

<b>Department: Investigation</b>	<b>Segment: All</b>
<b>Circular No: MSE/ID/16073/2024</b>	<b>Date: October 01, 2024</b>

**Subject: SEBI Order in the matter of Stock Taurus Private Limited**

To All Members,

SEBI vide its Order No. QJA/GR/SRO/SRO/30821/2024-25 dated September 30, 2024, wherein SEBI has debarred following entities from accessing the securities market, directly or indirectly and prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever, for a period of two years from the date of SEBI order or till the date of filing of report, as directed in para 35(e) of SEBI order, whichever is later.

<b>Sr.no.</b>	<b>Name of the Noticee</b>	<b>PAN</b>
1	Stock Taurus Private Limited	ABACS9613D
2	Mr. Avinash M	AYBPA3165B
3	Mr. Mohammed Abubakar	BIRPA6081R
4	Ms. Bhanupriya R G	BTLPG7851C
5	Mr. Sagar B K	EZXPS6330B

This order shall come into force with immediate effect.

Members of the Exchange are advised to take note of the full text of the order available on SEBI's website [[www.sebi.gov.in](http://www.sebi.gov.in)] and ensure compliance.

**For and on behalf of**

**Metropolitan Stock Exchange of India Limited**

**Vipul Vaishnav**  
**Assistant Vice President**

**Metropolitan Stock Exchange of India Limited**

## SECURITIES AND EXCHANGE BOARD OF INDIA

## ORDER

Under Section 11(4), 11(4A), 11B (1) and 11B (2) of the Securities and Exchange Board of India Act, 1992.

In respect of:

Noticee No.	Name of the Noticee	PAN
1.	Stock Taurus Private Limited	ABACS9613D
2.	Mr. Avinash M	AYBPA3165B
3.	Mr. Mohammed Abubakar	BIRPA6081R
4.	Ms. Bhanupriya R G	BTLPG7851C
5.	Mr. Sagar B K	EZXPS6330B

*(The aforesaid entities are hereinafter individually referred to by their respective names/ notice numbers and collectively as "the Noticees")*

**In the matter of Unregistered Investment Advisory services/ activities by Stock Taurus Private Limited and Others**

**BACKGROUND**

1. Securities and Exchange Board of India ("hereinafter referred to as **SEBI**") had conducted an examination with respect to Stock Taurus Private Limited (hereinafter referred to as "**STPL/Company/Noticee No.1**") and its Directors viz., Mr. Avinash M ("**Noticee No.2**"), Mr. Mohammed Abubakar ("**Noticee No.3**"), Mrs. Bhanupriya R G ("**Noticee No.4**") based on the Suspicious Transaction Report (hereinafter referred to as "**STR**") received from Financial Intelligence Unit – India (**FIU-IND**), during June

2022, against Mr. Sagar B K (“**Noticee No.5**”) who was associated person and employee of the Noticee No.1.

2. Examination revealed that the Noticees were *prima facie* engaged in investment advisory activities without obtaining a certificate of registration from SEBI in violation of the provisions of Securities and Exchange Board of India, 1992 (“hereinafter referred to as **SEBI Act**”) and Securities and Exchange Board of India (Investment Advisors) Regulations, 2013 (“hereinafter referred to as **IA Regulations**”) and any other Rules and Regulations made thereunder.
3. On examination, the following was observed and alleged:
  - a. The following was observed from the STR;
    - i. YES Bank had received a notice on 15.10.2020 from K. Srinivasa Rao, Inspector of Police, Cyber Crime PS, Vijayawada City regarding an ongoing investigation of fraud against Noticee No.5, received vide complaint no. 1639/2020, stating that he had represented himself as a Stock Advisor and lured the complainant to invest money through demat account. Further, the notice stated that Noticee No.5 took charge of the demat account of the complainant and invested certain sum of amount in the name of the complainant, who had faced a huge losses despite being assured that the said amount was fully refundable.
    - ii. Thereafter, Yes Bank had filed a STR on 07.12.2020, in respect of Noticee No.5 (PAN – EZ1XPS6330B), its customer, who is maintaining a savings A/c No. 041591600016172 (since 25.12.2019) in its, Bannerghatta Road Branch, located in Bangalore. The communication address for the account is “*Stock Taurus Private Limited, No. 933, 2<sup>nd</sup> Floor, Hermain Complex, Opp. Mc Donald, Bangalore, Karnataka – 560076*”, and Permanent address is “*Gowramma Banavase, Gorur, Hassan, Karnataka – 573201*”, email id – [sagargowdasagi90@gmail.com](mailto:sagargowdasagi90@gmail.com) and mobile number – 9741014023.
    - iii. The aforesaid savings bank account is a salary account of Noticee No.5, who declared annual income of Rs.5 lakhs, however, it was observed that the nature and volume of transactions routed via the said account is not

commensurate with his profile. Further, owing to the high number of transactions being routed via the said account, Yes Bank had filed an STR on 07.12.2020, in respect of Noticee No.5, as the transactions in the account seem suspicious in addition to the customer being investigated by Law Enforcement agency.

- b. Since the communication address of Noticee No.5 is the same as that of Noticee No.1, the details of Noticee No.1 were obtained from the MCA database, wherein the following observed;

<b>Name of the Company</b>	Stock Taurus Private Limited			
<b>CIN</b>	U74999KA2018PTC117321			
<b>Date of incorporation</b>	05.10.2018			
<b>Registration</b>	RoC- Bangalore (Reg No. 117321)			
<b>PAN</b>	ABACS9613D			
<b>Registered Address</b>	Registered Address - No. 933(C), Floor No. F2, 2 <sup>nd</sup> Floor, 16 <sup>th</sup> Main Road, BTM 2 <sup>nd</sup> Stage, 1 <sup>st</sup> Phase, Bangalore, Karnataka – 560076			
<b>Telephone No.</b>	8043005199			
<b>Email id</b>	ashwathnayak71@gmail.com			
<b>Directors/ Signatory Details</b>	<b>DIN/PAN</b>	<b>Name</b>	<b>Begin Date</b>	<b>End Date</b>
	DIN-08249972/ PAN- AYBPA3165B	Avinash Mohankumar	05/10/2018	-
	DIN-08249971/ PAN- BIRPA6081R	Abubaker Mohammed	05/10/2018	10/10/2019
	DIN-08718340/ PAN- BTLPG7851C	Bhanupriya Ravula Govindan	09/03/2020	-
<b>Objective of the Company as per MoA</b>	Main objective of the company is providing consultancy services to customers who were in trading of securities			
<b>Company Status</b>	Active			

- c. Information from the website of Stock Taurus Private Limited (Noticee No.1)

- i. A search conducted on the website <https://stocktaurus.in/> revealed that it was in the name of Noticee No.1. Further, the website creation details were obtained from <https://whois.com> showed the following:

<b>Domain</b>	stocktaurus.in
<b>Registrar</b>	GoDaddy.com, LLC

<b>Registered on</b>	09.01.2020
<b>Updated on</b>	06.04.2021
<b>Registrant Contact Organization</b>	Web Digital Mantra IT Services Pvt Ltd

- ii. Based on the above, Vide email dated 26.04.2023, the domain ownership details of <https://stocktaurus.in/> was sought from Web Digital Mantra IT Services Pvt Ltd. (“WDMITSPL”), who replied stating that it was registered on behalf of their former client, Mr. Avinash Gowda almost 3 years ago for which the payment was received in cash. WDMITSPL also stated that it was not provided with the KYC documents of Noticee No.2.
- iii. The website stated the following;
- Stock Taurus is the global Indian research company provides consultancy for commodity & Equity market i.e. MCX, NCDEX, BSE, NSE (CASH and F&O). We provide 90% to 95% accurate results with no false promises. Our live SMS, Email and Website support ensures you of above prompt services. We provide various commodity consultancy services according to the needs of traders. With a very experienced research team of commodity analyst having an experience of more than 5 years in this field. We give personal attention to each and every client. We are operating here Since 2010 and successfully giving services to more than 3500 clients from all over India. Providing mobile and email support will help you overall to get the result.*
  - Founder – Avinash; Contact details: Mobile No. – 8618397327, Email id – [stocktaurus.blr@gmail.com](mailto:stocktaurus.blr@gmail.com), Address – Bangalore – 560078. Mon-Sat- 09:00 AM to 06:00PM, WhatsApp(<https://api.whatsapp.com/send?phone=918618397327&text=Hilwantedtobookaservice.&source=&data=>)*
  - Stock Taurus © 2020 Designed by Web Digital Mantra*
  - Our Services/Pricing:*

<b>Package</b>	<b>1 Month</b>	<b>3 Month</b>	<b>6 Month</b>	<b>1 Year</b>
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Stock Cash	9,888.00	23,888.00	40,888.00	70,888.00
Stock / Nifty	10,888.00	24,888.00	42,888.00	72,888.00
Options	7,888.00	16,888.00	28,888.00	41,888.00
Equity Combo	20,888.00	44,888.00	80,888.00	118,888.00
Commodities Exclusive	60,000.00	-	-	-
Options Exclusive	40,000.00	-	-	-
Stock Futures Exclusive	60,000.00	-	-	-
Options	-	17,000.00	-	-
Stock Cash Exclusive	60,000.00	-	-	-
HNI Consult	-	60,000.00	-	-
Base Metals	-	13,000.00	-	-
Gold / Silver		17,000.00		
Energy Pack		13,000.00		

- iv. Thus, it was observed from the contents of the website that Noticee No.1 has offered investment advisory services by way of various packages on payment of charges, through its website. However, the said website has become inactive pursuant to SEBI's letter dated 18.04.2023, seeking details of investment advisory activities carried out by STPL.
- v. Several bank accounts of the Noticees were observed during the examination, from the complainant and UCC details received from Exchanges/Depositories. The details of the multiple bank accounts pertaining to the Noticees are as under;

Sr.No	Name of the Entity	Bank Name	A/c No.	Account status as on 31.07.2023
1	Avinash M (Noticee No.2)	Axis Bank	918010092866994	Open
2		State Bank of India	36390450491	Open
3		ICICI Bank	142101515335	Open
4		CANARA BANK	2433101030736	Open
5		HDFC Bank	50100388563192	Open
6		IDFC First Bank	10009324308	closed
7		IDFC First Bank	10105476884	Open
8		Kotak Mahindra Bank	2112458649	Open
9	Bhanupriya R G	HDFC Bank	50100370301936	Open
10		ICICI Bank	231701518648	Open
11		YES Bank	53891900021660	Open
12		Kotak Mahindra Bank	5713221025	closed

13		Kotak Mahindra Bank	5746038423	Open
14		Standard Chartered	45711469297	closed
15		YES Bank	041551100012182	Open
16	Mohammed Abubakar (Noticee No.3)	Axis Bank	918010092867201	closed
17		ICICI Bank	722801500013	closed
18		ICICI Bank	008401530112	Open
19		Kotak Mahindra Bank	8647590649	Open
20		Indusind Bank	159986944742	closed
21		Canara Bank	2433101031912	Open
22		ICICI Bank	29705004208	closed
23		ICICI Bank	722805500008	closed
24		ICICI Bank	722825000016	closed
25		ICICI Bank	722825000117	closed
26		HDFC Bank	50100212638726	Open
27	IDFC First Bank	10051665484	closed	
28	Sagar B K (Noticee No.5)	YES Bank	041591600016172	Open
29		Canara Bank	0548101021294	Open
30		HDFC Bank	50100370301949	Open
31	Stock Taurus Private Limited	HDFC Bank	50200035277819	Open
32		ICICI Bank	029705004794	Open
33		ICICI Bank	029705004744	closed
34		Indusind Bank	201002903386	closed
35		YES Bank	042763400000426	Open

- vi. Thereafter, vide SEBI's letter and email dated 18.04.2023, they were also advised to refrain from all unregistered investment advisory services offered by them through their website / research analysis / portfolio management or any other unregistered activity in the securities market and to submit the details sought by 25.04.2023. The said letter was forwarded to aforesaid Noticees by way of post (duly delivered to all except Noticee No.1 which returned undelivered) and email (duly delivered to all).
- vii. Vide email dated 25.04.2023, Noticee No.3 has *inter alia submitted* that STPL was started in 2018 and he was acting as a director for few months. As he was unable to understand the type of business which STPL was conducting, he had resigned from the post as Director of STPL in 2019 and he has not offered any financial services to STPL.
- viii. Thereafter, vide emails dated 25.04.2023 and 13.05.2023, Noticee No.2, had submitted that STPL closed in 2021, because of which he is currently, working in an oil lubricant company as manager, Noticee No.4 is his wife and presently, is a housewife. He also provided copies of their Aadhaar, PAN along with the annual reports of STPL for the FYs 2018-19, 2019-20

and 2020-21. However, there is no direct response from Noticee No.4 (his wife).

- ix. Further, it was observed that the essential details such as list of clients, details of advisory fees collected, list of all bank accounts of Noticees etc., sought by SEBI were not provided.
- x. Next, it was observed that Noticee No. 5 also did not respond to any of SEBI's queries and reminders issued in this regard vide letter dated 18.04.2023, reminder email on 26.04.2023 and email dated 09.05.2023.
- xi. Subsequently, vide SEBI's email dated 09.05.2023, the Noticees were once again advised to provide the details of all bank accounts/payment gateways (including bank accounts of employees if any) which are/were used for collecting fees towards investment advisory services, amount of fees collected, list of clients, to which no reply has been received from them.
- xii. Thus, an independent examination of the bank accounts of the Noticees was carried out, wherein the credit transactions in the bank statements were examined and observed that narration/description of multiple credits transactions had the terms such as share, profit, tips, subscription, trade, trading fee etc. Also multiple credit transactions in the bank accounts were matching with the package amount mentioned for investment advisory services on the website.
- xiii. The main objective of STPL as observed from the Memorandum of Association is "providing consultancy services to customers who were in trading of securities". Further, the website has identified itself as "global Indian research company provides consultancy for commodity & Equity market i.e. MCX, NCDEX, BSE, NSE (CASH and F&O)" and no other business appears to be carried out by STPL. Thus, based on said information it is observed that STPL was engaged in the business of investment advisory services.
- xiv. Accordingly, all the credits received from the bank accounts of STPL and Noticees No. 2 to 4, credit transactions with narrations such as shares, profit, tips, subscription, advisory, trade, trading fee, etc., excluding unrelated credits were prima facie considered as fees collected for



unregistered investment advisory (“UIA”) activities. Summary of the credits identified towards investment advisory services from the bank accounts of Noticee Nos. 1 – 4 are as under;

Sr No.	Name of the Entity	Transaction period*	Credits having narration with respect to investment advisory services (A)		Credits matching with the package amount specified for investment advisory services (B)		Total credits identified as received towards investment advisory services (A+B)			
			No. of identified credit transactions	Amount (in Rs.)	No. of identified credit transactions	Amount (in Rs.)	No. of identified credit transactions	Amount (in Rs.)		
1	Stock Taurus Private Limited	29/10/2018 to 03/10/2022	All credits received in the account excluding unrelated credits were taken as fees collected for UIA activities						778	21,950,384
2	Avinash M (Noticee No.2)	11/10/2018 to 23/03/2023	195	29,22,044	91	37,48,000	286	66,70,044		
3	Mohammed Abubakar (Noticee No.3)	08/01/2019 to 01/10/2019	18	1,96,705	2	30,000	20	2,26,705		
4	Bhanupriya R G (Notice No.4)	19/03/2020 to 01/04/2023	68	13,67,797	0	0	68	13,67,797		
<b>TOTAL</b>			<b>281</b>	<b>44,86,546</b>	<b>93</b>	<b>37,78,000</b>	<b>1,152</b>	<b>3,02,14,930</b>		
*The transaction period is from the date of incorporation of STPL or date of joining as director of STPL or date of first credit identified as amount collected towards investment advisory services whichever is later upto the date of resignation as director or the date of last credit transaction in the account identified as amount collected towards investment advisory services whichever is earlier										

xv. Thus, from the above table, it was observed that a sum of at least Rs.3,02,14,930/- has been identified as fees collected in the bank accounts of STPL and its directors by engaging in the unregistered investment advisory activities.

xvi. **Credits related to UIA observed in the bank account of Noticee No.2 prior to incorporation of STPL:** In addition to the above, while

examining the bank accounts of Noticee No.2 i.e. the director and promoter of STPL, narrations with respect to investment advisory services were observed in the credit entries to a sum of Rs.9,26,300/- in his SBI account no. 36390450491 as early as March 2017 i.e. even before the incorporation of STPL (i.e. 05.10.2018). List of such identified credit transactions towards UIA activities are given below:

Date	Narration	Credit
03-Mar-17	BY TRANSFER-INB IMPS/P2A/706215603668/XXXXXXXX000Advisor Charg--	2,500
06-Mar-17	BY TRANSFER-INB IMPS/P2A/706510261760/XXXXXXXX000Reg--	2,500
01-Sep-17	BY TRANSFER-INB IMPS724412296553/9849563060/XX0081/to trade b--	3,300
10-Sep-17	BY TRANSFER-INB IMPS725309529134/9702214005/XX5958/Services--	10,000
21-Sep-17	BY TRANSFER-INB IMPS726418650417/9702214005/XX5958/Services--	10,000
28-Sep-17	BY TRANSFER-INB IMPS727116722835/9702214005/XX6598/Service--	25,000
28-Sep-17	BY TRANSFER-INB IMPS727117723557/9702214005/XX6598/Service--	25,000
03-Oct-17	BY TRANSFER-INB IMPS727614776926/9702214005/XX5958/Services--	200,000
23-Oct-17	BY TRANSFER-INB IMPS729616028739/9702214005/XX5958/Service--	200,000
29-Dec-17	BY TRANSFER-INB IMPS736316677441/9999999999/XX6650/tr to advi-	20,000
29-Jan-18	BY TRANSFER-INB Fees--	100,000
08-Feb-18	BY TRANSFER-INB Fees--	300,000
09-May-18	BY TRANSFER-INB IMPS812913236808/8508102415/XX2330/Investment--	28,000
	<b>TOTAL</b>	<b>9,26,300</b>

- xvii. **Credits related to UIA observed in the bank account of Noticee No.4 prior to her appointment as director of STPL:** Similar to above, while examining the bank accounts of Notice No.4, it was observed that she was the spouse of Noticee No.2 and the director of Noticee No.1 appointed on 09.03.2020. It is observed that Yes Bank account No.53891900021660 of Notice No.4, is also her salary account opened on 22.08.2019, wherein the name of her employer is mentioned as STPL. Further, upon perusal of the credit entries in her ICICI Bank account no. 231701518648 a sum of Rs.3,68,600 has been identified as amount received towards narrations with respect to investment advisory services

were observed to have been collected in her individual capacity since 19.11.2018 i.e. prior to joining as director of STPL. List of such identified credit transactions towards UIA activities are given below:

Date	Narration	Credit_Amount
19/11/2018	NEFT-N323180683069413-SHANMUGAVELRAJA B-Profit sha	3600
29/11/2018	NEFT-N333180689448792-SHANMUGAVELRAJA B-Profit sha	10000
26/02/2019	MMT/IMPS/905716749561/consultation fe/SEETHARATH/A	40000
05/03/2019	MMT/IMPS/906417320177/service/Mr. JOSEPH/IDFC Bank	10000
13/03/2019	MMT/IMPS/907217919189/Service/Mr. JOSEPH/IDFC Bank	8000
14/03/2019	MMT/IMPS/907317988685/service/Mr. JOSEPH/IDFC Bank	10000
22/03/2019	MMT/IMPS/908113490127/service/Mr. JOSEPH/IDFC Bank	25000
27/03/2019	MMT/IMPS/908613864365/service/Mr. JOSEPH/IDFC Bank	30000
30/03/2019	MMT/IMPS/908915084180/Service/Mr. JOSEPH/IDFC Bank	17000
03/06/2019	MMT/IMPS/915411657930/service/Mr. JOSEPH/IDFC Bank	5000
04/06/2019	BIL/INFT/001723387268/stock advice/	25000
07/06/2019	BIL/INFT/001725891431/stock advice/	25000
02/07/2019	BIL/INFT/001744119357/Investment/	25000
04/07/2019	UPI/918508219172/Stock/ashok.vallepu@o/State Bank	10000
06/07/2019	BIL/INFT/001747608862/Trading/	50000
15/07/2019	UPI/919642228698/Trade/9551471442@ybl/Axis Bank Lt	35000
31/07/2019	UPI/921220088284/registration fo/shivavmlr@okhdf/H	15000
31/12/2019	MMT/IMPS/936516545182/Fees/VANAJAMANI/INDIAN OVERS	25000
	<b>TOTAL</b>	<b>3,68,600</b>

**xviii. UIA Credits identified in the bank accounts of Sagar B K (Noticee No.5):**

- a. Based on the STR received against Noticee No. 5, in respect of the credit transactions in the Yes Bank account no. 041591600016172, the said account was examined wherein it was observed that the said account is also his Salary account. Further, his communication address for the said account is the same as the registered address of STPL, from this it was inferred that Noticee No.5 is an employee of STPL. Additionally, two other bank accounts of Noticee No.5 were also identified. Further, narration of multiple credits in the bank accounts of Noticee No.5 had the terms such as Shares fee, trade, advice, registration, charges, trading, subscription, service, etc., suggesting he has engaged in investment advisory services. Also certain credits matched with the package

amount specified for investment advisory services on the website of STPL. There were also multiple instances of the abovementioned money being transferred to Noticee No.2. Sample instances from the HDFC Bank account No. 50100370301949 of Noticee No.5 are given below:

Date	Narration	Withdrawal Amt.	Deposit Amt.	Closing Balance	Terms
23/12/20	IMPS-035810950302-TRIPADA PRASAD DASH-HDFC-XXXXXX5686-MB: TRADING	0	15500	15502.72	TRADING
23/12/20	UPI- <b>AVINASH M</b> (Noticee No.2)- AVINASHGOWDA211@YBL- ICIC0001421-035830723113-PAYMENT FROM PHONE	15000	0	502.72	
24/12/20	IMPS-035910819906-TRIPADA PRASAD DASH-HDFC-XXXXXX5686-MB: TRADING MONTH 1	0	40116	40130.72	TRADING MONTH 1
24/12/20	UPI- <b>AVINASH M</b> (Noticee No.2)- AVINASHGOWDA211@YBL- ICIC0001421-035902596064-PAYMENT FROM PHONE	40000	0	130.72	
30/12/20	08131000038529 -TPT-STOCK ADVISORY SUBSCRIPTION FEES-M SUDEEP KUMAR	0	25000	25018.72	STOCK ADVISORY SUBSCRIPTION FEES
30/12/20	IMPS-036512348956- <b>AVINASH M</b> (Noticee No.2)-ICIC-XXXXXXXX5335-AVI BRO	25000	0	18.72	
10/03/21	17591930002931 -TPT-FINANCIAL SERVICES CHARGES-AJITH KUMAR S	0	50000	50005.62	financial services charges
10/03/21	UPI- <b>AVINASH M</b> (Noticee No.2)- AVINASHGOWDA212@YBL- UTIB0003749-106951451677- PAYMENT FROM PHONE	50000	0	5.62	

- b. Additionally, several instances were observed wherein amounts received in the bank account of Noticee No.5, neither had any narration with respect to investment advisory services nor matched with the package amount specified for investment advisory services and were transferred to Noticee No.2, on the very same day, leaving a minimal running balance (say Rs.500). However, these transfers though observed to be without any business purpose, appear suspicious and therefore they were considered as amounts received towards UIA activities. In view of the above, it was observed that a sum of Rs.29,54,975

were received in the bank accounts of Noticee No.5 towards investment advisory services and the summary of the same is given below.

Sr No.	Bank account No.	Transaction period*	Credits matching with the package amount specified for investment advisory services (A)		Credits having narration with respect to investment advisory services (B)		credits received in the bank accounts of Sagar B K (though narration do not have any terms related to UIA nor matching with the package amount) followed by debits to Avinash M (C)		Total credits identified as received towards investment advisory services (A+B+C)	
			No. of identified credit transactions	Amount (in Rs.)	No. of identified credit transactions	Amount (in Rs.)	No. of identified credit transactions	Amount (in Rs.)	No. of identified credit transactions	Amount (in Rs.)
1	Yes Bank a/c no. 41591600016172	19/08/2020 to 31/10/2020	1	40,000	25	281,007	62	723,544	88	1,044,551
2	Canara Bank a/c no. 548101021294	14/12/2020 to 26/02/2023	4	200,000	36	596,960	39	643,684	79	1,440,644
3	HDFC a/c no. 50100370301949	05/11/2020 - 12/02/2021	0	0	13	204,781	8	264,999	21	469,780
4	<b>TOTAL</b>		<b>5</b>	<b>240,000</b>	<b>74</b>	<b>1,082,748</b>	<b>109</b>	<b>1,632,227</b>	<b>188</b>	<b>29,54,975</b>

\*The transaction period is from the date of first credit identified as amount collected towards investment advisory services till the date of last credit transaction in the account identified as amount collected towards investment advisory services

- c. The following facts show the involvement of Noticee No.5 in providing unregistered investment advisory activities:
- The STR has *inter alia* mentioned that the police were investigating Noticee No.5 based on a complaint alleging that he represented himself as a Stock Advisor and lured the complainant to invest money through demat account. The STR has also observed that the money taken from the complainant has reflected in the Yes bank salary account of Noticee No.5,

- ii. Fund transfers were observed between the bank accounts of Noticee No.5 and Noticee No.2, director of STPL,
  - iii. The amounts stated to have paid by the complainant, B Sukesh to Noticee No.2 and Noticee No.5 has reflected in their respective bank statements,
  - iv. The verification of bank accounts of Noticee No.5 has revealed that investment advisory fees has also been collected in his individual bank accounts. Thus, Noticee No.5 is also a beneficiary of the investment advisory fees collected, in addition to receiving salary from STPL.
- d. All of the above shows that Noticee No.5 was acting in connivance with Noticee No.2 in carrying out the UIA activities, for which he also received the investment advisory fees in his bank accounts. Thus, it was alleged that both Noticee No.5 and Noticee No.2 are responsible for the amount of at least **Rs.29,54,975/-** collected in the aforesaid three bank accounts of Noticee No.5 towards unregistered investment advisory services.

xix. **Information sought from Noticees with respect to identified UIA credits in their bank accounts:**

- a. Vide email dated 16.05.2023, credits identified as fees collected in the bank accounts of the Noticees were shared with them and they were asked to inform the purpose of the credits received along with supporting documents in case the said credits are not collected as fees for providing investment advisory services. It was also made clear in the email that in the absence of any reply or supporting documents, the same shall be construed as fees collected for investment advisory services. However, no reply was received from any of the Noticees. Next, vide email dated 19.05.2023, a reminder was sent in this regard to all the Noticees, for which also, no response was received from any of them.
- b. Thereafter, vide email dated 27.06.2023, comments of Noticee No.5 and Noticee No.2 were sought with regard to the transfer of amounts from former's

bank account to latter's bank account and their relationship etc., however no response was received.

- c. Further, vide email dated 27.06.2023, all the Noticees were advised to submit the information sought by SEBI vide its letter dated 18.04.2023 latest by 30.06.2023 and were also advised to be present at SEBI, Southern Regional Office, Chennai on 05.07.2023 at 11:00 AM.
- d. In this regard, only Noticee No.3 (ex-director of STPL) along with his Authorized representative has appeared and reiterated the submissions made earlier and also made additional submissions, vide letter dated 14.07.2023. Even though, Noticee No.3 replied to the above mentioned letter, it was observed that he did not submit any reply on the purpose of credits identified as fees collected in his bank accounts, as sought by SEBI.
- e. It was observed from the incorporation related documents received from RoC that Noticee No.3 had subscribed to 50% of the authorised capital of STPL at the time of incorporation, also acted as a director of STPL till 10.10.2019 and he is also one of the authorised signatory of the bank accounts of STPL. Hence, Noticee No.3 will be held liable for the unregistered activities carried out by STPL during his tenure as director with STPL.
- f. Further, no reply has been received from the other Noticees with regard to details sought by SEBI on the amounts identified as fees collected in their bank accounts. Also, the other Noticees have neither appeared at SEBI, Southern Regional Office on the stipulated date nor made any submissions.
- g. Upon analysis of bank statements of the Noticees, a total of at least 1371 credit transactions for a sum of **Rs.3,44,64,805/-** was observed to be received as fees by STPL, its directors i.e. Noticee Nos.2, 3, 4 and Noticee No.5 (an employee of STPL) by engaging in unregistered investment advisory

activities. Accordingly, the Noticee wise details of amounts alleged to have been received as fees towards UIA activities are given below:

<b>Name of the entity which has done the unregistered investment advisory activity</b>	<b>Transaction Period</b>	<b>No. of identified credit transactions</b>	<b>Total identified credits (in Rs.)</b>	<b>Noticees liable for the fees collected</b>
Stock Taurus Private Limited	29/10/2018 to 01/04/2023	1,152	3,02,14,930	STPL, Avinash M, Mohammed Abubakar and Bhanupriya R G
Avinash M	03/03/2017 to 09/05/2018	13	9,26,300	Avinash M
Bhanupriya R G	19/11/2018 to 31/12/2019	18	3,68,600	Bhanupriya R G
Sagar B K & Avinash M	19/08/2020 to 26/02/2023	188	29,54,975	Sagar B K & Avinash M
<b>TOTAL</b>		<b>1,371</b>	<b>3,44,64,805</b>	

- h. Considering the above facts and circumstances especially, the contents of the website of STPL coupled with the narration of multiple credit transactions in the bank account of the Noticees, STR and the complaint as detailed in previous paragraphs, it is evident that the Noticees have collected money for providing investment advisory services.
- i. Further, it was observed that the Noticees are not registered with SEBI in any capacity as per the intermediary database on SEBI website nor was there a disclosure to the effect that STPL is registered with SEBI, on the website of the Noticee.
- j. Further, in terms of Section 12(1) of the SEBI Act, 1992, any person carrying out investment advisory activities has to necessarily obtain registration from SEBI and conduct its activities in accordance with the provisions of the IA Regulations, 2013. Similarly, Regulation 3(1) of the IA Regulations, 2013 also casts a prohibition on any person to act as an investment adviser or hold itself out as an investment adviser, without obtaining the registration from SEBI.



- k. In view of the above, the Noticees were said to have been engaged in the activities of providing investment advice without obtaining the requisite registration from SEBI and were alleged to be in violation of Section 12(1) of SEBI Act read with Regulation 3(1) of the IA Regulations, 2013.
- l. Further, it was observed that, assured returns were offered to the investors in the investment advisory packages offered by STPL on its website, thereby luring and inducing the investors to deal in securities by availing their services. The above mentioned actions are not only misleading but also an active concealment of the material fact. Thus, by doing so STPL has represented itself to be registered with SEBI to the investors in a reckless and careless manner. Thus, it is also observed and alleged that the contents on the website taken together with the complainant regarding investment advisory, assured returns and the collection of fees indicate that the activities of Noticees are fraudulent in nature and are covered within the definition of “fraud” as defined in Regulation 2(1)(c) of PFUTP Regulations, 2003, which reads as under:

***Definitions***

*2. (1) In these regulations, unless the context otherwise requires,-*

*“(c) “fraud” includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—*

*(1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;*

*.....*

*(3) an active concealment of a fact by a person having knowledge or belief of the fact;*

*.....*

*....*

*And “fraudulent” shall be construed accordingly*

*...”*

- m. Consequently, Noticee No. 2 and Notice No.4 are individually liable for the amounts collected towards investment advisory services in their respective bank accounts prior to incorporation of STPL or their association as director with STPL as brought out above. For the amounts alleged to have been collected toward UIA activities in the bank accounts of Noticee No.5 as brought out above and the suspicious financial transactions between Noticee

Nos. 2 and 5, they are liable for the amounts received towards UIA activities in their bank accounts. Further, STPL, its directors along with Noticee No.5, also received the advisory fees in his bank accounts in addition to promising assured returns to investors thereby luring and inducing them to deal in securities by availing their services. On a combined reading of provisions mentioned above it can be inferred that the activities/ dealings of Noticees, are in the fraudulent in nature and accordingly, they have allegedly violated provisions of Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3(a), (b), (c), (d), 4(1) and 4(2) (k) of PFUTP Regulations.

### **SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING**

4. Based on the aforesaid facts, it was alleged in the Show Cause Notice (hereinafter referred to as "**the SCN**") dated July 02, 2024, that the Noticees have violated the provision of Section 12(1) of the SEBI Act read with Regulation 3(1) of IA Regulations, Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3(a), (b), (c), (d), 4(1) and 4(2) (k) of PFUTP Regulations for engaging in Investment Advisory activities without obtaining the requisite registration from SEBI. Therefore, the SCN was issued, calling upon the Noticees to show cause as to why suitable directions including direction of refund of fees/monies collected from the investors should not be issued against the Noticees under Sections 11 (1), 11 (4) and 11 B (1), of the SEBI Act and why suitable directions for imposing penalty under Sections 11B(2) and 11(4A) read with Sections 15EB and 15HB of SEBI Act under SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, should not be issued against the Noticees for the aforesaid alleged violations.
  
5. The aforesaid SCN was issued to the Noticee No. 1 through digitally signed e-mail and affixture, while it was issued to Noticee No. 2-4 through SPAD, at their last known address and were duly delivered. Noticee No.3, has submitted his reply to the SCN vide his e-mail dated 30.07.2024.

6. Consequently, the Noticees were granted an opportunity of personal hearing before the undersigned on 19.08.2024, vide hearing Notice dated 02.08.2024. The hearing notices sent vide SPAD were duly delivered to Noticee No. 2 to 5, however, since the SPAD tracking of Noticee No.1 was not received, the said notice was served on Noticee No.2. Thereafter, Noticee No.3 had attended the personal hearing scheduled on 19.08.2024, while Noticee Nos.1, 2, 4 and 5 sought for adjournment. Accordingly, the hearing was rescheduled to September 05, 2024, which could not be conducted due to certain exigencies. Consequently, another date of hearing was granted to the Noticee No. 1, 2, 4 and 5 i.e. on September 17, 2024, which they have confirmed. On the day of the scheduled hearing i.e. September 17, 2024, Noticee No. 2, appeared online on behalf of himself, Noticee Nos. 1 and 4, while Noticee No. 5 appeared online on behalf of himself. The aforesaid Noticees made oral submissions and further, sought time to file their replies in the matter. Accordingly, they were granted time till September 23, 2024, to file their replies in the matter. Thereafter, several requests were made by the aforesaid Noticees (i.e. Noticee Nos.1, 2, 4 and 5) vide e-mails dated September 17, 2024, September 20, 2024, September 23, 2024, September 24, 2024 to file their reply/ submit additional documents in the matter. Vide e-mail dated September 24, 2024, while seeking time to file documents in the matter, Noticee No. 2 has stated the following on behalf of Noticee Nos. 1, 4 and 5;

- i. Noticee No. 2 along with Noticee No. 4 was the Director of Stock Taurus Pvt. Ltd., where Noticee No. 2 is responsible for the decisions taken and transactions made on behalf of Noticee No.1.
- ii. Noticee No. 2 & 4 do not know the complainant Mr. Srinivas Rao.
- iii. Certain employees of Noticee No.1 had collected investment from some clients, because of which they were removed from the company by Noticee No.2.
- iv. Money collected in the bank accounts of Noticee No.2 and 4 were only investment in current account to pay office rent, employee salary during lockdown crisis and some were for medical expenses.
- v. Noticee No. 2 stated that Noticee No.5 was a family member and his account was being used by Noticee No.2 to collect hand loans from their friends and relatives for medical expenses. Further, Noticee No.2 also stated that the bank

account of Noticee No.5 was used by certain employees of Noticee No.1 to take profit sharing amounts from clients.

- vi. Thereafter, Noticee No.2 stated that Noticee No.1 was closed after the second lock down because of an unknown transaction done by one of the employees of Noticee No.1, against which they had filed a complaint in the local police station.

7. The summary of the reply dated July 30, 2024 of the Noticee No.3 is as under;

- i. He was neither privy to the transactions nor possesses any knowledge of transactions which were carried out by Mr. Avinash and his wife Ms. Banupriya through the company.
- ii. He is a gym trainer by profession and Mr. Avinash was a childhood friend, who renewed his acquaintance years later by making him a director at STPL.
- iii. Noticee No.3 took charge on 05.10.2018 with CIN No. U74999KA2018PTC117321, even though he did not have any knowledge or experience in the stock market. However, upon receiving repeated information regarding UIA services carried out by STPL he resigned from the Directorship of the company on 10.10.2019.
- iv. Thereafter, he has also filed a complaint with MICO Layout Police Station on 14.10.2019 against Noticee No. 2 and also uploaded his letter of resignation in the MCA portal.
- v. With regard to the allegations leveled against him, Noticee No.3 had issued a cheque No.018481 date 02.11.2019 in favour of Mr. Avinash M for Rs. 1,44,000/- towards final settlement.
- vi. He has also been responding to bank notices stating he is not responsible for dishonored cheques of Noticee No.2.

### **CONSIDERATION OF ISSUES AND FINDINGS**

8. I have considered the material available on record including the complaint, the SCN, the reply, etc. and note that following issue arises for consideration: -

*Whether the acts of the Noticees as imputed in the SCN, have resulted in the violation of the provisions of Section 12(1) of the SEBI Act and Regulation 3 (1) of the IA Regulations, Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3(a), (b), (c), (d), 4(1) and 4(2) (k) of PFUTP Regulations, while providing the services related to Investment Advisory without having proper registration?*

9. Before proceeding further, it is pertinent to refer to the relevant provisions of the SEBI Act, PFUTP Regulations and the IA Regulations alleged to have been violated by the Noticees, as per the SCN. The relevant provisions of law are reproduced hereunder: -

**SEBI Act**

**Section 12 (1) - Registration of stock brokers, sub-brokers, share transfer agents, etc.**

*" No stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act:"*

**"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;”

## **IA Regulations**

### **Regulation 2(1)(g) – Definition of Consideration**

“consideration” means any form of economic benefit including non-cash benefit, received or receivable for providing investment advice;

### **Regulation 2(1)(l) – Definition of Investment Advice**

“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 Provided that investment advice given 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;”

### **Regulation 2(1)(m) – Definition of Investment Adviser**

“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;”

### **Regulation 3(1) – Requirement of Registration from SEBI to act as Investment Adviser**

“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:”

## **PFUTP 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 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:*

*.....*  
*(k) 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”*

**10.** I now proceed to consider the matter on merits.

**11.** I note that Noticee No.2 has replied on behalf of himself and Noticee Nos. 1, 4 & 5, stating that Noticee No.2 and 4 were the Director of Noticee No.1 and Noticee No.2 was responsible for the decisions taken and transactions made on behalf of Noticee No.1, 4 and 5. Further, it was submitted that employees of Noticee No.1 had collected funds from some clients and these employees were removed from the company. Further, it was also submitted that the money collected in the bank accounts of Noticee No.2 and 4 were only investment in current account to pay office rent, employee salary during lockdown crisis and some were for medical expenses. Thereafter, it was submitted that Noticee No.5 was a family member of Noticee No. 2 and 4, his account was being used by Noticee No.2 to collect hand loans from their friends and relatives for medical expenses. Additionally, it was submitted that the bank account of Noticee No. 5 was used by certain employees of Noticee No.1 to take profit sharing amounts from clients. Finally, it was submitted that Noticee No.1 was closed after the second lock down because of an unknown transaction done by one of the employees of Noticee No.1, against whom a complaint was filed in the local police station.

12. With regards to the above submission, I note that, Noticee No. 2 was responsible for all the decisions and transactions made by Noticee No. 1, 4 and 5 and the same was admitted by Noticee No.2 in his reply. As regards the submission that certain employees of Noticee No.1 had collected investment from some clients and or used the bank account of Noticee No. 5 to take profit sharing amounts from clients, I note that, Noticee No. 5 was only an employee of Noticee No. 1 and had three bank accounts which were admittedly controlled by Noticee No.2, however, there is no evidence/ proof submitted by Noticee No. 2 in support of the claim that Noticee No.5's bank accounts were used by certain employees of Noticee No. 1, to take profit sharing amounts. I further note that there is no evidence, detailing the list of the employees who have collected fees from clients, their removal from office and the amounts collected. Also, I note that no evidence has been submitted as regards to the money collected in the bank accounts of Noticee No.2 and 4, in order to identify/ confirm nature of the said funds received as well as copy of the police complaint filed against the employee of Noticee No.1 who had done the unknown transaction was not provided. In view of the above and considering the fact that money has been collected as fees for UIA activities in the bank accounts of Noticee No.1, 2, 4 and 5, which were handled by Noticee No.2, I do not find any merit on the said submissions in this regard.

13. Further, in this regard, I note that Noticee No.3, has also stated that he is a gym trainer by profession and the childhood friend of Noticee No.2, who renewed his acquaintance years later by making him a director at STPL. Thereafter, he also submitted that he took charge on 05.10.2018 with CIN No. U74999KA2018PTC117321, even though he did not have any knowledge or experience in the stock market. However, upon receiving repeated information regarding UIA services carried out by STPL he resigned from the directorship of the company on 10.10.2019. He was neither privy to the transactions nor possesses any knowledge of transactions which were carried out by Noticee No.2 and his wife Noticee No.4, through the company. Subsequently, he has also filed a complaint with MICO Layout Police Station on 14.10.2019 against Noticee No. 2 and also uploaded his letter of resignation in the MCA portal.



14. With regard to Noticee No.3's submission, I note that he took charge on the same day the STPL came into existence. Further, I note that even after Noticee No. 3 had received repeated information regarding UIA services carried out by STPL, as stated in his reply, he only resigned from the position of a KMP on 10.10.2019, i.e. one year after joining the company. I also note from Form No.AOC-4 submitted by him that Financial Statements for the time period 05.10.2018 to 06.09.2019 was approved on 06.09.2019 by CEO of STPL and during that period, Noticee No. 3 was still the director of STPL. It is also observed from the bank statements pertaining to the banks of Noticee No.3 that he himself has collected an amount of Rs.2,26,705/- which he has not denied in his reply. Therefore, I find that resigning from the company after a period of one year without any valid reason and subsequent the filing of police complaint does not have any merit to it.
15. As regards the ignorance pleaded by Noticee No.3, 4 and 5 that they were not aware of the workings of the market, I note that it is a settled principle of law that ignorance of law is not an excuse and everyone is presumed to know the law of the land. A person cannot defend his illegal actions by stating that he was not aware that his actions were illegal, even if he honestly believed that they were not breaking the law. Therefore, I do not find any merit in this contention of Noticee No.3, 4 and 5.
16. Thereafter, I note that Regulation 2(1)(m) of the IA Regulations defines the term '*investment adviser*'. As per Regulation 2(1)(m) of the IA Regulations, investment adviser means any person, who is engaged in the business of providing investment advice to clients or other person or group of persons for consideration. Further, it includes any person who holds himself out as an '*investment adviser*'. Regulation 2(1)(m) of the IA Regulations refer to terms '*consideration*' and '*Investment advice*'. As per Regulation 2(1)(g) of the IA Regulations, consideration means any form of economic benefit including non-cash benefit, received or receivable for providing investment advice. As per Regulation 2(1)(l) of the IA Regulations, '*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. However, advice given through newspaper, magazines, any electronic or broadcasting or telecommunications medium, which is widely available to the public, shall not be an investment advice within the meaning of Regulation 2(1)(l) of the IA Regulations.

17. Further, from the facts mentioned in the SCN, it is inter-alia noted that the Noticees have held themselves out as an Investment Advisory Company “*providing consultancy services to customers who were in trading of securities*” through their website. Further, the website of STPL has identified itself as “*global Indian research company provides consultancy for commodity & Equity market i.e. MCX, NCDEX, BSE, NSE (CASH and F&O)*”. No other business appears to be carried out by STPL. Thus, with the available information it is observed that STPL was engaged in the business of investment advisory services. Thereafter, from the summary of the credits identified towards investment advisory services from the bank accounts of STPL and its directors, I note that a sum of at least **Rs.3,02,14,930/-** has been identified as fees collected by them for the unregistered investment advisory services provided by them. Additionally, it is also observed from examination of the bank accounts of the Noticee No.5 that, individually, he has collected Rs.29,54,975/- for the unregistered investment advisory services provided by him. In this regard, I also note that Noticee No. 2 and 4 were engaged in the business of unregistered investment advisory services even prior to the establishment of STPL.

18. In this regard, it is relevant to note that, if an entity is engaged in providing advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products and advice on investment portfolio containing securities or investment products, whether written, oral or through any other means of communication for the benefit of the client in lieu of consideration, including entities which are holding themselves out as investment advisers, will be covered by the definition of ‘*Investment Adviser*’ as given in Regulation 2(1)(m) of the IA Regulations, 2013. It is therefore I find that the Noticees were engaged in the business of providing investment advice to their clients, for consideration, and thus, acting as an investment adviser, as defined under Regulation 2(1)(m) of the IA Regulations, 2013.

**19.** I also note that, in terms of Section 12(1) of the SEBI Act and Regulation 3(1) of the IA Regulations, 2013, the registration of the investment advisers is mandatory. It provides that, *“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”*.

**20.** Thus, in view of the above, I find that the Noticees were engaged in the activities of an investment adviser, as per Section 12(1) of the SEBI Act, it was necessary for them to have obtained a registration from SEBI.

**21.** Further, 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 the 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 nonrefundable 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.

**22.** Further, the IA Regulations provides for the minimum professional qualification and prescribes mandatory net-worth requirement. Further, it inter-alia provides for disclosures of any conflict of interest, risk profiling of clients, maintenance of records related to client assessments and the suitability of advice. The prescriptions in the IA Regulations are intended to safeguard the interest of investors and curb the perpetration of unregistered entities entering the field of investment advisory services and indulging in unscrupulous market practices.

**23.** It is noted that the Noticees were not registered with SEBI in the capacity of Investment Adviser during the period under examination. It is further noted that they received amounts to the tune of Rs.3,44,64,805/- in their bank accounts post the introduction of IA Regulations and the Noticee wise details of amounts received as fees towards UIA activities are found to be as under:

<b>Name of the entity which has done the unregistered investment advisory activity</b>	<b>Transaction Period</b>	<b>No. of identified credit transactions</b>	<b>Total identified credits (in Rs.)</b>	<b>Noticee/s liable for the fees collected</b>
Stock Taurus Private Limited	29/10/2018 to 01/04/2023	1,152	3,02,14,930	STPL, Avinash M, Mohammed Abubakar and Bhanupriya R G

Avinash M	03/03/2017 to 09/05/2018	13	9,26,300	Avinash M
Bhanupriya R G	19/11/2018 to 31/12/2019	18	3,68,600	Bhanupriya R G
Sagar B K & Avinash M	19/08/2020 to 26/02/2023	188	29,54,975	Sagar B K & Avinash M
<b>TOTAL</b>		<b>1,371</b>	<b>3,44,64,805</b>	

24. In view of the above, I find that aforesaid total credit of Rs.3,44,64,805/- in the bank accounts of the Noticees was received by them as fee for investment advisory services provided by them while acting as an investment adviser without obtaining certificate of registration from SEBI. In view of the above, I find that the Noticees by acting as investment adviser within the meaning of the IA Regulations and without obtaining certificate of registration from SEBI have acted in total disregard to the requirements of law and have violated the provisions of Regulation 3(1) of the IA Regulations and Section 12(1) of the SEBI Act.

25. With respect to the allegation of fraud, I note from the contents of the website that clearly the Noticees have promised guaranteed returns to the investors which intended to induce/influence them to invest their money in share market. The said assurance of loss recovery without any basis and further assured maximization of returns etc., are an active concealment of the material fact that every investment in the market is subject to market risk. In this regard, I note that the Noticees adopted business tactics to induce the clients into availing the services they offered. Further, the act of conveying high/double returns or certainty of profit, is nothing but indulging in for the purposes of luring customers in its net and thereby increasing his income. In light of the same, the act of the Noticees to actively conceal material information, is non-genuine and deceptive, made with an intent to influence the clients to avail of their advisory services and deal in securities. In my view, promising assured returns/assured loss recovery in securities market amounts to misrepresentation and misleading the investors. Such reckless conduct intended to induce investors to deal in securities constitutes 'fraud' under the PFUTP Regulations.

26. In this regard, it is pertinent to refer to the observations of the Hon'ble Supreme Court in the case of **SEBI Vs. Kanaiyalal Baldevbhai Patel** (2017) 15 SCC 1, which are as under-

*“The definition of 'fraud', which is an inclusive definition and, therefore, has to be understood to be broad and expansive, contemplates even an action or omission, as may be committed, even without any deceit if such act or omission has the effect of inducing another person to deal in securities. Certainly, the definition expands beyond what can be normally understood to be a 'fraudulent act' or a conduct amounting to 'fraud'. The emphasis is on the act of inducement and the scrutiny must, therefore, be on the meaning that must be attributed to the word “induce”..... .....to make inducement an offence the intention behind the representation or misrepresentation of facts must be dishonest whereas in the latter category of cases like the present the element of dishonesty need not be present or proved and established to be present. In the latter category of cases, a mere inference, rather than proof, that the person induced would not have acted in the manner that he did but for the inducement is sufficient.”*

27. Further, the observation recorded by the Hon'ble Supreme Court of India in the matter of **SEBI Vs. Kanaiyalal Baldevbhai Patel** [(2017) 15 SCC 1] is worth quoting: “...A person can be said to have induced another person to act in a particular way or not to act in a particular way if on the basis of facts and statements made by the first person the second person commits an act or omits to perform any particular act. The test to determine whether the second person had been induced to act in the manner he did or not to act in the manner that he proposed, is whether but for the representation of the facts made by the first person, the latter would not have acted in the manner he did...”. Therefore, I am constrained to observe that the acts of the Notices of resorting to misrepresentation and spreading falsehood about, promise of assured profit/unreasonably high returns/assured loss recovery etc. are fraudulent in nature, having the potential to fraudulently induce the investors to deal in securities by availing of their services.

**28.** In this regard, I further rely upon the decision of the Hon'ble SAT in the matter of **MSS Trading System Centre and Anr. Vs. SEBI**, dated December 12, 2022, wherein the Hon'ble Tribunal has held that *"We are of the opinion that such assurance of profit given by the appellant was totally fraudulent and in violation of Regulation 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003"* also I find that the Noticees have made descriptions regarding returns in a very reckless and careless manner. Further, the Noticees, by assuring guaranteed returns by investing in shares, have violated the fundamental canon of the securities market i.e. investments are subject to market risks and therefore, has knowingly misled the investors at large by engaging in acts, practices, course of businesses which operated as 'fraud' as defined under Regulation 2(1)(c) of the PFUTP Regulations.

**29.** I further note that Regulation 3 prohibits certain dealings in securities wherein manipulative or deceptive methods are used, or any entity employs any device or scheme or artifice to defraud in connection with dealing in or issuing securities and also engage in any act, practice, course of business which operate as fraud or deceit upon any person in connection any dealing in or issue of securities. Further, I also note that Regulation 4(2)(k) provides that dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading and which is designed or likely to influence the decision of investors dealing in securities. Therefore, I note that the Noticees were indeed involved in mis-selling of services to their clients by making false and misleading statements of providing guaranteed returns to the investors.

**30.** Thus, I note that the Noticees by assuring guaranteed returns with respect to their investment advisory related plans, without obtaining the necessary certificate of registration as an investment adviser and knowingly publishing false and misleading information, has used non-genuine, deceptive means like engaging in business created thereby defraud potential investors by inducing them to invest in the shares based on the advice promising guaranteed returns, which, I find are in violation of the

provisions of Regulation 3 (a), (b), (c) & (d), 4 (1) and (2)(k) of the PFUTP Regulations read with Section 12A(a), (b), (c) of the SEBI Act.

31. The judgement of the Hon'ble Supreme Court of India in the matter of **SEBI Vs. Shri Ram Mutual Fund (Appeal no. 9523-9524)** decided on May 23, 2006, is very clear that *“penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant...”*. In view of the aforesaid observation and violations established against the Noticees, I find that it is a fit for imposition of monetary penalty under Sections 15EB, 15 HA and 15HB of the SEBI Act.

32. Sections 15 EB, 15 HA and 15HB of the SEBI Act read as under: -

**Section 15 EB - Penalty for default in case of investment adviser and research analyst**

*“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.”*

**Section 15 HA- Penalty for fraudulent and unfair trade practices.**

*“If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.”*

**Section 15HB - Penalty for contravention where no separate penalty has been provided**

*“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.”*



33. I note that Section 15J of the SEBI Act provide for factors which are required to be considered for adjudging quantum of penalty. Section 15J of the SEBI Act reads 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.”*

34. The activities of the Noticees, as brought out above, seen in the backdrop of the aforesaid provisions show that they were acting as an investment adviser without holding the certificate of registration as investment adviser. Further, in this regard, I note that the Noticees received total credit of amounts to the tune of Rs.3,44,64,805/- in the said bank account of HDFC Bank as advisory fees, in violation of provisions of Section 12(1) of SEBI Act read with Regulation 3(1) of the IA Regulations and Sections 12A (a), (b) and (c) of the SEBI Act read with Regulations 3(a), (b), (c), (d), 4(1) and 4(2) (k) of PFUTP Regulations. These being the proceeds of an illegal activity, are liable to be refunded to the respective clients of the Noticees.

## **DIRECTIONS**

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

- (a) The Noticees shall refund all the money collected/received from any investors / complainants, as fees or consideration or in any other form, in respect of their

unregistered investment advisory activities immediately and in any case, within a period of three months from the date of this order, as per their respective liabilities mentioned at para 23 above.

- (b) The Noticees shall issue public notice in all editions of two National Dailies (one English and one Hindi) and in one newspaper in vernacular language with wide circulation, detailing the modalities for refund, including the details of contact person such as name(s), address(es) and contact detail(s) of person(s) to be approached for refund, within 15 days from the date of receipt of this order.
- (c) The repayments to the investors shall be effected only through bank transfers electronic fund transfer or through any other appropriate banking channels, which ensures audit trails to identify the beneficiaries of repayments;
- (d) The Noticees are prohibited from selling their assets, properties including mutual funds/shares/securities held by them in demat and physical form except for the purpose of effecting refunds as directed above. Further, the banks are directed to allow debit from the bank accounts of the Noticees, only for the purpose of making refunds to the clients who were availing the investment advisory services from the Noticees;
- (e) After completing the aforesaid repayments, the Noticees shall file a report of such completion with SEBI addressed to the “Division Chief, Division of Post-Inspection Enforcement Action, Market Intermediaries Regulation and Supervision Department, SEBI Bhavan II, Plot No. C7, G Block, Bandra Kurla Complex, Bandra (East) Mumbai –400051”, within a period of 15 days, after expiry of four months from the date of public notice, as directed above, duly certified by an independent Chartered Accountant and the direction at para 35 (a) above shall cease to operate upon filing of such report;
- (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 Noticees. 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 to comply with the aforesaid directions in subparagraph (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 Noticees, in accordance with Section 28A of the SEBI Act, 1992 including such other provisions contained in securities laws,
- (h) The Noticees are debarred from accessing the securities market, directly or indirectly and prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever, for a period of two years from the date of this order or till the date of filing of report, as directed in para 35(e) above, whichever is later;
- (i) The Noticees shall not undertake, either during or after the expiry of the period of restraint and prohibition, as mentioned in para 35 (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;
- (j) The Noticees are hereby imposed with the following penalty;

<b>Noticee No.</b>	<b>Name of the Noticee</b>	<b>Penalty in Rs</b>
1.	Stock Taurus Private Limited (PAN- ABACS9613D)	₹ 1,00,000/- (Rupees One Lakh Only/-), each under Sections 15 EB &15 HB of SEBI Act, 1992 and ₹ 5,00,000/- (Rupees Five Lakh Only/-) under Section 15 HA of SEBI Act, 1992.
2.	Mr. Avinash M (PAN- AYBPA3165B)	₹ 1,00,000/- (Rupees One Lakh Only/-), each under Sections 15 EB &15 HB of SEBI Act, 1992 and ₹ 5,00,000/- (Rupees Five Lakh Only/-) under Section 15 HA of SEBI Act, 1992.
3.	Mr. Mohammed Abubakar (PAN- BIRPA6081R)	₹ 1,00,000/- (Rupees One Lakh Only/-), each under Sections 15 EB &15 HB of SEBI Act, 1992 and ₹ 5,00,000/- (Rupees Five Lakh Only/-) under Section 15 HA of SEBI Act, 1992.
4.	Ms. Bhanupriya R G (PAN- BTLPG7851C)	₹ 1,00,000/- (Rupees One Lakh Only/-), each under Sections 15 EB &15 HB of SEBI Act, 1992 and ₹ 5,00,000/- (Rupees Five Lakh Only/-) under Section 15 HA of SEBI Act, 1992.
5.	Mr. Sagar B K (PAN- EZXPS6330B)	₹ 1,00,000/- (Rupees One Lakh Only/-), under Sections 15 EB of SEBI Act, 1992 and ₹ 5,00,000/- (Rupees Five Lakh Only/-) under Section 15 HA of SEBI Act, 1992.

(k) The Noticees shall remit / pay the said amount of penalty, within a period of forty-five (45) days from the date of receipt of this order, through online payment facility available on the website of SEBI, i.e. [www.sebi.gov.in](http://www.sebi.gov.in) on the following path, by clicking on the payment link: ENFORCEMENT → Orders → Orders of EDs/CGMs → PAY NOW. In case of any difficulties in online payment of penalties, the Noticees may contact the support at [portalhelp@sebi.gov.in](mailto:portalhelp@sebi.gov.in).

**36.** For any non-compliance of this order, the Noticees shall be subject to strict action under the applicable provisions of the law, including prosecution.

**37.** It is clarified that the direction for refund as given in Para 35 (a) above, does not preclude the complainant/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.

**38.** This order shall come into force with immediate effect.

**39.** A copy of this order shall be sent to the Noticees, all the recognized Stock Exchanges, the relevant Banks, Depositories and Registrar, Transfer Agents of Mutual Funds, BSE Administration and Supervision Ltd., to ensure that the directions given above are strictly complied with.

**Date: September 30, 2024**

**Place: Mumbai**

**G RAMAR  
CHIEF GENERAL MANAGER  
SECURITIES AND EXCHANGE BOARD OF INDIA**