WTM/AN/MIRSD/MIRSD-SEC-6/31706/2025-26

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

UNDER SECTION 12 (3) OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 27 OF SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008.

IN RESPECT OF:

NOTICEE	SEBI Registration No.	PAN
Punit Kumar (Propietor of Shrimoney – Research Analyst)	INH000008844	AQHPK8566C

In the matter of Punit Kumar (Propietor of Shrimoney – Research Analyst)

A. BACKGROUND

1. The present matter emanates from post enquiry show cause notice dated March 05, 2025 (hereinafter referred to as the "**SCN**") issued to **Punit Kumar (Propietor of Shrimoney – Research Analyst)** (hereinafter referred to as "**Noticee**") under regulation 27 (1) of SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as "**Intermediaries Regulations**"). The Noticee is registered with Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") as a Research Analyst ("**RA**") with SEBI registration no. INH000008844.

2. SEBI conducted inspection of the Noticee on February 13, 2024 concerning various compliance requirements that need to be ensured by the Noticee with respect to the provisions of SEBI (Research Analyst) Regulations, 2014 (hereinafter referred to as "**RA Regulations**") and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**"). The inspection was conducted for the period beginning April 01, 2022 to February 13, 2024 (hereinafter referred to as "**inspection period**").

3. SEBI's inspection, *inter alia*, observed that the Noticee had violated various provisions of RA Regulations and PFUTP Regulations.These findings/ observations of the inspection were communicated to the Noticee by SEBI vide letter dated February 21, 2024 and the Noticee submitted its response to the observations vide letter dated March 04, 2024.

B. PROCEEDINGS BEFORE DESIGNATED AUTHORITY

4. Pursuant to findings/observations made in the course of inspection, SEBI initiated Enquiry proceedings under Chapter V of the Intermediaries Regulation against the Noticee.

5. The DA issued a show cause notice dated July 04, 2024 (hereinafter referred to as "**pre-Enquiry SCN**") to the Noticee under regulation 25 (1) of the Intermediaries Regulations to show cause as to why appropriate recommendation should not be made against it in terms of Regulations 26 of the Intermediaries Regulations for the alleged violations.

6. In response to the pre-enquiry SCN issued by the DA, the Noticee filed its reply vide letter dated July 25, 2024. On receipt of said reply, an opportunity of personal hearing was granted to the Noticee on August 13, 2024, which was availed by the Noticee through its authorized representatives. Further, the Noticee filed additional submissions vide letter dated August 20, 2024. Thereafter, based on the allegations levelled against the Noticee in the pre-Enquiry SCN, replies filed by the Noticee, submission made during the personal hearing and the material available on record, the DA concluded the Enquiry Proceedings and submitted the Enquiry Report ("**Enquiry Report**") dated January 27, 2025 in terms of regulation 26 of the Intermediaries Regulations.

7. The DA in her report has observed the following against the Noticee:

   7.1. The Noticee had guaranteed returns and mislead its clients in violation of PFUTP Regulations read with RA regulations; and

7.2. The Noticee failed to make disclosure as required under regulation 19 of RA regulations and did not maintain record of rationale for arriving at research recommendations as required under regulation 25 of the RA regulations.

8. Based on the aforesaid findings, the DA held that the violations pertaining to RA Regulations and PFUTP Regulations stood established against the Noticee. Accordingly, the DA recommended the following:

"Therefore, in terms of Regulation 26 of the Intermediaries Regulations, I recommend prohibiting Noticee i.e. Mr. Punit Kumar (Proprietor of Shrimoney – Research Analyst) (SEBI Registration No: INH000008844), from taking new clients for one month."

C. SHOW CAUSE NOTICE, REPLY AND HEARING

9. Pursuant to the submission of the Enquiry Report, SCN dated March 05, 2025 in the matter was issued to the Noticee. Vide the above-mentioned SCN, Noticee was called upon to show cause as to why action as recommended by the DA or any other directions as deemed fit should not be issued/imposed on it in terms of Intermediaries' regulation. The issued SCN enclosed therewith the Enquiry Report of the DA dated January 27, 2025 made with respect to the Noticee. Therefore, any reference in this Order to the allegations made in the SCN must also be read to include the conclusions arrived at in the Enquiry Report.

10. In response to the SCN, the Noticee submitted its reply *vide* letter dated March 26, 2025 (sent through email dated March 31, 2025). Subsequently, the Noticee was granted an opportunity of personal hearing on April 29, 2025. On the said date, the authorized representative (**ARs**) of the Noticee appeared before me and reiterated the submissions made *vide* the Noticee's letter dated March 26, 2025.

11. The submissions made by the Noticee (through its AR) during the personal hearing and vide its reply dated letter dated March 26, 2025 are summarised below:

Submission pertaining to assured returns

11.1. The Noticee submitted that the website explicitly outlines the inherent risks associated with stock market investments and the absence of guaranteed returns in the form of disclosures/ disclaimers. The disclaimer states that trading in stock market is inherently risky and the users agree to take complete and full responsibility for the outcomes of all trading decisions that they make, including but not limited to loss of capital. The disclosures also state that the Noticee does not provide any assurance or guarantee of profit or returns with any of its services and clients should read carefully the disclaimer, terms etc. before availing any of its services.

11.2. The Noticee has also submitted that it executes a user consent form from all of his clients, wherein the clients acknowledges that he understands and accept that trading is a risky activity which involves the risk of loss of partial or complete capital and that there is no guarantee of profits or returns after subscribing to any of its services.

11.3. With respect to the emails sent to clients JP Mehta and Devyani Sarnaik, the Noticee has submitted that it did not guarantee any returns. The Noticee has contended that the statement, “We will take no further payment until we try to recover the loss amount”, simply implies that service fees would be suspended until the client recovers their previous losses. This translates to a service fee waiver until loss recovery, not a guaranteed return. The Noticee has argued that a genuine guarantee would specify a specific amount of recovered loss within a defined time frame which it did not provide. It simply gives investor an additional cushion/support that he doesn't have to pay any service charges until he recovers his past losses. It is a kind of service assurance and not profit assurance.

11.4. The Noticee has further submitted that in the emails, the word 'try' is used several times. For instance the statements "*we would try our best to recover it as much as possible*", "*no further payment will be taken from you until we try to recover the loss amount*", wherein 'try' denotes to make an attempt or effort to do something, it does not imply any surety or assurance. Therefore, the Noticee has argued that the said mails by any means does not provide any assurance to the clients.

11.5. With regards to the WhatsApp messages sent to Sanjay Dubey, the Noticee has submitted that in the statement, "*4L ka profit kara sakta hu*" ("*you can make a profit of 4 Lakhs*" or "*I can make a profit of 4L*"), "can" denotes possibility, not certainty. The Noticee has contended that it did not claim, "*profit ho hi jayega*" ("*there will definitely be profit*") and the statement aligns with the general understanding that investors seek profit in the inherently risky stock market. The Noticee has also relied on SEBI Order dated February 08, 2022 in the matter of "GRS Solution" to argue that SEBI has previously recognized similar statements to be merely marketing gimmicks rather than being an actual promise of assured returns, leading to the dismissal of allegations providing guaranteed returns.

11.6. With regard to the WhatsApp chats with the client Manoj Panda, the Noticee has submitted that recommendations were provided to him on WhatsApp because the client was unable to view the recommendations on the Mobile Application and hence the exact same recommendation which were provided through the Mobile Application were being provided to the client via WhatsApp chat. The Noticee has further submitted that recommendation over WhatsApp was done under the supervision of Noticee only and there is nothing on record to prove otherwise. Therefore, the Noticee has contended that there is no evidence on record to show that the Noticee neither monitors nor has any control over the communications/ conversations between its clients and employees.

<u>Submissions pertaining to lack of disclosure in Research Reports and maintenance of records</u>

11.7. The Noticee has submitted that Regulation 2 (w) of RA Regulation which defines the term 'Research Analyst' uses "or" between clauses and not "and" which signifies that a research analyst may perform any of the listed activities, not all of them concurrently. It is the stand of the Noticee that it solely offers technical research-based recommendations by giving "buy/sell/hold" recommendations and does not provide, issue, or publish any research reports. Therefore, the Noticee has contended that it is not required to make disclosures as mandated under regulation 19 of the RA Regulations and as per Regulation 25(1) of the SEBI RA Regulations, it is only

obligated to maintain records of provided recommendations and their rationales, which the Noticee has demonstrably maintained and presented to SEBI officials during the inspection.

11.8. The Noticee has further submitted that the RA Regulations define “research report" broadly, encompassing research recommendations. However, there is no explicit stipulation that providing research-based recommendations must solely be part of a research report. Therefore, the Noticee has contended that research recommendation given by it are not a part of research report and it is only obligated to maintain records of provided recommendations and their rationales. Further, the requisite disclosures as required by the RA Regulations are duly made upon the website (https://shrimoney.com/legal-disclaimer/) and on the Application through which research recommendations are provided.

11.9. The Noticee has submitted that after the 1st inspection held in November 2022 and in compliance with the directions of SEBI, it had started including all the requisite disclosures as required for the research report in its recommendations, which can be verified from the documents placed on records. The Noticee has contended that the inspecting authority did not check the said recommendations and they merely relied upon the Audit Report, which was notably for the period FY 2022-23 i.e. at the time of previous inspection.

11.10. The Noticee has submitted that its recommendations does not lack rationales and it has in place the records for all rationales of the recommendations provided to clients. The Noticee has stated that Annexure 8 of the SCN clearly demonstrates/ shows accompanying rationales for each recommendation provided by him. The Noticee has also submitted certain recommendations provided by it to the clients in support of its contentions

11.11. The Noticee has stated that SEBI had recently issued a Consultation Paper on August 06, 2024 titled: ‘Review of Regulatory Framework for Investment Advisers and Research Analysts’ which clarifies that any research service by a RA shall be corroborated by research report containing the relevant data and analysis forming the

basis for such research service and the RA shall maintain record of such research report. The Noticee has argued that such a clarification elucidates that the existing provisions did not require recommendations to be part of research report and because such a provision is still in draft stage for consultation, the Noticee cannot be held to be in violation of such requirements.

11.12. The Noticee has also submitted that SEBI has come up with Circular No. SEBI/HO/MIRSD/MIRSD-POD-1/P/CIR/2025/004 titled 'Guidelines for Research Analysts', clause vii of which states that "Research services provided by research analyst or research entity". The said provision has been implemented from January 08, 2025, which mandates Research Analysts to provide research report along with every research service provided by them. The Noticee has argued that prior to this there was no such provision which mandated a Research Analyst who is making buy/sell/hold recommendations to maintain research reports.

Submissions pertaining to violation of PFUTP Regulations

11.13. The Noticee has contended that if the intention was to defraud the clients, he would not have opted SEBI registration and followed the requisite applicable compliances.

11.14. The Noticee has submitted that fraud as defined under PFUTP Regulations also requires that there must be 'dealing if securities'. There is no proof to show that the Noticee has committed fraud while dealing in securities as contemplated under the PFUTP Regulations. The Noticee has relied on the orders of SEBI dated February 27, 2023 and January 31, 2023 in the matters of Star World Research and Niveshicon Investment Advisor respectively, to contend that there was dealing in securities in the instant case and therefore no charges are made under the PFUTP Regulations.

11.15. The Noticee has stated that no evidence on record has been established by the SEBI which evidences any fraud committed by the Noticee. The Noticee has referred to the Order of Hon'ble Securities Appellate Tribunal (**SAT**) dated January 04, 2022 in ***Ms. Suhanika Chourey vs SEBI (Appeal No. 765 of 2021)*** wherein the

findings of PFUTP violations were set aside as there was no evidence brought out on record.

Other Submissions

11.16. The Noticee has relied on the order passed by Hon'ble Securities Appellate Tribunal ('**SAT**') in *Religare Securities Limited vs. SEBI (Appeal No. 23 of 2011 decided on June 16, 2011)* to submit that purpose of inspection is not punitive in nature and therefore minor lapses or technical violation, if any, should not be proceeded against.

11.17. The Noticee has submitted that it has served thousands of clients and non-compliance, if any, has been observed in very less number of instances. Further, it has complied with SEBI Regulation in true letter and spirit. The Noticee has stated that after the last SEBI inspection wherein it had received an administrative warning, it has implemented further measures to strengthen the compliance practices and has remained committed to upholding the highest standards of regulatory adherence.

11.18. The Noticee has stated that no other directions shall be imposed upon the Noticee as he has already been served with the SEBI's Adjudication Order and has already undergone monetary penalty for the identical violations.

11.19. The Noticee has submitted that it has actively engaged with SEBI throughout the process, promptly providing all requested documents and information and continue to maintain open communication and collaboration with the regulatory body. The Noticee has stated that it has not violated any provisions and is not liable for any monetary penalty under the provisions of Regulation 26 of the SEBI Intermediaries Regulations.

D. CONSIDERATION OF ISSUES AND FINDINGS

12. I have perused the Enquiry Report, SCN, replies of the Noticee and other material available on record. After considering the allegations levelled against the Noticee in the instant matter, the following issues arise for consideration:

Issue No. 1: Whether the Noticee violated PFUTP Regulations and RA Regulations while dealing with its clients?

Issue No. 2: Whether the Noticee failed to make disclosures and maintain record of rationale for arriving at research recommendation in its research reports as mandated under the RA Regulations?

13. Before proceeding, I find it appropriate to reproduce below the relevant provisions of the regulations and circulars alleged to have been violated by the Noticee:

SEBI Act, 1992

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. *No person shall directly or indirectly—*

(a) *use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

(b) *employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;*

(c) *engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) *buy, sell or otherwise deal in securities in a fraudulent manner;*

(b)*use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*

(c) *employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*

(d) *engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) *Without prejudice to the provisions of regulation 3, no person shall indulge in a manipulative, fraudulent or an unfair trade practice in securities markets.*

Explanation.–For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.

(2) *Dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves any of the following:—*

(a) *disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading in a reckless or careless manner and which is designed to, or likely to influence the decision of investors dealing in securities*

(b) *fraudulent inducement of any person by a market participant to deal in securities with the objective of enhancing his brokerage or commission or income;*

(c) *mis-selling of securities or services relating to securities market;*

SECURITIES AND EXCHANGE BOARD OF INDIA (RESEARCH ANALYSTS) REGULATIONS, 2014

Definitions.

2. (1) In these regulations, unless the context otherwise requires, the terms defined herein shall bear the meanings assigned to them below, and their cognate expressions shall be construed accordingly,–

…

(w) "*research report" means any written or electronic communication that includes research analysis or research recommendation or an opinion concerning securities or public offer, providing a basis for investment decision and does not include the following communications:-*

(i) comments on general trends in the securities market;

(ii) discussions on the broad-based indices;

(iii) commentaries on economic, political or market conditions;

(iv) periodic reports or other communications prepared for unit holders of mutual fund or alternative investment fund or clients of portfolio managers and investment advisers;

(v) internal communications that are not given to current or prospective clients;

(vi) communications that constitute offer documents or prospectus that are circulated as per regulations made by the Board;

(vii) statistical summaries of financial data of the companies; technical analysis relating to the demand and supply in a sector or the index;

(ix) any other communication which the Board may specify from time to time;

(wa) "research services" means the following services provided by research analyst:

i. preparation or publication of the research report or content of the research report; or

ii. providing or issuing research report or research analysis; or

iii. making 'buy/sell/hold' recommendation; or

iv. giving price target or stop loss target; or

v. offering an opinion concerning public offer, or

vi. recommending model portfolio; or

vii. providing trading calls; or

viii. any other service of similar nature or character, with respect to securities that are listed or proposed to be listed in a stock exchange, whether or not any such person has the job title of 'research analyst' to the clients or other persons or group of persons or general public;]

Disclosures in research reports.

19. *A research analyst or research entity shall disclose all material information about itself including its business activity, disciplinary history, the terms and conditions on which it offers research report, details of associates and such other information as is necessary to take an investment decision, including the following:*

(i) Research analyst or research entity shall disclose the following in research report and in public appearance with regard to ownership and material conflicts of interest:

(a) whether the research analyst or research entity or his associate or his relative has any financial interest in the subject company and the nature of such financial interest;

(b) whether the research analyst or research entity or its associates or relatives, have actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance;

(c) whether the research analyst or research entity or his associate or his relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance;

(ii) Research analyst or research entity shall disclose the following in research report with regard to receipt of compensation:

(a) whether it or its associates have received any compensation from the subject company in the past twelve months;

(b) whether it or its associates have managed or co-managed public offering of securities for the subject company in the past twelve months;

(c) whether it or its associates have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months;

(d) whether it or its associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months;

(e) whether it or its associates have received any compensation or other benefits from the subject company or third party in connection with the research report.

(iii) Research analyst or research entity shall disclose the following in public appearance with regard to receipt of compensation:

(a) whether it or its associates have received any compensation from the subject company in the past twelve months;

(b) whether the subject company is or was a client during twelve months preceding the date of distribution of the research report and the types of services provided:

Provided that research analyst or research entity shall not be required to make a disclosure as per sub-clauses (c), (d) and (e) of clause (ii) or sub-clauses (a) and (b) of clause (iii) to the extent such disclosure would reveal material non-public information regarding specific potential future investment banking or merchant banking or brokerage services transactions of the subject company.

(iv) whether the research analyst has served as an officer, director or employee of the subject company;

(v) whether the research analyst or research entity has been engaged in market making activity for the subject company;

(vi) *Research analyst or research entity shall provide all other disclosures in research report and public appearance as specified by the Board under any other regulations.*

General responsibility.

24. *….*

(2) Research analyst or research entity shall abide by Code of Conduct as specified in Third Schedule.

Maintenance of records.

25. *(1) Research analyst or research entity shall maintain the following records:*

…

(ii) research recommendation provided;

(iii) rationale for arriving at research recommendation;

…

(vii) records of communication including emails, call recordings etc. with all clients including prospective clients in such manner as may be specified;

(2) All records shall be maintained either in physical or electronic form and preserved for a minimum period of five years:

Provided that where records are required to be duly signed and are maintained in electronic form, such records shall be digitally signed.

(3) Research analyst or research entity shall conduct annual audit in respect of compliance with these regulations from a member of Institute of Chartered Accountants of India or Institute of Company Secretaries of India 42[or Institute of Cost Accountants of India and submit the report of the same in such manner as may be specified by the Board].

THIRD SCHEDULE

CODE OF CONDUCT FOR RESEARCH ANALYST

1. Honesty and Good Faith

Research analyst or research entity shall act honestly and in good faith.

2. Diligence

Research analyst or research entity shall act with due skill, care and diligence and shall ensure that the research report is prepared after thorough analysis.

6. Professional Standard

Research analyst or research entity or its employees engaged in research analysis shall observe high professional standard while preparing research report.

7. Compliance

Research analyst or research entity shall comply with all regulatory requirements applicable to the conduct of its business activities.

8. Responsibility of senior management

The senior management of research analyst or research entity shall bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures.

14. I shall now proceed to deal with the violations alleged, basis the conclusions in the Enquiry report:

I. <u>Whether the Noticee violated PFUTP Regulations and RA Regulations while dealing with its clients?</u>

15. The SCN alleged that Noticee violated clauses 1, 2, 6, 7 and 8 of Code of Conduct of the Third Schedule of RA Regulations read with regulation 24(2) of the RA Regulations because it assured return to its clients and allowed its employees to communicate with the clients without proper supervision. Further, it was also alleged that due to such conduct of the Noticee it also violated regulations 3(a), 4(1), 4(2)(k), 4(2)(o), and 4(2)(s) of PFUTP Regulations.

16. Regulation 24(2) mandates all RAs to abide by the Code of Conduct as specified in Third Schedule of RA Regulations. Clause 1 of the code mandates the RAs to act honestly and in good faith. Clause 2 requires the RAs to act with due care and diligence and clause 6 obliges the research analyst to maintain high professional standards at all times. Further, clause 7 requires compliance with all regulatory

requirements and clause 8 places the onus on senior management to ensure adherence to appropriate standards and procedures.

17. Regulation 3 (a) of PFUTP regulations prohibits dealing in securities in a fraudulent manner. Regulation 4 of PFUTP Regulations further prohibits manipulative, fraudulent or unfair trade practices in securities markets. Further, as per regulations 4(2)(k), 4(2)(o) and 4(2)(s), dealing in securities is deemed to be manipulative, fraudulent or unfair trade practice if any misleading information or advice is disseminated in a reckless manner that is likely to influence the decision of investors dealing in securities, if any person is fraudulently induced by a market participant to deal in securities with the objective of enhancing income or if there is mis-selling of services related to securities market by making false or misleading statements.

a. *Whether the Noticee violated RA Regulations while dealing with its clients?*

18. The inspection report had observed three instances based on which it was alleged that the Noticee had violated RA regulations while dealing with its clients. These instances are discussed below:

Instance 1: Email sent to clients J P Mehta and Devyani Saarnaik

19. The inspection report had observed that the Noticee had sent emails to two clients i.e. Mr. JP Mehta and Ms. Devyani Sarnaik informing them that they could recover previous losses by subscribing to the Noticee's services after paying an initial amount. The employees of RA allegedly provided verbal assurances that once the clients pay a certain amount, further service fees would be waived until losses were recovered. Hence, it was alleged that the Noticee lured the clients (Mr. J P Mehta and Ms. Devyani) to subscribe to its services based on the misleading claims of assured returns to the client.

20. With respect to said emails, Noticee has *inter-alia* submitted that the emails sent to clients JP Mehta and Devyani Sarnaik did not guarantee any returns and simply

implied that service fees would be suspended until the client recovers their previous losses. It was claimed by the Noticee that the said waiver translates to a service fee waiver until recovery of losses which does not tantamount to a guaranteed return. It is a kind of service assurance and not profit assurance.

21. The DA after analysing the emails sent to the client noted that the Noticee clearly indicated that it would try to recover loss, and did not provide any guarantee/assurance of the recovery of the loss. He noted that there is nothing on record to show that the service was extended only for limited package period. Hence, the DA concluded that allegation pertaining to the assured returns to the clients, in the present instance is not tenable.

22. I note that the phrases *viz. 'no further payment will be taken until we try to recover the loss faced by you'*, '*would try our best to recover loss as much possible… and will not ask for any payment until your loss is covered'*, which were used by the Noticee while communicating with the clients were *per se* not an assurance that profit will actually be achieved. While the phrase appears to alleviate clients' concerns about incurring further losses, it does not guarantee any profit. Instead, the phrase actually leaves open the possibility of no profit whatsoever as the language simply suggests that if profit arises, payment is due from the client, if not, no payment is required. Therefore, the said communication with the clients through email cannot be construed to mean that the Noticee was assuring returns to its clients.

23. Hence, I agree with the conclusion of the DA that the Noticee had not assured returns to the clients in 'Instance 1' and there was no irregularity in its dealing with the clients in the particular instance.

Instance 2: WhatsApp message sent to client Sanjay Dubey

24. The inspection report observed that an employee of the Noticee had *inter-alia* messaged one client namely Mr. Sanjay Dubey on WhatsApp stating that it can make a profit of 4 lakh rupees ("*4L ka profit kara sakta hu*"). It was alleged that the

said message read together with other messages sent to the said client were misleading and resulted in assuring profits to the client without making appropriate risk disclosures.

25. The DA after analysing the messages sent to the client observed that the words used in the messages, make it abundantly clear that the employee of the Noticee communicated to the client that it could make a Profit of Rs. 4 Lakh. Hence, the DA concluded that the RA's employee was only misleading the client of assured profit, without making appropriate risk disclosures, to collect the fees.

26. The submission of the Noticee have been summarized at paragraphs 11.4 and 11.5 above. The relevant extract of the WhatsApp chat between the employee of Noticee and client is reproduced below:

Entity	Messages	Translated in English
RA's employee	*Sir dekho manta ho aap loss me ho* *But akhri apka effort* *Apko ek badiya profit may la saktahy*	*Look sir, I agree that you are in loss.* *but your last effort* *May bring you a good profit*
Client	*Mat bhejo Sir mai 25K ki payment he nahi arrange kar pa raha hu*	*Don't send it sir, I am not able to arrange Rs 25k payment.*
RA's employee	*Sir koi baat nahi* *Agar aapko nahi kamana* *To ab kya bolu* *Mai yaha tak aapko bol raha hu Ki* *4L ka profit kara sakta hu*	*Sir no problem* *if you don't want to earn* *so what should I say now* *I may even go so far as to tell you that* *I can make you a profit of 4 Lakh*

27. It is also relevant to note that the client vide email dated February 01, 2024 had lodged a complaint before the Noticee (with a copy marked to SEBI) wherein he had mentioned that he had made payments of Rs. 5,45,000 /- to the Noticee and had made losses while trading as per the advice of the Noticee.

28. The main defence put forth by the Noticee was that the word “can” used in the message denoted possibility and not certainty. I note that the word ‘can’ used in the message has to be seen in the context of whole messages exchanged. For instance the remainder of the text which read as ‘*if you don't want to earn, so what should I say now, I may even go so far as to tell you that*’ before the message ‘I can make you a profit of 4Lakh’ makes it abundantly clear that the RA employee was trying to impose upon the client that the Profit of Rs. 4 Lakh is there to be made, but he cannot help it, if the client doesn’t want to earn it. The said conversation clearly indicates that the Noticee through its employee was inducing the client to trade in order to earn fees.

29. The Noticee has also relied on the SEBI Order dated February 08, 2022 in matter of *GRS Solutions* (supra) wherein usage of phrases like “*high return on investment*”, “*high accurate 1-2 calls*”, “*maximize profit*” “minimum profit” and “*promise of high success rates*” were held to be merely marketing gimmicks rather than promising assured returns. I note that facts of the present case are entirely different from the said case in so far as the order specifically speaks about general statements given regarding its services in a generic sense and does not concern itself with direct communication with the clients on individual basis where assurance was given regarding profit to be earned. Further, the phrases used by the Noticee cannot be interpreted in isolation but the intention has to be gathered from the whole context. The chat transcript of the Noticee in the present case makes it clear that the Noticee was inducing the said client by dangling the prospect of large gains in order to earn fees. Therefore, the order in the matter of GRS Solution does not aid the Noticee’s contention.

30. Hence, I find that in this particular instance (Instance 2) the Noticee through its employee induced its client to trade with the prospect of high retruns in order to earn fees and therefore did not deal with its client with honesty, diligence and failed to maintain professional standards in violation of the code of conduct specified in the third schedule of RA regulations.

Instance 3: WhatsApp chats with client Manoj Panda

31. The inspection report had observed from WhatsApp chats with one of the clients (Manoj Panda) that the employee of the RA had been providing recommendation to the client on WhatsApp chat. The inspection report noted that the RA was neither monitoring nor has any control over the communications/conversations between its clients and his employees and thereby, failed to exercise due diligence.

32. The DA after analysing the evidence on record concluded that the Noticee had failed to exercise due diligence. The submissions of the Noticee have been summarized at paragraph 11.4 above. The Noticee has mainly contended that he had provided recommendation through WhatsApp as there was some technical issue on the application and providing the same recommendations over WhatsApp to the clients is not a violation of any provision. Further, the Noticee has also contended that communication with the client was done under its supervision and control.

33. I note that although the Noticee had stated that research recommendation was sent through WhatsApp because the client had faced technical difficulty in accessing its application, it has neither placed on record any communication from the client, nor provided the system log substantiating the technical issue claimed by the RA. However, I agree with the contention of the Noticee that dissemination of recommendations over WhatsApp is not a violation of applicable provisions *per se*. Further, the material available on record has not brought out clearly how the employees of the Noticee were communicating without supervision and control of the Noticee. Merely because the research recommendations were sent from employee's WhatsApp account, it cannot be said that the communication was being carried out without supervision and control of the Noticee.

34. Therefore, out of the three instances analysed above, it is established that the Noticee had violated code of conduct as specified in the RA regulations by *inter-*

alia inducing its clients to trade on one instance. Now, it must be determined whether such violation of the code of conduct by the Noticee also violated provisions of the PFUTP regulations.

b. Whether as a result of inducing its client to trade, the Noticee has violated Regulations 3(a), 4(1), 4(2)(k), 4(2)(o), and 4(2)(s) of the PFUTP Regulations?

35. The DA has observed that the Noticee misled its client by inducing him to trade with the prospect of high returns and this misrepresentation influenced the client's decision-making and the client traded based on such misrepresentation. Therefore, the DA concluded that the Noticee violated regulations 3(a), 4(1), 4(2)(k), 4(2)(o), and 4(2)(s) of PFUTP Regulations.

36. Regulation 2 (c) of PFUTP regulations defines fraud to include "any act, expression, omission or concealment committed … or by his agent … while dealing in securities in order to induce another person … to deal in securities …", Further, sub clause (ii) of the above definition of "dealing in securities" of PFUTP Regulations which *inter-alia* includes "such acts which may be knowingly designed to influence the decision of investors in securities.

37. In this regard I note from Instance 2 (narrated above) that the Noticee was clearly misleading one of his clients- Mr. Sanjay Dubey by inducing him to trade with the sole objective of earning his fees. The Noticee misled the client by making promises of high returns without providing appropriate risk disclosure. From the chat transcripts available on record, it is clear that the client traded on the advice of the Noticee and incurred losses. Further, the Noticee has not disputed the veracity of the chat transcripts.

38. Further, it has already been established above that the Noticee had induced the client to trade in order to earn fees. In securities market where any investment in securities is subject to market risk and returns may vary for several reasons, the Noticee by dangling the prospects of high returns to the client was dealing in securities in a fraudulent manner and clearly misleading the client to induce and

influence his decision. The said conduct of the Noticee clearly falls foul of regulations 4(2)(k), 4(2)(o) and 4(2)(s) of PFUTP Regulations.

39. In this regard, I find it relevant to refer to the order of Hon'ble SAT in ***24 Carat Financial Services vs. SEBI*** *(Appeal no. 59 of 2023 decided on January 18, 2023)* wherein the following was noted:

"7. …The action of promising guaranteed returns is patently against the principles of the securities market and not only manipulative but also fraudulent and violative of Regulations 3 and 4 of the PFUTP Regulations."

40. Therefore, I agree with the conclusion of the DA that Noticee has violated regulations 3(a), 4(1), 4(2)(k), 4(2)(o), and 4(2)(s) of PFUTP Regulations read with and Clauses 1, 2, 6, 7 and 8 of Code of Conduct as specified in the Third Schedule under Regulation 24(2) of RA Regulations.

II. <u>Whether the Noticee failed to make disclosure and maintain record of rationale for arriving at research recommendation in its research reports as mandated under the RA Regulations?</u>

41. The SCN alleged that the Noticee has violated Regulation 19 and 25 (1) (iii) of RA regulations read with Regulation 25(2) of the RA regulations because the Noticee failed to disclose material information about itself and failed to maintain records of rationale for research recommendations, as required under RA Regulations.

42. The Noticee has contended that it provides buy/sell recommendations, which is different from publishing detailed research reports. Noticee's argument essentially is that since his recommendations do not constitute "research reports" the mandate under regulation 19 to disclose material information about the RA in the research reports, do not apply to the RA.

43. The DA had concluded that research recommendations shared by the Noticee falls under the definition of research reports and the research recommendations shared

by the Noticee lacked mandatory disclosure under RA regulations. The DA also noted that some of the research reports did not include rationale as required under RA regulations.

44. In this regard, reference may be drawn to the definition of "research report" as provided under regulation 2 (1) (w) of the RA regulations which *inter-alia*, states as under:

> *"(w) "research report" means any written or electronic communication that includes research analysis or research recommendation or an opinion concerning securities or public offer, providing a basis for investment decision…"*

45. The Noticee by his own admission provides buy/sell recommendations to its clients. Such recommendations provided a basis to the clients for making investment decision. Hence, the buy/sell recommendations provided by the Noticee both physically and through its applications is clearly covered under the term 'opinion concerning securities *or public offer, providing a basis for investment decision*' which is part of the definition of research report.

Failure to make mandatory disclosures in research reports

46. I note that regulation 19 of RA Regulations inter alia mandates:

> *"**Disclosure in research reports.***
> ***19.** A research analyst or research entity shall disclose all material information about itself including its business activity, disciplinary history, the terms and conditions on which it offers research report, details of associates and such other information as is necessary to take an investment decision..."*

47. The DA had observed from the research reports of the Noticee, which were available on record that the disclosures as required under Regulation 19 had not been made by the Noticee along with the Research Reports. It was also noted that

the omission of mandatory disclosures is still continuing after a prior administrative warning was issued in the year 2022. The Noticee has not refuted the said allegations but has submitted that there was no such requirement during the inspection period. The Noticee has further submitted certain recommendations wherein mandatory disclosures have been made and contended that appropriate disclosures were made on the website and application.

48. In this regard, I note that there is no ambiguity in the RA regulations that a RA needs to make statutory disclosures with research reports. On perusal of research reports collected during the inspection, I find that mandatory disclosures as required under regulation 19 were not made by the Noticee. Further, disclosure on website and mobile application does not absolve the Noticee from the explicit mandate of disclosures in research reports. The Noticee was bound to make disclosure in all research reports and cannot claim exception to the said requirement. Hence, I agree with the finding of the DA that the Noticee had failed to make mandatory disclosure as required under Regulation 19 of RA regulations in all of its research reports.

Failure to provide rationale in research reports

49. I note that regulation 25 of RA Regulations *inter-alia* mandate the following:

"Maintenance of records.

25. (1) Research analyst or research entity shall maintain the following records:

…

(iii) rationale for arriving at research recommendation;(iv)record of public appearance

(2) All records shall be maintained either in physical or electronic form and preserved for a minimum period of five years…"

50. The pre-enquiry SCN had pointed out that the Noticee had failed to include rationale in some of its research recommendations and the rationale provided in certain research recommendations were insufficient as it included only "price chart

along with some indicator". In this regard, the DA had observed that rationale has not been defined in the RA regulations and since the Noticee had provided some rationale, the same cannot be deemed to be non-compliant. The DA concluded that the Noticee had failed to provide rationale in some physical research reports and in all the research reports sent through the Noticee's mobile application.

51. The Noticee has merely contended that the requirement to include rationale was not applicable to it since the recommendations were not 'research reports'. I note that it has already been established that the research recommendations provided by the Noticee are covered under the definition of 'research reports' and the RA had to maintain record of 'rationale' for arriving at the said recommendation under regulation 25 of RA regulations. On perusal of the research reports available on record, I note that Noticee had not provided rationale along with research recommendation in Three (3) physical research recommendations [namely, the research reports for – (i) 22 Nov 2023 (BUY BANKNIFTY 43800 PE EXP 22nd NOV 2023; (ii) 22 Nov 2023 (BUY FINNIFTY 19500 CE EXP 28th NOV 2023; (iii)8 Jan 2024 (BUY BANKNIFTY 48000 PE EXP 10th JAN 2024)] and in all the recommendations sent through its mobile application. Hence, I agree with the findings of the DA that the Noticee had failed to maintain records of rationale as required under regulation 25 (1) (iii) of RA regulations read with Regulation 25(2) of the RA regulations.

52. Therefore, I find that the Noticee had violated Regulation 19 and 25 (1) (iii) of RA Regulations 2014 read with Regulation 25(2) of the RA regulations.

E. CONCLUSION

53. For the reasons mentioned in the preceding paragraphs, I find that that the Noticee has violated the following provisions:

    a. Dealing with clients in violation of PFUTP Regulations and RA Regulations - Clauses 1, 2, 6, 7 and 8 of Code of Conduct as specified in the Third

Schedule under Regulation 24(2) of RA Regulations and Regulations 3(a), 4(1), 4(2)(k), 4(2)(o) and 4(2)(s) of PFUTP Regulations.

b. Failure to make disclosures and maintain record of rationale in the research reports as per the RA Regulations - Regulation 19 and 25 (1) (iii) of RA Regulations 2014 read with Regulation 25(2) of the RA regulations.

54. I note that pursuant to an earlier inspection of the Noticee conducted by SEBI in November 2022 (for the period April 01, 2021 to October 31, 2022), an administrative warning was issued to the Noticee for no disclosures in the research reports/recommendation sent through the application to clients in terms of Regulation 19 of RA regulations. The Noticee has failed to take remedial action and violation pertaining to non-disclosure in research reports has been established against the Noticee in present proceedings.

55. I note that an Adjudication Order dated January 27, 2025 has been passed against the Noticee which imposed a monetary penalty of Rs.10,00,000 for the same set of violations alleged in these proceedings and the same has been paid. The Noticee has placed reliance on certain SEBI orders to submit that no further action is warranted as penalty has already been imposed in the adjudication proceedings for the same set of allegations. The Noticee has also relied on SAT Order dated June 16, 2011 in the matter of *Religare Securities (Appeal No. 23 of 2011)* to argue that the purpose of inspection is not to take punitive action but to ensure compliance with procedural requirements and has requested that the present proceedings be disposed without issuance of any adverse directions.

56. In this regard, I note that Enquiry and Adjudication proceedings are separate and independent of each other. The violation established in the present case *viz.* fraudulently inducing the client to trade and failure to maintain records and make appropriate disclosures in research reports cannot be completely disregarded.

57. While the DA found non-compliance with RA Regulations with respect to 2 instances out of 3, I find that only 1 instance out of 3 can be said to be in violation of RA Regulations. Moreover, the monetary penalty imposed on the Noticee and its

payment by the Noticee for the same violations can be considered as a mitigating factor. However, the Noticee has not remedied the observations pertaining to non-disclosure in research reports despite issuance of an earlier administrative warning. Therefore, there is a need for non-monetary enforcement action under the law. Having regard to the facts and circumstances discussed in aforesaid paragraphs, I agree with the recommendation made by the DA.

F. ORDER

58. In view of the foregoing, I, in the exercise of powers conferred upon me under sub section (3) of section 12 and section 19 of the SEBI Act, 1992 read with the sub-regulation (5) of regulation 27 of the Intermediaries Regulations, hereby prohibit the Noticee i.e. Mr. Punit Kumar (Proprietor of Shrimoney – Research Analyst) (SEBI Registration No: INH000008844) from taking up new clients for a period of one month.

59. The Order shall come into force with immediate effect.

60. A copy of this order shall be served upon the Noticee and on BSE Limited (being the Research Analyst Administration and Supervisory Body) for its information and record.

Date: October 06, 2025
Place: Mumbai

Sd/-
ANANTH NARAYAN G.
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA