METROPOLITAN STOCK EXCHANGE

Department: Investigation	Segment: All
Circular No: MSE/ID/19926/2026	Date: October 16, 2026

Subject: Confirmatory Order in respect of inspection of Capital Stroke Investment Services Pvt. Ltd.

To All Members,

This is with reference to exchange Circular no MSE/ID/10826/2021, dated August 30, 2021 has reference to SEBI order no. WTM/MB/WRO/WRO/13176/2021-22 dated August 29, 2021, wherein SEBI has directed following entity not to access the securities market and buy, sell or otherwise deal in securities or associates themselves with securities market, directly or indirectly, in any manner whatsoever.

Sr. No.	Entity Name	PAN
1.	Capital Stroke Investment Services Pvt. Ltd.	AAFCC1815M

SEBI now vide confirmatory order no. WTM/AB/WRO/WRO/16948/2022-23 dated june 08, 2022 and circular no. MSE/ID/11920/2022 dated June 09, 2022, has confirmed the directions issued against the entities in the Interim Order.

Now SEBI vide confirmatory order no. QJA/BS/WRO/WRO/32771/2026-27 dated October 15, 2026, hereby direct that the Noticee is restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities, either directly or indirectly, or being associated with the securities market in any manner whatsoever, for a period of 5 (five) years. It is clarified that while calculating the period of debarment as directed above, the period of restraint already undergone pursuant to the Interim Order read with the Confirmatory Order shall be taken into consideration and set off from period mentioned above.

The detailed order is available on SEBI website - http://www.sebi.gov.in

This order shall come into force with immediate effect.

Members are advised to take note of the above and ensure compliance.

For and on behalf of
Metropolitan Stock Exchange of India Limited

Shweta Mhatre
Assistant Vice President

QJA/BS/WRO/WRO/32771/2026-27

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 AND REGULATION 35 OF SECURITIES AND EXCHANGE BOARD OF INDIA (INTERMEDIARIES) REGULATIONS, 2008

IN RESPECT OF:

NOTICEE	SEBI Registration No.	PAN
Capital Stroke Investment Services Pvt. Ltd.	INA000001316	AAFCC1815M

In the matter of Capital Stroke Investment Services Pvt. Ltd.

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A. BACKGROUND

1. The present matter emanates from post enquiry show cause notice ("**SCN**") dated January 05, 2026 issued to **Capital Stroke Investment Services Pvt. Ltd**. (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 an Investment Adviser ("**IA**") with SEBI registration no. INA000001316.

2. SEBI conducted an inspection of the Noticee from November 03, 2020 to November 06, 2020 at the registered office of the Noticee concerning various compliance requirements with respect to the provisions of SEBI (Investment Advisers) Regulations, 2013 (hereinafter referred to as "**IA 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 from April 01, 2019 to September 22, 2020 (hereinafter referred to as "**Inspection period**"). Investor complaints which were received after September 22, 2020 and pending were also taken up for examination in the said inspection.

3. Based on the findings of the inspection, SEBI issued an interim ex-parte order dated August 27, 2021 against the Noticee. Pursuant to the Noticee's reply dated October 15, 2021, SEBI issued a confirmatory order dated June 08, 2022. The confirmatory order recorded that the interim order, inter alia, alleged two main violations by the Noticee, namely, (i) making false and misleading representations by promising assured profits and returns to clients, and (ii) charging unfair and unreasonable fees from clients.

4. Subsequently, vide letter dated October 27, 2022, the Noticee was advised to furnish certain information to SEBI. The Noticee vide email dated November 09, 2022 and letter dated November 14, 2022, submitted the bank statements of its directors and its books of accounts, the client master, financial statements, pricing information, KYC samples, agreement samples, bank information, client count and fees collected, and refund information for the period 2019 to 2022.

5. Based on the aforesaid documents furnished by the Noticee, SEBI conducted further examination in the matter and observed certain non-compliances of the SEBI Act, the PFUTP Regulations and the IA Regulations, pursuant to which the present enquiry proceedings came to be initiated against the Noticee. The present proceedings are broader in ambit than, and are not confined to, the two allegations that formed the subject matter of the interim and confirmatory orders.

B. PROCEEDINGS BEFORE DESIGNATED AUTHORITY

6. The Designated Authority ("**DA**") issued a show cause notice dated April 16, 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.

7. Vide email dated April 29, 2024, Noticee sought two months' time to file reply to the pre- enquiry SCN. Vide email dated April 29, 2024, Noticee was granted time till May 17, 2024 to file reply to the SCN. Vide email dated May 17, 2024, Noticee filed its reply to the SCN. Based on the allegations levelled against the Noticee in the pre-Enquiry SCN and the material available on record, the DA concluded the Enquiry Proceedings and submitted the Enquiry Report ("**Enquiry Report**") dated August 29, 2025 in terms of regulation 26 of the Intermediaries Regulations.

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

8.1. The Noticee promised assured returns to its clients and therefore, failed to act in a fiduciary capacity to its clients.

8.2. The employees/ representatives of Noticee were not qualified and certified to deal with the clients.

8.3. The Noticee submitted forged documents to SEBI during the course of inspection.

8.4. The Noticee sold same advisory product / service again and charged advisory fees multiple times to its clients before completion of the tenure of the previous service and charged arbitrary / illogical fees from its clients, charged fees more than the fees specified on its website.

8.5. The Noticee failed to provide proof of communication to clients about details of its advisory services.

8.6. The Noticee provided free trials to its prospective clients.

8.7. The Noticee made misrepresentation on its website with respect to its research team and advices/services, false claims about its performance and accuracy of the services.

8.8. The Noticee was involved in the unregistered advisory activity of Green Wealth.

8.9. The Noticee has failed to disclose risk profile to its clients.

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

"In view of the above facts and circumstances of the case, the material available on record and the findings recorded as above, I, in terms of regulation 26(1) (ii) of the Intermediaries Regulations, recommend that certificate of registration of the Noticee (SEBI Registration No.: INA000001316) may be cancelled."

C. SHOW CAUSE NOTICE, REPLY AND HEARING

10. Pursuant to the submission of the Enquiry Report, SCN dated January 05, 2026 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 SCN was issued enclosing along with the Enquiry Report of the DA dated August 29, 2025 to the Noticee. Hence, 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.

11. In response to the SCN, the Noticee submitted its reply *vide* e-mail dated February 23, 2026. Subsequently, the Noticee was granted an opportunity of personal hearing on April 24, 2026. On the said date, the authorized representative (**ARs**) of the Noticee appeared before me and reiterated the submissions made *vide* the Noticee's email dated February 23, 2026. Further, vide emails dated April 24, 2026 and May 01, 2026, the Noticee made post hearing submissions.

12. The submissions made by the Noticee are summarised below:

12.1. The Noticee contended that the SCN contained allegations which had not been made either in the interim order or in the confirmatory order, both of which were issued after the inspection, and that no allegation could be made on the basis of the inspection report which had not been relied upon by the Whole Time Member in the said orders, the same being barred by the rule of estoppel as held by the Hon'ble Securities Appellate Tribunal (SAT) in Appeal No. 580 of 2019 (order dated June 08, 2021), wherein it was observed that once an issue, on the same facts and between the same parties, has been determined, it gives rise to an issue estoppel operating not only in the same proceedings but also in subsequent proceedings.

12.2. The Noticee further contended that all complaints on the SCORES portal had been closed, and that, in terms of the SEBI Circular dated December 18, 2014, a complaint is treated as resolved only when SEBI disposes of or closes the complaint in SCORES. Accordingly, the Noticee argued, the closure of the complaints indicated SEBI's satisfaction with the resolution, so that any further adjudication would be barred by the doctrine of double jeopardy / res judicata, and

the resolution of complaints and refund of disputed amounts also meant that no unlawful profit had been made.

12.3. The Noticee submitted that in the evidence relied upon, namely screenshots of its website, emails and call recordings, was forged, frivolous and lacked foundational authentication. The Noticee further submitted that the electronic records were not accompanied by a certificate under Section 65B of the Indian Evidence Act, 1872, and that there was no reliable proof that the communications emanated from its authorized representatives. It submitted that the purported email did not disclose the email id of the sender or recipient and was a mere screenshot, that the call recording attributed to the complainant Ms. A*****a G***a was in fact that of a male, that the telephone numbers were not disclosed, and that none of the complainants came forward for cross-examination.

12.4. The Noticee contended that its invoices, agreements and welcome mail clearly stated that "Investment/trading in market is subject to market risk" and that it did not provide any guaranteed or assured return services, and that, when read as a whole, these documents conveyed that there was no assurance or guarantee of profit. The Noticee argued that the inspecting officers had read its website in a piecemeal manner, that the word "can" in the expression "investor can get huge profit" denotes a mere possibility and not a guarantee, and relied on the orders of the Hon'ble SAT in *Bull Research Investment Advisors Pvt. Ltd. v. SEBI* (order dated February 06, 2023) and of the Whole Time Member in the matter of *GRS Solutions* (order dated February 08, 2022) to contend that such language was mere marketing and did not amount to an assurance of profit. It further submitted that a finding of fraud requires proof of intent, reliance and resulting detriment, and that breach of fiduciary duty requires proof of disloyalty, self-dealing or conscious disregard of client interest, none of which had been demonstrated.

12.5. The Noticee submitted that, prior to the 2020 amendment, the qualification and certification requirement applied only to persons who actually engaged in providing investment advice and not to sales or administrative staff, that only three persons were engaged in research and advising (all NISM qualified), and that the inclusion

of support staff artificially inflated the perceived scale of non-compliance. It further submitted that the joint submission dated November 10, 2020 relied upon by SEBI had been obtained under coercion, amid apprehension of police action, and was therefore inadmissible and liable to be approached with caution, and that any certification gaps were rectifiable compliance irregularities rather than evidence of fraudulent intent.

12.6. The Noticee denied the allegation of submission of forged documents and submitted that the common date of creation of the files resulted from the compression of bulky files for transmission by email, and that the differences in invoice numbering arose from its CRM platform, which generates internal reference numbers distinct from the finalized documents transmitted to clients. It submitted that no forensic audit of its servers had been undertaken despite its willingness to surrender its systems for verification, and that a finding of forgery recorded without the best available evidentiary method was speculative and unsafe.

12.7. The Noticee submitted that the IA Regulations do not prescribe any specific format for risk profiling, that the risk-profiling questionnaire was completed online by the clients themselves, and that reclassification of risk reflected the clients' own recalibration rather than manipulation.

12.8. On the aspect of fees, the Noticee submitted that SEBI has prescribed no ceiling on fees, that clients voluntarily renewed subscriptions and upgraded plans, that refunds were processed wherever disputes arose, that no finding of unlawful profit had been recorded, and that the fees charged were far lower than the amounts of INR 20-25 Lakh considered unreasonable in the matters of Star World Research and Dezire Research.

12.9. The Noticee submitted that Ms. Bhavana Bariya was a former employee who had left its employment and started her own business under the name "Green Wealth" and the Noticee had never received any money from her or from Green Wealth. The Noticee also submitted that it had filed a complaint against her with the SEBI Local Office. It further submitted that the bank account in question

belonged to Mr. Kamlesh Dhole and that the company and its other directors could not be held vicariously liable for his private acts, as liability in a private limited company is limited by shareholding and cannot be extended on to the directors.

12.10. The Noticee contended that the attempt to impose liability upon the directors proceeded upon an overbroad understanding of vicarious responsibility because no act had been shown to have occurred with their consent, knowledge or connivance, and that the directors had in fact exercised due diligence by proactively complaining against a former employee.

12.11. The Noticee submitted that the recommendation for cancellation is manifestly arbitrary, legally untenable and that cancellation of registration is the harshest civil consequence that can be imposed upon a regulated intermediary, reserved only for exceptional cases where misconduct is demonstrably grave, fraudulent intent is established beyond doubt, investor protection is under imminent threat, and corrective measures are impossible or ineffective. The Noticee contended that none of the thresholds are satisfied in the present situation above.

12.12. The Noticee submitted that the penalty of INR 10 Lakh was paid purely as a matter of commercial prudence to avoid prolonged litigation and reputational injury and was neither intended nor to be understood as an admission of guilt or acceptance of the allegations. It submitted that, as a matter of settled regulatory jurisprudence, payment of penalty does not estop a party from contesting allegations in subsequent proceedings unless expressly admitted, and that the present proceedings must be adjudicated independently on their own evidentiary merit.

12.13. The Noticee submitted that all investor complaints had been duly addressed and closed, that refunds were processed wherever disputes arose, that no complaint remained pending, and that proceeding towards cancellation despite such resolution amounted in substance to multiple layers of punishment for the same underlying concerns. It further submitted that the Enquiry Report established no quantifiable investor loss, unlawful gain, diversion of client funds or

misappropriation, and that enforcement seeking the ultimate penalty without demonstrating economic harm is inherently disproportionate.

12.14. Placing reliance on the order of the Whole Time Member of SEBI in the matter of Winway Research, the Noticee submitted that the entity therein had been found to have committed multiple violations, including charging fees for the same product for overlapping durations, receiving money from a client in the personal bank account of an employee, failure to maintain and submit call records, and non-resolution of SCORES complaints, and yet, taking note of the fact that a penalty of INR 7,00,000 had already been imposed by the Adjudicating Officer, the Whole Time Member concluded that the issuance of a censure would be commensurate. The Noticee contended that the factual matrix in its own case is substantially weaker and that a calibrated response such as a censure, and not cancellation, would be proportionate.

12.15. The Noticee further submitted that it had already undergone substantial regulatory hardship over approximately four and a half years, during which it had effectively remained out of business and under regulatory shadow, which itself operated as a severe civil consequence and a de facto debarment; that it had remitted the requisite registration fee of INR 5,00,000 by demand draft, which was encashed by SEBI on February 02, 2019, demonstrating its intention to continue as a compliant registered intermediary; and that it had progressively strengthened its compliance systems.

12.16. The Noticee sought that the proposed action for cancellation be dropped, that the findings in the Enquiry Report be rejected, that it be discharged from the proceedings, and, in the alternative and without prejudice, that any regulatory response be proportionate.

D. CONSIDERATION OF ISSUES AND FINDINGS

13. I have perused the SCN, Enquiry Report, replies of the Noticee and other material available on record. In the extant proceedings, it is required to ascertain whether the

Noticee has violated the provisions of securities law as mentioned in the Enquiry report.

14. 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:—*

(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*

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

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

Securities and Exchange Board of India (Investment Advisers) Regulations, 2013

Application for grant of certificate.

3.(1) On and from the commencement of these regulations, no person shall act as an investment adviser or hold itself out as an investment adviser unless he has obtained a certificate of registration from the Board under these regulations:

Qualification and certification requirement.

7. (1) An individual investment adviser or a principal officer of a non-individual investment adviser registered as an investment adviser under these regulations, shall have the following minimum qualification, at all times-

(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;

(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) Persons associated with investment advice shall meet the following minimum qualifications, at all times –

(i) a professional qualification as provided in clause (a) of sub-regulation (1) of regulation 7; and

(ii) an experience of at least two years in activities relating to advice in financial products or securities or fund or asset or portfolio management:

Provided that the investment advisers registered under these regulations as on the date of commencement of these regulations shall ensure that the individual investment adviser or principal officer of a non-individual investment adviser registered under these regulations and persons associated with investment advice shall comply with the qualification and experience requirements within such time as may be specified by the Board:

Provided further that the requirements at clauses (a) and (b) shall not apply to such existing individual investment advisers as may be specified by the Board.

(2) An individual investment adviser or principal officer of a non-individual investment adviser, registered under these regulations 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-

(a) from NISM; or

(b) from 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:

Provided that fresh certification must be obtained before expiry of the validity of the existing certification to ensure continuity in compliance with certification requirements:

Provided further that fresh certification before expiry of the validity of the existing certification shall not be obtained through a CPE program.

<u>General responsibility.</u>

15. (1) An investment adviser shall act in a fiduciary capacity towards its clients and shall disclose all conflicts of interests as and when they arise.

…

(9) An investment adviser shall abide by Code of Conduct as specified in Third Schedule.

(13) It shall be the responsibility of the investment adviser to ensure compliance with the certification and qualification requirements as specified under Regulation 7 at all times.

<u>Risk profiling.</u>

16. Investment adviser shall ensure that,-

(a) it obtains from the client, such information as is necessary for the purpose of giving investment advice, including the following:-

(I) age;

(ii) investment objectives including time for which they wish to stay invested, the purposes of the investment;

(iii) income details;

(iv) existing investments/ assets;

(v) risk appetite/ tolerance;

(vi) liability/borrowing details.

(b) it has a process for assessing the risk a client is willing and able to take, including:

(i) assessing a client's capacity for absorbing loss;

(ii) identifying whether client is unwilling or unable to accept the risk of loss of capital;

(iii) appropriately interpreting client responses to questions and not attributing inappropriate weight to certain answers.

(d) any questions or description in any questionnaires used to establish the risk a client is willing and able to take are fair, clear and not misleading, and should ensure that:

(i) questionnaire is not vague or use double negatives or in a complex language that the client may not understand;

(ii) questionnaire is not structured in a way that it contains leading questions.

(e) risk profile of the client is communicated to the client after risk assessment is done;

Suitability.

17.Investment adviser shall ensure that,-

(a)All investments on which investment advice is provided is appropriate to the risk profile of the client;

(b)It has a documented process for selecting investments based on client's investment objectives and financial situation;

(c) It understands the nature and risks of products or assets selected for clients;

(d) It has a reasonable basis for believing that a recommendation or transaction entered into:

(i) meets the client's investment objectives;

(ii) is such that the client is able to bear any related investment risks consistent with its investment objectives and risk tolerance;

(iii) is such that the client has the necessary experience and knowledge to understand the risks involved in the transaction.

(e) Whenever a recommendation is given to a client to purchase of a particular complex financial product, such recommendation or advice is based upon a reasonable assessment that the structure and risk reward profile of financial product is consistent with clients experience, knowledge, investment objectives, risk appetite and capacity for absorbing loss.

Disclosures to clients.

(6) An investment adviser shall, while making an investment advice, make adequate disclosure to the client of all material facts relating to the key features of the products or securities, particularly, performance track record.

Maintenance of records.

19. (1) An investment adviser shall maintain the following records,-

(a) Know Your Client records of the client;

(b) Risk profiling and risk assessment of the client;

(c) Suitability assessment of the advice being provided;

(d) Copies of agreements with clients, incorporating the terms and conditions as may be specified by the Board;

(e) Investment advice provided, whether written or oral;

(f) Rationale for arriving at investment advice, duly signed and dated;

(g) A register or record containing list of the clients, the date of advice, nature of the advice, the products/securities in which advice was rendered and fee, if any charged for such advice.

(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.

Redressal of client grievances.

21.(1) The Investment Adviser shall redress investor grievances promptly but not later than twenty-one calendar days from the date of receipt of the grievance and in such manner as may be specified by the Board.

Notice before inspection.

24(3) – During the course of an inspection, the investment adviser against whom the inspection is carried out shall be bound to discharge its obligations as provided in Regulation 25.

Obligation of investment adviser on inspection.

25.(1)It shall be the duty of every investment adviser in respect of whom an inspection has been ordered under the regulation 23 and any other associate person who is in possession of relevant information pertaining to conduct and affairs of such investment adviser, including partners, directors, principal officer and persons associated with investment advice, if any, to produce to the inspecting authority such books, accounts and other documents in his custody or control and furnish him with such statements and information as the inspecting authority may require for the purposes of inspection.

(2) It shall be the duty of every investment adviser and any other associate person who is in possession of relevant information pertaining to conduct and affairs of the investment adviser to give to the inspecting authority all such assistance and shall extend all such co-operation as may be required in connection with the inspection and shall furnish such information as sought by the inspecting authority in connection with the inspection.

(3) The inspecting authority shall, for the purposes of inspection, have power to examine on oath and record the statement of any employees, directors, partners, principal officer and persons associated with investment advice or person responsible for or connected with the activities of investment adviser or any other associate person having relevant information pertaining to such investment adviser.

(4) The inspecting authority shall, for the purposes of inspection, have power to obtain authenticated copies of documents, books, accounts of investment adviser, from any person having control or custody of such documents, books or accounts.

Liability for action in case of default.

28. An investment adviser who –

…

(f) fails to resolve the complaints of investors or fails to give a satisfactory reply to the Board in this behalf,

shall be dealt with in the manner provided under the SEBI (Intermediaries) Regulations, 2008.

THIRD SCHEDULE - CODE OF CONDUCT FOR INVESTMENT ADVISER

1. Honesty and fairness

An investment adviser shall act honestly, fairly and in the best interests of its clients and in the integrity of the market.

2. Diligence

An investment adviser shall act with due skill, care and diligence in the best interests of its clients and shall ensure that its advice is offered after thorough analysis and taking into account available alternatives.

3.Capabilities

An investment adviser shall have and employ effectively appropriate resources and procedures which are needed for the efficient performance of its business activities.

4.Information about clients

An investment adviser shall seek from its clients, information about their financial situation, investment experience and investment objectives relevant to the services to be provided and maintain confidentiality of such information.

5.Information to its clients

An investment adviser shall make adequate disclosures of relevant material information while dealing with its clients.

6. Fair and reasonable charges

An investment adviser advising a client may charge fees, subject to any ceiling as may be specified by the Board. The investment adviser shall ensure that fees charged to the clients is fair and reasonable.

7.Conflicts of interest

An investment adviser shall try to avoid conflicts of interest as far as possible and when they cannot be avoided, it shall ensure that appropriate disclosures are made to the clients and that the clients are fairly treated.

8.Compliance

An investment adviser including its partners, principal officer and persons associated with investment advice shall comply with all regulatory requirements applicable to the conduct of its business activities so as to promote the best interests of clients and the integrity of the market.

9. Responsibility of senior management

The senior management of a body corporate which is registered as investment adviser shall bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the body corporate.

SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2019/169 dated December 27, 2019 pertaining to Measures to strengthen the conduct of Investment Advisers (SEBI Circular dated December 27, 2019)

https://www.sebi.gov.in/legal/circulars/dec-2019/measures-to-strengthen-the-conduct-of-investment-advisers-ia-_45490.html

SEBI Circular No. CIR/OIAE/1/2014 dated December 18, 2014 pertaining to Redressal of investor grievances through SEBI Complaints Redress System (SCORES) platform (SEBI Circular dated December 18, 2014)

https://www.sebi.gov.in/legal/circulars/dec-2014/redressal-of-investor-grievances-through-sebi-complaints-redress-system-scores-platform_28700.html

15. I shall now proceed to deal with the violations alleged, basis the conclusions in the Enquiry report. Having regard to the allegations, the replies and the material on record, the following fourteen issues arise for consideration and determination:

I. Promising assured returns, misrepresentation on website regarding research team, advice/services, performance and accuracy to clients and fraud

16. The inspection report observed that the Noticee, as borne out by investor complaints, the screenshots of its website, the emails sent to its clients and the call recordings, promised assured returns to its clients despite knowing that all investments in the securities market are subject to market risk, and thereby tried to deceive and lure its clients towards its investment advisory services. It was further observed the Noticee

made misrepresentations on its website with respect to its research team and its advices/services and made false claims about its performance and the accuracy of its services. Therefore, the SCN alleged that such misrepresentation was fraudulent within Regulation 2(1)(c) of the PFUTP Regulations and that the Noticee had thereby violated Regulations 2(1)(c), 3(a), (b), (c) and (d), 4(1), 4(2)(k), (o) and (s) of the PFUTP Regulations read with Section 12A(a), (b) and (c) of the SEBI Act.

17. Regulation 2(1) (c) of the PFUTP Regulations defines "fraud" to include a knowing misrepresentation of the truth or concealment of a material fact in order that another person may act to his detriment. Regulation 3 prohibits fraudulent dealing in securities, and Regulation 4 prohibits manipulative, fraudulent and unfair trade practices, including the dissemination of false or misleading information (clause (k)), fraudulent inducement to deal in securities (clause (o)) and mis-selling of services (clause (s)). Section 12A of the SEBI Act correspondingly prohibits the use of any manipulative or deceptive device and any act or practice operating as a fraud or deceit in dealing in securities.

Promise of assured returns

18. The Noticee's primary submission was that the electronic evidence was forged and lacked foundational authentication, that it was not accompanied by a certificate under Section 65B of the Indian Evidence Act, 1872, that the email did not disclose the sender or recipient id, and that the call recording attributed to Ms. A*****a G***a was of a male voice. The Noticee contended that its invoices, agreements and welcome mail disclaimed any guarantee by stating that "Investment/trading in market is subject to market risk", that read as a whole the documents conveyed no assurance of profit, that the word "can" denotes mere possibility, and that a finding of fraud requires proof of intent, reliance and detriment. It relied on the orders in Bull Research and GRS Solutions to further its submissions.

19. The DA held that Section 65B of the Indian Evidence Act does not apply to the quasi-judicial proceedings before SEBI. While giving the Noticee the benefit of doubt in respect of the call recording, the DA found that the SCORES complaints

independently established that assured returns were promised, one such complaint having been closed only after settlement with the client by payment of INR 36,000. The DA found the website statements to be an assurance of profit silent on market risk, distinguished Bull Research and GRS Solutions, and held that an invoice disclaimer furnished after payment could not dilute the false representation. The DA held the violation established.

20. The Noticee's objection to the admissibility of the electronic records for want of a certificate under Section 65B of the Indian Evidence Act, 1872 is misconceived, as the rigors of the Evidence Act do not apply to the quasi-judicial proceedings before SEBI, as held in *Tata Consultancy Services Limited v. Cyrus Investments Pvt. Ltd.* (2021 INSC 217) and *LKS Gold House Private Limited v. Deputy Commissioner of Income Tax (MANU/TN/2304/2024)*.

21. The inspection report has brought out a brief narration of the dealing of Noticee with 14 clients. As brought out in the DA's report, the Noticee had promised assured profit/returns to clients through calls/telecommunication, viz., A*****a G****, (client complained that weekly profit of 60 to 70K was offered), G****v G***a (client complained that 100% profit was offered), M***t C****** (client complained that 35000 return in a week was offered), P**m C S****r (client complained that profit of 3 times and more was offered).

22. From one of the audio recordings provided by the client A*****a G****, it can be heard that the representative of the Noticee was promising exact amount of profit. The translated transcript with the client is reproduced below:

Employee of the IA –"……So what the company tells us regarding this, sir, is that executing a trade on each and every call is compulsory. If you receive 55 calls within one month, you will get an 80% accuracy rate. Sometimes what happens, sir, is if you trade on one call and skip two calls, you won't be able to earn a profit. However, if you trade on all 55 calls, you will get that 80% accuracy. On an average, you can assume that you will gain a profit of ₹1,500 to ₹2,000 on a daily basis. Are you clearly understanding what I am trying to tell you? On each and every call, you will easily gain a profit of ₹1,500 to ₹2,000. And consider this: an 80% accuracy on 55 calls means 44 calls. The profit you will gain from those 44 calls will be around ₹88,000 to ₹90,000. Out of this, assuming you incur a loss on 10 to 15 calls, and after paying the company's ₹10,000 service charge, you will still gain a net profit of ₹50,000 within a month."

Employee of the IA –"Because this call is a proper technical-level call, meaning you will be provided with a call of 2-4 points, from which you will make a profit of 1500-2000."

Employee of the IA –"I will get you a return. I will make a profit of 2-3 lakhs for you..."

23. The Noticee had argued that the call recording purported to be belonging to A****a G***a is that of a male, the telephone numbers are not disclosed and none of the complainants were willing to come up for cross examination. The DA had given the benefit of doubt in respect of call recording by accepting the said argument of the Noticee.

24. I note that the Noticee has not sought cross-examination of any of the Complainants before me. I therefore see no reason not to rely on the recordings provided by the complainants. Notwithstanding the same, the benefit of doubt extended by the DA in respect of the call recording attributed to Ms. Archana Gupta does not assist the Noticee, because the allegation of assured returns are also proved by other complaints recorded on SEBI's own SCORES platform, one of which was closed by the Noticee only after it settled the matter with the client by paying a refund of INR 36,000. That refund is inconsistent with the Noticee's denial. The extract of one such complaint is reproduced below for reference:

Complaint Against	CAPITAL STROKE INVESTMENT SERVICES PVT. LTD.
Complaint Details	I avail services in capital stroke investment services pvt. ltd. company by so much force to do so I was not ready to avail that service but they force to much I have only 60K to invest and they offer me a services of 60k they told me to pay only 45K prior and they promising me that they will earn me a profit of 35000 in a week otherwise payback my return but now I incur a losses of 30K and now they tell me that we are not responsible and wait for while now i have only 1000 in my account and now they not even response to my calls and talk very rudely that mujhe mat btao. I have all call recordings that show how they talk to me after receiving payment and incurred losses.

25. With respect to the allegations pertaining to content published on the website of Noticee, I note that the statement "*Investor can get huge profit by holding the stocks*", and the statement found under "SF Premium" section that "*All the packages and services serve by call and SMS as per clients comfort to gain maximum profit*

possibilities", merely denote possibility of profit and cannot be said to be assuring profit/ return. Although, the relevant web page is silent on market risk, the same cannot be said to be assurance of profit/returns. Therefore, benefit of doubt can be extended to the Noticee.

26. The Noticee has placed reliance on the orders in the matters of *Bull Research* and *GRS Solutions*, wherein it was held that the material relied upon did not amount to an assurance of returns, as the invoice in *Bull Research* expressly stated that the target was "not guaranteed / not assured" and the website in *GRS Solutions* stated that "We do not provide any guaranteed returns." I find merit in this reliance to the extent of the website content. The statements on the Noticee's website are couched in terms of possibility, and its invoices, agreements and welcome mail contain the disclaimer that "Investment/trading in market is subjected to market risk." Read as a whole, these documents do not sufficiently convey assurance of profit; rather denote possibility. In line with the reasoning adopted in *Bull Research* and *GRS Solutions*, the website content and documents of the Noticee, by themselves, is not sufficient evidence of 'assurance of profit or returns', and the benefit of doubt can be extended to the Noticee. However, the ratio of the said orders is confined to the content of the website and does not extend to specific representations made directly to clients, which evidently constituted assurance of profit/return, which are violative of regulation 3(a), (b), (c) and (d), 4(1), 4(2)(k), (o) and (s) of the PFUTP Regulations read with Section 12A(a), (b) and (c) of the SEBI Act and regulation 2 (1) (c) of PFUTP Regulations.

<u>Misrepresentation on website regarding research team, advice/services, performance and accuracy to clients</u>

27. The Noticee submitted that the track record and testimonials on its website were genuine, that it was not required to maintain data for more than five years old, and that the client testimonials pertained to clients served in 2012, which could be verified from the website www.archive.org.

28. The DA observed that the Noticee's website claimed a research team comprising MBAs (Finance), CFA charter holders and Engineers, whereas its four research employees were in fact qualified as B.Com, BBA, MBA (Finance) and one whose qualification was not provided, none being qualified as CFA and the only MBA being a director of the Noticee. The DA further found that the directors had admitted, vide the joint submission dated November 10, 2020, that there were no records of the clients whose testimonials were displayed and that the testimonials were false, and that the claim that the testimonials were of clients served in 2012 was impossible, the Noticee having been incorporated only on March 14, 2013 and registered as an investment adviser on March 21, 2014. Accordingly, the DA held the violation to have been established.

29. The website representations of the Noticee are to be tested against its own employee records and admissions, both of which are on the record. The homepage of Noticee's website under the heading "Welcome to Capital Stroke Investment Services Pvt. Ltd." reads as follows:

> "*Our highly qualified research team comprising of MBAs (Finance), CFA and Engineers and they are competent and well versed with the complexities and finer details of the Indian financial market. Our main goal is to provide accurate and timely calls (tips) to our clients, where the clients can earn handsome profit. Our clients are supported by a dedicated business development team, available 24x7 to solve their queries. We are thankful as you have visited our site*."

30. However, from the details of employees submitted by Noticee during the inspection, it was observed that Noticee had 4 employees in its research department with following qualifications:

Sr. No.	Name	Designation	Degree/highest qualification	NISM qualification
1.	Akshey Sakalle	Researcher	B.Com	Not qualified
2.	Amar Singh Kushwaha	Researcher	BBA	NISM Qualified
3.	Kamlesh Dhole	Research Analyst	MBA Finance	NISM Qualified
4.	Lokesh Gupta	Research	Not provided	NISM Qualified

31. The claim as to the composition of the research team was therefore false. Further, the client testimonials displayed on the website are equally unsustainable. The following testimonials have been noted from the website:

I. *…this is one of the best tips provider available, I've never had an issue with them or their trading platform – by Madhu Shetty, Erode (T.N.)*

II. *Rare to find this kind of quality in today's advisors. Highly recommended. By Gaurav Wadwani, Bhatinda (Puj.)*

III. *It's really been great trading with these guys. They know their stuff. By Mukesh Bhai, Surat (Guj.)*

32. The directors admitted, in the joint submission dated November 10, 2020, that no records existed in respect of the clients aforementioned and that the testimonials were false. Further, the subsequent explanation before the DA that the testimonials were of clients served in 2012 is an impossibility, since the Noticee was incorporated only on March 14, 2013 and obtained its registration as an investment adviser only on March 21, 2014. Such conduct amounts to knowingly misrepresenting the truth, a suggestion of a fact not true, and a reckless dissemination of misleading information designed to influence prospective clients, and amounts to fraudulent inducement and mis-selling.

33. The Noticee had contended before the DA that the joint submission of directors was made under pressure and the same is inadmissible. The Noticee had further contended that the inspection team had assured that the said submissions will not be used against them in the present proceedings. The DA had rejected the said submission on the grounds that Noticee had failed to bring on any factual inaccuracy in the original joint submission. The Noticee had not rebutted the said observation before me and has not brought on record any evidence for me not to rely on the said joint submission.

34. The Noticee's said conduct amounts to fraudulent inducement, leveraging its status as a registered market participant to deceive prospective clients solely to inflate its own income. Furthermore, by knowingly publishing false and misleading statements on its website, it is clearly established that the Noticee actively engaged in the mis-selling of securities services.

35. Hence, I agree with the conclusion of the DA that the Noticee promised assured returns to its clients with knowledge that investments in the securities market are subject to market risk, and made false and misleading claims regarding its research team and performance. The testimonials were also proven to be false. Therefore, I find that the Noticee has violated Regulations 3(a), (b), (c) and (d), 4(1), 4(2)(k), (o) and (s) of the PFUTP Regulations read with Section 12A(a), (b) and (c) of the SEBI Act and regulation 2(1)(c) of the PFUTP Regulations.

II. <u>Failure to act in a fiduciary capacity and the Code of Conduct for Investment Advisers</u>

36. It was alleged that the Noticee was dishonest and failed to take due care in its dealings in the best interests of its clients, and thereby failed to act in a fiduciary capacity towards its clients, in violation of Regulation 15(1) and Clauses 1, 2 and 5 of the Code of Conduct read with Regulation 15(9) of the IA Regulations.

37. Regulation 15(1) requires an investment adviser to act in a fiduciary capacity towards its clients and to disclose all conflicts of interest. Clauses 1, 2 and 5 of the Code of Conduct require, respectively, honesty and fairness in the best interests of clients, due skill, care and diligence, and adequate disclosure of relevant material information. Regulation 15(9) requires the adviser to abide by the Code of Conduct.

38. The Noticee submitted that a breach of fiduciary duty requires proof of disloyalty, self-dealing or a conscious disregard of client interest, and that no such conduct had been demonstrated. It submitted that it had disclosed the advisory nature of its services and the market risk in its agreements and welcome mail, and that

promotional language could not be elevated to a fiduciary breach in the absence of proven reliance and harm.

39. The DA held that the conduct established on the issue of assured returns – namely, the promising of profit and the concealment of market risk to solicit clients – itself demonstrated that the Noticee had failed to act honestly and with due care in the best interests of its clients, and accordingly held the violation of Regulation 15(1) and Clauses 1, 2 and 5 of the Code of Conduct established.

40. The fiduciary obligation under Regulation 15(1) is not confined to cases of self-dealing or demonstrated disloyalty; it is breached whenever an adviser fails to act honestly and in the best interests of its clients. The Noticee's submission to the contrary misconceives the standard.

41. The findings on Issue 1 establish that the Noticee knowingly misrepresented the prospect of assured profit and concealed market risk to attract clients. Conduct of this nature is the antithesis of the honesty, fairness and due care that an investment adviser, standing in a position of trust, is bound to observe towards its clients. The disclaimers relied upon by the Noticee, reaching the client only after commitment and payment, do not displace this conclusion.

42. Hence, I agree with the conclusion of the DA that the Noticee failed to act in a fiduciary capacity towards its clients and thereby violated Regulation 15(1) and Clauses 1, 2 and 5 of the Code of Conduct read with Regulation 15(9) of the IA Regulations.

III. <u>Qualification and certification of employees</u>

43. The SCN alleged that the employees/representatives of the Noticee did not possess the requisite qualification and certification to deal with clients, in violation of Regulation 7 and Clauses 1, 2, 3, 8 and 9 of the Code of Conduct read with Regulation 15(9) of the IA Regulations.

44. Regulation 7 requires an individual investment adviser or principal officer, and the persons associated with investment advice, to possess the prescribed professional qualification and to hold, at all times, a valid certification from NISM or an accredited institution. Even prior to the 2020 amendment, Regulation 7(2) required the partners and representatives of the investment adviser offering investment advice to hold such certification at all times. Clauses 1, 2, 3, 8 and 9 of the Code of Conduct require honesty, diligence, adequate capabilities, compliance with regulatory requirements, and senior-management responsibility.

45. The DA found that, of the Noticee's 314 employees, only seven held NISM certification (three in research and four as sales executives), while the directors had admitted, vide the joint submission dated November 10, 2020, that around 35 employees were providing investment advisory related services. The DA found the retraction of that admission to be an unsupported afterthought, relied on *Avadh Kishore Das v. Ram Gopal (AIR 1979 SC 861)* to hold that evidentiary admissions shift the burden of proof, and found that even on the Noticee's own case 32 employees were engaged in advisory services without the requisite qualification. The DA held the violation established.

46. The Noticee submitted that, prior to the 2020 amendment, the certification requirement extended only to persons who actually engaged in providing investment advice and not to sales or administrative staff, that only three persons were engaged in research and advising (all NISM qualified), and that the inclusion of support staff artificially inflated the scale of non-compliance. It submitted that the joint submission dated November 10, 2020 recording that around 35 employees provided advisory services had been obtained under coercion amid apprehension of police action and was inadmissible, and that any certification gaps were rectifiable irregularities.

47. The Noticee's plea that the joint submission dated November 10, 2020 was obtained under coercion is wholly uncorroborated. As held by the Hon'ble Supreme Court in *Avadh Kishore Das v. Ram Gopal (AIR 1979 SC 861)* evidentiary admissions, though not conclusive, raise an estoppel and shift the burden of proof onto the maker, and remain efficacious proof unless shown or explained to be wrong. The Noticee has

produced no record to show that the admission was factually incorrect, and the retraction, made only after the issuance of the SCN, is nothing but an afterthought to escape liability.

48. On the merits, out of 314 employees only seven held NISM certification. The admitted figure of around 35 employees providing advisory services – roughly 11% of the workforce is, as the DA observed, a far more plausible state of affairs for an entity serving some 9,000 clients than a claim of only three qualified advisers. Even accepting the Noticee's own narrower interpretation excluding sales staff, 32 employees were engaged in investment advisory related services without the requisite qualification and certification. This amounts to gross disregard to the requirement of quantification/certification prescribed under the applicable regulations.

49. Further, the pre-2020 text of Regulation 7(2) in any event required representatives offering investment advice to hold certification at all times. Regulation 7 of IA Regulations prior to 2020 amendment is reproduced below:

> *7. Qualification and certification requirement.*
>
> *…*
>
> *"(2) An individual registered as an investment adviser and partners and representatives of investment advisers registered under these regulations offering investment advice shall have, at all times, a certification on financial planning or fund or asset or portfolio management or investment advisory services:*
>
> *(a)from NISM; or*
>
> *(b)from any other organization or institution including Financial Planning Standards Board India or any recognized stock exchange in India provided that such certification is accredited by NISM.:*
>
> *Provided that the existing investment advisers seeking registration under these regulations shall ensure that their partners and representatives obtain such certification within two years from the date of commencement of these regulations:*
>
> *Provided further that fresh certification must be obtained before expiry of the validity of the existing certification to ensure continuity in compliance with certification requirements." (underline supplied)*

50. Further, clause (r) of Regulation 2 (prior to 2020 amendment) defined the term representative to also include an employee who renders investment advice on behalf

of the IA. From the aforesaid provisions it can clearly be seen that regulation 7 of the IA regulation prior to 2020 amendment, also required that mandatory certification for representatives of the investment adviser.

51. Hence, I agree with conclusion of the DA that the employees/representatives of the Noticee were not qualified and certified to deal with clients, and the Noticee failed to adhere to the provisions of Regulation 7 and Clauses 1, 2, 3, 8 and 9 of the Code of Conduct read with Regulation 15(9) of the IA Regulations.

IV. Submission of forged documents to SEBI

52. The SCN alleged that the Noticee submitted forged documents to SEBI during the course of the inspection, in violation of Regulations 25(1), 25(2) and 25(4) read with Regulation 24(3) and Clause 8 of the Code of Conduct read with Regulation 15(9) of the IA Regulations.

53. Regulation 25 read with Regulation 24(3) obliges the investment adviser to produce genuine books, accounts and documents to the inspecting authority and to extend full assistance and co-operation during the inspection and empowers the inspecting authority to obtain authenticated copies. Clause 8 of the Code of Conduct requires compliance with all applicable regulatory requirements.

54. With respect to the allegation that the files forwarded to SEBI were created and fabricated on a common date and there was discrepancy in the invoicing number, the Noticee submitted that the common date of creation of the files was the result of compressing bulky files for transmission by email, that differences in invoice numbering arose from its Customer Relationship Management (CRM) platform which generates internal reference numbers distinct from documents transmitted to clients, that no forensic audit of its servers had been undertaken despite its willingness to surrender its systems, and that a finding of forgery recorded without the best available evidentiary method was speculative and unsafe.

55. The DA in its report has accepted that the compression of files can alter their date of creation but found that the allegation of forgery went to the content of the documents and not merely to the dates. The DA noted the Noticee's admission, in the joint submission dated November 10, 2020, that false and fabricated documents had been submitted, and relied on a comparison of the invoices furnished by the client M****n H D***e with those furnished by the Noticee, which showed that although the services and periods matched, the invoice numbers, dates and digital signature dates did not. The DA held the violation established.

56. The comparison of the invoices submitted by one of the complainant with those submitted by the Noticee is crucial. For the same service rendered within a span of a day, the complainant's invoice no. 14187 bears a creation and digital signature date of April 18, 2019, whereas the corresponding invoice furnished by the Noticee, Inv-2274, bears a creation date of October 30, 2020 with a digital signature date of April 17, 2019; the same pattern of mismatched numbers and dates recurs across invoices 14292 / Inv-2334, 14247 / Inv-2357 and 14299 / Inv-2377. The same information is tabulated below:

Sr. No.	Documents submitted by Complainants	Creation Date	Digital Signature Date	Documents submitted by IA	Creation Date	Modified Date	Digital Signature Date
1	14187	18/04/2019	18/04/2019	Inv—2274	30/10/2020	17/04/2019	17/04/2019
2	14292	26/04/2019	26/04/2019	Inv-2334	30/10/2020	24/04/2019	24/04/2019
3	14247	24/04/2019	24/04/2019	Inv-2357	30/10/2020	25/04/2019	25/04/2019
4	14299	27/04/2019	27/04/2019	Inv-2377	30/10/2020	27/04/2019	27/04/2019

57. The mismatch in invoice numbers, dates and digital signature dates cannot be explained by file compression and is not accounted for by the Noticee's plea of CRM-generated reference numbers. Further, the Noticee has failed to bring on record any evidence to prove the contrary to refute the conclusions of the DA. Therefore, the only inference that can be drawn is that the Noticee first fabricated and then compressed the documents before forwarding them to SEBI. It appears that the forged documents were submitted with a view to concealing the deficiencies and irregularities in functioning of the Noticee, including, *inter alia*, the practice of charging advisory fees from the same clients on multiple occasions, as discussed in the subsequent paragraphs.

58. Hence, I agree with conclusion of the DA that the Noticee submitted forged documents to SEBI during the course of the inspection and thereby violated Regulations 25(1), 25(2) and 25(4) read with Regulation 24(3) and Clause 8 of the Code of Conduct read with Regulation 15(9) of the IA Regulations.

V. Risk-profiling questionnaire and weightage

59. The inspection report observed that the Noticee's Risk Profile Questionnaire was vague, ambiguous and misleading and that disproportionately large weightage was assigned to only three questions, entailing that no proper risk profiling was done and hence the exercise was in violation of Regulations 16(b) (iii), 16(d) (i) and (ii) of the IA Regulations.

60. Regulation 16(b) (iii) requires the adviser to interpret client responses appropriately and not to attribute inappropriate weight to certain answers. Regulation 16(d)(i) and (ii) require any questionnaire used to be fair, clear and not misleading, not vague and not couched in complex language or double negatives and not structured so as to contain leading questions.

61. The Noticee submitted that the allegation was levelled only on the basis of the questions, without considering the replies and the weightage attached to them, that the regulations prescribe no specific format for risk profiling and leave it to the discretion of the adviser, and that cherry-picking certain questions while ignoring the rest was impermissible.

62. On a granular examination of the Noticee's 21-question risk-profiling questionnaire and the associated scoring, the DA found that the maximum weightage of 2 was assigned to only two questions (investment goal and past investment experience), with graded lower weightages of 1.5, 1 and 0.5 for the remaining questions. The DA found that the questionnaire did not attribute undue weightage and did not appear vague or misleading, and held that the violation was not established.

63. From Noticee's questionnaire of 21 questions, that the maximum weightage of 2 was assigned to only two questions – investment goal and past investment experience; a weightage of 1.5 was assigned to four questions; and the remaining questions carried weightages of 1 and 0.5. This graded distribution does not bear out the allegation that disproportionate weight was attached to three questions, nor does the questionnaire appear vague, ambiguous or misleading. As the questionnaire was designed in the exercise of the professional discretion that the regulations confer on a qualified adviser, no clear violation is made out, and the benefit of doubt is rightly given to the Noticee.

64. The requirement underlying Regulation 16 is that the adviser have in place a process for assessing the risk-bearing capacity of its clients, the design of the questionnaire being left to the adviser's professional judgment. As long as there was an appropriate mechanism in place for assessing the risk bearing capacity of the clients, the requirements of Regulation 16 cannot be said to have been violated.

65. In view of the above, I agree with the conclusion of DA that the violation of Regulations 16(b) (iii), 16(d) (i) and (ii) of the IA Regulations is not established.

VI. <u>Failure to obtain supporting documents and call recordings in risk profiling</u>

66. The inspection report observed that the Noticee failed to obtain supporting documents/evidence from clients while carrying out risk profiling and failed to keep recordings of the telephone conversations relating to such risk profiling, in violation of Regulations 16(a), 16(b), 19(1) and 19(2) of the IA Regulations.

67. Regulation 16(a) and (b) require the adviser to obtain the information necessary to give investment advice and to have a process for assessing the client's risk. Regulation 19(1) and (2) require the maintenance and preservation, for a minimum period of five years of the records enumerated therein, including the risk profiling and risk assessment of the client, but do not in terms require the maintenance of external supporting documents or call recordings relating to risk profiling.

68. The Noticee submitted that the law does not mandate the collection of such supporting documents, that the requirement is impractical and was not introduced even by the 2020 amendment where KYC is verified from CKYC, and that, as the risk profiling was done online by the client himself on the website, the question of keeping call recordings did not arise. The DA observed that Regulation 19(1) provides for the maintenance of the risk profile but does not require the maintenance of supporting documents.

69. I note that Regulation 19(1) prescribes the records to be maintained by an IA, including the risk profile and risk assessment of the client; it does not oblige the adviser to retain external supporting documents evidencing the inputs to the risk profile, nor does it mandate the recording of telephone conversations relating to risk profiling.

70. In view of the above and based on evidence available on record, I am inclined to agree with the conclusions of the DA that no clear violation of Regulations 16(a) and 16(b) and Regulations 19(1) and 19(2) of the IA Regulations is established.

VII. Manipulation of client's risk category.

71. The inspection report had observed that the Noticee changed the risk category of its client Mr. V*****a K J**n within a very short period by manipulating the responses to the Risk Profile Form, in violation of Regulation 3(a), (b), (c) and (d) of the PFUTP Regulations read with Section 12A of the SEBI Act and Regulation 15(1) and Clauses 1, 2, 4, 5 and 8 of the Code of Conduct read with Regulation 15(9) of the IA Regulations.

72. Regulations 3 of the PFUTP Regulations read with Section 12A of the SEBI Act prohibit fraudulent and manipulative dealings in securities, and Regulation 15(1) with the Code of Conduct requires fiduciary conduct and fair dealing. The manipulation of a client's risk profile to render an otherwise unsuitable product as suitable would fall foul of these provisions.

73. The Noticee submitted that the Risk Profile was submitted online through its website and that any amendments were made by the client himself, and that the client had made no complaint that his risk profile had been altered, his complaint having in any event been closed on SCORES.

74. The DA has observed that the client Mr. V****a K***r J**n's recorded risk appetite was changed from low to high, his profile was changed from moderate to aggressive, and his proposed investment was changed from INR 1-2 Lakh to INR 2-5 Lakh, and that the client had complained on SCORES that two risk profiling had been done for him. However, the DA found that the said complaint was closed for want of response and supporting documents from the complainant, and that the client had himself forwarded the risk profile to the Noticee by email. The DA gave the Noticee the benefit of doubt and held the violation not established.

75. I note that the record does reflect a change in the client's recorded risk appetite, profile category, and in his proposed investment but evidentiary foundation for attributing that change to manipulation by the Noticee is wanting. The client's related complaint on SCORES was closed for want of any response or supporting documents from the complainant himself, and the record shows that the client had forwarded the risk profile to the Noticee by email, which is consistent with the Noticee's case that the profiling was completed by the client online. In the absence of corroboration from the complainant, the charge of fraudulent manipulation cannot be sustained to the requisite standard, and the benefit of doubt is rightly extended to the Noticee.

76. In view of evidence brought on record, I am inclined to agree with the conclusion of the DA that the violation of Regulation 3(a), (b), (c) and (d) of the PFUTP Regulations read with Section 12A of the SEBI Act and Regulation 15(1) and Clauses 1, 2, 4, 5 and 8 of the Code of Conduct read with Regulation 15(9) of the IA Regulations is not established in the present instance.

VIII. Charging of advisory fees multiple times to its clients before completion of the tenure of the previous service, charging of arbitrary / illogical fees from its clients and charging of fees more than the fees specified on its website

77. The SCN alleged that the Noticee sold the same advisory product/service repeatedly and charged advisory fees multiple times to its clients before completion of the tenure of the previous service, charged arbitrary and illogical fees, and charged fees exceeding those specified on its website, in violation of Regulation 15(1) read with Regulation 17(b), (d) and (e), Clauses 1, 2, 6 and 9 of the Code of Conduct read with Regulation 15(9), and Regulation 3(a)-(d), 4(1) and 4(2)(k), (o) and (s) of the PFUTP Regulations read with Section 12A of the SEBI Act.

78. Clause 6 of the Code of Conduct requires that fees charged to clients be fair and reasonable. Regulation 17 requires a documented and reasonable basis for recommendations consistent with the client's objectives and risk tolerance. Charging arbitrary and overlapping fees for the same period, unrelated to any corresponding service, are in breach of these provisions and, where it operates as a device to extract payments, amounts to an unfair trade practice under Regulations 3 and 4 of the PFUTP Regulations.

79. The Noticee submitted that SEBI has prescribed no ceiling on fees, that the reasonableness of fees can be judged only between the client and the adviser at the time of sale and not later on surmise, that the payments represented instalments, that clients voluntarily renewed and upgraded their subscriptions, that refunds were processed wherever disputes arose so that no unlawful gain was made. The Noticee further contended that the fees were far below the INR 20-25 Lakh threshold which was considered unreasonable in the earlier orders of *Star World Research* and *Desire Research*.

80. The DA found, from the invoices available on record that the Noticee had charged clients multiple times for the same period for different services, that the payments did not bear the character of instalments, and that the processing of refunds

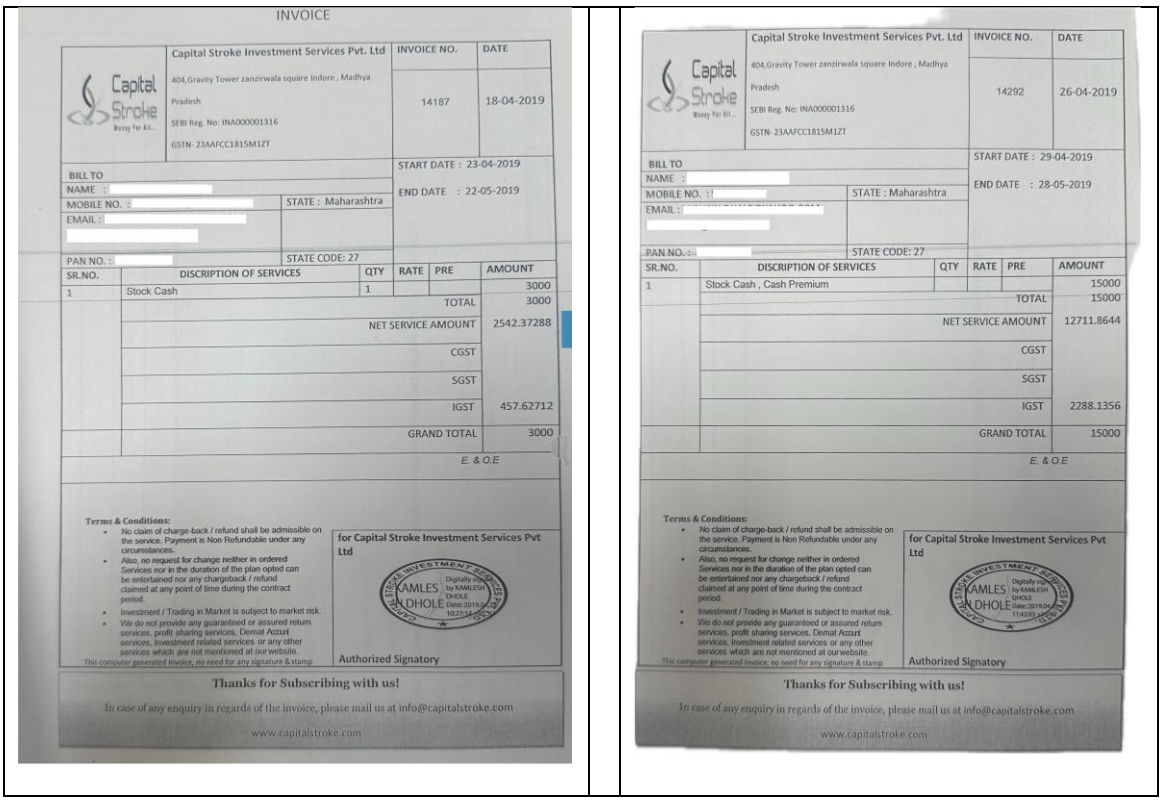
pointed to collection of excessive fees. The DA found that the fees of more than INR 2 Lakh collected by the Noticee within a month were comparable to the fees charged in the matter of *Star World Research*, since on an annualized basis they would amount to approximately INR 24 Lakh. The DA concluded that the violation was established against the Noticee.

81. The invoices on record demonstrate a pattern of multiple charges for overlapping periods. The client A*** P D***** was charged a total of INR 95,000 across six invoices between November 04, 2020 and December 02, 2020 including charges for Stock Cash, Stock Cash Premium and Stock Option for overlapping periods in November 2020; the client M***** H D**** was charged a total of INR 2,53,705 across numerous invoices between April and May 2019, with several Equity Plus charges for the identical period of May 02-31, 2019; and the client M***** A P****** was charged a total of INR 2,55,000. The details of fees collected by Noticee in case of three clients is given below:

Sr. No	Client	Invoice date	Product	Fees collected	Period collected for
1	A*** P D*****	November 04 2020	Stock Cash	INR 25,000	06.11.2020-10.12.2020
		November 05, 2020	Stock Cash Premium	INR 20,000	06.11.2020-22.11.2020
		November 10, 2020	Stock Option	INR 10,000	11.11.2020–01.12.2020
		November 24, 2020	Stock Cash Premium	INR 20,000	25.11.2020-17.12.2020
		November 25, 2020	Stock Future	INR 10,000	26.11.2020-21.12.2020
		December 02, 2020	Stock Option	INR 10,000	03.12.2020-28.12.2020
			Total	**INR 95,000**	
2	M***** H D****	April 18, 2019	Stock Cash	INR 3,000	23.04.2019 - 22.05.2019
		April 24, 2019	Stock Cash Premium	INR 22,000	26.04.2019 - 25.05.2019
		April 25, 2019	Stock, Cash Premium	INR 10,555	26.04.2019 - 25.05.2019
		April 26, 2019	Stock Cash, Cash Premium	INR 15,000	29.04.2019 - 28.05.2019
		April 27, 2019	Equity Plus	INR 25,000	02.05.2019 - 31.05.2019
		April 27, 2019	Equity Plus	INR 24,445	02.05.2019 - 31.05.2019
		May 08, 2019	Equity Plus	INR 19,000	02.05.2019 - 31.05.2019

Sr. No	Client	Invoice date	Product	Fees collected	Period collected for
		May 08, 2019	Equity Plus	INR 31,000	02.05.2019 - 31.05.2019
		May 27, 2019	Stock Cash, Cash Premium	INR 27,981	06.06.2019 - 01.07.2019
		May 28, 2019	Stock Cash	INR 14,333	06.06.2019 - 09.08.2019
		May 28, 2019	Stock Cash	INR 6,656	06.06.2019 - 09.08.2019
		May 28, 2019	Stock Cash Premium	INR 14,902	06.06.2019 - 25.06.2019
		May 31, 2019	Stock Future Premium	INR 26,333	06.06.2019 - 09.07.2019
		May 31, 2019	Stock Cash	INR 13,500	06.06.2019 - 20.09.2019
			Total	**INR 2,53,705**	
3	M***** A P******	August 20, 2018	Stock Cash	INR 5,000	NA
		September 18, 2018	Stock Cash	INR 35,000	NA
		September 21, 2018	Stock Cash, Stock Cash Premium	INR 80,000	NA
		September 21, 2018	Stock Cash, Stock Premium	INR 85,000	NA
		September 26, 2018	Stock Cash, Stock Cash Premium	INR 40,000	NA
		October 04, 2018	Stock Cash	INR 10,000	NA
			TOTAL	**INR 2,55,000**	

82. The Noticee's plea that these were instalments is not borne out by the invoices, which reflect distinct services billed for overlapping periods rather than scheduled instalments of a single fee. Screenshots of invoices issued to a single client for an overlapping period is reproduced below to elaborate the same:



INVOICE

Capital Stroke Investment Services Pvt. Ltd
404,Gravity Tower zanzirwala square Indore , Madhya Pradesh
SEBI Reg. No: INA000001316
GSTN- 23AAFCC1815M1ZT

INVOICE NO.	DATE
14187	18-04-2019

BILL TO
NAME :
MOBILE NO. :
EMAIL :
PAN NO. :
STATE : Maharashtra
STATE CODE: 27

START DATE : 23-04-2019
END DATE : 22-05-2019

SR.NO.	DISCRIPTION OF SERVICES	QTY	RATE	PRE	AMOUNT
1	Stock Cash	1			3000
				TOTAL	3000
				NET SERVICE AMOUNT	2542.37288
				CGST	
				SGST	
				IGST	457.62712
				GRAND TOTAL	3000

E. & O.E

Terms & Conditions:
- No claim of charge-back / refund shall be admissible on the service. Payment is Non Refundable under any circumstances.
- Also, no request for change neither in ordered Services nor in the duration of the plan opted can be entertained nor any chargeback / refund claimed at any point of time during the contract period.
- Investment / Trading in Market is subject to market risk.
- We do not provide any guaranteed or assured return services, profit sharing services, Demat Azzurt services, Investment related services or any other services which are not mentioned at our website.

This computer generated invoice, no need for any signature & stamp

for Capital Stroke Investment Services Pvt Ltd
Authorized Signatory

Thanks for Subscribing with us!
In case of any enquiry in regards of the invoice, please mail us at info@capitalstroke.com
www.capitalstroke.com

Capital Stroke Investment Services Pvt. Ltd
404,Gravity Tower zanzirwala square Indore , Madhya Pradesh
SEBI Reg. No: INA000001316
GSTN- 23AAFCC1815M1ZT

INVOICE NO.	DATE
14292	26-04-2019

BILL TO
NAME :
MOBILE NO. :
EMAIL :
PAN NO. :
STATE : Maharashtra
STATE CODE: 27

START DATE : 29-04-2019
END DATE : 28-05-2019

SR.NO.	DISCRIPTION OF SERVICES	QTY	RATE	PRE	AMOUNT
1	Stock Cash , Cash Premium				15000
				TOTAL	15000
				NET SERVICE AMOUNT	12711.8644
				CGST	
				SGST	
				IGST	2288.1356
				GRAND TOTAL	15000

E. & O.E

Terms & Conditions:
- No claim of charge-back / refund shall be admissible on the service. Payment is Non Refundable under any circumstances.
- Also, no request for change neither in ordered Services nor in the duration of the plan opted can be entertained nor any chargeback / refund claimed at any point of time during the contract period.
- Investment / Trading in Market is subject to market risk.
- We do not provide any guaranteed or assured return services, profit sharing services, Demat Azzurt services, Investment related services or any other services which are not mentioned at our website.

This computer generated invoice, no need for any signature & stamp

for Capital Stroke Investment Services Pvt Ltd
Authorized Signatory

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www.capitalstroke.com

83. I note that an IA is bound by Clause 6 of the Code of Conduct to ensure that the fees it charges are fair and reasonable and the absence of a prescribed ceiling does not license the charging of arbitrary and overlapping fees.

84. I also note that the Noticee has submitted that complaints pertaining to unreasonable fees were closed to SEBI's and client's satisfaction by payment of refund to the client's. The processing of refunds against complaints of unreasonable fees itself points to excess collection by the Noticee.

85. The Noticee has further relied upon the orders passed by SEBI in the matters of *Star World Research* and *Dezire Research*, contending that the fees held to be unreasonable in those matters ranged between Rs. 20–25 lakh, and that the facts of the present case are therefore distinguishable. The reliance placed by the Noticee on the said orders is misplaced, as the issue in the present proceedings is not the quantum of the fees charged per service. The finding against the Noticee rests on the fact that it charged its clients more than once for the same advisory services, for which the clients had already paid. Such a practice amounts to unjust collection of fees from clients repeatedly and is inconsistent with the obligation of

an investment adviser to act fairly and in the best interests of its clients. The distinction the Noticee seeks to draw on the basis of the amounts involved in the matters of Star World Research and Dezire Research is therefore do not lend any credence to its arguments.

86. Hence, I agree with the conclusion of the DA that the Noticee charged arbitrary and multiple fees that were not fair and reasonable, and thereby violated Regulation 15(1) read with Regulation 17(b), (d) and (e), Clauses 1, 2, 6 and 9 of the Code of Conduct read with Regulation 15(9), and Regulation 3(a)-(d), 4(1) and 4(2)(k), (o) and (s) of the PFUTP Regulations read with Section 12A of the SEBI Act.

IX. Failure to provide proof of communication of advisory details

87. The SCN alleged that during the inspection, the Noticee failed to produce any proof of communication to its clients regarding the details of its advisory services, in violation of Regulation 18(6) and Clauses 1, 2, 5, 8 and 9 of the Code of Conduct read with Regulation 15(9) of the IA Regulations.

88. Regulation 18(6) requires an investment adviser, while making an investment advice, to make adequate disclosure to the client of all material facts relating to the key features of the products or securities, particularly the performance track record. Clauses 1, 2, 5, 8 and 9 of the Code of Conduct require honesty, diligence, adequate disclosure, compliance and senior-management responsibility.

89. The Noticee submitted that it had furnished all data sought during the inspection and that no such observation had been made in the interim or confirmatory order. During the personal hearing before the DA, the Noticee submitted that the communications were made with clients through SMS.

90. The DA found that, apart from a general welcome email, the Noticee produced no communication conveying the material facts and key features of the products or securities to its clients, that not a single SMS was produced in support of the claim that disclosures were made by SMS, and that, given the word limit of an SMS, it

was improbable that the mandated disclosures could have been conveyed thereby. The DA held the violation established.

91. Regulation 18(6) of IA Regulations casts a positive obligation on the IA to make adequate disclosure of all material facts relating to the key features of the products or securities, particularly the performance track record, while making an investment advice. Beyond a general welcome email, the Noticee produced no communication demonstrating that the material facts and key features of the recommended products or securities were disclosed to its clients. The DA specifically noted that no SMS had been brought on record by the Noticee. Despite this, the Noticee has not produced any SMS even before me. Moreover, given the scale of the Noticee's operations and the inherent length limits of an SMS, it is improbable that the detailed disclosures required by Regulation 18(6) could have been conveyed to clients in that form.

92. Further, the absence of a specific observation in the interim or confirmatory order regarding this violation does not assist the Noticee, since the present charge arises from the inspection findings set out in the SCN and has to be decided on the material placed in these proceedings

93. In the absence of any material showing that the required disclosures were made, the Noticee has failed to discharge the obligation under Regulation 18(6). This failure also reflects a lack of honesty, fairness and diligence in dealing with clients, a failure to provide them with adequate information, and a failure of compliance and senior-management oversight, contrary to Clauses 1, 2, 5, 8 and 9 of the Code of Conduct.

94. Hence, I agree with the conclusion of the DA that the Noticee failed to make the disclosures mandated by Regulation 18(6) and thereby violated Regulation 18(6) and Clauses 1, 2, 5, 8 and 9 of the Code of Conduct read with Regulation 15(9) of the IA Regulations.

X. Providing free trials to its prospective clients

95. The SCN alleged that the Noticee provided free trials to its prospective clients, in violation of the SEBI Circular dated December 27, 2019.

96. The SEBI Circular dated December 27, 2019 provides that, since investment advice may be given only after completing the risk profiling of the client and ensuring the suitability of the product, investment advisers shall not provide free trials for any products or services to prospective clients, and shall not accept part payments.

97. The Noticee submitted that no such allegation had been made in the interim or confirmatory order and further, the tab for the free trial had been removed from its website in January 2020, and that SEBI had not received a single complaint that it had provided a free trial, so that the allegation rested on presumption.

98. The DA found, from the website archives, that the FAQs available on the website in August 2020 stated that the Noticee provided a free trial, and that a free-trial form remained available on the website in August 2020, so that the Noticee had offered free trials even after it claimed to have removed the facility. The DA held the violation stood established.

99. I note that the prohibition in the SEBI Circular dated December 27, 2019 is unqualified and an investment adviser shall not provide free trials for any product or service to prospective clients, since advice may be rendered only after risk profiling and a suitability assessment.

100. Although the Noticee claimed that the free-trial tab had been removed from its website in January 2020, the FAQs available on the website in August 2020 continued to state that it provided a free trial, and the website archives confirm that a free-trial form remained live and available for prospective clients to complete in August 2020. The screenshot from the website is reproduced below:

> **Q. Is there any Free-Trial Service? If yes, how can I avail that?**
>
> Yes we give 2 days free trial and to avail this trial you just have to visit our Company Website and you have to register your Details there. http://www.capitalstroke.com/free-trial.php

101. The continued presence of the free-trial facility, well after the claimed removal, belies the Noticee's defence. Further, the absence of a specific complaint does not obviate the violation which is apparent from records.

102. Hence, I agree with the conclusion of the DA that the Noticee provided free trials to prospective clients and thereby violated the provisions of SEBI Circular dated December 27, 2019.

XI. Maintenance of records pertaining to risk profiling, suitability assessment, selling advisory service, etc.

103. The inspection report observed that on the basis of the Business Process details submitted by the Noticee, it did not maintain records of risk profiling, suitability assessment and selling of advisory services, in violation of Regulations 19(1) and 19(2) of the IA Regulations.

104. Regulation 19(1) and (2) require an investment adviser to maintain, in physical or electronic form and for a minimum period of five years, records of KYC, risk profiling and risk assessment, suitability assessment, client agreements, investment advice and its rationale, and a register of clients and advice.

105. The Noticee submitted that it had made available all the required documents during the inspection and that the allegation was contrary to the record. The DA after considering the submissions of the Noticee, observed that the Business Process document merely set out the flow of the advisory process and did not deal with the maintenance of records, so that the adequacy of record maintenance could not be assessed on the basis of the Business Process document. The DA further found that the records of risk profiling, suitability assessment and invoices had in fact been made available by the Noticee during the inspection.

106. I note that the inspection report had made the said observations solely on the basis of business process documents that were made available by the Noticee. That document does no more than describe the flow of the Noticee's investment advisory process for the benefit of clients; it does not purport to address, and therefore cannot be the basis for assessing, the maintenance of records under Regulation 19. On the contrary, the records of risk profiling, suitability assessment and invoices appear to have been produced by the Noticee during the inspection and find mention in the inspection report.

107. Hence, on the basis of material available on record, I am inclined to agree with the conclusions of the DA that there was no violation of Regulations 19(1) and 19(2) of the IA Regulations in the present instance.

XII. Involvement in the unregistered advisory activity of Green Wealth

108. The SCN alleged that the Noticee was involved in the unregistered advisory activity carried on in the name of "Green Wealth", an unregistered investment advisory firm of its employee Ms. Bhavana Bariya, and that it received funds from Green Wealth, in violation of Regulation 3(1) of the IA Regulations and Regulation 3(a), (b), (c) and (d) of the PFUTP Regulations read with Section 12A of the SEBI Act.

109. Regulation 3(1) of the IA Regulations prohibits any person from acting as, or holding itself out as, an investment adviser without a certificate of registration. Regulation 3 of the PFUTP Regulations read with Section 12A of the SEBI Act prohibits fraudulent dealings in securities, including through complicity in unregistered advisory activity.

110. The Noticee submitted that Ms. Bhavana Bariya was a former employee who had left and started her own business under the name M/s Green Wealth, that it had never received any money from her or from Green Wealth, that it had filed a complaint against her with the SEBI Local Office, and that the bank account

concerned belonged to Mr. Kamlesh Dhole, a director, for whose private acts the company and its other directors could not be held vicariously liable.

111. The DA found that the Noticee had produced no proof of having filed any complaint against Ms. Bhavana Bariya, had filed no police complaint, that the spouse of Ms. Bhavana Bariya was employed by the Noticee, that Ms. Bhavana Bariya continued to receive salary from the Noticee despite her claimed departure. In addition to that DA found that M/s Green Wealth used the Noticee's IA registration number, and that two of the three directors of the Noticee received funds from Green Wealth. On a preponderance of probabilities, the DA found the Noticee was involved in and a beneficiary of, the unregistered advisory activity, and held the violation established.

112. I note that SEBI, by its order dated October 28, 2022, issued directions against Ms. Bhavana Bariya in the matter of Green Wealth for carrying out unregistered investment advisory activities. That order specifically recorded that Green Wealth used the Noticee's registration number to create the impression that it was functioning as a registered investment adviser. The SEBI Adjudication Order dated August 28, 2025 also specifically concludes that Noticee 1 was complicit in the unregistered activity of Green Wealth.

113. The Noticee's defence that it was a stranger to the activities of Green Wealth is contradicted by a web of factual circumstances on the record. The Noticee produced no proof of the complaint it claimed to have filed against Ms. Bhavana Bariya with SEBI, filed no police complaint, and did not pursue the matter. At the same time, the spouse of Ms. Bhavana Bariya was in the Noticee's employment as per the report of DA. Further, the said Ms. Bhavana Bariya herself continued to receive salary in her bank account from the Noticee notwithstanding her claimed departure also as per the DA report.

114. I also note that two of the three directors of the Noticee received funds from Green Wealth. The bank account statements which were enclosed along with the pre-enquiry SCN show, as observed by the DA that:

a. Mr. Kamlesh Dhole, a director and promoter of the Noticee, maintained one bank account each with ICICI Bank, HDFC Bank and Axis Bank in the name of Capital Stroke Financial Services, of which he is the proprietor, and received advisory fees of about INR 18 lakh from Green Wealth in these accounts; and
b. Mr. Upendra Singh Rajput, another director of the Noticee, received advisory fees from Green Wealth in his sister's bank account.

115. The Noticee has not produced any material to rebut these findings. Its only response is to distance itself from Mr. Kamlesh Dhole by attributing the receipts to his private acts. This plea cannot be accepted. The receipts are not limited to one director: a second director also received advisory fees from Green Wealth, routed through a relative's account.

116. I note that as per the MCA records, the Noticee has three directors. Further, as per the DA report, Mr. Kamlesh Dhole is the one who had established the proprietorship concern and later joined with other two directors to incorporate the Noticee as private limited company. While the Noticee has attempted to distance itself from the said director, but I note that he is the longest serving director and also a promoter of the Noticee Company.

117. These circumstances, taken together and tested on the preponderance of probabilities, make it impossible to accept that the Noticee had no role in the activities of Green Wealth. A company, being an artificial legal person, can act only through natural persons. The acts and state of mind of the persons who constitute its "directing mind and will" are, in law, treated as the acts and state of mind of the company itself. The directors who manage and control the affairs of a company are not merely its employees or agents. They are its directing minds, and their knowledge and conduct in relation to the business of the company is the knowledge and conduct of the company. The facts that two of the three directors who are the directing minds of the company were receiving funds from Green Wealth does not support the argument of the Noticee that it was a complete stranger to the whole

functioning. The said circumstances establish that the Noticee was complicit and aided in the unregistered advisory activity carried out by “Green Wealth”.

118. Hence, on the basis of preponderance of probability, I am inclined to agree with the conclusion of the DA that the Noticee was involved in the unregistered advisory activity of Green Wealth and thereby violated Regulation 3(1) of the IA Regulations and Regulation 3(a), (b), (c) and (d) of the PFUTP Regulations read with Section 12A of the SEBI Act.

XIII. Failure to disclose risk profile to a client

119. It was alleged that the Noticee did not communicate the risk profile to its client Mr. V******a G***a after the risk assessment, in violation of Regulation 16(e) of the IA Regulations.

120. Regulation 16(e) requires that the risk profile of the client be communicated to the client after the risk assessment is done, so that the client is apprised of his assessed risk and is able to make an informed investment decision.

121. The Noticee submitted that the client had not filed any complaint on SCORES with respect to such non-disclosure, and that, if the client required the document, the same would be provided within two days.

122. The DA found that, apart from the email by which the client had shared his risk profile form with the Noticee, there was no communication on record between the client and the Noticee, and that the Noticee had produced no evidence that the risk profile was communicated to the client or that any confirmation of the risk categorization had been obtained from him. The DA therefore had held that the violation was established.

123. Regulation 16(e) imposes an affirmative obligation to communicate the completed risk profile to the client after the assessment, which is integral to the client’s ability to make an informed decision. The only communication on record is

the email by which the client shared his risk profile form with the Noticee. There is nothing to show that the Noticee communicated the assessed risk profile back to the client, or that it obtained any confirmation from the client of his risk categorization. The Noticee's offer to provide the document on request does not satisfy the positive obligation of communication that Regulation 16(e) casts upon it.

124. Hence, based on the material available on record, I am inclined to agree with the conclusion of the DA that the Noticee failed to communicate the risk profile to its client and thereby violated Regulation 16(e) of the IA Regulations.

XIV. Failure to redress investor complaints

125. The SCN alleged that the Noticee failed to redress fourteen investor complaints on time, in violation of the SEBI Circular dated December 18, 2014 and Regulation 21(1) read with Regulation 28(f) of the IA Regulations.

126. Regulation 21(1) requires an investment adviser to redress investor grievances promptly and not later than twenty-one calendar days from receipt. Regulation 28(f) provides for action where an adviser fails to resolve investor complaints or to give a satisfactory reply to the Board. The SEBI Circular dated December 18, 2014 provides that a complaint is treated as resolved only upon its closure in SCORES.

127. The Noticee submitted that it had served around 9,000 clients, against whom only 73 unique complaints had been filed on SCORES – less than 1% – and that the actual pending complaints were only three. The DA noted that the SCN alleged fourteen unique pending complaints, amounting to about 0.15% of the Noticee's clients, and, having regard to the efforts taken by the Noticee in redressing those complaints as evident from the annexures to the SCN, gave the Noticee the benefit of doubt and absolved it of this charge.

128. I note that the obligation under Regulation 21(1) of the IA Regulations applies to each complaint individually and it does not provide for a threshold or proportionality test to be measured against the IAs client base or the total number of complaints

received. A failure to redress even a single complaint within the stipulated time would, by itself, amount to a violation of Regulation 21(1) of the IA Regulations.

129. Further, under the SEBI Circular dated December 18, 2014, a complaint is treated as resolved only upon its closure in SEBI SCORES platform. Efforts made towards redressal, however bona fide, cannot substitute actual resolution within the prescribed timeline. In the present case, fourteen unique complaints were identified in the pre-enquiry SCN as not having been redressed within the stipulated time. Even on the Noticee's own submission, three complaints remained pending. The charge of failure to redress investor grievances is therefore established, and the benefit of doubt extended by the DA is not warranted in the facts and circumstances of the case.

130. In view of the above, I am unable to agree with the conclusion of the DA. I hold that there was violation of the SEBI Circular dated December 18, 2014 and Regulation 21(1) read with Regulation 28(f) of the IA Regulations in the present instance.

E. CONCLUSION

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

Sr. No.	Allegation	Violations established
1.	The Noticee promised assured returns to its clients and misrepresented on website regarding research team, advice/services, performance and accuracy to clients	Regulations 2(1) (c), 3(a), (b), (c), (d), 4(1), 4(2) (k), (o) and (s) of the PFUTP Regulations read with Section 12A (a), (b) and (c) of the SEBI Act.
2.	The Noticee failed to act in a fiduciary capacity towards its clients.	Regulation 15(1) and Clauses 1, 2 and 5 of the Code of Conduct read with Regulation 15(9) of the IA Regulations.
3.	The employees/representatives of the Noticee were not qualified and certified to deal with clients.	Regulation 7 and Clauses 1, 2, 3, 8 and 9 of the Code of Conduct read with Regulation 15(9) of the IA Regulations.
4.	The Noticee submitted forged documents to SEBI during the course of the inspection.	Regulations 25(1), 25(2) and 25(4) read with Regulation 24(3) and Clause 8 of the Code of Conduct read with Regulation 15(9) of the IA Regulations.

Sr. No.	Allegation	Violations established
5.	The Noticee sold the same advisory service repeatedly and charged arbitrary/multiple fees exceeding those on its website.	Regulation 15(1) read with Regulation 17(b), (d) and (e), Clauses 1, 2, 6 and 9 of the Code of Conduct read with Regulation 15(9), and Regulation 3(a)-(d), 4(1) and 4(2)(k), (o) and (s) of the PFUTP Regulations read with Section 12A of the SEBI Act.
6.	The Noticee failed to provide proof of communication to clients about the details of its advisory services.	Regulation 18(6) and Clauses 1, 2, 5, 8 and 9 of the Code of Conduct read with Regulation 15(9) of the IA Regulations.
7.	The Noticee provided free trials to its prospective clients.	SEBI Circular dated December 27, 2019.
8.	The Noticee was involved in the unregistered advisory activity of Green Wealth.	Regulation 3(1) of the IA Regulations and Regulation 3(a), (b), (c) and (d) of the PFUTP Regulations read with Section 12A of the SEBI Act.
9.	The Noticee failed to disclose the risk profile to its client.	Regulation 16(e) of the IA Regulations.
10.	The Noticee failed to redress investor complaints	SEBI Circular dated December 18, 2014, Regulation 21(1) read with Regulation 28(f) of the IA Regulations

132. Among the alleged violations that I have found to be established against the Noticee, the egregious ones in my view is the allegation of the Noticee company being complicit in the unregistered investment advisory activity of a proprietorship – Green Wealth owned by one Ms. Bhavana Bariya. Equally serious are the allegations with respect to misrepresentations (including false claims) on the Noticee's website, submission of forged documents to SEBI, charging fees to customers-investors multiple times for the same services. The large number of violations detected along with their seriousness in terms of the damage that was caused to investors and their confidence, convinces me of the need to accept the DA's recommendation to cancel the Noticee's registration.

133. The Noticee's reference to other orders of SEBI where lesser penalty of censure was imposed, are without merit. The directions to be passed in each case is dependent on the specific facts and circumstances of the said case. The gravity and multiplicity of the established violations, taken cumulatively, render the Noticee unfit to continue to hold a certificate of registration as an investment adviser, and no lesser measure would adequately protect the interests of investors and the

integrity of the securities market. Therefore, I agree with the DAs recommendation to cancel the certificate of registration of Capital Stroke Investment Services Pvt. Ltd.

134. I also note that the enforcement action approval against the Noticee invoked regulation 35 of the Intermediaries Regulations which empowers issuance of such directions as may be necessary in the interest of the securities market, in the interest of investors, or for the purpose of securing the proper management of an intermediary. It appears that the earlier 11B proceedings against the Noticee leading up to the interim or confirmatory orders will now be dealt with under the Intermediaries Regulation though regulation 25 thereof. These directions include, inter alia, directing the intermediary to refund any money or securities collected from investors, directing the intermediary not to access the capital market or not to deal in securities for a particular period, and any other direction which the Board may deem fit and proper in the circumstances of the case. The Noticee, being an intermediary registered with SEBI as an investment adviser, falls squarely within the ambit of the said provision.

135. In view of the violations established in the present proceedings, directions restraining the Noticee from accessing the securities market could therefore be issued under regulation 35, in addition to the measure under regulation 27 of the Intermediaries Regulations. However, I note that the Noticee was already restrained from accessing the securities market by the interim order dated August 27, 2021, which was confirmed by the confirmatory order dated June 08, 2022.

136. I further note that, with respect to the funds received from Green Wealth, the material on record shows that such funds were received in the bank accounts of the directors of the Noticee and to the accounts of a relative of another director. There is no material on record as per the DA Report or the Inspection Report that these monies were transferred to the Noticee, and accordingly no direction for refund against the Noticee arises in the present proceedings.

137. I also note that the DA, after considering the material on record, recommended only the cancellation of the certificate of registration of the Noticee under regulation 26(1) (ii) of the Intermediaries Regulations, and did not recommend any other measure or direction against the Noticee. The pre-enquiry SCN dated April 16, 2024 issued to the Noticee had called upon the Noticee show cause why appropriate action including under regulation 35 of the Intermediaries Regulations should not be recommended against it. Further the post-enquiry SCN dated January 05, 2026 specifically called upon the Noticee to show cause why any other action as contemplated in the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, should not be taken against it. Therefore, the Noticee was put to notice of the possible directions that could be passed against it. Considering the seriousness of the violations committed by the Noticee, I am of the view that directions under regulation 35 (b) of the Intermediaries Regulations are warranted, while taking into account the period of debarment already undergone by the Noticee in the interest of proportionality of enforcement measures

F. ORDER

138. In view of the foregoing, I, in exercise of powers conferred upon me–

(i) under sub section (3) of Section 12 of the SEBI Act, 1992, regulation 27 of the Intermediaries Regulations and regulation 28 of the IA Regulations read with section 19 of the SEBI Act, 1992, hereby cancel the certificate of registration of the Noticee i.e. Capital Stroke Investment Services Pvt. Ltd. (registration number INA000001316).

(ii) under sub section (3) of Section 12 of the SEBI Act, 1992, regulation 27 of the Intermediaries Regulations and regulation 28 of the IA Regulations read with section 19 of the SEBI Act, 1992, hereby direct that the Noticee is hereby restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities, either directly or indirectly, or being associated with the securities market in any manner whatsoever, for a period of 5 (five) years. It is clarified that while calculating the period of debarment as directed above, the period of

restraint already undergone pursuant to the Interim Order read with the Confirmatory Order shall be taken into consideration and set off from period mentioned above.

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

140. A copy of this order shall be served upon the Noticee, on BSE Limited (being the Investment Advisers Administration and Supervisory Body), the recognized stock exchanges and registered depositories for its information, record and necessary action.

Biju S

Digitally signed by Biju S
Date: 2026.10.15 14:21:08 +05'30'

Date: October 15, 2026

Place: Mumbai

BIJU S.

QUASI JUDICIAL AUTHORITY

SECURITIES AND EXCHANGE BOARD OF INDIA