

National Stock Exchange of India Circular

Department: Investigation	
Download Ref No: NSE/INVG/ 59532	Date: November 28, 2023
Circular Ref. No: 244/2023	

To All NSE Members

Sub: SEBI Order in respect of Yogesh Kukadia, Rajesh R. Kallidumbil, Nithin Raj and six partnership firms.

This is with reference to SEBI Order No. WTM/AN/WRO/WRO/29772/2023-24 dated November 28, 2023 wherein SEBI has debarred following entities 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 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 as directed in paragraph 65 (a) above, whichever is later;

Sr. No.	Name of the Entity	PAN
1	Yogesh Kukadia	AUSPK6548F
2	Rajesh R. Kallidumbil	AKQPK9641M
3	Nithin Raj	ANOPN2348F
4	M/s.Signal2Noise Capital Partners	ADDFS5850N
5	M/s.Investo Investment Advisers	AAGFI7660G
6	M/s.SS Info Sales	ADNFS2939J
7	M/s.SI Digi Sales	ADNFS7110B
8	M/s.CT Web Sales	AAMFC9502D
9	M/s.ML Tele Sales	ABHFM3142P

This Order shall come into force with immediate effect.

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

National Stock Exchange of India

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 email us at dl-invsg-all@nse.co.in

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

**Sandesh Sawant
Senior Manager**

ANNEXURE: SEBI Order in respect of Yogesh Kukadia, Rajesh R. Kallidumbil, Nithin Raj and six partnership firms.

SECURITIES AND EXCHANGE BOARD OF INDIA
ORDER

UNDER SECTIONS 11(1), 11(4), 11(B)(1), 11(4A) AND 11(B)(2) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 3(1) OF THE SEBI (INVESTMENT ADVISERS) REGULATIONS, 2013 AND UNDER SECTION 15-I OF THE SEBI ACT, 1992 READ WITH RULE 5 OF THE SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995.

In respect of:

Noticee No.	Name of the Noticee(s)	PAN
1.	Yogesh Kukadia	AUSPK6548F
2.	Rajesh R. Kallidumbil	AKQPK9641M
3.	Nithin Raj	ANOPN2348F
4.	M/s.Signal2Noise Capital Partners	ADDFS5850N
5.	M/s.Investo Investment Advisers	AAGFI7660G
6.	M/s.SS Info Sales	ADNFS2939J
7.	M/s.SI Digi Sales	ADNFS7110B
8.	M/s.CT Web Sales	AAMFC9502D
9.	M/s.ML Tele Sales	ABHFM3142P

(The aforesaid entities are hereinafter individually referred to by their respective names or Noticee Number and collectively as the “the Noticees”

In the matter of Yogesh Kukadia, Rajesh R. Kallidumbil, Nithin Raj and six partnership firms.

BACKGROUND OF THE CASE

1. The Securities and Exchange Board of India (hereinafter referred to as “SEBI”), had received references and complaints in respect of three entities viz Marketlab,

Order in respect of Yogesh Kukadia, Rajesh R. Kallidumbil, Nithin Raj and six partnership firms

Signal2Noise Capital Partners and Capital Taj, wherein it had been *inter-alia* alleged that these three entities were engaged in unregistered investment advisory activities. On examination, SEBI observed that these three entities were being operated by three partnership firms viz M/s.ML Telesales (**Noticee 9**), M/s. Signal2Noise Capital Partners (**Noticee 4**) and M/s.CT Web Sales (**Noticee 8**). It was also observed that Yogesh Kukadia (**Yogesh / Noticee 1**) and Rajesh R. Kallidumbil (**Rajesh / Noticee 2**) were partners of M/s. ML Telesales and M/s. CT Websales. Further, Yogesh, Rajesh and Nithin Raj (**Nithin / Noticee 3**) were partners of M/s.Signal2Noise Capital Partners.

2. It was further observed that Yogesh and Rajesh were registered as Investment Advisers (**IA**) with SEBI in their individual capacities with Registration No. INA000010113 and Registration No. INA200012142 respectively. SEBI, therefore, conducted an inspection of the advisory activities of Yogesh and Rajesh for the period April 1, 2018 to September 27, 2019.
3. Vide inspection notice and various emails, Yogesh and Rajesh were advised to submit information w.r.t investment advisory services being carried out through their various websites. Accordingly, Rajesh provided the details of their six partnership firms i.e. the details of three partnership firms as given at Para 1 as well as the other three partnership firms viz M/s.Investo Investment Advisers (**Noticee 5**), M/s.SS Info Sales (**Noticee 6**) and M/s. SI Dig Sales (**Noticee 7**).
4. Based on the inspection of the registered IAs, it was, *prima facie*, found that Yogesh and Rajesh had not carried out any investment advisory activities in their individual capacity as SEBI registered IAs. They alongwith Noticee 3 i.e. Nithin (partner of M/s.Signal2Noise Capital Partners) held themselves as IAs through their six unregistered partnership firms and were providing investment advice to clients for consideration without obtaining registration from SEBI as IAs, thereby

violating Section 12 (1) of the SEBI Act, 1992 read with Regulation 3 (1) of the SEBI (Investment Advisers) Regulations, 2013 (**IA Regulations**).

SHOW CAUSE NOTICE, REPLY AND HEARING

5. A Show Cause Notice dated 07.11.2022 (hereinafter referred to as “**SCN**”) was issued to the Noticees calling upon them to show cause as to why suitable directions under Sections 11(4) and 11B (1) read with Section 11(1) of the SEBI Act, 1992 including direction of refund of fees/monies collected from the investors, debarment, non-association with listed entities, intermediaries should not be issued against the Noticees for the alleged violations. The Noticees were also called upon to show cause as to why inquiry should not be held against them in terms of Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and penalty be not imposed upon the Noticees under Section 11(4A), 11B(2) read with Section 15HB of SEBI Act, 1992. Further, vide Supplementary SCN (**SSCN**) dated June 30, 2023, the noticees were called upon to show cause as to why inquiry should not be held against them in terms of Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and penalty be not imposed upon them under Section 15EB of the SEBI Act, 1992 for the alleged violations. The following documents were enclosed as annexures to the SCN:-

Table A

Annexures to SCN	
Annex. No.	Particulars
A	Copy of the complaints received.
B	Submissions made by Rajesh vide email dated 04.07.2019 w.r.t the partnership firms
C	Copy of downloaded web pages of www.s2n.co.in
D	Copy of downloaded web pages of www.myinvesto.in
E	Copy of downloaded web pages of www.shinestocks.com
F	Copy of downloaded web pages of www.shubhinvestments.com
G	Copy of downloaded web pages of www.capitaltaj.com
H	Copy of downloaded web pages of www.marketlabh.com

I	Copies of Know Your Customers/Clients (KYC) documents received from banks and payment gateways.
J	Copy of the submissions made by the payment gateways w.r.t fees collected by the six partnership firms.
K	Print outs of search results from SEBI intermediary database.

6. The SCN has *inter alia* alleged the following:-

- (a) SEBI received references and complaints in respect of three entities viz Marketlabh, Signal2Noise Capital Partners and Capital Taj alleging that they were engaged in unregistered investment advisory activities. On examination, SEBI observed that the aforesaid entities were being operated by three partnership firms viz M/s.ML Telesales, M/s. Signal2Noise Capital Partners and M/s.CT Web Sales. It was also observed that Yogesh and Rajesh were partners of M/s. ML Telesales and M/s. CT Websales. Further, Yogesh, Rajesh and Nithin were partners of M/s.Signal2Noise Capital Partners.
- (b) Yogesh (Registration No. INA000010113) and Rajesh (Registration No. INA200012142) were registered in their individual capacities as Investment Advisers with SEBI. Hence, SEBI conducted an inspection of the advisory activities of Yogesh and Rajesh for the period April 1, 2018 to September 27, 2019 .
- (c) Vide inspection notice and various emails, Yogesh and Rajesh were, *inter alia*, advised to submit information w.r.t the investment advisory services being offered by them. Rajesh vide his email dated 04.07.2019 submitted details of the websites, date of commencement of business of the firms, payment gateway and bank account of the six partnership firms.
- (d) As the websites were not active , the details appearing on the archived pages alongwith the pricing details which were available on the websites of these six partnership firms were provided in the SCN.
- (e) The KYCs and related documents i.e.account opening forms and partnership deeds of these six partnership firms were obtained from ICICI Bank, HDFC Bank and Axis Bank and the payment gateways ie. Easebuzz and PayUMoney. Accordingly, the details of the partnership firm, date of partnership deed, profit sharing ratio of the partners in these firms, registered address as per partnership deed and the nature of business of these six partnership firms were provided in the SCN.
- (f) Rajesh vide his email dated 04.07.2019 provided the details of total fees of Rs. 810.24 lakhs which was collected through the six partnership firms i.e. from April 1, 2016 till date of his reply ie 04.07.2019.

- (g) Out of the total fees of Rs. 810.24 lakhs collected through these six partnership firms, a sum of Rs. 4,90,38,846.97 was received through the payment gateways i.e. Easebuzz and PayUMoney in their bank accounts. The details of the payments received through these payment gateways in the various bank accounts in ICICI Bank and HDFC Bank were also provided in the SCN.
- (h) As per the partnership deeds of M/s.Signal2Noise Capital Partners and M/s. Investo Investment Advisers, the nature of business has been mentioned as 'providing investment advisory services to the registered clients'. Also, from the analysis of the websites of the Noticees 4 to 9, it is *prima-facie* observed that these partnership firms were providing advisory services for buying, selling and trading in securities for a fee to their clients under various packages /products.
- (i) An amount of Rs.810.24 lakhs was collected from 4536 clients for providing investment advice through the six partnership firms during the F.Y.2016-17 to F.Y.2019-20.
- (j) As per the partnership agreement of M/s.Signal2Noise Capital Partners, Rajesh, Yogesh and Nithin are the only partners holding 70%, 20% and 10% respectively. Accordingly, Rajesh, Yogesh and Nithin are liable for the activities of this partnership firm.
- (k) As per the partnership agreement of the remaining five partnership firms (M/S. Investo Investment Advisers, M/s. SS Info Sales, M/s. SI Digi Sales, M/s. CT Web Sales and M/s. ML Tele Sales), Rajesh and Yogesh are the only partners holding 50% each. Accordingly, Rajesh and Yogesh are liable for the activities of these five partnership firms.
- (l) Accordingly, it has been *prima facie* brought out that Noticees 4 to 9 i.e. M/s Signal2Noise Capital Partners, M/s Investo Investment Advisers, M/s SS Info Sales, M/s SI Digi Sales, M/s CT Web Sales and M/s ML Tele Sales as partnership firms and Noticees 1 to 3 i.e. Yogesh, Rajesh, Nithin (as partners who were operating the partnership firms viz. Noticees 4 to 9 *as applicable*) were providing "investment advice" as defined under Regulation 2(1)(l) of the IA Regulations and were *prima facie* carrying out the activities of an 'investment adviser' as defined under 2(1)(m) of the IA Regulations.
- (m)On perusal of the SEBI database, it was observed that Noticee 1 (Yogesh) and Noticee 2 (Rajesh) are registered with SEBI as Investment Advisers in their individual capacities since March 20, 2018 and December 03, 2018 respectively and Noticees 4 to 9 i.e the partnership firms and Noticee 3 (Nithin) who is a partner in one of these partnership firms are not registered with SEBI.
- (n) In view of the alleged violations of provisions of Securities Laws as brought out in the above paragraphs, Noticees were called upon to show cause as to why suitable directions including refund of fees collected, debarment, non-

association with listed entities, intermediaries and penalty should not be issued against the Noticees under sections 11(1), 11(4), 11B(1), 11(4A) and 11 B (2) of SEBI Act, 1992 read with Section 15 HB of SEBI Act, 1992.

7. Further, vide SSCN dated June 30, 2023 the noticees were also informed about the liability of monetary penalty to be levied under Section 15EB of the SEBI Act, 1992 for violations committed after 08.03.2019.
8. The SCN, therefore, alleged that the Noticees were providing investment advisory services to their clients for consideration without obtaining certificate of registration from SEBI, in contravention of the alleged provisions as mentioned in Para 5 above.
9. The SCN dated 07.11.2022 was sent to all the nine Noticees by Speed Post with Acknowledgment Due (SPAD) and email. The SCN was delivered to Noticees 1 to 4 by SPAD. For the remaining noticees i.e Noticees 5 to 9, the SCN was served through affixture.
10. The SSCN dated 30.06.2023 was sent to all the Noticees by SPAD. The SSCN was delivered to Noticees 1 to 4 by SPAD. For the remaining noticees i.e. Noticees 5 to 9, the SSCN returned undelivered. Attempts to deliver the SSCNs to Noticees 5 to 9 through the MILs (i.e. Market Infrastructure Institutions) was also not successful and the PANs of these noticees have been deactivated in terms of the SEBI Circular dated 29.07.2022. Thereafter, the SSCN was served through affixture for these noticees.
11. Pursuant to issue of SCN, the Noticees were given opportunity for personal hearing on 12.04.2023, which was either attended in person by the noticee or their authorized representative for noticees 2 to 9. Noticee 1 vide email dated 03.01.2023 informed that he had filed a settlement application with SEBI and had not availed the opportunity for hearing.
12. Thereafter when SSCN was issued, all the noticees were again given another opportunity for personal hearing in the matter on 26.10.2023. Noticee 2 appeared

personally through online webex mode whereas Noticees 1 and 3 were represented in the hearing by their authorized representatives. The noticees 4 to 9 were not represented in this hearing. The hearing notice sent to the partnership firms (ie. Noticees 4 to 9) through SPAD returned undelivered. Accordingly, the hearing notice was served through affixture for Noticees 5 to 9. However, w.r.t Noticee 4, the affixture of hearing notice was not permitted and hence could not be done.

13. The partnership firms i.e. Noticees 4 to 9 have neither replied to the SCN nor the SSCN. Although these noticees i.e. Noticee 4 was represented by Noticees 2 and 3 and Noticees 5 to 9 were represented by Noticee 2 in the personal hearing dated 12.04.2023, these noticees have not been represented in the hearing dated 26.10.2023. In this regard, I rely upon the observations of the **Hon'ble SAT in Sanjay Kumar Tayal & Ors. vs. SEBI (Order dated February 11, 2014 in Appeal no. 68 of 2013)**, wherein it had observed: "... Appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices." *Even though Noticee no. 1 has remained ex parte, I nonetheless find it relevant that I should be guided by the documents available on record.*"

14. Replies have been received from the noticees 1 to 3 which are summarized as follows:-

The Noticee 1 (Yogesh) replied to the SCN and SSCN vide letters dated 08.03.2023 and 20.07.2023 which are summarized as follows:-

- 14.1 Noticee stated that nothing contained in his reply should be deemed to be admitted unless the same has been expressly admitted.
- 14.2 Noticee is a SEBI registered IA in an individual capacity having registration number INA000010113.
- 14.3 The Noticee was earlier working with DreamGains Financials India Private Limited and with Aditya Trading Solution as a Senior Technical Analyst and Senior Equity Research Analyst respectively.

- 14.4 He met Rajesh wherein he was offered a job in M/s.Signal2Noise Capital Partners, wherein he was offered a fixed salary as well as incentives in the form of profit sharing and hence he was appointed as a partner in the firm.
- 14.5 Noticee 1 was not having any control over the activities of Signal2Noise as he was just a normal employee of the firm. He was appointed as a partner just to get the incentive in a convenient manner as his incentive was based on the profit of the firm so he was appointed as a partner for easy distribution of profits in the partnership structure.
- 14.6 The Noticee was made partner only for the purpose of profit distribution which was part of his salary and hence only 0.5% of capital allocation was offered to make him the partner. The Noticee was not having any control in the operations of the firm, the entire control of the operations was with Rajesh being the managing partner of the firm, which can be verified from the partnership deed.
- 14.7 In December 2017, the Noticee thought of starting his own venture in the financial sector and came to know that along with NISM certifications one also needs to apply for a SEBI registration. So, in order to be in compliance with the SEBI regulations, the noticee applied for the registration with SEBI in December 2017.
- 14.8 The Noticee being a naïve person assumed that one can practice as an IA after applying for registration with the SEBI as in case of Trademark where one can start using the logo after making its application.
- 14.9 Hence, the Noticee started the operations only after applying for registration with SEBI, by forming partnership firms in January 2017 , as he was advised by his chartered accountant that it is more convenient to do the business in partnership form rather than in an individual form.
- 14.10 The Noticee got a valid registration from SEBI in March 2018.
- 14.11 The Noticee would not have applied for registration with the SEBI, if he had any intention to carry out the unregistered activities as the Noticee had started his operations only after applying for the registration with the SEBI.
- 14.12 The firms, Investo Investment Advisers, SS Info Sales, SI Digi Sales, CT Web Sales and ML Tele Sales were not engaged in unregistered investment advisory activities rather it was run and operated by a SEBI registered IA.
- 14.13 The activities of the above firms started in January 2018, post applying for registration with SEBI as an IA. Further the firm Investo Investment Advisers

was incorporated in November 2018 i.e. after obtaining the registration from SEBI.

- 14.14 Noticee was following IA regulations such as client KYC, risk profiling, maintaining research records and rationale etc. in all the firms.
- 14.15 The Noticee had done KYC and Risk profiling of each and every client which is an essential obligation of a SEBI registered IA.
- 14.16 If the Noticee's intention was to run any unregistered IA firm, then he would not have obtained registration from SEBI, would not have followed any SEBI compliances nor would have resolved client's grievances; rather would have engaged in some fraudulent and unethical activity. The noticee being a SEBI registered IA was doing his best to follow each and every compliance.
- 14.17 The unregistered IA refers to wherein a person provides investment advice without obtaining a valid registration from SEBI, however, the noticee was holding a valid certificate of registration from SEBI.
- 14.18 SEBI in a similar matter of Chetan Kalubhai Dhokiya has not directed to refund the amount collected in a separate corporate entity by a registered individual IA.
- 14.19 The SEBI in its order considered the fact that though the fees have been collected in a separate corporate entity but since the director of the company was registered with the SEBI in an individual capacity and hence SEBI had not directed them to refund the fees and had also not construed unregistered IA activities.
- 14.20 Hon'ble SAT in the matter of Wealth Management Research has not made any direction of refund w.r.t unregistered IA activity.
- 14.21 In May 2019, the Noticee received an email from SEBI Ahmedabad Office stating that the Noticee had received the registration in individual capacity and same cannot be used in any other format of business.
- 14.22 So by following the directions of SEBI, the noticee took steps to shut down the operations of all the firms and by June 2019 he had completely stopped the entire operations.
- 14.23 In September 2019 when SEBI conducted an inspection, the noticee provided the information regarding its business activities alongwith the details of all his partnership firms of which SEBI was unaware which noticee

could have concealed if he had any fraudulent intentions. The Noticee voluntarily informed SEBI regarding the details of all his firms.

- 14.24 Since then the Noticee is working in the capacity of an individual investment adviser.
- 14.25 The noticee denies the allegation that he has carried out investment advisory activities without obtaining the registration from SEBI as Noticee had started his operations only after making an application for registration with SEBI.
- 14.26 Noticee has neither caused losses to a large number of investors nor affected the integrity of the market.
15. The Noticee 2 (Rajesh) replied to the SCN and SSCN vide letters dated 15.12.2022 and 31.07.2023 which are summarized as follows:-
- 15.1 The original partnership firm was founded by Noticee 2 and Nithin in September 2016. The business they wanted to carry out was to use algorithms (alongwith artificial intelligence and machine learning) in order to track and identify which advisors were providing the best advice. The firm i.e Signal2Noise Capital Partners was started with an intent to draw upon his experience in the technology domain.
- 15.2 The business did not pick up as expected and in December 2016, Yogesh was recruited to join the firm as he had the necessary NISM certificates along with the other necessary credentials, they identified IA as one of the potentials areas that the firm could look at – the expectation being that Yogesh would be able to get the necessary IA certification as needed. The onus of obtaining the certification was on Yogesh. It was based on this assumption that Yogesh was made a partner of the firms despite contributing almost nothing to the capital of the firms.
- 15.3 Noticee's involvement with the firms was limited to his role as an investor and as a limited /sleeping /silent partner. He did not have oversight or control on how the business was conducted on a day to day basis.
- 15.4 During this time Nithin resigned from the firm and Yogesh and Noticee 2 set up the other 5 firms. Noticee has only been an investor and a sleeping partner. He was under the impression that these firms would all be compliant with regulatory norms since Yogesh had the NISM certificates and credentials and would handle the IA.

- 15.5 Noticee's IA application was handled by the admin department at the firms and necessary documents were prepared and submitted by them. He does not remember making any false claims during the submissions of these documents to SEBI.
- 15.6 Since receiving the initial notices from SEBI, these firms have all ceased doing business. Noticee is also not practicing as an IA since then, though he has kept the license active and have registered with BASL. The license has been kept active because of pending issues with SEBI.
- 15.7 As per the Noticee's understanding, the six firms were compliant from SEBI's perspective since Yogesh was in charge of it. Since he was not involved in the business actively nor providing investment advice personally, he did not have much understanding of the IA regulations.
- 15.8 Yogesh and his team (recruited from among his ex-colleagues and friends) orchestrated all this as a well-thought-out scheme to establish an IA business using capital and qualification of Noticee 2 for infrastructure and as a shield.
- 15.9 There are deficiencies at SEBI in articulating the regulations lucidly or monitoring licenses effectively and a cause of some irregularities alleged in the SCN and SSCN. These deficiencies cause huge losses to the investor community and imbalances in the IA market.
16. The Noticee 3 (Nithin) replied to the SCN and SSCN vide email dated 23.12.2022 and 26.08.2023 which are summarized as follows:-
- 16.1 The SCN was issued to the Noticees 1 to 3 against the financial irregularities performed by the partnership firm Signal2Noise Capital Partners.
- 16.2 Noticee 3 has denied being partner in the partnership firm i.e. Signal2Noise Capital Partners as he has resigned as a partner from the said partnership firm on 31.05.2017 and has forwarded the copy of the email in this regard. The said resignation was accepted by both Rajesh and Yogesh and the same has been acknowledged by Rajesh vide an Affidavit signed by Rajesh dated 16.12.2022. Post his resignation, the Noticee was not associated with the said partnership firm in any manner and therefore he was not aware of the activities and transactions performed by the partnership firm.

- 16.3 It came to notice of Noticee's 3 only after the SCN was issued to him, the fact that after his resignation the reconstituted partnership deed that was entered into by and amongst him, Rajesh and Yogesh on 02.01.2017 was not amended or dissolved by the remaining partners. In his affidavit, Rajesh has admitted that it was the default on part of the other partners for not dissolving the partnership and reconstituting it again.
- 16.4 During the period Noticee was partner in the firm under partnership deed dated 01.09.2016 and reconstituted partnership deed, roles designated to the partners in the firm are defined under clause 5 and 6 and clause 3 and 4 respectively. Noticee was not involved in business aspects of the firm. Rajesh would handle business of the firm and Noticee 3 was handling only the administration requirements of the partnership firm. Clause 5 of the partnership deed states 99.5% capital contribution and 85% of the profit or loss was taken by Rajesh. Despite the profit /loss sharing percentages mentioned in the partnership deed and reconstituted partnership deed, Noticee 3 has not received any profits from said partnership firm till date.
- 16.5 Noticee 3 was not aware of the inspection conducted by SEBI. Post his resignation he was not in contact with the other two partners nor was he aware through any means about the activities performed by the said partnership. The same is agreed and acknowledged by Rajesh in the affidavit.
- 16.6 Noticee 3 is not aware of the existence of the other five partnership firms managed by Rajesh and Yogesh. Hence he is not aware of the websites of these companies nor was he ever a part of any kind of IA activities on behalf of these companies.
- 16.7 After his resignation in March 2017, he was not even having access to the current banks accounts of Single2Noise Partnership Firm and had no idea about the business done by them. He was not aware of the legal formalities which were required under law for dissolution of the firm after his resignation and contemplated that the other partners would do the required formalities under the law. Therefore, he was not aware that the other partners had not dissolved the firm until the SCN was issued to him. Rajesh and Yogesh did not reconstitute the partnership firm and continued to keep his name without his consent and approval.

- 16.8 Noticee only held a 0.5% partnership stake in Signal2Noise Capital Partners which was alleged to providing unregistered IA activities and he was only looking after the administrative affairs in the capacity of Floor manager of the firm and was never involved in business activities of the firm.
- 16.9 Noticee was not called upon to submit any response to enquiry during inspection. He became aware of the enquiry only after he received the SCN.
- 16.10 No profit was shared with Noticee either before or after the resignation. Noticee is ignorant of the activities conducted within the firm and by noticees 1 and 2.
- 16.11 Contents of the affidavit dated 16.12.2022 have been verified and re-affirmed by noticee 2 at the hearing dated 12.04.2023.
- 16.12 The Noticee has not made any quantifiable or non-quantifiable disproportionate gain or unfair advantage and has not committed any default in terms of applicable provisions of SEBI Act, Rules and Regulations and has never caused any loss to any investor or any group of investors that can be ascribed onto the Noticee due to the fact that he was merely a 0.5 % partner in M/s Signal2Noise Capital Partners for a very brief duration from which he had already resigned on 31.05.2017.
- 16.13 The Noticee has never bought, sold or dealt in securities while being involved with the firm M/s Signal2Noise Capital Partners where he was indeed a mere 0.5% stake holder in the partnership and that too for merely a brief period between September 2016 to May, 2017, having resigned as a partner of the said firm thereafter. It is further submitted that the Noticee never acted as an investment adviser or held itself out as an investment adviser so as to be in violation of SEBI regulations.
17. The Noticees 3 and 4 were represented by their authorized representatives (ARs) i.e Jineshkumar A Gandhi and Rajdeep Lahiri, Advocates of Arihant Associates for the hearing held on 12.04.2023. The ARs vide their letter dated 22.04.2023 filed the following reply on behalf of the Noticee 3, which mainly reiterated earlier submissions made by Noticee 3, which is summarized as follows:-
- 17.1 The Partnership Deed of Signal2Noise Capital Partners dated 01.09.2016 was at Will and capital of Rs. Ten lakhs was divided as 99.5% of Noticee

- 2 and 0.5% of Noticee 3 wherein it was agreed that the 85% and 15% of the profit and loss would be shared among the Noticees 2 and 3 respectively.
- 17.2 On 02.01.2017, the partnership deed was reconstituted when new partner i.e. Noticee 1 was brought in by Noticee 2.
- 17.3 The partnership deed was reconstituted and capital of Rs. Ten Lakhs was divided as 99% of Noticee 2 and 0.5% each of Noticee 1 and 3. It was also agreed to share the profit and loss at 70%, 20% and 10% between Noticees 2, 1 and 3 respectively.
- 17.4 Noticee 3 was not involved in the business activities but only administrative affairs in the capacity of floor manager.
- 17.5 Noticee 2 accepted the resignation of Noticee 3 on 31.05.2017 and vide emails dated 07.06.2017 and 11.09.2017 the Noticee 1 accepted the resignation of Noticee 3. Noticee 1 and 3 collectively accepted the resignation sent vide letter dated 07.06.2017. The Noticee 3 also requested to settle down the business of the firm pursuant to his resignation vide reminder email dated 07.06.2017.
- 17.6 Noticee 2 has vide affidavit admitted that Noticee 3 had no knowledge of the business activities conducted by Noticees 1 and 2 and no profit was shared neither before resignation nor after his resignation.
- 17.7 Noticee 3 was not even a part of the inspection conducted by SEBI w.r.t Noticees 1 and 2.
- 17.8 In accordance with the provisions of Partnership Act, 1932, where the partnership is at will, the partner may leave and /or retire and noticee by giving notice in writing to all the other partners of his intention to leave /retire and as the noticee has intimated his intention to leave, he does not share any liability for the offences committed by the other partners.
- 17.9 Noticee 3 resigned from the firm on 31.05.2017 and as per the Partnership Act , 1932, the remaining partners were duty bound to reconstitute the firm and the business activities should not have been carried out with the same. Further, as per the partnership deeds of the firm, it was clearly mentioned that if any one of the partners retires or leaves the firm, it is the responsibility of the other partners to reconstitute the deed as they agreed to continue the business of the firm and will not dissolve the firm. Noticee 3 was not aware

that the other 2 partners never reconstituted the partnership deed and are continuing the business activities.

17.10 Noticee 3 received a sum of only INR 1,95,000/- on various dates (between 16.01.2017 and 09.06.2017) from the personal account of Noticee 2 as remuneration for post of Floor Manager. He has not received any other benefits / remuneration either from the firms or the partners or any clients of the firm.

18. The Noticee 3 was also represented by Advocates Shri Aakarshan Aditya and Vibhu Tiwari, during the personal hearing held on 26.10.2023. The ARs vide their reply sent vide email dated 02.11.2023 have stated the following which is summarized:

- 18.1 The ARs have reiterated the earlier submissions made by the Noticee.
- 18.2 Noticee 3 had ceased to be a partner of the firm during the period 01.04.2018 to 27.09.2019 during which period the SEBI inspection was held as he had already resigned from the firm in May 2017 itself.
- 18.3 Noticee 2 has vide his affidavit admitted that it was their fault that they did not dissolve the firm after resignation of Noticee 3 i.e. after 31.05.2017 which clearly proves that the name of the noticee was misused which may be due to lack of knowledge of the Noticees 1 and 2 but it is evident and significant that Noticee 3 has no role to play in Signal2Noise Capital Partners after May 2017.
- 18.4 Even during September 2016 to May 2017, the Noticee was a miniscule partner in the firm and was in no manner providing investment advice and carrying out activities of an investment adviser and was only looking after administrative affairs in the capacity of Floor Manager of the Firm.
- 18.5 Principle of Liability of partner for acts of the firm does not extend to a case where a partner acts as an agent for his personal profit, has done any act fraudulently or wrongfully and in that case the firm will not be liable for that fraudulent and wrongful act.

- 18.6 The noticee has not committed any act so as to harm the interests of the investors. Noticee was only involved with firm in question for a very short duration i.e. few months, having resigned from the firm thereafter and during that period, he was only looking after the administrative affairs in the capacity of Floor Manager of the firm and was not involved in business activities of the firm.
- 18.7 Noticee has not committed any violation of Section 12(1) of the SEBI Act, 1992 for the reason that noticee has not bought or sold dealt in securities while being involved with the firm.
- 18.8 He has not made any quantifiable or non quantifiable disproportionate gain or unfair advantage and has not committed any default.
19. Personal hearings in the matter were held for all the noticees on 12.04.2023 except for Noticee 1 who had sought for an adjournment of hearing citing unavailability of his authorized representative. Besides Noticee had also sought to settle the matter as informed by him vide email dated 03.01.2023 as he had filed a Settlement Application w.r.t SCN with SEBI. The settlement application of Noticee 1 was, however, rejected in terms of Regulation 5(1)(a) of the SEBI (Settlement Proceedings) Regulation, 2018. During the personal hearing held 12.04.2023 which was held in-person, Jineshkumar A Gandhi and Rajdeep Lahiri i.e. Advocates of Arihant Associates, were the Authorised Representatives for Noticees 3 and 4. Noticee 2 represented for self and for all the six partnership firms i.e. Noticees 4 to 9. Noticee 2 has submitted *inter alia* that his involvement with the firms was limited to the role as an investor as he has invested an amount of Rs.1.50 crore as a limited / sleeping partner. He further submitted that upon receiving the initial notices from SEBI, these firms have all ceased doing business.
20. Further, based on certain observations, a SSCN dated 30.06.2023 was also issued to all the Noticees. During the personal hearing held on 26.10.2023, Shri Abhishek Mishra was the authorized representative for Noticee 1 who appeared in person.

The AR has while acknowledging the violation of carrying out unregistered investment advisory services by the noticee stated, *inter alia*, that the noticee was under a misunderstanding that they could start the services even before the grant of the IA registration from SEBI. AR also sought for the bank statements wherein the fees of the unregistered IA activities were deposited as the same were not available with him. The AR also agreed to acknowledge the receipt of these bank statements and provide a reply within ten days of their receipt. Accordingly, all the bank statements were provided to the Noticee 1 and AR the next day itself i.e. 27.10.2023. The current status of the six partnership firms were also sought from Noticee 1. However, Noticee 1 has not provided his written submissions nor has he provided the current status of the six partnership firms. Noticee 2 represented himself in the hearing held online through Webex. During the personal hearing Noticee 2 stated, *inter alia*, that these six partnership firms have not yet been dissolved which was also communicated to Noticee 2 vide the record of proceedings dated 30.10.2023. Further Noticee 2 acknowledged carrying out the unregistered investment advisory services even before getting registered in 2018 as an IA in his individual capacity. The same was due to his not having a proper understanding of the SEBI regulations. Noticee 2 was also provided time to submit his written submissions. However, Noticee 2 has not filed his written submissions. Noticee 3 was represented by Shri Aakarshan Aditya and Shri Vibhu Tiwari, Advocates who were his authorized representatives who have reiterated earlier submissions made by the noticee. They appeared for the hearing online through Webex. The Noticee 3 has submitted his written submissions post hearing.

CONSIDERATION OF ISSUES AND FINDINGS

21. I have considered the allegations made against the Noticees in the SCN and SSCN, documents available on record, the written submissions of the Noticees, as well as oral submissions made by the ARs and the Noticees themselves during the hearings.

22. Before proceeding further, I note that the allegation w.r.t unregistered investment advisory activities were made against the six partnership firms and their partners viz M/s.Signal2Noise Capital Partners and its partners i.e. Yogesh, Rajesh and Nithin and M/s. Investo Investment Advisers, M/s.SS Info Sales, M/s.SI Digi Sales, M/s.CT Web Sales and M/s. ML Tele Sales and their partners i.e. Yogesh and Rajesh. However, it is pertinent here to note the ruling of Hon'ble Supreme Court of India in **Munshi Ram and Ors vs Municipal Committee, Chheharta on 6 March 1979**, the Hon'ble Supreme Court of India has observed that:-*"Partnership" as defined in Section 4 of the Indian Partnership Act, 1932, is the relation between persons who have agreed to share the profits of a business carried on by all or any of them for the benefit of all. A firm or partnership is not a legal entity separate and distinct from the partners. Firm is only a compendious description of the individuals who compose the firm. The business being carried on by all or any of the partners, all of them are jointly and severally responsible for the liabilities incurred in the course of the business as each one is considered as an agent of the other."*

23. The issue that arises for consideration in the present proceeding is whether the Noticees were providing investment advisory services without obtaining a certificate of registration from SEBI in violation of Section 12 (1) of the SEBI Act, 1992 read with Regulation 3 (1) of the IA Regulations, 2013. I note that the definition of "Investment Adviser" as given under Regulation 2(1)(m) of the IA Regulations is relevant:-

"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;"

24. Further, Regulation 2(1)(l) of the IA Regulations defines "investment advice" as under:

"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;”

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

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 ⁵³[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:”

26. SEBI was in receipt of references and complaints in respect of three entities viz M/s. Signal2Noise, M/s. Market Labh and M/s. Capital Taj wherein it was had been alleged, *inter alia*, that these entities were engaged in unregistered investment advisory activities. On examination, it is observed that all these three entities were being operated by three partnership firms viz, M/s. ML Tele Sales (Noticee 9), M/s. Signal2Noise Capital Partners (Noticee 4), and M/s. CT Web Sales (Noticee 8). It was also observed that Yogesh (Noticee 1) and Rajesh (Noticee 2) were partners in these firms i.e. Noticees 8 and 9 and Yogesh, Rajesh and Nithin (Noticee 3) were partners in the firm of Noticee 4.

27. I note that Yogesh and Rajesh were registered as Investment Advisers in their individual capacities bearing registration Nos. INA000010113 and INA200012142 since 20.03.2018 and 03.12.2018 respectively. SEBI conducted an inspection of

the investment advisory activities of Yogesh and Rajesh for the period 01.04.2018 to 27.09.20219.

28. During the inspection, when Yogesh and Rajesh were, *inter alia*, advised to provide information w.r.t the investment advisory services offered by them, Rajesh vide his email dated 04.07.2019 has provided the information w.r.t six partnership firms. Hence I note that there are six partnership firms in which the Noticees are partners and who were offering unregistered investment advisory services. The details of these six partnership firms are as follows: -

Firm Name	Website	Date of Commencement of business	Payment Gateway	Bank Account
M/s. Signal2Noise Capital Partners	www.s2n.co.in	27.08.2016	Payumoney, Easebuzz	ICICI (058305003915), HDFC (50200022068821), Kotak (0012203833)
M/s Investo Investment Advisers	www.myinvesto.in	21.11.2018	Easebuzz	ICICI (100805001562), Yes (091861900000445)
M/s SS Info Sales	www.shinestocks.com	25.01.2018	Easebuzz	ICICI (107505001801), HDFC (50200029794287), Yes (070063300000360), Axis (918020011763529)
M/s SI Digi Sales	www.shubhinvestments.com	23.01.2018	Easebuzz	ICICI (316805000153), HDFC (50200032107581), Yes (069663300000217)
M/s CT Web Sales	www.capitaltaj.com	17.01.2018	Easebuzz	ICICI (035705002141), HDFC (50200032096290), Yes (071363300000527), Axis (918020017770671)
M/s ML Tele Sales	www.marketlabh.com	21.01.2018	Easebuzz	ICICI (318205000063), HDFC (50200032107683), Yes (091861900000455)

29. I also note the following from the archived webpages of these six partnership firms which are available as on 07.02.2020 (*these websites are not available currently*) w.r.t the details provided on these website alongwith the details of the pricing of the products:-

29.1 **M/s. Signal2Noise Capital Partners (Website : www.s2n.co.in)**

- *Signal2Noise strives to help stock and commodity trading investors who are serious about gaining amazing returns.*
- *We are one of the reputed providers of products for online share trading advisories*

- *Subscribe to Signal2Noise today and know how technology can offer assistance in your online trading advisory services*
- *The contact details provided – Singla2Noise Capital Partners, 1st floor, No. 343, 9th main, HSR Layout 7, Bangalore – 102. Phone No provided is 7090163355 and email is helpdesk@signal2noise.in.*
- *Easebuzz and Payumoney has provided payment gateway services.*
- *I further also note the website states Signal2Noise empowers users with trading strategies. Everything you need for online share trading and commodity trading services is just at tap away with Signal2Noise. Subscribe to Signal2Noise today and know how technology can offer assistance in your online trading advisory services.*
- *The price details with respect to the various investment advice packages offered by M/s Signal2Noise Capital Partners is given below:*

S.No.	Category	Monthly Fee (in Rs.)	Quarterly Fee (in Rs.)	Half Yearly Fees (in Rs.)	Yearly Fee (in Rs.)
1	NSE Cash	25500	67500	131500	181500
2	Stock Futures	27900	69500	135900	201500
3	NSE Future	27900	69500	135900	201500
4	Bank Nifty Future	29500	71900	149100	211900
5	Stock Options	29500	71900	149100	211900
6	Nifty Options	21500	43700	79500	105900
7	Bank Nifty Options	27500	69100	133700	198100
8	Bullions	31500	69100	133700	198100
9	Metals	31500	69100	133700	198100
10	Energy	31500	69100	133700	198100

S.No.	Category	Monthly Fee (in Rs.)	Quarterly Fee (in Rs.)	Half Yearly Fees (in Rs.)	Yearly Fee (in Rs.)
11	Momentum Trades	49000	85900	155900	22510
12	Platinum	218000	336000	454000	572000

29.2 M/s. Investo Investment Advisers (Website : www.myinvesto.in)

- We provide the recommendations for Stocks-Cash and F&O traded in NSE and commodities bullion, metals and agro-commodities trade in MCX, NCDEX. We work with various kinds of strategies to delight the customers by providing continuous profit in the market
- We provide recommendations to our clients through SMS and voice.
- Investo is an Investment advisory service that employs various investment techniques, fundamental frameworks and thematic plays to generate returns regardless of the market performance.
- Our product Investo provides a comprehensive suite of Investment services with a flexible construct that can be designed to cater to your investment needs
- The phone No provided is 9513944222 and email is support@myinvesto.in and info@myinvesto.in.
- The price details with respect to the various investment advice packages offered by M/s Investo Investment Advisers is given below:

S.No.	Product	Ideal for	Risk Type	Monthly Fee (in Rs.)	Quarterly Fee (in Rs.)
1	Stock Cash	Intraday	Medium	5000	12000
2	Stock Futures	Intraday	Medium	5000	12000
3	Base Metal Pack	Intraday	Medium	5000	12000
4	Bullion Metal Pack	Intraday	Medium	5000	12000

S.No.	Product	Ideal for	Risk Type	Monthly Fee (in Rs.)	Quarterly Fee (in Rs.)
5	Commodity Pack	Intraday	Medium	5000	12000
6	HNI Commodity	Intraday	Medium	5000	12000

29.3 **M/s. SS Info Sales (Website : www.shinestocks.com)**

- *Shinestocks provides you trading tips about the Indian Stock Market with intense analysis done by our Team of Analysts. We have been providing valuable Stock Tips to our clients through various methods.*
- *The phone no provided is 7829800664 and email is help@shinestocks.com.*
- *Easebuzz and Payumoney have provided payment gateway services.*
- *I further note the website states Stock Cash – In this service you can daily get 2-3 equity market tips... , Delivery Call is a stock advisory and trading recommendation strictly for traders who like to buy / sell stocks today and sell/buy tomorrow. Stock Combo- In this segment we provide 5-6 trading tips daily. The tips in this package will be in Stock Cash, Stock Future, Nifty Future & Delivery Tips.*
- *The price details with respect to the various investment advice packages offered by M/s SS Info Sales is given below:*

S.No.	Category	Monthly Fee (in Rs.)	Quarterly Fee (in Rs.)	Half Yearly Fees (in Rs.)	Yearly Fee (in Rs.)
1	Momentum Trades	51000	98000	131000	181000
2	NSE Cash	28500	69500	135500	245500
3	Stock Future	32500	87500	155500	280500
4	NSE Future	32500	87500	155500	280500

S.No.	Category	Monthly Fee (in Rs.)	Quarterly Fee (in Rs.)	Half Yearly Fees (in Rs.)	Yearly Fee (in Rs.)
5	Bank Future	32500	87500	155500	280500
6	Stock Option	30500	87500	130500	225500
7	Nifty Option	30500	87500	130500	225500
8	Bank Option	31500	61500	131500	226500
9	Bullions	35500	85500	156500	288500
10	Metals	35500	85500	156500	288500
11	Energy	32500	59500	128500	220500

29.4 M/s. SI Digi Sales (Website : www.shubhinvestments.com)

- Shubhinvestments Advisory is the most investment advisory in India gives best advisory services in Equity and Futures segment covers intraday future tips, Equity and Nifty Future Tips, btst./stbt service and positional delivery based services.
- The contact email id provided is team@shubhinvestments.com.
- Easebuzz and Payumoney have provided payment gateway services.
- I further note that website also states Stock Cash – In this service you can get daily 2-3 equity market tips....., Delivery call is a stock advisory and trading recommendation strictly for traders who like to buy / sell stocks today and sell/buy tomorrow. Stock Combo – In this segment we provide 5-6 trading tips daily. The tips in this package will be in Stock Cash, Stock Future, Nifty Future & Delivery Tips.
- The price details with respect to the various investment advice packages offered by M/s SI Digi Sales is given below:

S.No.	Category	Quarterly Fee (in Rs.)	Half Yearly Fees (in Rs.)	Yearly Fee (in Rs.)
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1	S Cash	17999	32999	58999
2	Stock Future	21999	36999	63999
3	Option	18999	33999	59999
4	Ultra Cash	22999	39999	69999
5	Ultra Future	24999	42999	74999
6	Nifty Future	15999	27999	41999
7	Metal	17999	32999	60999
8	Bullion	21999	40999	69999
9	Bullion + Metal	30999	57999	98999
10	Bullion + Metal +Agri	35999	65999	105999
11	Agri HNI	16999	29999	51999
12	Prm Equity Combo	75999	135999	237999
13	HNI Commodity	82999	155999	275999
14	L-Term Gain Service	18999	30999	50999

29.5 M/s. CT Web Sales (Website : www.capitaltaj.com)

- Capitaltaj Advisory is a fastest growing, leading stock advisory company in India having a good track record in the financial services industry
- The contact address provided is Hootagalli Industrial area, Hootagalli, Mysore – 570018. Phone No provided is 7406256222 and email is service@capitaltaj.com.
- Easebuzz has provided payment gateway services.
- I further note that the website states Stock Cash – In this service you can daily get 2-3 equity market tips.....Delivery – Delivery Call is a stock advisory and trading recommendation, strictly for traders who like to buy / sell stocks today

and sell/buy tomorrow. Stock Combo – In this segment we provide 5-6 trading tips daily. The tips in this package will be in Stock Cash, Stock Future, Nifty Future & Delivery Tips. Metals – We provide Mcx Base Metal Tips on the basis of technical and fundamental analysis.....

- The price details with respect to the various investment advice packages offered by M/s CT Web Sales is given below:

S.No.	Category	Monthly Fee (in Rs.)	Quarterly Fee (in Rs.)	Half Yearly Fees (in Rs.)	Yearly Fee (in Rs.)
1	NSE Cash	28500	69500	135500	245500
2	Stock Future	32500	87500	155500	280500
3	NSE Future	32500	87500	155500	280500
4	Bank Future	32500	87500	155500	280500
5	Stock Option	30500	87500	130500	225500
6	Nifty Option	30500	87500	130500	225500
7	Bank Option	31500	61500	131500	226500
8	Bullions	35500	85500	156500	288500
9	Metals	35500	85500	156500	288500
10	Energy	32500	59500	128500	220500

29.6 **M/s. ML Tel Sales (Website : www.capitaltaj.com)**

- Marketlabh Advisory is a fastest growing leading stock advisory company in India having a good track record in the financial services industry.
- Higher returns with premium calls @ minimum capital
- The phone no. provided is 8884957957 and email is info@marketlabh.com.
- Easebuzz has provided payment gateway services.
- I further note that the website states Stock Cash – In this service you can daily get 2-3 equity market tips... Delivery – Delivery call is a stock advisory and

trading recommendation, strictly for traders who like to buy/sell stocks today and sell/buy tomorrow. Stock Combo – In this segment we provide 5-6 trading tips daily. The tips in this package will be in Stock-Cash, Stock Future, Nifty Future & Delivery Tips. Metals – We provide Mcx Base Metal Tips on the basis of technical and fundamental analysis

- The price details with respect to the various investment advice packages offered by M/s ML Tele Sales is given below:

S.No.	Product	Quarterly Fee (in Rs.)	Half Yearly Fees (in Rs.)	Yearly Fee (in Rs.)
1	NSE Regular	30227	50979	90217
2	NSE HNI	40487	75887	105777
3	NSE OPT	50567	80767	130117
4	MCX Regular	40487	60887	10077
5	MCX HNI	50567	75767	120117
6	MCX OPT	60217	90217	150272
7	NCDEX Regular	30227	50979	90217
8	NCDEX HNI	40487	75887	105777
9	NCDEX OPT	50567	80767	130117
10	Investment Counsel	100777	150217	201676

30.I also note the following details w.r.t the six partnership firms which have been gathered from the KYC and related documents submitted by the banks ie ICICI Bank, HDFC Bank and Axis Bank and the payment gateways i.e. Easebuzz and PayuMoney:-

S. No.	Firm Name (PAN)	Date of Partnership Deed	Partners – Profit Share	Registered Address as per Partnership Deed	Nature of Business in brief
1	M/s Signal2Noise Capital Partners (ADDFS5850N)	01.09.2016. Partnership Deed was reconstituted on 02.01.2017	1) Rajesh Kallidumbil – 70% (Since Sep 14, 2016) 2) Nithin Raj – 10% (Since Sep 14, 2016) 3) Yogesh Kukadia - 20% (Since Jan 02, 2017)	No. 91, Second floor, 17 th Cross, 14 th Main, HSR Layout, 4 th Sector, Bangalore - 560102	a) Providing Investment Advisory Services to registered clients b) Trading in Equity, Commodity and Currency markets
2	M/s Investo Investment Advisers (AAGFI7660G)	Nov 07, 2017	1) Rajesh Kallidumbil - 50%(Since Nov 07, 2017) 2) Yogesh Kukadia - 50%(Since Nov 07, 2017)	4 th floor, #675, 9 th Main, HSR Layout, 7 th Sector, Bangalore - 560102	a) Providing Investment Advisory Services to registered clients b) Trading in Equity, Commodity and Currency markets c) Providing educational services on Equity, Commodity and Currency markets
3	M/s SS Info Sales (ADNFS2939J)	Oct 17, 2017	1) Rajesh Kallidumbil – 50%(Since Oct 17, 2017) 2) Yogesh Kukadia – 50% (Since Oct 17, 2017)	Ground Floor, #675, 9 th Main, Sector 7, HSR Layout, Bangalore - 560102	a) Sale and service to clients through digital, telephonic etc. b) Promotional activities over digital, sms etc. c) Educational services to clients

S. No.	Firm Name (PAN)	Date of Partnership Deed	Partners – Profit Share	Registered Address as per Partnership Deed	Nature of Business in brief
4	M/s SI Digi Sales (ADNFS7110B)	Nov 07, 2017	1) Rajesh Kallidumbil - 50% (Since Nov 07, 2017) 2) Yogesh Kukadia - 50%(Since Nov 07, 2017)	Ground Floor, #675, 9 th Main, Sector 7, HSR Layout, Bangalore - 560102	a) Sale and service to clients through digital, telephonic etc. b) Promotional activities over digital, sms etc. c) Educational services to clients
5	M/s CT Web Sales (AAMFC9502D)	Oct 17, 2017	1) Rajesh Kallidumbil – 50% (Since Oct 17, 2017) 2) Yogesh Kukadia – 50% (Since Oct 17, 2017)	Ground Floor, #675, 9 th Main, Sector 7, HSR Layout, Bangalore - 560102	a) Sale and service to clients through digital, telephonic etc. b) Promotional activities over digital, sms etc. c) Educational services to clients
6	M/s ML Tele Sales (ABHFM3142P)	Oct 17, 2017	1) Rajesh Kallidumbil – 50% (Since Oct 17, 2017) 2) Yogesh Kukadia -50% (Since Oct 17, 2017)	Ground Floor, #675, 9 th Main, Sector 7, HSR Layout, Bangalore - 560102	a) Sale and service to clients through digital, telephonic etc. b) Promotional activities over digital, sms etc. c) Educational services to clients

31. I also note that Rajesh vide his email dated 04.07.2019 has submitted the details of the fees collected through the six partnership firms which are summarized as follows:-

S. No			Fees Collected for F.Y. in Rs. Lakhs				
	Firm Name		2016 - 17	2017 - 18	2018 - 19	2019 - 20 *	Total
1	M/s Signal2Noise Capital Partners	No. of Clients	39	764	684	51	1538
		Fees	4.80	121.82	116.84	6.11	249.57
2	M/s Investo Investment Advisers	No. of Clients	0	0	279	139	418
		Fees	0	0	40.52	17.18	57.70
3	M/s SS Info Sales	No. of Clients	0	129	590	147	866
		Fees	0	16.95	123.01	24.60	164.56
4	M/s SI Digi Sales	No. of Clients	0	63	211	44	318
		Fees	0	8.47	67.29	9.75	85.51
5	M/s CT Web Sales	No. of Clients	0	88	481	70	639
		Fees	0	6.84	73.93	11.55	92.32
6	M/s ML Tele Sales	No. of Clients	0	64	633	60	757
		Fees	0	6.46	147.73	6.39	160.58
		Total Clients	39	1108	2878	511	4536
		Total Fees	4.80	160.54	569.32	75.58	810.24
*** – Data from April 01, 2016 till date of reply i.e. July 04, 2019							

32. I further note that from the total fees of Rs. 810.24 lakhs which was collected through these six partnership firms, a sum of over Rs. 490.38 lakhs has been received through the payment gateways i.e. PayUmoney and Easebuzz in their bank accounts. The details of payments received through these payment gateways are tabulated below:

Website	Payment Gateway	Firm Name	Transaction Period *	Credited to Bank A/c	No. of Transactions	Amount Collected in Rs.
s2n.co.in	PayUMoney (through two accounts)	Signal2Noise Capital Partners	Nov 04, 2016 to June 10, 2019	ICICI (058305003915), HDFC (50200022068821)	1067	87,80,894.25
	Easebuzz		April 04, 2017 to Jun 10, 2019	ICICI (058305003915), HDFC (50200022068821)	796	62,60,025.87

Website	Payment Gateway	Firm Name	Transaction Period *	Credited to Bank A/c	No. of Transactions	Amount Collected in Rs.
myinvesto.in	Easebuzz	Investo Investment Advisers	Sep 17, 2018 to Jun 14, 2019	ICICI (100805001562)	702	62,21,689.63
shinestocks.com	PayuMoney	SS Info Sales	Feb 21, 2018 to Mar 07, 2018	ICICI (107505001801)	5	28,600.00
	Easebuzz		Feb 10, 2018 to Jun 14, 2019		1026	1,35,04,720.71
shubhinvestments.com	PayuMoney	SI Digi Sales	Feb 21, 2018	ICICI (316805000153)	1	100.00
	Easebuzz		Feb 10, 2018 to Jun 17, 2019		363	55,77,745.19
capitaltanj.com	PayuMoney	CT Web Sales	Feb 21, 2018 to Mar 13, 2018	ICICI (035705002141)	10	74,497.00
	Easebuzz		Feb 10, 2018 to Jun 17, 2019		1117	74,39,144.91
marketlabh.com	PayuMoney	ML Tele Sales	Feb 21, 2018 to Apr 24, 2018	ICICI (318205000063)	4	32,100.00
	Easebuzz		Sep 20, 2017 to Jan 23, 2019	HDFC (50200022068821)	161	11,19,329.41
				Total	5252	4,90,38,846.97
'**' - Date of transaction is from date of account opening till date of latest reply from payment gateway - Payumoney (Feb 05, 2019) and Easebuzz (January 09, 2020)						

33. On a combined reading of paras 31 and 32, I note that Rajesh vide his email dated 04.07.2019 has admitted that these six partnership firms have collected a total of Rs. 810.24 lakhs from 4536 clients during the financial years 2016-17 till 2019-20 which is the fees collected by these six partnership firms for providing unregistered investment advisory services and over Rs. 490.38 lakhs have been received through the payment gateways. Hence, it is clear that the entities were collecting fees for their investment advisory services through other modes also.
34. Further, I also note from the details which were available on the websites of these partnership firms i.e. Noticees 4 to 9 as given at Para 29 that all these firms were clearly offering advice for dealing in securities for consideration. I also note from the details available at Para 30 above that the partnership deeds of Noticees 4 and 5 clearly state that the nature of business of these firms was providing investment advisory services. Further, I also note SEBI had received complaints wherein the complainants stated that they were offered investment advisory services by the unregistered IA firms i.e. Noticees 4, 8 and 9. I also note from the payment details submitted by one complainant against Noticee 4, that against payment ID 150338949, the complainant has transferred the amount through the payment gateway i.e. PayuMoney which is also confirmed from the transaction details provided by the payment gateway. Thus, it is clearly established that these partnership firms were providing investment advisory services for consideration which is evident from their websites as well as the monies received through the payment gateways as well as the bank statements of these partnership firms.
35. Further, the Noticees 1 and 2 during the personal hearing granted to them on 26.10.2023 have not refuted the allegation of having conducted investment advisory services through their unregistered six partnership firms. They have, however, taken the defense that they had an understanding that since they had individually applied for the registration as IA with SEBI, they could commence their IA activities. Ignorance of the law is no excuse and the same cannot be taken as a defense in any proceedings to avoid liability in case of breach. The IA Regulations were notified by SEBI in the year 2013 and it came into force w.e.f April 21, 2013. From such date, it was imperative for any person carrying out investment advisory activity to get registered with SEBI. It is noted from the records that the partnership firm i.e. Noticee 4 was carrying out unregistered IA activities

from August 2016, Noticee 5 from November 2018 and the remaining partnership firms ie. Noticees 6 to 9 had commenced their activities in January 2018. Thus, the regulations were in force for more than 3 years when the Noticees had ventured in the business of providing investment advisory services. Therefore, the facts of the case don't support the submission of the Noticees and it was imperative for the Noticees to obtain registration as investment adviser under the IA Regulations, prior to starting their investment advisory services through the firms. Besides, the Noticees 1 and 2 have not sought registration of their partnership firms, but rather had sought registration in their individual capacity in January 2018 and September 2018 respectively. I note that the Noticees admittedly were providing tips/investment advice through the unregistered firms during the period, April 2016 till July 4, 2019 (i.e date of their reply). Further, they also did not disclose to SEBI when they filed their applications for registration as investment advisers that they were already engaged in IA services prior to making their applications. It is to be noted that just because an entity applies for registration as an intermediary with SEBI does not automatically grant them the right to be registered. The Noticees were aware of the IA Regulations which were in force when they sought for registration as IAs in their individual capacities. Hence, it is assumed that they were aware that SEBI takes into account all matters which are relevant to the grant of certificate of registration *inter alia*, fit and proper person, networth requirement, qualifications and certifications, experience, etc which are elucidated in the relevant Regulation. The Regulations further states with grant of certificate of registration *"The Board on being satisfied that the applicant complies with the requirements specified in regulation 6 shall send intimation to the applicant and on receipt of the payment of registration fees as specified in Second Schedule, grant certificate of registration in Form B under First Schedule, subject to such terms and conditions as the Board may deem fit and appropriate"*. Thus until the certificate of registration is granted by SEBI, an entity cannot assume it has been registered with SEBI. In view of the same, I do not find any merit in the contention advanced by the Noticees that they could start their IA activities just because they had sought SEBI registration.

36. As regards the Noticee 3 who is a partner in the partnership firm i.e. Signal2Noise Capital Partners (Noticee 4), I note that he has denied that he was a partner in the said firm. He has stated that his capital holding in the partnership firm was only 0.5% and that too for only a short duration as he resigned as a partner from the

firm on 31.05.2017. To support his resignation, he has submitted emails dated 07.06.2017 and 11.09.2017 sent by him to the other 2 partners. He has also stated that his resignation has been accepted by them. Further, he has also provided a copy of the Affidavit dated 16.12.2022 signed by Rajesh (Noticee 2) confirming his resignation. Post his resignation, he stated that he was not associated with the partnership firm in any manner and was not aware of the activities of the firm. It was only after the SCN was issued to him that he became aware of the default of the other partners for not dissolving the said partnership and reconstituting the partnership deed. He has also referred to Clauses 5 and 6 of the Partnership Deed dated 01.09.2016 and Clauses 3 and 4 Reconstituted Partnership Deed dated 02.01.2017 wherein the role of the partners has been defined. According to such deed, he was handling the administration requirements of the partnership firm as a Floor Manager. He has also stated that he has not received the profits from the partnership till date. He was not aware of the legal formalities which were required under law for the dissolution of the firm after the resignation of a partner.

37. In this regard, I note from the Partnership Deed dated 01.09.2016 that Noticee 2 and Noticee 3 were the original partners in the firm which commenced business from 27.08.2016. Further, the firm was reconstituted on 02.01.2017 to induct Noticee 1 as the incoming partner. Hence in both these partnership deeds, the Noticee 3 has clearly been stated to be the as the 'Second Partner' in the firm. Further both the partnership deeds have also been signed by him. Further, even in his written submissions he has acknowledged that he had contributed 0.5% towards the capital in the firm. Hence, Noticee 3 is clearly a partner in the firm (Noticee 4) and cannot deny the fact of being a partner in the partnership firm.

38. With respect to defense of Noticee 3 that he has resigned from the partnership firm, I note that vide his reply of 23.12.2022 to the SCN, Noticee 3 has stated that he has resigned in March 2017 and in the same letter elsewhere he has stated that he has resigned as a partner from the firm on 31.05.2017. While in his reply dated 23.12.2022 he has stated that he has resigned as a partner in the firm, in his subsequent replies he has stated that he has resigned as a floor manager. The inconsistencies in the submissions of Noticee 3 are glaring and it is not only with respect to the resignation dates but also the post from which the Noticee has resigned. He has also stated that vide emails dated 07.06.2017 and 11.09.2017,

Noticee 1 has also accepted his resignation. However, I note that the letter dated 31.05.2017 which is purportedly to be resignation letter of Noticee 3 and which has been accepted by Noticee 2 states that he has resigned as “Floor Manager” with immediate effect and the letter also states *“I hereby request you to kindly dissolve this Firm and reconstitute the Partnership Firm, in case if you desire to continue the business further.”*

39. I firstly note that the Noticee 3 did not make any mention of this letter of resignation dated 31.05.2017 (which was supposedly accepted by Rajesh) in his earlier reply dated 23.12.2022 or during the hearing held on 12.04.2023. Vide his letter dated 23.12.2022 he had only mentioned about his resignation emails dated 07.06.2017 and 11.09.2017 and the affidavit signed by Rajesh. It is only post hearing vide his reply dated 22.04.2023 that he has mentioned about this letter of resignation, which appears to be an afterthought. Secondly, I also note from the letter that Noticee 3 has stated that he is resigning from the post of “Floor Manager”. There is no mention of Noticee resigning as a partner from the partnership firm. Hence, I am unable to accept the contention that he has resigned as a partner from the firm, which is further strengthened from his emails as stated below.

40. Vide email dated 07.06.2017 sent by Noticee 3 to the other 2 partners, wherein Noticee 3 has stated that his resignation letter has been accepted by both the partners, I note that the Noticee 3 has only stated *“Due to personal issues, I need to go to home city very urgently. Few days I have to be there minimum 3 weeks, I don’t think so that this time these many leaves I can get from here, so please grant my exit formalities, I will be back on 1st of July if any formalities are pending I will do it on July*” On a plain reading it only appears that the Noticee was only seeking for the exit formalities and this cannot be accepted as his resignation letter being accepted by the partners. Further, on copy of the same email dated 07.06.2017, Noticee 3 vide his handwritten notings dated 10.07.2017 has stated *“As mentioned above, Am resigning from the firm no liabilities are due to me from the firm and vice versa.”* Hence it is seen that the Noticee has not resigned on 31.05.2017 as on 10.07.2017 vide his handwritten notings he is once again stating that he is resigning from the firm. Hence, it is deduced that as on 10.07.2017 also his resignation was not accepted.

41. Further, the Noticee 3 vide email dated 11.09.2017 has stated, interalia, *“This is to inform that 31st May 2017 I was resigned the position as floor manager and till date my partnership continues please settle down in on priority basis. I am not getting any benefited out of it. I want to come out of it. Kindly respond back. With in 24hours or I will be back with legal notice.”* The Noticee has contended that his resignation was accepted by the partners. However, it is seen that no response from the other partners i.e. Noticees 1 and 2 accepting his resignation. Further, there is no mention in his correspondence of having resigned as a partner of the firm. It is only during the current proceedings that Noticee No.2 has given an affidavit stating that Noticee 3 has resigned as a partner of the firm. However, w.r.t the balance sheet of the partnership firm (Noticee 4) submitted by the Noticee 2 vide his reply dated 15.12.2022, it is clearly stated therein that on 31.03.2020 as per the balance sheet of the firm, Noticee 3 is still shown as a partner with his contribution towards the Fixed Capital Balance and Current Account Balance of the firm. Hence, on an examination of the documents available on record as well as those submitted by the Noticee 3 himself, there cannot be a conclusion that he has resigned as the partner in the partnership firm nor is there a factual evidence that the other partners have accepted his resignation. Further, there is no independent evidence such as public notice of the resignation of the partner. Hence, I am not inclined to accept the plea of Noticee 3 that he has resigned as a partner from the partnership firm (Noticee 4) w.e.f 31.05.2017.

42. Noticee 3 has also submitted that he has received only Rs.1,95,000/- on various dates as remuneration for his post of Floor Manager from 01.06.2016 to 31.05.2017 which I note most of them have been received from the personal account of Noticee 2 except for one payment which he has received from the firm. In fact this establishes the fact that he was getting certain payments from the Noticee 2 himself rather than from the partnership firm. However, no conclusive inference can be drawn from this submission to prove that he has received remuneration as a floor manager. The letter dated 31.05.2017 provided as evidence by Noticee 3 only goes to show that he has resigned as a floor manager. However, there is no evidence available on record to show that he resigned as a partner contrary to his claim.

43. In the light of Paras 36-42 above and from the evidence brought on record, I note that the Noticee 3 has not provided any cogent evidence to prove that he has resigned as a partner of the firm. The documents available on record show his resignation as a floor manager. However, the partnership deed clearly show him as the partner of the firm even as per the balance sheet as on 31.03.2020. In view of the above, I find that Noticee 3 was a partner in the partnership firm i.e Noticee 4 which was providing unregistered investment advice and is hence jointly and severally liable as a partner in this firm i.e Noticee 4.
44. Noticee 2 (i.e. Rajesh) during the personal hearings has not refuted the allegation w.r.t conducting the investment advisory services through the unregistered six partnership firms. He has however contended that his involvement with the firms was limited to the role as an investor and a 'limited / sleeping / silent partner" and since Yogesh i.e Noticee 1 had the necessary NISM certificates and credentials he would handle the IA certification.
45. I note that as per reconstituted partnership deed dated 02.01.2017 all the partners shall be working partners of the firm being actively engaged in the conduct of the affairs of the firm and therefore, his reply that he was sleeping partner is not tenable. Further, the Noticee 2 got registered as an Investment Advisor with SEBI on 03.12.2018, in his individual capacity, with registration No. INA200012142. Further, vide an application dated 17.09.2018 while seeking for registration as IA, the Noticee has categorically stated that he is not engaged in the investment advisory services prior to making the application although the partnership firm Signal2Noise Capital Partners was already incorporated prior to his application and was carrying out the unregistered IA services. The other partnership firms had also commenced business prior to his getting registered in his individual capacity.
46. Similarly, Noticee 1 (i.e. Yogesh), during the personal hearings has also not refuted the allegation w.r.t conducting the investment advisory services through the unregistered six partnership firms. He has however stated, *inter alia*, that he was just a normal employee of the firm but was appointed as a partner to get incentive in a convenient manner. He was made partner only for the purpose of profit distribution which was part of his salary and hence only 0.5% of capital allocation

was offered to him to make him partner. The firms, Investo Investment Advisers, SS Info Sales, SI Digi Sales, CT Web Sales and ML Tele Sales were not engaged in unregistered IA activities rather it was run and operated by a SEBI registered IA who had a valid certificate of registration from SEBI. The Noticee 1 has made references to 2 case laws i.e. of SEBI order of *Chetan Kalubhai Dhokiya* and Order of Hon'ble Securities Appellate Tribunal (SAT) order in the matter of *Wealth Management Research* wherein in he has stated that in similar matters no direction of refund of the amount collected in a separate corporate entity by a registered individual IA was made in the former case and SAT has not made any direction of refund w.r.t the unregistered IA activity.

47. I note from the partnership deeds of all the six partnership firms i.e. Noticees 4 to 9, that Noticee 1 is a partner in all these six firms. He is also a signatory in all these partnership deeds. Therefore, he cannot take the plea that he was just an employee of the firm. Further, I note that Noticee 1 got registered as an Investment Advisor with SEBI on 20.03.2018, in his individual capacity, with registration No. INA000010113. The Noticee 1, vide an application dated 31.01.2018 while responding to the query of whether he was engaged in investment advisory services prior to making the application has categorically stated that he worked with Dreamgains Financials India Pvt. Ltd. and Aditra Trading Solutions as a Research Analyst. He has not informed SEBI at the time of applying as an IA in his individual capacity regarding the partnership firms which were already engaged in the unregistered IA activities. Noticee 1 was registered as IA in his individual capacity but was carrying out the IA activities through the unregistered partnership firms.

48. Further, the Noticee 1 has referred to SEBI's Order w.r.t *Chetan Kalubhai Dhokiya*, which is not comparable to the instant case due to different set of facts and circumstances involved. In the case under reference, it is observed that one of the noticees who was a registered IA in his individual capacity as well as director in the private company which was the other noticee who had applied for registration as an IA, had solicited and received fees in the name of the company while the application of registration was pending with SEBI. In its Order SEBI observed that the application of registration as an IA was filed by noticee just within a few days subsequent to its incorporation. Further, based on the facts and circumstances of

the case, it was decided that the noticee (i.e. registered IA) was ready and willing to comply with the regulatory requirements in respect of the other noticee and penalty was levied on the noticees for carrying out unregistered IA activities. However, in the current proceedings, firstly the Noticees 1 and 2 who are registered IAs have not sought registration of their unregistered partnership firms. In fact deeds of these partnership firms were executed in 2016/2017 i.e. even before the noticees individually sought for SEBI registration in 2018. However, they did not inform SEBI about the unregistered IA activities undertaken through the six partnership firms at the time of applying to SEBI for registration. Hence, the facts of both these cases are not comparable.

49. I further note that Noticee 1 has also stated that no direction of refund was made w.r.t the unregistered IA activities in the Hon'ble SAT order in the matter of *Wealth Management Research*. The facts in the current proceedings are not comparable with those referred by the Noticee. In fact, SAT has upheld the penalty imposed w.r.t the unregistered activities in the matter under reference. I further note that these proceedings in the aforesaid case was initiated and conducted under Chapter VIA only wherein the noticees were shown caused as to why an inquiry should not be held against them and why penalty be not imposed on them in terms of the provisions of sections 15HA and 15HB of the SEBI Act for the violations alleged to have been committed by them. Whereas, the current proceedings are being conducted under Chapter IV i.e. directions for refund under Sections 11(4) and 11B(1) read with Section 11(1) and penalty under Section 114(A) and 11B(2) read with Chapter VIA of the SEBI Act, 1992.

50. I note that the noticees especially Noticees 1 and 2 by their aforesaid acts have undermined the registration process specified in the IA Regulations. Registration process, among other things, takes into account various aspects pertaining to the applicant including the qualification and the certification requirements, 'fit and proper person' criteria, etc. These noticees alongwith noticee 3 by carrying out the business of investment advisory through the unregistered firms have circumvented *inter alia* the registration requirements, eligibility criteria, networth requirement, etc. specified in the IA Regulations. The Noticees 1 and 2 have not conducted the IA activities in their individual names for which they had taken SEBI registration but rather through their six partnership firms, which were not registered

with SEBI. From their own submissions it is noted that, Noticees have collected huge fees to the tune of Rs.810.24 lakhs from a large number of clients (4536 clients). The Noticees 1 and 2 continued with the violation inspite of being registered in their individual capacities and being aware of the requirements of the IA Regulations. The noticees continued with the violations till the time the same was detected by SEBI. Hence, I am hence inclined to take a serious view of the same.

51. I also note that the Noticees 1 and 3 have argued that they had only miniscule contribution to the capital in these six partnership firms. I note from the partnership deed that Noticees 1 and 3 have contributed 0.5% each in the partnership firm (Noticee 4) and Noticee 1 has made a capital contribution of 1% in the other five partnership firms (i.e. Noticees 5 to 9) and were not responsible for taking independent decisions in these firms. In this regard, I note that as per Sections 2(a), 4, 18 and 25 of the Indian Partnership Act, 1932 and Section 27 of the SEBI Act, 1992, every partner is liable, jointly with all the other partners and also severally, for all acts of the firm done while he is a partner and miniscule shares in the partnership or non participation in the decision making do not absolve such partners from their liability.

52. Considering the aforesaid factual analysis about the activities of the Noticees as seen on the websites as detailed at Para 29, the replies of the Noticees and most importantly, the fact that the Noticees have also accepted during the personal hearings the charges/allegations levelled against them in the SCN, there is no ambiguity left that the Noticees were engaged in business of providing investment advice to the public in lieu of monetary consideration and were thus, acting as 'Investment advisers' as defined under regulation 2(1)(m) of the IA regulations. Based on the above, I conclude that the activities indulged into by the Noticees squarely fall into the category of investment advisory services as defined under Regulation 2(1)(l) of the IA Regulations. Further, Noticees 1, 2 and 3 have carried out these IA activities through partnership firms i.e Noticees 4 to 9 which were not registered with SEBI. Hence, I note that all the Noticees are liable for violation of Section 12(1) of the SEBI Act, 1992 read with Regulation 3(1) of the SEBI (IA) Regulations, 2013.

53. The activities undertaken by the noticees as brought out from the various material described above, seen in the backdrop of the aforesaid regulatory provisions show that Noticees 1, 2 and 3 were carrying out IA activities through the unregistered six partnership firms. The Noticees through their unregistered six partnership firms held themselves out as investment advisers and provided investment advice to clients for consideration without obtaining registration from SEBI as Investment Adviser. Although Noticees 1 and 2 are registered with SEBI, they have not conducted the IA activities in their individual capacities but rather carried out IA work through the six partnership firms who were not registered with SEBI.

54. In order to ensure that the investors who receive investment advice are protected, it is imperative that any person carrying out investment advisory activities has to necessarily obtain registration with SEBI and conduct its activities in accordance with the provisions of SEBI Act, 1992. Section 12(1) of the SEBI Act, 1992 reads as under:

“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 53[regulations] made under this Act.”

55. Further, the registration of the investment advisers is mandatory as per Regulation 3(1) of the IA Regulations, 2013 which reads as under:

“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.”

56. I note that in terms of Section 12 (1) of the SEBI Act and Regulation 3 (1) of the IA Regulations, no investment adviser shall act as an investment adviser or hold itself out as an investment adviser unless it has obtained a certificate of registration from SEBI.

57.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.

58. I note that the 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 interest.

59. I note that the activities of the Noticees, show that they were acting as investment advisers without holding a valid registration with SEBI in the capacity of investment advisers. I find that these activities were being carried out by the Noticees 1 to 9 without obtaining the necessary certificate of registration as investment advisers and therefore, the Noticees have violated Section 12(1) of the SEBI Act along with Regulation 3 (1) of the IA Regulations.

60. The SCN, inter alia, envisages issuance of a direction to Noticees for refund of the amount of Rs.810.24 lakhs received from the clients / investors / complainants as fees or consideration or in any other form in respect of their unregistered investment advisory activities. I note that these fees were not collected by Noticees 1 and 2 as registered IAs in their individual capacities. Rather, these Noticees 1 and 2 alongwith Noticee 3 have collected total fees of Rs.249.57 lakhs through the unregistered IA firm i.e Noticee 4. Further, Noticees 1 and 2 have also collected total fees of Rs.560.67 lakhs through the unregistered IA firms ie Noticees 5 to 9. In this regard, I note that directing these registered IAs ie. Noticees 1 and 2 (alongwith Noticee 3 who is not registered) to refund the fees is justified as these noticees who are common partners in all the six partnership firms have collected the fees from the clients through the six partnership firms which were not registered and hence not eligible to collect such fees. The SCN also alleges that this entire

amount of fees was collected from 4536 clients for providing investment advice through the six partnership firms which were not registered firms with SEBI. Hence, this would necessitate a refund of the entire amount collected through the unregistered six partnership firms by the respective partners i.e Noticees 1 to 3, of each of the firms i.e Noticees 4 to 9 in which they are partners as follows:-

Sr. No.	Name of Partnership Firm (Noticee No.)	Name of Partners (Noticee No.)	Total Amount collected towards unregistered IA activities (Rs. lakhs)	Total Amount to be refunded (Rs. lakhs)
1.	M/s.Signal2Noise Capital Partners (4)	Yogesh Kukadia (1), Rajesh R Kallidumbil (2) and Nithin Raj (3)	249.57	249.57
2.	M/s.Investo Investment Advisers (5)	Yogesh Kukadia (1) and Rajesh R Kallidumbil (2)	57.70	57.70
3.	M/s.SS Info Sales (6)	Yogesh Kukadia (1) and Rajesh R Kallidumbil (2)	164.56	164.56
4.	M/s. SI Digi Sales (7)	Yogesh Kukadia (1) and Rajesh R Kallidumbil (2)	85.51	85.51
5.	M/s.CT Web Sales (8)	Yogesh Kukadia (1) and Rajesh R Kallidumbil (2)	92.32	92.32
6.	M/s. ML Tele Sales (9)	Yogesh Kukadia (1) and Rajesh R Kallidumbil (2)	160.58	160.58
TOTAL AMOUNT			810.24	810.24

61. Further, the SCN and SSCN referred above also called upon the Noticees to explain as to why appropriate penalty should not be imposed upon them under Section 15HB (for violations prior to 08.03.2019) and Section 15EB (for violations after 08.03.2019) of the SEBI Act, 1992 for the alleged violations. In this regard, before going ahead with the determination of monetary penalty, it would be relevant

to place hereunder the extracts of the appropriate penalty provisions for necessary reference. The relevant extracts of Section 15 EB and Section 15HB of the SEBI Act, 1992, 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.”*

62. For imposition of penalties under the provisions of the SEBI Act, 1992, Section 15J of the SEBI Act, 1992 provides as follows:

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

15J. *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.”

63. I note that the SCN has not brought out the quantum of profits / gains made by the noticees by collecting such unauthorized fees nor does it quantify the loss the

clients have suffered. However, as brought out in the above paras, the noticees have offered these services to a large number of gullible investors/ clients in violation of the IA Regulations. I further note that Noticee 3 has been involved in unauthorized IA activities in another matter as well, for which SEBI has already passed an Order dated 28.04.2023. One of the noticees had also filed an appeal against the order which has been upheld by SAT. As discussed in the aforesaid paragraphs, besides the direction of refund of ₹ 810.24 lakhs, monetary penalty is also attracted for the said violations under Sections 15 EB and 15HB of the SEBI Act.

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

Section 2(a) of Indian Partnership Act, 1932

(a) an "act of a firm" means any act or omission by all the partners, or by any partner or agent of the firm which gives rise to a right enforceable by or against the firm;

Section 4 of Indian Partnership Act, 1932

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

Section 25 of Indian Partnership Act, 1932

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

Section 27 of the SEBI Act, 1992

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

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the contravention was committed

without his knowledge or that he had exercised all due diligence to prevent the commission of such contravention.

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

Explanation : For the purposes of this section,—

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

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

DIRECTIONS

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

(a) The Noticees 1 to 9 shall jointly and severally refund the amount / fees / consideration received from any complainant / investor / client, within a period of three (3) months from the date of coming into force of this direction, in respect of their unregistered investment advisory activities, as follows:-

- Noticees 1, 2, 3 and 4 to refund Rs. 249.57 lakhs
- Noticees 1, 2 and 5 to refund Rs.57.70 lakhs
- Noticees 1,2 and 6 to refund Rs.164.56 lakhs
- Noticees 1,2 and 7 to refund Rs.85.51 lakhs
- Noticees 1,2 and 8 to refund Rs.92.32 lakhs
- Noticees 1,2 and 9 to refund Rs. 160.58 lakhs

(b) The Noticees, 1 to 9 shall issue public notice in all editions of two National Dailies (one English and one Hindi) and in one local daily with wide circulation, detailing the modalities for refund, including the details of contact person such as names, addresses and contact details, within 15 days of coming into force of this direction;

- (c) The repayments to the complainants/ investors shall be effected only through Bank Demand Draft or Pay Order or electronic fund transfer or through any other appropriate banking channels, which ensures audit trails to identify the beneficiaries of repayments;
- (d) The Noticees 1 to 9, are prevented from selling their assets, properties and holding of mutual funds/shares/securities held by them in demat and physical form except for the sole purpose of making the refunds as directed above. Further, the banks are directed to allow debit only for the purpose of making refunds to the clients/ investors/ complainants who were availing the investment advisory services from the Noticees, as directed in this order, from the bank accounts of the Noticees;
- (e) After completing the aforesaid repayments, the Noticees 1 to 9, 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 (MIRSD), 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 65 (a) and (b) above, duly certified by an independent Chartered Accountant and the direction at para 65 (d) above shall cease to operate upon filing of such report on completion of refunds to complainants/ investors;
- (f) 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. Thereafter, remaining amount if any will be deposited in the ‘Investors Protection and Education Fund’ maintained by SEBI;
- (g) In case of failure of the Noticees 1 to 9, to comply with the aforesaid directions in sub-paragraphs 65 (a) and (f), SEBI, on the expiry of the stipulated time period therein from the date of coming into force of this order, may recover

such amounts, from the Noticee, in accordance with Section 28A of the SEBI Act, 1992 including such other provisions contained in securities laws;

- (h) The Noticees 1 to 9, 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 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 as directed in paragraph 65 (a) above, whichever is later;
- (i) The Noticees 1 to 9, are hereby imposed with a penalty of Rs. 9,00,000/- (Rupees Nine lakh only) under Section 15 EB and a penalty of Rs.9,00,000/- (Rupees Nine lakh only) under Section 15HB of the SEBI Act, 1992 and further jointly and severally directed to pay the penalty within a period of forty-five (45) days, from the date of receipt of this order;
- (j) The Noticees 1 to 9, 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 Noticee may contact the support at portalhelp@sebi.gov.in The details/ confirmation of e-payment should be sent to "The Division Chief, Market Intermediaries Regulation and Supervision Department (MIRSD), Division of Registration-2, SEBI Bhavan II, Plot no. C-7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai -400 051" and also to e-mail id:-tad@sebi.gov.in in the format as given in table below:

Case Name	
Name of Payee	
Date of Payment	
Amount Paid	
Transaction No.	
Payment is made for: (like penalties/ disgorgement/ recovery/ settlement amount/ legal charges along with order details)	

- (k) The Noticees 1 to 9, shall not undertake, either during or after the expiry of the period of debarment/restraint as mentioned in paragraph 65 (h) 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.
- (l) The Noticees 1 to 3, are also restrained from associating themselves as directors or key managerial personnel with any listed public company or any public company which intends to raise money from the public, or any intermediary registered with SEBI, for a period of two (2) years from the date of this order.

66. The direction for refund, as given in paragraph 65(a) above, does not preclude the clients/investors to pursue the other legal remedies available to them under any other law, against the Noticees for refund of money or deficiency in service before any appropriate forum of competent jurisdiction.

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

68. 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 as well as BSE Administration & Supervision Ltd. (BASL) to ensure that the directions given above are strictly complied with.

Date: November 28, 2023	DR. ANITHA ANOOP
Place: Mumbai	CHIEF GENERAL MANAGER
	SECURITIES AND EXCHANGE BOARD OF INDIA