National Stock Exchange of India

Circular

Department: Investigation	
Download Ref No: NSE/INVG/54213	Date: October 27, 2022
Circular Ref. No: 155/2022	

To All NSE Members,

Sub: **SEBI Order in the matter of M/s Innovative Research and M/s Innovative Financial Research**

SEBI vide Order No. WTM /ASB /WRO /WRO /20770/2022–23 dated October 27, 2022, has hereby debarred the below mentioned entities from accessing the securities market, directly or indirectly and is prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever, for a period of 3 (three) years from the date of this Order or till the expiry of 3 (three) years from the date of completion of refunds to Complainants /investors /clients along with depositing of balance amounts, if any, with SEBI, as directed in paragraphs 7(a) and 7(e) of SEBI Order, whichever is later.

Sr. no.	Name of the entity	PAN
1.	M/s Innovative Research	Not Available
2.	Hasmukh Malvi	BVPPM9800D
3.	M/s Innovative Financial Research	Not Available
4.	Raja Singh	DEQPS2810B

The order comes into force with 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.

National Stock Exchange of India

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

Mr. Souradeep Ghosh (Extension: 23345), Mr. Anand Jangir (Extension: 22385)
Direct No: 022-26598417/18 Fax: 022-26598195

For and on behalf of
National Stock Exchange of India Limited

Anand Jangir
Manager

ANNEXURE: SEBI Order in the matter of M/s Innovative Research and M/s Innovative Financial Research

WTM /ASB /WRO /WRO /20770/2022–23

SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

ORDER

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

IN RESPECT OF –

SR. No.	NOTICEES	PAN
1.	M/S INNOVATIVE RESEARCH	NOT AVAILABLE
2.	HASMUKH MALVI	BVPPM9800D
3.	M/S INNOVATIVE FINANCIAL RESEARCH	NOT AVAILABLE
4.	RAJA SINGH	DEQPS2810B

IN THE MATTER OF M/S INNOVATIVE RESEARCH AND M/S INNOVATIVE FINANCIAL RESEARCH.

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1. Securities and Exchange Board of India ("**SEBI**") received a complaint on September 6, 2018, against M/s Innovative Research, Proprietor–Hasmukh Malvi ("**Innovative Research**") and M/s Innovative Financial Research, Proprietor–Raja Singh ("**Innovative Financial Research**") (hereinafter collectively referred to as "**Noticees**"), from one Saurabh Porwal ("**Complainant**") wherein it was *inter alia* alleged that the Noticees were offering financial investment plans with assured returns, to the Complainant.

2. SEBI forwarded a copy of the aforementioned complaint to the Special Task Force, Madhya Pradesh Police vide letter dated October 15, 2018. Simultaneously, SEBI conducted an examination in the matter and thereafter, issued a *Show Cause Notice dated July 31, 2021* ("**SCN**"), against the Noticees on the basis of findings contained in the examination report, *inter alia* alleging that:

   i. The Noticees carried out investment advisory activities and held themselves out as *'Investment Advisers'* without obtaining a Certificate of Registration from SEBI in violation of the provisions of Section 12(1) of the SEBI Act, 1992 ("**SEBI Act**") read with Regulation 3(1) of SEBI (Investment Advisers) Regulations, 2013 ("**Investment Advisers Regulations**").

3. Vide the SCN, the Noticees were also called upon to show cause as to why suitable directions under Sections 11(1), 11(4) and 11B(1) of the SEBI Act, should not be issued against them for the violations alleged in the SCN. Innovative Financial Research replied to the SCN vide a letter dated September 2, 2021.

4.1 Subsequently, an opportunity of hearing was granted to the Noticees on July 15, 2022. The Noticees appeared in person for the hearing on WEBEX and made oral submissions *inter alia* stating that:

a. *They were not aware that providing investor advisory services was a regulated activity, which required obtaining a Certificate of Registration from SEBI.*
b. *Most of the transactions reflecting in the Noticees' bank statements during the investigation period (refer to paragraph 5.2.1 of this Order) pertained to amounts received as brokerage for real estate transactions conducted by them.*

4.2 Upon completion of hearing and in accordance with their request, the Noticees were granted time till July 25, 2022, to file written submissions for clarifying the nature of transactions reflected in their bank accounts' statements. However, no further submissions were received from the Noticees in this regard.

FINDINGS:

5. I have considered the SCN, the Noticees' reply and oral submissions along with all the material available on record. As per the SCN, it is alleged that the Noticees held themselves out as *'Investment Advisers'* without obtaining registration from SEBI in violation of the provisions of Section 12(1) of the SEBI Act read with Regulation 3(1) of the Investment Advisers Regulations. The aforementioned provisions of law read as under:

Provisions of the SEBI Act:

*"**Section 12 of the SEBI Act – Registration of stock brokers, sub-brokers, share transfer agents, etc.***

12. (1) 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:*

Provided that a person buying or selling securities or otherwise dealing with the securities market as a 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 immediately before the establishment of the Board for which no registration certificate was necessary prior to such establishment, may continue to do so for a period of three months from such establishment or, if he has made an application for such registration within the said period of three months, till the disposal of such application:

Provided further that any certificate of registration, obtained immediately before the commencement of the Securities Laws (Amendment) Act, 1995, shall be deemed to have been obtained from the Board in accordance with the regulations providing for such registration."

Provisions of the Investment Advisers Regulations:

"Regulation 3 of the Investment Advisers Regulations – Application for grant of certificate.

3.(1) 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:"

5.1 In the instant proceedings, the Noticees admitted to not being aware of the SEBI requirement mandating obtaining of Certificate of Registration under the Investment Advisers Regulations, for offering investment advisory services. As noted from the material available on record,

i. The Noticees' website, www.innovativeresearch.*in (the website is no longer active; however, archived pages of the website were downloaded from web.archive.org),* contained the following information /assertions:

- *"Innovative Research is a team of market analyst with vast experience in innovative research. We provide recommendations for NSE and BSE, commodities including bullion, agri and metals traded ion MCX and NCDEX.*

- *We also provide daily and weekly reports having overview of the stock and commodity market which helps the investors to understand the trends of the market and helps in taking wise decisions. We provide recommendations to our clients through SMS and Live Chat. We use state of the art technology for sending SMS to ensure that our recommendation reaches the client instantly so that they have sufficient time to enter the trade and maximize gains. Our research team consists of highly qualified and experienced analysts who use state of art technologies and software's to find the right opportunities in the market. There analytical skill level is our biggest strength. With more than 7 years' experience, our research (analyst) team do their best market research that helps our clients to recover their precious losses with more than 95% accuracy. Innovative Research is (the) fastest growing advisory company who helps traders /investors to make easy money in the form of profits. We have nearly 97% renewal rate of our services."*

ii. Services /products being offered by Innovative Research on monthly, quarterly, half yearly and yearly subscription ranging from @ ₹7000 per month to ₹9,80,000 per annum included Stock tips, Stock Cash Premium, Stock Future Tips, Stock Future Premium, Option Call Put Tips, Option Premium, BTST /STBT Delivery Pack, Bullions, Bullions Premium, MCX Combo, NCDEX, Forex, MCX Premium Tips, NCDEX Premium Tips, HNI Tips, etc.

5.2.1 As per the information available on the website, www.innovativeresearch.in, it is observed that four bank accounts were operated by the Noticees, viz.

(i) Axis Bank A/c No. 916020033467146 (linked to *Easebuzz Payment Gateway*),
(ii) HDFC Bank A/c no. 50200020114962,
(iii) ICICI Bank A/c No. 091605500638 and
(iv) Axis Bank A/c no. 918020004585819.

5.2.2 As per information received from the above mentioned Banks, the total credits received in the said bank accounts for the period from June 6, 2016 to March 16, 2019, amounted to **₹1,81,90,002** (alleged in the SCN as being consideration received by the Noticees in lieu of *'Investment Advice'* offered through investment advisory services), as detailed below:

BANK	A/C OPERATED BY	PERIOD	AMOUNT IN ₹
AXIS BANK A/C NO. 916020033467146 BRANCH: BICHOLI HAPSI, INDORE	*HASMUKH MALVI, PROPRIETOR OF INNOVATIVE RESEARCH*	*6.06.2016–29.11.2018*	*92,06,110*
HDFC BANK A/C NO. 50200020114962 BRANCH: CLOTH MARKET, INDORE		*24.06.2016–14.02.2017*	*62,700*
ICICI BANK A/C NO. 091605500638, RATLAM KOTHI, INDORE		*16.06.2016–13.06.2018*	*4,87,329*
AXIS BANK A/C NO. 918020004585819, BRANCH: VIJAY NAGAR, INDORE	*RAJA SINGH, PROPRIETOR OF INNOVATIVE FINANCIAL RESEARCH*	*17.01.2018–16.03.2019*	*84,33,863*
TOTAL			***1,81,90,002***

5.2.3 During the hearing, the Noticees submitted that: *"Most of the transactions reflecting in the Noticees' bank statements during the investigation period pertained to amounts received as brokerage for real estate transactions conducted by them".* However, despite the aforesaid assertions, the Noticees failed to clarify the nature of transactions reflected in their bank accounts' statements despite being granted an opportunity to do so, post–completion of the hearing. In the absence of any documentary evidence, I am not inclined to accept the Noticees' submission that the credits in their above accounts related to real estate brokerage.

5.2.4 It is pertinent to note that the bank accounts (mentioned on the website www.innovativeresearch.in) for the purpose of receiving consideration in lieu of subscription to the services /products advertised therein, were held in the name of the Noticees, thereby indicating that the beneficiaries of the monies transferred in pursuance to the claims made on the website, were indeed Hasmukh Malvi and Raja Singh. Considering the aforesaid, I find that all such sums were consideration received by the Noticees from investors /clients, in lieu of *'Investment Advice'* offered through subscription to its investment advisory services.

5.3 The definition as given in Regulation 2(m) of the Investment Advisers Regulations states that *'Investment Adviser'* shall mean *"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(l) of the Investment Advisers 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."* The aforementioned definitions when viewed in light of the observations contained in the preceding paragraphs lead me to conclude that the Noticees indeed held themselves out as *'Investment Adviser'* by offering to give *'Investment Advice'* related to investing in, purchasing and selling of securities in lieu of consideration received from investors /clients.

5.4 Section 12(1) of the SEBI Act *inter alia* provides that no investment adviser shall buy, sell or deal in securities except under, and in accordance with, the conditions of a Certificate of Registration obtained from the Board. Further, Regulation 3(1) of the Investment Advisers Regulations 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 the Board. It is pertinent to mention that the Noticees were never registered with SEBI, in any capacity, as an intermediary. By operating as *'Investment Adviser'* as defined under Regulation 2(m) of the Investment Advisers Regulations, without obtaining registration from SEBI, I find that the Noticees violated Section 12(1) of SEBI Act read with Regulation 3(1) of the Investment Advisers Regulations.

6. The SCN had *inter alia* called upon the Noticees to show cause as to why suitable directions under Sections 11(1), 11(4) and 11B(1) of the SEBI Act, should not be issued against them. In the instant proceedings, the amount of fees /consideration collected by the Noticees as a result of providing unregistered *'Investment Advice'* to investors, amounted to ***₹1,81,90,002***. In light of the findings in the preceding paragraphs, I am of the considered view that the Noticees are liable to refund the aforementioned amount collected as fees in lieu of unregistered *'Investment Advice'* offered to its clients /investors, and accordingly, a direction to the Noticees to refund such amount will be in the interest of investors in the securities market. I however, note that the SCN does not identity any particular investor or any specific group of investors who have suffered losses due to unauthorized activity carried out by the Noticees.

ORDER:

7. In view of the foregoing, I, in exercise of the powers conferred upon me in terms of Sections 11(1), 11(4) and 11B(1) read with of Section 19 of the SEBI Act, hereby direct that:

   (a) The Noticees, **Innovative Research along with its Proprietor, Hasmukh Malvi, and Innovative Financial Research along with its Proprietor, Raja Singh,** shall jointly and severally, within a period of three months from the date of coming into force of this Order, refund the money received from any Complainants /investors /clients, as fees /consideration or in any other form, in respect of their unregistered investment advisory activities.

   (b) The Noticees shall cause to effect a public notice in all editions of two National Dailies (one English and one Hindi) and in one local daily with wide circulation, inviting claims from Complainants /investors /clients within a period of fifteen (15) days from the date of this Order. The said public notice shall detail the modalities for refund, including the details of the contact persons such as names, addresses and contact details. A period of two (2) months from the date of the publication of the public notice shall be provided to the Complainants /investors /clients for submitting their claims.

   (c) The repayments to the Complainants /investors /clients 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) Within a period of 15 days after completing the refund as directed in paragraphs 7(a) above, the Noticees shall file a report detailing the amount refunded to Complainants /investors / clients, which should be addressed to the "*Division Chief, Division of Post-Inspection Enforcement Action, Market Intermediaries Regulation and Supervision Department, SEBI Bhavan II, Plot No. C7, G Block, Bandra Kurla Complex, Bandra (East) Mumbai –400051*". The above mentioned report should be duly certified by an independent Chartered Accountant and should indicate the amount of refund, mode of payment by bank transactions, name of the parties, communication address, mobile / telephone numbers, etc.

(e) The remaining balance amount shall be deposited with SEBI, which shall be kept in an escrow account for a period of one year for distribution to Complainants /clients / investors who were availing the investment advisory services from the Noticees. Thereafter, the remaining amount, if any, shall be deposited in the Investors Protection and Education Fund, maintained by SEBI.

(f) The Noticees are restrained 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 /depositing balance amount with SEBI, as directed above. Further, the banks are directed to allow debit only for the purpose of making refunds to the Complainants /investors /clients who were availing the unregistered investment advisory services from the Noticees, as directed in this Order, from the bank accounts of the Noticees.

(g) The Noticees are debarred from accessing the securities market, directly or indirectly and is prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever, for a period of **3 (three) years** from the date of this Order or till the expiry of **3 (three) years** from the date of completion of refunds to Complainants /investors /clients along with depositing of balance amounts, if any, with SEBI, as directed in paragraphs 7(a) and 7(e), whichever is later.

(h) Upon submission of report on completion of refund to Complainants /clients / investors to SEBI and deposit of the balance amount, if any, with SEBI, the direction at paragraph 7(f) shall cease to operate within 15 days thereafter.

(i) The Noticees shall not undertake, either during or after the expiry of the period of debarment /restraint as mentioned in paragraph 7(g), 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.

8. The above direction for refunds /repayment to Complainants /clients /investors and depositing the balance amount with SEBI, as given in paragraphs 7(a) and 7(e) above, does not preclude

such Complainants /investors /clients to pursue other legal remedies available to them under any other law against the Noticees for refund of money or deficiency in service.

9. This Order shall come into force with immediate effect.

10. A copy of this Order shall be served upon the Noticees. A copy of this Order shall also be forwarded to the recognised Stock Exchanges, Depositories, Banks and Registrar and Transfer Agents for necessary compliance with the above directions and also the Government of Madhya Pradesh for its information.

Place: Mumbai
Date: October 27, 2022

ASHWANI BHATIA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA