

National Stock Exchange of India

Circular

Department: Investigation	
Download Ref No: NSE/INVG/56835	Date: May 25, 2023
Circular Ref. No: 127/2023	

To All NSE Members,

Sub: SEBI Order in respect of Investocare Financial Research & Others in the matter of Unregistered Investment Advisory activities

SEBI vide Order No. QJA/AA/WRO/WRO/26660/2023-24 dated May 25, 2023 has hereby debarred Investocare Financial Research and its proprietor - Mr. Ravish Kandhari (PAN: ALEPK9221G) 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 one (1) year from the date of the SEBI order.

Further, the entity Mr. Ramesh Babu (PAN: BGNPB35216K), has been 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 two (2) years from the date of the order or till the expiry of two (2) years from the date of completion of refunds to complainants/ investors along with depositing of balance amounts, if any, with SEBI, as directed in paras 34.1 and 34.6 of the SEBI order, whichever is later.

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 at the below mentioned link:

<https://www.nseindia.com/regulations/member-sebi-debarred-entities>

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:

National Stock Exchange of India

Mr. Souradeep Ghosh (Email id: souradeepg@nse.co.in), Mr. Sandesh Sawant (Email id: ssandesh@nse.co.in)

**For and on behalf of
National Stock Exchange of India Limited**

**Sandesh Sawant
Senior Manager**

**ANNEXURE: SEBI Order in respect of Investocare Financial Research & Others in the matter of
Unregistered Investment Advisory activities**

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTIONS 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 3(1) OF SEBI (INVESTMENT ADVISERS) REGULATIONS, 2013

In respect of -

Sr. No.	Name of the Entity	PAN
1.	Investocare Financial Research (Proprietor – Mr. Ravish Kandhari)	ALEPK9221G
2.	Mr. Ravish Kandhari	
3.	Mr. Ramesh Babu	BGNPB35216K

(hereinafter collectively referred to as “Noticees”)

In the matter of Unregistered Investment Advisory Services

BRIEF BACKGROUND:

- Securities and Exchange Board of India (“SEBI”) conducted an examination, pursuant to receipt of a complaint dated January 14, 2021, with respect to the activities of Investocare Financial Research (hereinafter referred to as the “**Noticee No. 1 / IFR**”), which is a sole proprietorship of Mr. Ravish Kandhari (hereinafter referred to as “**Noticee No. 2**”). Vide the said complaint, the complainant had stated that he was contacted by the agent of Noticee No. 1 to invest money in share market, claiming that Noticee No. 1 helps people to earn INR 1,000/- per day on an investment of INR 5,000/- to INR 10,000 per day for a commission of 50 percent of the benefit. It was claimed that Noticee No.1 has experts in its team to help investor/customer to trade in share market with 20% stop loss. However, after a few trades, Noticee No. 1 had utilized all the money of the Complainant and incurred loss. The Complainant had stated that he had made the aforesaid payments in the IndusInd Bank Account No. xxxxxxxx3374.

2. An examination was conducted to ascertain the veracity of the said complaint and to determine whether there has been any violation of the provisions of the Securities and Exchange Board of India Act, 1992 (“**SEBI Act, 1992**”), the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 (“**IA Regulations**”) and any other Rules or Regulations made thereunder, by Noticee Nos. 1, 2 and the agent of Noticee No. 1 i.e. Noticee No. 3. Upon examination, SEBI, *prima facie*, found that the Noticees were engaged in investment advisory services without obtaining a certificate of registration from SEBI after examining the aforesaid complaint, KYC documents, bank account statements, website and the transcript of whatsapp chats available on record thereby violating the provisions of Section 12(1) of the SEBI Act, 1992 read with Regulation 3(1) of the IA Regulations.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. A Show Cause Notice dated August 29, 2022 (“**SCN**”) was issued to the Noticees calling upon them to show cause as to why suitable directions under Sections 11(1), 11(4), 11(4A), 11B (1) and 11B(2) of the SEBI Act, 1992, including direction to refund advisory fees / monies collected from investors and imposing monetary penalty under Section 15HB of the SEBI Act, 1992, should not be issued against them for the alleged violation of the provisions of Section 12(1) of the SEBI Act, 1992 read with Regulation 3(1) of the IA Regulations. The following documents were enclosed as annexures to the said SCN:

Annexures to SCN	
Annex. No.	Particulars
1.	Complaint against the Noticees dated January 14, 2021
2.	SEBI letter dated January 15, 2021 issued to the complainant seeking information
3.	Letter dated January 17, 2021 from the Complainant furnishing information
4.	Details of IndusInd Bank account and whatsapp communication exchanged by the complainant with the representative of Noticee Nos. 1 and 2
5.	Copies of screenshots showing some trades done by the representative on behalf of the complainant in his trading account

6.	Copies of payment done by the complainant
7.	Relevant pages of whois.com
8.	Downloaded webpages from the website http://investocares.com/ during the examination period
9.	Know Your Clients (KYC) pertaining to bank account no. xxxxxxxx0371 with ICICI Bank, Indore Branch
10.	Account Opening Form (AoF) pertaining to bank account no. xxxxxxxx0371 with ICICI Bank, Indore Branch
11.	KYC and AoF received from IndusInd Bank
12.	Office ID of the agent Mr. Yatendra Singh
13.	SEBI letter dated August 05, 2021 issued to the Noticees
14.	Email through which scanned copy of the SEBI letter dated August 05, 2021 was forwarded to email address/s of the Noticees
15.	Proof of service of the SEBI letter dated August 05, 2021
16.	Letter dated August 11, 2021 received from Noticee No. 2

4. The details of the allegations made in the SCN are as under:

- (a) SEBI had received a complaint dated January 14, 2021 vide which the complainant had stated that he was contacted by the agent of Noticee No. 1 to invest money in share market, claiming that IFR helps people to earn INR 1,000/- per day on an investment of INR 5,000/- to INR 10,000 for a commission of 50 percent of the benefit. It was claimed that Noticee No.1 has experts in its team to help investor/customer to trade in share market with 20% stop loss. However, after few trades, the Noticee No. 1 had utilized all the money of the Complainant and incurred loss.
- (b) Pursuant to the said complaint, SEBI examined the matter and the examination revealed that Noticee No. 1 had a website with a domain name, <http://investocares.com/> which was operative from December 01, 2013, was last updated on August 10, 2021 and expired on December 01, 2021 as per the details obtained from 'whois.com'. It is noticed that the aforesaid website of the Noticee No. 1 was active during the period of examination undertaken by SEBI and the webpages were downloaded from the said website during the said examination period.

- (c) Upon perusal, it was observed that the said website indicated that the Noticee No. 1 was offering various investment advisory services to its clients through the said website. The Noticee No. 1 had, *inter alia*, advertised the following on its website:

“We at Investocare are a team of highly qualified and experienced professional analysts who are committed to work for our clients in such a manner that they get true value for their money.

With the comprehensive study and implications of fundamental, psychological and technical analysis on the various movements of markets, we help you to trade with the best strategies which make a balance between risk and rewards of our clients.

Vision – “Investocare must stand at a position of trusted and quality research group by 2015”.

- (d) The Noticee No. 1 had claimed in the aforesaid website that it provides investment advisory services/solutions with assured accuracy of 80-90% in stocks, commodity and Forex and have services such as Stock Cash, Stock Future, Intraday Options, Stock Combo, HNI Equity Care, Nifty Future, Bullion, Metals, Energy, Bullion & Metals, Bullion & Energy, Metals & Energy, Agri, Commodity Combo, HNI Commodity Care, Comex & Nymex and Forex. It was further advertised in the website that in all the above packages, the Noticee No. 1 provides SMS services or Voice Services or both to the clients wherein the Noticee gives 2-3 quality calls in stocks/ commodities/forex on daily basis.

- (e) The website had a section on pricing of the various service packages. As per the website, the minimum amount charged by the Noticee was INR 6,800/- and the maximum amount charged was INR 1,51,200/-. The durations for the aforesaid services range from monthly, Quarterly, Half Yearly and Yearly. The following pricing details for availing various types of services from them were also announced on the above said website of the Noticee No.1:

Services	MONTHLY (In Rs.)	QUARTERLY (In Rs.)	HALF YEARLY (In Rs.)	YEARLY (In Rs.)
Stock Future	-	-	-	-
Stock Cash	-	-	-	-
Intraday Options	-	-	-	-
HNI Equity Care	-	-	-	-

Nifty Future	-	9,600	15,200	26,400
Equity Combo	-	-	-	-
Bullions	6,800	17,400	34,800	62,600
Metals	-	15,400	31,800	-
Energy	9,500	25,500	51,000	1,02,000
Bullions and Energy	8,200	21,200	41,600	91,200
Metals and Energy	7,200	20,600	41,200	82,200
Agri	8,500	24,200	49,500	98,200
Commodity Combo	9,500	25,500	51,000	10,2000
HNI Commodity care	26,200	75,600	1,51,200	-
Forex	-	-	-	-
Comex	10,500	28,500	58,500	-

- (f) It was further observed that the website had a payment section wherein the bank details had been provided along with customer care telephone number “07314245025” and email id “hello@investocare.com”. A bank account no. xxxxxxxx0371 pertaining to ICICI Bank, Indore Branch was also mentioned in the website. On further examination of Know Your Clients (KYC) and Account Opening Form (AOF) of said bank account, it was observed that the bank account was in the name of the Noticee No. 1 and its authorized signatory was Noticee No. 2 i.e. Mr. Ravish Kandhari, Proprietor of IFR.
- (g) It was further observed that the Complainant had stated that he had made the aforesaid payments in the IndusInd Bank Account No. xxxxxxxx3374. From the perusal of the details such as AOF and KYC received from IndusInd Bank, vide its email dated January 25, 2021, it was observed that the said bank account, which was opened on November 30, 2015 was in the name of the Noticee No. 3 i.e. Mr. Ramesh Babu.
- (h) Further, from the transcript of WhatsApp chat details provided by the Complainant, it is observed that the representative of the Noticee No. 1 had indicated the above IndusInd Bank Account number for collecting monies from the Complainant. Subsequently, the Complainant made the payments in the said bank account which were also reflected in the bank statement of the said bank account number belonging to Noticee No. 3. It is further observed from the perusal of the transcript of the WhatsApp chat between the Complainant and the representative of the

Noticee No. 1 that the said representative had provided his office ID to the Complainant on his request made on WhatsApp in this regard. A perusal of the said office ID shows that the said representative was working as ‘*Sr. Investment Consultant*’ of the Noticee No. 1 having ‘*Employee ID-IC249783*’. The above shows that Noticee No. 3 is closely connected with the Noticee Nos. 1 and 2 and appears to be the owner/co-owner of the Noticee No. 1.

- (i) The above referred bank account statements, the AOF and the KYC documents as provided by the ICICI Bank and IndusInd Bank were examined and a summary of the observation on the same are given below:-

I. ICICI Bank Account No. xxxxxxxx0371

a. Summary of the account:

Name of the Bank Account holder	Investocare Financial research
Authorised Signatory to the bank account	Mr. Ravish Kandhari
PAN	ALEPK9221G
Date of Incorporation (of firm)	27/09/2012
Address	126, Kranti Kriplani Nagar, Opp. Sindhu Bhawan, Indore,
Account opening date	13/10/2012
Last transaction date	15/05/2017
Current status of bank account	Dormant

- b. On perusal of ‘*whois.com*’ website, it was observed that the website of IFR was registered on December 01, 2013. On examination of above bank account statement, no credit entry could be observed in the bank account statement after December 01, 2013.

II. IndusInd Bank Account No.xxxxxxxx3374:

a. Summary of the account:

Name of the Bank Account holder	Mr. Ramesh Babu
Address	H No. A-3/C-21, Near Gandhi Chowk, Mohan Garden, D K Mohan Garden, Uttam Nagar, West Delhi, Delhi – 110059

PAN	BGNPB35216K
Account opening date	30/11/2015
Last transaction date	11/07/2021

- b. A total of 890 credit entries amounting to INR 60,94,539.76/- are reflected in the said bank account during the above period from 30/11/2015 to 11/07/2021.
5. It is noted that in order to examine further, vide letter dated August 05, 2021, the Noticees were advised to provide the details of their clients who had availed of the investment advisory services from them and the amount collected from them in the format specifically provided in the said letter. Vide letter dated August 11, 2021, Noticee No. 2 denied engaging in any investment advisory services and his connection with Noticee No. 3.
 6. The SCN, therefore, alleged that the Noticee Nos. 1, 2 and 3 were providing Investment Advisory services. Further, examination of the records available with SEBI revealed that the Noticees are not registered with SEBI in any capacity. Therefore, it was alleged that the Noticee No. 1, its proprietor (Noticee No. 2) and Noticee No. 3 have engaged in the activities of an '*investment adviser*' as defined under Regulation 2 (m) of the IA Regulations, 2013 and by not getting the registration as required under the said Regulations, the Noticees have violated the provisions of Regulation 3(1) of the IA Regulation read with Section 12(1) of SEBI Act, 1992.
 7. The said SCN was duly delivered to the Noticees. Vide letter dated September 19, 2022 (unsigned), Noticee No. 2 filed his reply to the SCN and made the following submission:
 - (a) Noticee No. 2 stated that municipal corporation's permission was obtained in the name of Investocare Total Financial Solutions on September 27, 2012 which was valid till December 2016 and the same was not renewed as the Noticee No. 1 had closed the firm in January 2013. Thus, the complaint filed by the complainant against the agent of Noticee No. 1 is totally false and baseless.

- (b)** Investocare Total Financial Solutions was a proprietorship firm which was closed in January 2013 itself and had no connection with Noticee No. 1 i.e. Investo cares with whom the complainant had business connection.
- (c)** Noticee No. 2 denied that Noticee No. 1 had promised that it has experts in its team to help investors / customers to trade in share market with 20% stop loss.
- (d)** It is stated that no amount was transferred to the account of Noticee No. 1 by the complainant at any point of time during the period alleged in the complaint.
- (e)** It is clarified by the said Noticee that the domain name owned by Noticee No. 2 is named as 'Investocare' and the business transaction done by the complainant is with the firm 'Investocares'. So, no transaction was done with Noticee No. 1 as the business was closed in January 2013 itself.
- (f)** The IndusInd Bank account in which the complainant has deposited the money is not related to Noticee No. 1. The whatsapp chats screen shot and payment details are not related to Noticee No. 1; so are fully denied and disputed.
- (g)** The Noticee reiterates that the domain name which has been alleged in the SCN is 'Investocares' and the firm owned by Noticee No. 02 was 'Investocare' which had closed down its business in January 2013. Initially Noticee No. 1 had applied for domain registration and website creation but did not take any follow up after closure of the firm.
- (h)** It is further submitted that just after starting of 'Investocare Financial Research' in September – October 2013, the mother of Noticee No. 2 was diagnosed with cancer and died on January 16, 2013. Noticee No. 2 stopped the aforesaid firm and joined his family business of readymade garment shop. The family business was continued to be managed by the Noticee No. 02 until it was demolished by the Nagar Nigam under the Indore Smart City Project in December 2017.
- (i)** Thereafter, Noticee No. 2 cleared the Mutual Fund Distribution Certification in 2018 from NISM and started his new business of MF distributors. Simultaneously, he also started the distribution business of Dry Sheets to fulfill his family needs.
- (j)** It is the case of the Noticee No. 2 that as the Noticee is not engaged into the alleged activities as mentioned in the SCN, there is no question of providing services on monthly and yearly basis.

- (k) The account details mentioned in the SCN is that of Noticee No. 1 but no transactions are reported to be made by the complainant in that account number maintained by Noticee No. 1. Therefore, in the absence of any monetary transaction, the question of cheating or playing fraud does not arise.
- (l) Noticee No. 2 stated that he has already enclosed the bank account statement of ICICI Bank in his last reply dated August 11, 2021. Further, his account has been 'dormant' and 'inoperative' since 2017. Therefore, the Noticee submits that the payments were made by the complainant in other bank account viz. IndusInd Bank account no. xxxxxxxx3374 so the question of providing services does not arise.
- (m) As the Noticee No. 1 closed its business in January 2013, it has no agent or employee as mentioned in the SCN.
- (n) It is stated that on November 28, 2020, Mr. Pankaj Kumar, complainant had asked Mr. Yatendra to share the Company's link which 'according to the whatsapp chat' is <http://investocares.com> which does not match the domain link of his firm i.e. <https://investocare.com>. Annexure 12 of the SCN shows that Mr. Yatendra Singh is the employee of Investo Cares and not Investocare.
- (o) The Noticee has denied any credit entries in the bank account held in the name of Noticee No. 1 after December 01, 2013 till the date under investigation. It is the case of the Noticee that there is no evidence to connect the present Noticee with regard to the transaction taken place between the complainant and the firm named Investo cares.
- (p) SEBI has stated in the SCN that 890 credit entries were reflected in the bank account with IndusInd Bank for the period from November 30, 2015 to July 11, 2021. Therefore, it is clear that Noticee No. 2 was nowhere concerned with the alleged Noticee No. 1 firm and Noticee No. 3.
- (q) Noticee No. 2 further submitted that after forming the firm, he obtained gumasta in the name of 'Investocare Financial Research' under the M.P. Labour Law Department on September 27, 2012. The said firm is nowhere concerned with the Noticee No. 1 firm.

- (r) Noticee No. 2 never acted as investment advisor as alleged in the SCN. The bank statement as submitted to SEBI clearly shows that the status of the said account held in the name of Noticee No. 1 is 'dormant'.
 - (s) As Noticee No. 1 did not start the business of the firm as alleged in the SCN, no certificate was obtained in terms of Regulation 3(1) of the IA Regulations.
 - (t) The alleged complaint is in the name of Noticee No. 3 in whose account the amount was transferred by the complainant and services were availed by him during the period under investigation. Noticee No. 2 has stated that the complainant was never a client / customer of Noticee No. 1 and 2 for the period under investigation.
8. Considering that the allegation in the SCN continued for the period after March 08, 2019 as well, a supplementary show cause notice dated March 27, 2023 (hereinafter referred to as the "**SSCN**") was issued to the Noticees to show cause as to why monetary penalty under Section 15EB of the SEBI Act, 1992 for acting as an unregistered investment advisor for the period from March 09, 2019 to July 11, 2021, in addition to passing appropriate directions under Sections 11(1), 11(4), 11B(1) and 11B(2) of the SEBI Act, 1992 including direction to refund the fees / monies collected from the investors and monetary penalty under Section 15HB of the SEBI Act, 1992 be not issued against them for the alleged violation of the provisions of law as mentioned in the preceding paragraphs. The Noticee No. 2, vide his letter dated April 15, 2023, replied to the said SSCN and referred to the submissions made by him vide his earlier reply to the SCN dated September 19, 2022, details of which have been already mentioned in the above paragraph.
9. Thereafter, in order to comply with the principles of natural justice, an opportunity of personal hearing was granted to the Noticees before me on May 10, 2023. Vide email dated May 05, 2023, Noticee No. 2 i.e. the proprietor of Noticee No. 1 confirmed his attendance through video conferencing with his authorized representatives. On the scheduled date of hearing, Noticee No. 2 appeared in person and while reiterating the submissions made by him vide his letters dated September 19, 2022 and April 15, 2023, made the following submissions:

- (a) The Noticee admitted that he was having a firm in the name of Investocare Financial Research and that he was the authorized signatory for the ICICI Bank account mentioned on the website of the firm i.e. *investocare.com*.
- (b) That the Noticee stopped the aforesaid firm after the death of his mother in 2013 and joined his father's family business.
- (c) The ICICI Bank Account, which was held by the Noticee, is 'dormant' from December 2017.
- (d) With respect to the website of Investocare Financial Research, the Noticee submitted that the said website was activated before the IA Regulations, 2013 came into existence. Further, he did not pay for the domain charges for the said website after December 2013.
- (e) Further, the Noticee stated that he does not know anyone named Mr. Ramesh Babu and he was neither an agent nor an employee of Investocare Financial Research.

10. In view of the same, Noticee No. 2 was advised to produce documentary proof / evidence showing his non-involvement in the continuance of the website *investocare.com* considering that the same was active till 2021 and that, as claimed by him, he had closed the business carried out by the firm Investocare Financial Research in 2013. Time till May 22, 2023 was provided to the Noticee to make further submissions, if any. Vide email dated May 21, 2023, Noticee No. 2 stated that the ICICI Bank Statement already submitted by him may be considered to see that there were no credit entries in the said account during the relevant period as he was not in the business. Further, the Noticee submitted that he has disconnected the Airtel broadband and mobile number 07314245025 (which was mentioned on the website *investocare.com*) in the year 2013 itself. However, due to the software updation during the period and other technical reasons, Airtel Circle Office at Metro Tower, Vijay Nagar, Indore is not able to provide the closure details of the aforementioned number.

CONSIDERATION OF ISSUES AND FINDINGS

11. I have carefully considered the allegations made against the Noticees in the SCN & SSCN along with the findings of examination by SEBI stated therein, submissions

made by Noticee No. 2 in his reply to the SCN & SSCN and the documents available on record.

12. I note that the issue that arises for consideration in the present proceeding is whether the Noticees have acted as unregistered investment advisers in violation of the provisions of the SEBI Act, 1992 read with the IA Regulations. In this regard, I note that the definition of '*Investment Adviser*' as given under Regulation 2(1)(m) of the IA Regulations 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;"

13. Further, Regulation 2(1)(l) of the IA Regulations, which defines '*investment advice*', reads 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;"

14. For ease of reference, the provisions of the SEBI Act, 1992 and IA Regulations alleged to have been violated by the Noticees are reproduced as under:

SEBI Act, 1992

"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:"*

SEBI (INVESTMENT ADVISER) REGULATIONS, 2013

“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:*

- 15.** I note that upon receipt of a complaint, SEBI had carried out an examination into the activities undertaken by the Noticees. In the complaint so received, the complainant had stated that he was contacted by the agent of Noticee No. 1 firm (mentioned to be *Investocare Financial Services*) to invest money in share market, claiming that the firm helps people to earn INR 1,000/- per day on an investment of INR 5,000/- to INR 10,000 for a commission of 50 percent of the benefit. It was claimed by the firm that it has experts in its team to help investor / customer to trade in share market with 20% stop loss. However, it was alleged in the complaint that after a few trades, the firm had utilized all the money of the Complainant and that the complainant incurred loss. Upon examining the Indusind bank account (in which the complainant had claimed to have transferred money) statement, AOF and KYC documents, it was noted that the said bank account, which was opened on November 30, 2015 was in the name of the Noticee No. 3 i.e. Mr. Ramesh Babu and that the payments made in the said bank account by the complainant reflected in the bank statement of the said bank account.
- 16.** Further, I note that in the SCN, the Noticee Nos. 1 and 2 were alleged to be carrying out the activities of an unregistered investment advisor through the website with the domain name *http://investocares.com/* which was operative from December 01, 2013, was last updated on August 10, 2021 and expired on December 01, 2021 as per the details obtained from ‘*whois.com*’. The said website of the Noticee No. 1 and 2 was active during the period under examination. In addition, from the AOF and the KYC of the ICICI Bank account mentioned on the website for making payments, it was noticed that the said ICICI Bank account bearing no. xxxxxxxx0371 was opened in the name of Investocare Financial Research and the authorized signatory of the said bank account was Noticee No. 2. I also note from the examination of the AOF and the KYC of the Indusind Bank account that the account bearing no. xxxxxxxx3374, in which the monies paid by the complainant were found to have been credited, is in the name of Noticee No. 03 as mentioned in the preceding paragraph. Further, a total of 890 credit entries

amounting to INR 60,94,539.76/- are reflected in the said Indusind bank account during the said period.

Findings for the allegations leveled against Noticee Nos. 1 and 2:

- 17.** I find from the submissions of Noticee No. 2 that the said Noticee has denied that Noticee No. 1 and 2 were acting as investment advisors during the relevant period in the firm name '*Investo cares*'. It has also been submitted that Noticee No. 2 had started the business under the firm name viz. '*Investocare Financial Research*' and the firm name alleged in the complaint with whom the complainant dealt for investment advice was '*Investo cares*'. The Noticee has further stated that the website *investocare.com* was activated before the IA Regulations, 2013 came into existence. Further, he did not pay for the domain charges for the said website after December 2013. Also, the money paid by the complainant was stated to have been credited in the Indusind bank account which is not that of Noticee Nos. 1 and 2. Therefore, it is the case of Noticee No. 2 that even though he had stated the business of investment advisory in the firm name '*Investocare Financial Research*', the same was stopped in 2013 itself and that he has not acted as unregistered investment advisor during the relevant period under examination.
- 18.** I do not find any merit in the submissions of Noticee No. 2. I find that Noticee No. 2 has admitted that he had started the business of investment advisory in the name of '*Investocare Financial Research*' and that the website with the domain name *investocare.com* was that of the said firm. Further, the Noticee No. 2 has also admitted that the bank account mentioned on the said website was that of the firm i.e. Investocare Financial Research and he was the authorized signatory of the said bank account. I find from the webpages retrieved from *whois.com* that Noticee No. 1 firm was operating its business of giving investment advice through the website www.investocare.com. As stated, the same has also been admitted by Noticee No. 2. Upon perusal of the webpages of the said website, I find that Noticee No. 1 had advertised the following on its website:

"YOU BUY OUR SERVICES, WE BUY YOUR WORRIES. We at Investocare are a team of highly qualified and experienced professional analysts who are committed to work for our clients in such a manner that they get true value for their money.

With the comprehensive study and implications of fundamental, psychological and technical analysis on the various movements of markets, we help you to trade with the best strategies which make a balance between risk and rewards of our clients.

No doubt profit and loss are two sides of the same coins in the market but our tips will help you in selecting the best opportunities of the day. Our accuracy of performance ranges between 80-90% in various moods of market volatility. Our advice not only looks at the profit of our clients but we believe in earning faith and confidence from them.”

Vision – “Investocare must stand at a position of trusted and quality research group by 2015”.

19. The said website further claimed that the Noticee No. 1 firm provides investment advisory services/solutions with assured accuracy of 80-90% in stocks, commodity and Forex and have services such as Stock Cash, Stock Future, Intraday Options, Stock Combo, HNI Equity Care, Nifty Future, Bullion, Metals, Energy, Bullion & Metals, Bullion & Energy, Metals & Energy, Agri, Commodity Combo, HNI Commodity Care, Comex & Nymex and Forex. I further note that the website had a section on pricing of the various service packages and the duration of the services ranged from monthly, Quarterly, Half Yearly and Yearly. The minimum amount charged by the Noticee firm was INR 6,800/- and the maximum amount charged was INR 1,51,200/-, the details of which have already been mentioned in the preceding paragraph. I also find that the said website with the domain name www.investocare.com was last updated on August 10, 2021 and expired on December 01, 2021 as per the details obtained from ‘whois.com’. No documentary evidence has been brought before me to prove otherwise.

20. Considering the above, I find that, just because no credit entries have been found in the said bank account displayed on the website of Noticee Nos. 1 and 2 and / or the Noticee No. 2 claims that the renewal fees for the continuance of the website with the domain name www.investocare.com was not paid by Noticee No. 2 after December 2013, the said Noticees would not be absolved from the allegations levelled against them in the SCN and the SSCN. Also, it is pertinent to note that the IA Regulations had come into existence and were in force from January 2013 itself. Even if the Noticee No. 2’s submission that he had not paid for the domain charges after December 2013 and was therefore out of the business is to be taken to be true, the said Noticee along with

Noticee No. 1 would still be in violation of the provisions of the IA Regulations for the period from January 2013 to December 2013 for holding themselves out as investment advisers. I further note that despite giving an opportunity to Noticee No. 2 to produce documentary evidence in support of his claim that he had not paid for the renewal charges for continuance of the website and that he had stopped the business in the name of the firm 'Investocare Financial Research', Noticee No. 2 has not submitted any documents / evidence in support of his submissions.

21. Here, I find it appropriate to refer to the definition of the term '*investment advisor*' under Regulation 2(1)(m) of the IA Regulations which defines the term to 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 3(1) of the IA Regulations is an unambiguous provisions which clearly bars any person to 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. Thus, with regard to the present facts, even though there is no direct evidence to show that the Noticee No. 1 firm and its proprietor i.e. Noticee No. 2, by providing investment advice, were receiving consideration for the same, the fact that the said Noticees were holding themselves out as investment advisors through their website with the domain name www.investocare.com, even after the IA Regulations came into force, is sufficient enough to establish the violation of Regulation 3(1) of the IA Regulations. Therefore, on the basis of the material available on record, I do not have any hesitation to conclude that Noticee Nos. 1 and 2, by holding out to be into the business of investment advice through the website www.investocare.com, without obtaining a certificate of registration from SEBI, have violated the provisions of Section 12(1) of the SEBI Act, 1992 read with Regulation 3(1) of the IA Regulations.

Findings for the allegations leveled against Noticee No. 3:

22. With respect to the allegation leveled against Noticee No. 3, I find that Noticee No. 3 has not submitted any replies to the SCN and / or the SSCN and has not even appeared before me on the scheduled date of hearing i.e. May 10, 2023. I note from the available records that the SCN, SSCN and the hearing notice has been duly delivered to the

Noticee No. 3 and despite giving sufficient opportunities to defend his case, the said Noticee has not made any representation before me. I note from the records available before me that even before issuance of the said SCN, during the examination period, SEBI had, vide its letter dated August 05, 2021, sought details as to the names of the clients, amounts collected as fees, bank A/c name in which the amounts were collected, date on which the amounts collect, etc. However, despite delivery of the said letter, Noticee No. 3 did not submit any of the information / documents in the matter. In view of the same, I deem it fit to proceed *ex-parte* against the said Noticee by taking into account the material as available on record.

- 23.** I find from the *whatsapp* chats available on record that, one of the employees of the firm viz. Investo cares namely, Mr. Yatendra Singh, whose official ID card copy is available on record stating that he was a Sr. Investment Consultant with the said firm, was chatting on *whatsapp* with the complainant on behalf of the said firm and had provided Noticee No. 3's name and bank account details in which the complainant had to transfer money to avail of the investment advisory services. Also, the website name mentioned by the said employee of Investo cares was <https://investocares.com/>. Further, upon examining the Indusind bank account statement, it was noticed that the said bank account belonged to Noticee No. 3 and a total of 890 credit entries amounting to INR 60,94,539.76/- are reflected in the said bank account during the relevant period including the credit entries for the payment made by the complainant for availing the investment advisory services from the firm.
- 24.** I find that Noticee No. 2, in his submissions, has denied having any knowledge about Noticee No. 3 and the money transferred by the complainant to Noticee No. 3. Further, Noticee No. 2 has even stated that the complainant in his complaint has mentioned the firm's name to be Investo cares and the Noticee No. 2 was a proprietor in the firm '*Investocare Financial Research*'. Therefore, it is the case of the Noticee that neither was Noticee No. 3 an employee with his firm nor did he know Noticee No. 3 and the monies which have been transferred by the complainant also being done in some other account which is not held by Noticee No. 2, he cannot be held guilty of any of the charges leveled against Investocare Financial Research and himself.

25. With respect to the name of the unregistered investment advisor, I note that as per the records available before me, the firm which has been charged to indulge in investment advisory services without obtaining the certificate of registration is '*Investocare Financial Research*'. However, the firm name mentioned in the *whatsapp* chats and the employee official ID card is '*Investo cares*'. Also, the bank account held with Indusind bank does not have any mention of the firm name '*Investocare Financial Research*'. There is not even any evidence on record before me to show that Noticee No. 2 and Noticee No. 3 were / are known or connected entities. Thus, no evidence is on record to show that '*Investocare Financial Research*' and '*Investo cares*' are one and the same and that the Noticee No. 2, Noticee No. 3 and Mr. Yatendra Singh, claiming to be an employee of Investo cares, are related / connected to one another. Upon perusal of the records on the file, it is noted that the contact details available on the website of Noticee No. 1 firm on the page "CONTACT US" displays the address of the firm to be "*126-Kranti Kriplani Nagar, Annapurna Road, Indore - 452002*". No other addresses and / or branches in any other localities have been mentioned on the said page of the website. However, the address mentioned on the official ID card of the employee Mr. Yatendra Singh of '*Investo cares*' is "*Plot No. 102, Sewak Park, Dwarka, New-Delhi – 110059*". Also, as per the available records, the logos of the said firms are different which is displayed as under:



26. Notwithstanding the above, the fact that a total of 890 credit entries amounting to INR 60,94,539.76/- being reflected in the said Indusind bank account held by Noticee No. 3 during the relevant period including the credit entries for the payment made by the complainant for availing the investment advisory services and the trail of *whatsapp* chats cannot be ignored. Further, as per the AoF of Indusind bank the address of Noticee No.

3 is “H No-A-3/C-21, Near Gandhi Chowk, Mohan Garden, Uttam Nagar, Delhi – 110059” which shows that the firm’s address as mentioned above and the address of Noticee No. 3, both, are Delhi addresses. Thus, the documentary evidence available on record shows that Mr. Yatendra Singh was just an agent of the firm with the name ‘Investo cares’ and Noticee No. 3 was the one who was engaged in the business of giving investment advisory services in lieu of consideration. I note that during the examination, vide separate letters dated August 05, 2021, the Noticees were advised to provide information with respect to the list of names of the clients to whom investment advisory services were provided, amount collected as fees, bank account details in which the fees was so collected, etc. in the format specified in the said letters. Noticee No. 2 vide his letter dated August 11, 2021, had replied to the said letter denying giving any investment advisory service. However, as mentioned in the preceding paragraph, Noticee No. 3, in whose bank account credit entries have been found, has not provided any information / documents sought till date such as the names of the clients, amounts collected as fees, bank A/c name in which the amounts were collected, date on which the amounts collect, etc. Further, I also note that the SCN, SSCN and the hearing notice have been duly delivered to the said Noticee and therefore, sufficient opportunities have been provided to Noticee No. 3 to file his replies / produce evidence in his defence. Considering that no explanation or documentary evidence has been brought on record by Noticee No. 3 to prove otherwise, I am constrained to conclude that, even though there is no evidence to show that Noticee No. 3 was acting as an agent of Noticee No. 1 and / or related / connected with Noticee No. 1 and 2, based on the available records, the Noticee No. 3 (acting on behalf of the firm ‘Investo cares’) did act as an ‘investment advisor’ independently during the period under consideration and lured the investors to invest in the market for consideration, which was collected by him in his Indusind Bank account, without obtaining a certificate of registration from SEBI thereby, violating the provisions of Section 12(1) of the SEBI Act, 1992 read with Regulation 3(1) of the IA Regulations.

27. 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:

- (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 along with 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 recognized 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.

28. I note that safeguards provided under IA Regulations, 2013 requires continued minimum professional qualification and net-worth requirement for investment adviser, including 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. These requirements are aimed at protection of investor's interest.

29. In view of the foregoing, I do not have any hesitation to conclude that the Noticees were acting as an investment advisors. However, neither the Noticee No. 1 firm nor its proprietor (Notice No. 2) and Noticee No. 3 (appearing to be acting on behalf of 'Investo cares') or the firm 'Investo cares' were registered with SEBI in the capacity of Investment Advisors. Hence, I find that these activities were being carried out by the Noticees without obtaining the necessary certificate of registration as investment advisers and therefore, the Noticees have violated Section 12(1) of the SEBI Act, 1992 along with Regulation 3(1) of the IA Regulations.

30. The SCN and SSCN referred above, also calls upon the Noticees to explain as to why appropriate penalty be not imposed upon it under Section 15EB and 15HB of SEBI Act, 1992 for the violations alleged in the SCN and SSCN. Relevant extract of the penalty provisions, as existing at the time of violations, is reproduced, hereunder:

"Penalty for default in case of investment adviser and research analyst.

15EB. *Where an investment adviser or a research analyst fails to comply with the regulations made by the Board or directions issued by the Board, such investment adviser or research analyst shall be liable to penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees."*

Penalty for contravention where no separate penalty has been provided.

15HB. *"Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees"*

31. Upon consideration of the above penalty provisions, I find that Section 15EB and 15HB of the SEBI Act, 1992 have been invoked in the present case as the Noticees have carried out the business of giving investment advice without obtaining a certificate of registration from the Board under the IA Regulations. It has been clearly established in the preceding paragraphs that the Noticees had acted as investment advisers without

obtaining a certificate of registration from SEBI and therefore, violated Regulation 3(1) of the IA Regulations read with Section 12 of the SEBI Act, 1992. In view of the same, I find that monetary penalties under Section 15EB (for the activities carried out post March 09, 2018) and 15HB for the activities carried out during the period before March 08, 2018) are clearly attracted in the present case.

32. It is relevant to mention here that for determining the amount of penalty to be imposed under the provisions of the SEBI Act, guidance is provided under Section 15J of the SEBI Act which is reproduced as under:

“15J. Factors to be taken into account while adjudging quantum of penalty.

While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely:

- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
- (b) the amount of loss caused to an investor or group of investors as a result of the default;*
- (c) the repetitive nature of the default.*

Explanation. —For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.”

33. I find that, as already mentioned in the previous paragraphs, the ICICI Bank Statements for the account held by Noticee No. 1 does not have any credit entries showing any amounts being collected by the said firm and its proprietor i.e. Noticee No. 2 by holding out themselves as investment advisers. Therefore, in the absence of the same, I do not find it appropriate to issue any direction to refund the monies collected from the investors by carrying out the activities of an investment adviser on Noticee Nos. 1 and 2. However, considering that an amount of Rs. 60,94,539.76/- has been received by Noticee No. 3 in his bank account with Indusind Bank for the investment advisory services provided by him (which has not been disputed by the said Noticee before me by filing any reply) during the relevant period under examination, I am of the considered view that Noticee No. 3 is liable for refund of the aforementioned amount collected by him as an unregistered investment adviser in addition to the monetary penalties which are

attracted for the said violations under Sections 15EB and 15HB of the SEBI Act, 1992.

ORDER AND DIRECTIONS

34. In view of the foregoing, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) read with Section 19 of the SEBI Act, 1992 and Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, do hereby issue the following directions:

34.1 The Noticee No. 3 i.e. Mr. Ramesh Babu shall, within a period of three months from the date of coming into force of this direction, refund the money received from any complainants/ investors, as fees or consideration or in any other form, in respect of the unregistered investment advisory activities;

34.2 The Noticee No. 3 i.e. Mr. Ramesh Babu 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;

34.3 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;

34.4 The Noticee No. 3 i.e. Mr. Ramesh Babu is prevented from selling his assets, properties and holding of mutual funds/shares/securities held by him 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 Mr. Ramesh Babu, as directed in this order, from the bank account/s of the Noticee No. 3 i.e. Mr. Ramesh Babu;

34.5 After completing the aforesaid repayments, the Noticee No. 3 i.e. Mr. Ramesh Babu shall file a report of such completion with SEBI 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”, within a period of 15 days, after

completion of three months from the coming into force of the directions at para 34.1 and 34.2 above, duly certified by an independent Chartered Accountant and the direction at para 34.4 above shall cease to operate upon filing of such report on completion of refunds to complainants/ investors;

34.6 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 Noticee No. 3 i.e. Mr. Ramesh Babu. Thereafter, remaining amount if any will be deposited in the Investors Protection and Education Fund maintained by SEBI;

34.7 The Noticee Nos. 1 and 2 viz. Investocare Financial Research and its proprietor - Mr. Ravish Kandhari 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 one (1) year from the date of this order.

34.8 With respect to Noticee No. 3 i.e. Mr. Ramesh Babu, he is 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 two (2) years from the date of this order or till the expiry of two (2) years from the date of completion of refunds to complainants/ investors along with depositing of balance amounts, if any, with SEBI, as directed in paras 34.1 and 34.6 above, whichever is later;

34.9 The Noticees i.e. Investocare Financial Research, Mr. Ravish Kandhari and Mr. Ramesh Babu shall not undertake either during or after the expiry of the period of debarment/restraint as mentioned in paras 34.7 and 34.8 above, either directly or indirectly, investment advisory services or any activity in the securities market without obtaining certificate/s of registration from SEBI as required under the securities laws.

34.10 The Noticees i.e. Investocare Financial Research, Mr. Ravish Kandhari and Mr. Ramesh Babu are hereby imposed with, the monetary penalties, as provided hereunder:

Sr. No.	Name of the Noticee	Provisions under which penalty is imposed	Amount of penalty (Rs.)
1.	Investocare Financial Research and its proprietor Mr. Ravish Kandhari	Section 15EB of the SEBI Act, 1992	1,00,000
		Section 15HB of the SEBI Act, 1992	1,00,000
2.	Mr. Ramesh Babu	Section 15EB of the SEBI Act, 1992	2,00,000
		Section 15HB of the SEBI Act, 1992	2,00,000
TOTAL			6,00,000

34.11 The Noticees shall remit / pay the said amounts of penalty through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of EDs/CGMs -> PAY NOW. In case of any difficulties in online payment of penalties, the Noticees may contact the support at portalhelp@sebi.gov.in.

35. The direction for refund, as given in para 34.1 above, does not preclude the clients/investors to pursue the other legal remedies available to them under any other law, against Noticee No. 3 for refund of money or deficiency in service before any appropriate forum of competent jurisdiction.

36. This order shall come into force with immediate effect.

37. A copy of this order shall be sent to the Noticee Nos. 1, 2 and 3, 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: May 25, 2023

Place: Mumbai

Dr. ANITHA ANOOP
CHIEF GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA