National Stock Exchange of India
Circular

Department: Investigation	
Download Ref No: NSE/INVG/54346	Date: November 09, 2022
Circular Ref. No: 162/2022	

To All NSE Members

Sub: **Final Order in the matter of Shri Ajay Singh Ranawat, proprietor of Capital Raise and Research**

SEBI vide its Order no. WTM/AB/WRO/WRO/21089/2022-23 dated November 09, 2022, has hereby debarred the entity Shri Ajay Singh Ranawat, proprietor of Capital Raise and Research (PAN : DPMPR6105B) 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 6 (six) months from the date of this Order or till the expiry of 6 (six) months from the date of completion of refunds to investors/clients along with depositing the balance amounts, if any, as directed in paragraph 18(a) and 18(e) of SEBI Order, whichever is later.

This Order shall come 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.

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

Mr. Rohit Swami (Extension: 23023), Mr. Anand Jangir (Extension: 22385)

Direct No: 022-26598417/18 Fax: 022-26598195

National Stock Exchange of India

For and on behalf of

National Stock Exchange of India Limited

Anand Jangir
Manager

ANNEXURE: - Final Order in the matter of Shri Ajay Singh Ranawat, proprietor of Capital Raise and Research

WTM/AB/WRO/WRO/21089/2022-23

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 Ajay Singh Ranawat, proprietor of Capital Raise and Research	DPMPR6105B

In the matter of Unregistered Investment Adviser

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1. The present proceedings emanate from a show cause notice dated July 02, 2021 (hereinafter referred to as "**SCN**") issued by Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") against Shri Ajay Singh Ranawat, in his capacity as the sole proprietor of Capital Raise and Research wherein it was *prima facie* found that the Noticee was 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 Noticee to show cause as to why suitable directions should not be issued against the Noticee under Sections 11(1), 11(4) and 11B(1) of the SEBI Act, 1992.

2. I note that the SCN alleges the following:

i. SEBI had received a complaint dated November 09, 2020, against Capital Raise and Research (hereinafter referred to as "**CRR**") and proprietor Mr. Ajay Singh Ranawat (Mr. Ajay Singh Ranawat and Capital Raise and Research are hereinafter collectively referred to as the "**Noticees**"). In the aforementioned complaint, it was, *inter alia*, alleged that CRR fraudulently promised Rs. 25 lakh return and took Rs. 5 lakh from the complainant with fake names and fake phone calls.

ii. The SEBI examination noted that the website of the Noticees i.e. www.capitalraise.in was active as on December 07, 2020 but had become inactive at the time of issuance of SCN.

iii. The complainant has alleged that he had received investment advisory services from the Noticees and made payment to the Noticees for providing the services. The payment made by the complainant on July 24, 2020, was observed to have been credited in the Bandhan Bank Account of the Noticees.

iv. It was further observed that the Noticees were involved in providing unregistered investment advisory services without obtaining registration from SEBI as required under Section 12(1) of SEBI Act read with regulation 3(1) of IA Regulations, 2013.

3. The SCN was issued to the addresses of the Noticees by Speed Post. The SCN was delivered to one of the addresses of the Noticees. However, no reply was received from the Noticees. In order to comply with the principles of natural justice, the file was placed before me on December 28, 2021 for granting a hearing and a hearing was granted to the Noticee on March 07, 2022. On the said date the Noticees failed to appear, nor did they seek any adjournment to the hearing. It was observed from the tracking details of the hearing notice issued by Speed Post Acknowledgment Due that the notice was returned with the remark "Item Returned Refused". In this context, it may be noted that in a slightly different context, while considering the effect of Section 27 of the General Clauses Act, 1897, the Hon'ble Supreme Court of India in *C.C. Alavi Haji vs. Palapetty Muhammed and Anr* (AIR 2007 SC (Supp) 1705) held as follows:

> "14. Section 27 gives rise to a presumption that service of notice has been effected when it is sent to the correct address by registered post. In view of the said presumption, when stating that a notice has been sent by registered post to the address of the drawer, it is unnecessary to further

> aver in the complaint that in spite of the return of the notice unserved, it is deemed to have been served or that the addressee is deemed to have knowledge of the notice. Unless and until the contrary is proved by the addressee, service of notice is deemed to have been effected at the time at which the letter would have been delivered in the ordinary course of business. This Court has already held that when a notice is sent by registered post and is returned with a postal endorsement "refused" or "not available in the house" or "house locked" or "shop closed" or "addressee not in station", due service has to be presumed. [Vide Jagdish Singh v. Natthu Singh AIR 1992 SC 1604 : State of M.P. vs. Hiralal & Ors. (1996) 7 SCC 523 and V. Raja Kumari vs. P. Subbarama Naidu & Anr. (2004) 8 SCC 774]. … …."

In view of the same, since hearing notice sent to Noticee has been received back with the remark "Item Returned Refused", the service of the hearing notice is complete. In view of the same and in view of the failure of the Noticees to appear for the hearing, the hearing was concluded *qua* the Noticees.

<u>Consideration of submissions and findings:</u>

4. I have considered the allegations made in the SCN along with the findings of the examination by SEBI stated therein and material available on record.

5. In this regard, I note that the definition of Investment Adviser as given in Regulation 2(1)(m) of the IA Regulations, 2013 provides 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 provides 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;"

6. I note that, the website, www.capitalraise.in *inter alia* claimed as follows:

   (a) About Us: Capital Raise Market Experts is a research house and an investment advisory company carrying out operations in the Indian Equity, Forex and Commodity Market.

   (b) Capital Raise Market Expert: Capital Raise Investment Advisor and Research company provides you trading tip calls about the Indian stock market with intense analysis done by our team of analysts. We have been providing valuable tips to our clients through various methods.

   (c) Our Vision: To have a reliable presence around the globe by catering service to traders of all trading exchange.

   (d) Capital Raise Quality: At Capital Raise market experts advisor we believe that a good product or service is not the one which meets out client's expectations. Rather, it should exceed our client's expectations and deliver excellent returns on their investment.

7. From the above, I note that the website claimed that CRR is a research house and an Investment Advisory Firm which was carrying out operations in the Equities and commodity market. I note that on the website the Noticees had claimed that they were offering investment advice. The website also mentioned various packages such as Cash, Option, Future, Bullion, Base Metal and Energy Pack.

8. In the present matter, investment advisory services were being offered to clients through the website www.capitalraise.in *in lieu* of consideration, which was detailed in the complaint by the complainant. The complainant had provided the bank account details wherein the Noticees had received consideration *in lieu* of the investment advice given to the complainant. The complainant had provided his ICICI Bank statement, wherein, transfer of Rs.2000/- on July 24, 2020 to the Bandhan Bank Account No. 101800003883978 was observed. The bank statement and KYC for the aforesaid account were obtained from Bandhan Bank. On perusal of the said documents, it has been observed that Mr. Ajay

Singh Ranawat was the sole Proprietor of CRR. The details of the bank account are stated as under:

Bank	Name of the Account Holder	Account No.	Branch Name
Bandhan Bank Ltd.	Capital Raise and Research (Proprietor: Mr. Ajay Singh Ranawat)	101800003883978	Dewas, MP

The mobile no. mentioned in the KYC of the said account held with Bandhan Bank Ltd. is 9174263333.

9. I also note that the examination revealed that as on December 07, 2020, CRR had a Facebook account and in the contact details of the Facebook account web address www.capitalraise.in and phone number “0917426333” was provided. It was also observed that on November 1, 2018 a message stating “This is a Stock, MCX and International market advisory company.” was posted on the said Facebook page. Since, the mobile number i.e. 9174263333 mentioned in the KYC for Bandhan Bank Account No. 101800003883978 is in the name of the Noticees and the Facebook account of CRR is same, it is presumed that Mr. Ajay Singh Ranawat was also running the Facebook page wherein also he holding CRR out as an investment advisory firm providing investment advice in securities.

10. I also note that the payment dated July 24, 2020 mentioned in the complaint by the complainant, is observed to have been credited in the Bandhan Bank Account of the Noticees. During examination it has been revealed that an amount of Rs. 22,68,540/- was credited in the above mentioned Bandhan Bank Account No. 101800003883978 in the name of the Noticees during the period July 20, 2018 to November 16, 2020. From the aforesaid facts I find that investment advisory services were being offered by the Noticees to clients through the website www.capitalraise.in *in lieu* of consideration which was

being accepted in Bandhan Bank Account No. 101800003883978 in the name of the Noticees.

11. From the aforesaid facts, I find that Mr. Ajay Singh Ranawat, who is the proprietor of CRR, engaged in giving advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, through the website of the proprietorship firm (CRR), www.capitalraise.in *in lieu* of consideration. I note 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, are covered by the definition of "Investment Adviser" as given in Regulation 2(1)(m) of the IA Regulations, 2013. As noted above, Rs. 22,68,540/- was received in the Bandhan Bank Account No. 101800003883978 in the name of the Noticees during the period July 20, 2018 to November 16, 2020. Hence, I find that CRR and its proprietor Mr. Ajay Singh Ranawat were engaged in the business of providing investment advice to their clients, for consideration, and thus, acting as investment advisers, as defined under Regulation 2(1)(m) of the IA Regulations, 2013.

12. 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:"

13. 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.

14. 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.

15. The activities engaged in by the Noticee, as brought out from the various materials described above, seen in the backdrop of the aforesaid regulatory provisions show that the Noticee was acting as an Investment Adviser, although the Noticee was not registered with SEBI in the capacity of Investment Adviser. Hence, I find that these activities/ representations as were being made by the Noticee 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.

16. As noted above, Rs. 22,68,540/- was received in the Bandhan Bank Account No. 101800003883978 in the name of the Noticees during the period July 20,

2018 to November 16, 2020, *in lieu* of the unregistered investment advisory activities.

17. I also note that in the case of Shri C. Paranitharan and Others and Trend Market Advisory Services, SEBI had passed orders dated July 05, 2022 and July 07, 2022, respectively, *inter alia* directing the Noticees therein to refund the fees or consideration received from investors in respect of their unregistered investment advisory activities. In the respective appeals filed against these orders by the respective Noticees, Hon'ble SAT vide common order dated September 21, 2022 *inter alia* directed the appellants therein to deposit the balance amount after making refunds to investors, with SEBI. It was also directed that the balance amount deposited with SEBI shall be kept in escrow account for a period of one year and be distributed to any claimants and thereafter, the remaining amount, if any, will be deposited in the Investor Protection and Education Fund.

DIRECTIONS

18. In view of the foregoing, I, in exercise of the powers conferred upon me in terms Sections11(1), 11(4) and 11B read with of Section 19 of the SEBI Act, 1992, hereby direct that:

a) The Noticees shall jointly and severally, within a period of three months from the date of this order, refund the money received from any clients/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 clients/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) After completing the refund as directed in para 18 (a) above, within a period of 15 days, the Noticees shall file a report detailing the amount refunded to SEBI addressed to the Division Chief, Division of Registration-2, Market Intermediaries Regulation and Supervision Department (MIRSD), SEBI Bhavan II, Plot No. C7, G Block, Bandra Kurla Complex, Bandra (East) Mumbai - 400051. The report should be duly certified by an independent Chartered Accountant and indicate the amount, mode of payment by banking transactions, name of the parties, communication address, mobile numbers and telephone numbers etc.;

e) The remaining balance amount shall be deposited with SEBI which will be kept in an escrow account for a period of one year for distribution to clients/complainants/investors who were availing the investment advisory services from the Noticees. Thereafter, remaining amount if any will be deposited in the Investor 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 clients/investors/complainants who were availing the investment advisory services from the Noticees and depositing balance amount with SEBI, 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 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 along with depositing of balance amounts, if any, with SEBI as directed in para 18(a) and 18(e) above, whichever is later;

h) Upon submission of report on completion of refunds to complainants/ investors to SEBI and deposit of the balance money with SEBI, if any, the direction at para 18(f) above 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 para 18(g) 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.

19. The direction for refund and depositing the balance amount with SEBI, as given in para 18 (a) and (e) 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.

20. This order comes into force with immediate effect.

21. 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: November 09, 2022
Place: Mumbai

ANANTA BARUA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA