the expiry of the period of debarment/restraint as mentioned in para 24(f) 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.
25. The direction for refund, as given in para 24(a) 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.
26. This order comes into force with immediate effect.
27. 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.

Date: July 05, 2022

Place: Mumbai



ANANTA BARUA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA