

**BEFORE THE ADJUDICATING OFFICER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**

**[ADJUDICATION ORDER NO. EAD-2/DSR/VS/880-881/2017]**

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**UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995.**

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In respect of:

- 1. Mr. Ravi Chouksey (PAN:ANXPC4593L)**
- 2. Gravita Research Company (PAN: Not Available)**

In the matter of  
**Gravita Research Company**

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1. Securities and Exchange Board of India (SEBI) issued an ad-interim ex-parte order dated December 02, 2014 (Interim Order) under section 11B of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "SEBI Act") against Gravita Research Company (The Company) and its sole proprietor Mr. Ravi Chouksey (hereinafter referred to individually by their name and collectively as "Noticees") for the alleged violation of Section 12(1) of SEBI Act, 1992 read with provision of Regulation 3 of the SEBI Investment Advisers Regulations, 2013 (hereinafter referred to as "IA Regulations") for carrying out Investment Advisory Services without obtaining Certification of Registration from SEBI. After hearing the noticees, Whole Time Member (WTM) of SEBI issued order dated June 04, 2015 in which it was directed that;
  - a) Mr. Ravi Chouksey and his proprietorship concern i.e., Gravita Research Company (PAN ANXPC4593L) are hereby prohibited from buying, selling or otherwise dealing in the securities market, either directly or indirectly, in any manner whatsoever, for a period of 4 years.

- b) Mr. Ravi Chouksey and Gravita Research Company shall not undertake, either directly or indirectly, any activity in the securities market without obtaining registration from SEBI as required under the securities laws.
- c) Mr. Ravi Chouksey and Gravita Research Company shall expeditiously return the monies received from its clients, if any, in respect of its unregistered investment advisory activities and submit a certificate from a peer reviewed chartered accountant, within a period of 3 months from the date of this Order. For the purpose of this Order, a peer reviewed Chartered Accountant shall mean a Chartered Accountant, who has been categorized so by the Institute of Chartered Accountants of India ('ICAI').
- d) SEBI may also initiate Adjudication proceedings under Chapter VIA of the SEBI Act against Mr. Ravi Chouksey and his proprietorship concern i.e. Gravita Research Company for the violation of indulging in unregistered investment advisory services in the securities market in breach of section 12(1) of the SEBI Act and regulation 3(1) of the SEBI (Investment Advisers) Regulations, 2013.

#### **Appointment of Adjudicating Officer**

2. Pursuant to transfer of the previous Adjudicating Officer Ms. Anita Kenkare, I have been appointed as the Adjudicating Officer vide Order dated October 4, 2017 under Section 15-I of SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as "Adjudication Rules") to inquire and adjudge under Section 15HB of the SEBI Act, 1992, for the alleged violation committed by the Noticees.

#### **Show Cause Notice, Reply and Personal Hearing**

3. A common Show Cause Notice dated May 31, 2017 (hereinafter referred to as 'SCN') was issued to the Noticees by Ms. Anita Kenkare, in terms of Rule 4 of the said Rules requiring them to show cause as to why an inquiry should not be held for the alleged violation of provisions of law. Mr. Ravi Chouksey vide emails dated June 13, 2017 and June 20, 2017 requested additional time for submitting reply to the SCN. Mr. Ravi Chouksey vide letter dated June 29, 2017 inter alia, submitted his reply to the SCN, as under:

- a) *"In the year 2012 I started my operations under the aegis of my Prop Firm M/s Gravita Research. The object was to study developments in various segments of capital markets.*
  - b) *On being advised by SEBI their letter dated Oct 1 2013 that I should get myself registered as an Investment Advisor since my activities fall under SEBI (Investment Advisor) Regulations 2013, I filled my application for the said registration in the month of Oct 2013. The said application was sent by Blue Dart on 19<sup>th</sup> of October 2013 vide their Way Bill No 60172028350 dated 19/10/13. Copy of the said Way Bill is enclosed herewith for your reference.*
  - c) *As I understand from the communications from SEBI and as also mentioned in your notice the said application was received by SEBI on 22<sup>nd</sup> of Oct 2013 while the last date for submission of the same was 21<sup>st</sup> Oct 2013.*
  - d) *It would be appreciated that one day delay, as stated in the communications from SEBI, was due to delay in transit as I had despatched the application before the last date of the submission of the same. The medium of despatch was a reputed Courier.*
  - e) *Certain deficiencies were observed by SEBI in my application. The primary deficiencies were as follows:*
    - i. *CIBIL Report has not been submitted.*
    - ii. *Adequacy of Risk Profiling System*
  - f) *While I was in the process of fulfilling the requirements of SEBI in respect of deficiencies in my application for Registration especially Risk Profiling System I got a letter from SEBI ( No WRO- 11/1A/ILO/DD/9353/2014 dated March 27, 2014) that my application was closed.*
  - g) *I was advised by my Consultants that the application has not been rejected but has been closed and would be reopened once I complete all formalities .I continued my efforts to complete all formalities and deficiencies."*
4. In the interest of natural justice, vide letter dated October 31, 2017, an opportunity of personal hearing was granted to the Noticees on November 20, 2017. The AR reiterated the submissions during the hearing. The ARs also made similar submission on behalf of Gravita Research Company (proprietary firm).

### **Consideration of Issues**

5. I have carefully perused the charges levelled against the Noticees as per the SCN, written submissions made by the Noticees and the material available on record. The issues that arise for consideration in the present case are:
- a) Whether the Noticees have violated Section 12(1) of SEBI Act, 1992 read with Regulation 3 (1) of SEBI (Investment Advisors) Regulations, 2013?
  - b) Does the violation, if any, on the part of the Noticees attract any penalty under Section 15 HB of the SEBI Act?
  - c) If yes, what should be the quantum of monetary penalty that can be imposed on the Noticees?

## Evidence and Findings

6. Before proceeding, it will be appropriate to refer to the relevant provisions of Section 12(1) of the SEBI Act, 1992 and regulation 3(1) of the SEBI (Investment Advisers) Regulations, 2013 which are as under:

### **Securities and Exchange Board of India Act, 1992**

#### ***Registration of stock brokers, sub-brokers, share transfer agents, etc.***

**12(1)** No stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act:

*Provided that a person buying or selling securities or otherwise dealing with the securities market as a stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market immediately before the establishment of the Board for which no registration certificate was necessary prior to such establishment, may continue to do so for a period of three months from such establishment or, if he has made an application for such registration within the said period of three months, till the disposal of such application*

*Provided further that any certificate of registration, obtained immediately before the commencement of the Securities Laws (Amendment) Act, 1995, shall be deemed to have been obtained from the Board in accordance with the regulations providing for such registration.*

*Application for grant of certificate.*

### **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:

*Provided that a person acting as an investment adviser immediately before the commencement of these regulations may continue to do so for a period of six months from*

*such commencement or, if it has made an application for a certificate under sub-regulation (2) within the said period of six months, till the disposal of such application.*

*(2) An application for grant of certificate of registration shall be made in Form A as specified in the First Schedule to these regulations and shall be accompanied by a non-refundable application fee to be paid in the manner specified in Second Schedule.*

7. As per regulation 1(2) of the IA Regulations, these Regulations shall come into force on the ninetieth day from the date of their publication in the Official Gazette. Thus, the cut-off date to file application for grant of certificate of registration under Regulation 3 of IA Regulations for Investment Advisers who were offering Investment Advisory Services was October 21, 2013.
8. Further, SEBI vide its PR No. 53/2013 dated May 29, 2013 had advised that *"In terms of the IA 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 or he is specifically exempt."* Also SEBI vide PR No. 77/2013 dated August 28, 2013 had further advised that *"All the persons acting as an investment adviser before the commencement of IA Regulations are advised to make their application for grant of registration before October 21, 2013 to continue to do so and shall comply with the requirement of obtaining a certificate of registration for acting as investment adviser under the IA regulations."*
9. I note from the records that, the noticees were providing various financial products / services to the general public and charging fees for these activities from them. SEBI vide letter August 13, 2013 sought information in the matter, the letter was personally received by Mr. Ravi Chouksey on August 30, 2013. However no information was submitted by noticees. Further, SEBI vide letter dated September 25, 2013 advised Noticees to provide requisite information within 14 days. In view of the above, the noticee submitted application for registration as Investment Adviser, received by SEBI on October 22, 2013, which is one day post cut-off date such as October 21, 2013. I also note that Noticees had filed incomplete application to SEBI, whereas, SEBI vide letter dated October 23, 2013, January 20, 2014 and February 13, 2014 advised noticee to submit complete information. I note that, the Noticees submitted the subsequent clarification on February 4, 2014 and March 03, 2014.

10. SEBI vide letter dated March 27, 2014 informed noticee that his application for investment advisor is closed due to technical non-compliance in the matter. Vide the said letter, SEBI also advised Gravita to remove all the advertisements, representations, phrases etc., which offers investment advice, guaranteed returns/accuracy of calls etc., from its website. However, despite the same, SEBI observed from perusal of Gravita's website [www.gravitaresearch.com](http://www.gravitaresearch.com) that Gravita was fully functional and continued to provide investment advisory services to general public without taking necessary approval from SEBI for the same. Accordingly, SEBI vide letter dated May 21, 2014 advised noticees to offer their comments / reasons for non-compliance with the said provisions.

11. Further, on perusal of the website of Gravita, (after SEBI's intimation to Gravita, about closure of its registration application), revealed that the following was *inter alia*, mentioned on the website of Gravita:

*"Gravita Research is now a leading STOCK analysis and COMMODITY analysis advisory company which provides experts recommendations for Stock Cash and Stock Futures traded in NSE.*

*We Provide Share Market Recommendations through SMS and Strong and Committed Support team which helps the client in trading as well as understanding the market well.*

*Gravita Research is a professionally run company with a long term goal to provide maximum return on investment(ROI) on every investors money.'*

*In this service we provide stock tips with more than 85% accuracy which drives to profit.*

*We assure you 85-90% accuracy in this plan on consistent basis."*

12. Further, pursuant to SEBI's intimation to Gravita, about closure of its registration application, it was further observed that the activities of Gravita were also mentioned in the FAQ section of its website wherein it is stated that,

*'We provide the recommendations of Equity and Commodity Market'*

13. Further, as a part of the preliminary examination, an officer from SEBI, posed as an ordinary investor and registered for free trials on the website of Gravita [viz. www.gravitaresearch.com](http://www.gravitaresearch.com), on July 23, 2014. On successful registration, a representative of Gravita contacted at the mobile number given at the time of registration for free trials. Gravita forwarded certain SMSes to the SEBI officer, as a part of its free trials in the month of July 2014. The contents of the messages as received on July 24, 2014 are reproduced below:

*"CEAT in NSE Cash SELL call did our first TGT please book 70% profit in it Gravita Research*

*9993716323, 8827706187E"*

*"Please book FULL profit in BIOCON in NSE Cash Buy at CMP 520.20 call. Gravita Research*

*9993716323, 8827706187"*

*"SUN TV in NSE Cash SELL call did our first TGT please book full profit in it. Gravita Research*

*9993716323, 8827706187"*

**14.** After examining the aforementioned material and information, the following prima facie observations were made in the interim Order dated June 04, 2015 passed against Mr. Ravi Chouksey, Proprietor of Gravita:

- a)** "Gravita Research Company is a sole proprietorship concern of Mr. Ravi Chouksey established on January 10, 2013 having registered office address as A-32/33, Chandra Nagar, AB Road, Indore, Madhya Pradesh and branch office at 458, Gopal Bhawan, Sneh Nagar, Jabalpur, Madhya Pradesh. Gravita Research is running its business from Jabalpur branch.
- b)** Communication address of the proprietor, Mr. Ravi Chouksey is 701, Chouksey Kirana Stores, Jagrati Nagar, Amkhera Road, Gohalpur, Jabalpur, Madhya Pradesh.
- c)** Gravita Research is offering investment advisory services to the general public, claiming exact percentage of accuracy in their tips. They declare itself as an investment adviser.
- d)** Gravita Research is pursuing the following modus operandi:
  - Marketing executives of the firm calls prospective investors for registration as free trial clients. Also, some clients register for free trials after pursuing the website of Gravita Research.
  - This indicates that Gravita Research is actively engaged in soliciting members of general public for registering with it for investment advice.

- Though at the time for registration for free trial it is advised by the representative that if the client/investor finds the free trial satisfactory then he/she can register with Gravita Research as a regular client choosing any of the services mentioned on the website of Gravita Research. However, the representatives actively pursue the prospective clients to get themselves registered as regular clients.
- In case of free trials, Gravita Research sends SMS to the clients/investors, giving tips for 2-3 days and subsequently as per the service opted by the client."

**15.** Further from Gravita's website, the following were observed to be the bank account details of Gravita:

<b>Sr. No.</b>	<b>Entity Bank Account No.</b>	<b>Type of Account</b>	<b>Bank Name and Branch</b>	<b>Proprietor Address</b>
1.	004105500405	Current Account	ICICI Bank, Malav Parisar Branch, Indore	A-32, Chandra Nagar, A.B. Road, Indore, M.P.
2.	32896297583	Current Account	State Bank Of India, Scheme No.54, AB Road, Indore	A, 32-33, Chandra Nagar, A.B. Road, Indore, M.P.

**16.** Based on the aforesaid information available from the website of Gravita, SEBI undertook a preliminary examination of the activities of Gravita. SEBI vide separate letters dated July 23, 2014, requested the aforesaid banks, viz. ICICI Bank, Malav Parisar Branch, Indore and State Bank of India, AB Road, Indore to provide the following information/material:

- a) Bank account details and statement of any accounts of Gravita and Mr. Ravi Chouksey from January 01, 2014;
- b) Bank statements of the account numbers as mentioned on the website of Gravita since January 31, 2014; and
- c) PAN and KYC details of Gravita and Mr. Ravi Chouksey.

**17.** ICICI Bank and SBI provided the aforesaid information sought by SEBI vide e-mail dated August 22, 2014 and letter dated July 25, 2014 respectively. On the analysis of the bank account opening form along with KYC documents of both the banks mentioned above, it was observed that:

- a) The aforementioned bank accounts belonged to the Proprietor of Gravita viz. Mr. Ravi Chouksey;



- b) In the Certificate issued by Chartered Accountant for the purpose of opening bank account it was observed that the Chartered Accountant had certified that Gravita is engaged in the business of 'Advisory Share Market';
- c) Business of Gravita was also mentioned as 'Share market Advisory Services' in the SM/SO Interview sheet of KYC documents;
- d) Further from the KYC documents, it was observed that the Establishment Certificate issued by the State Government confirmed the business as 'Advisory Share Market'.

18. It was observed from Application for Registration that the fee structure (Annexure-16) as charged by Gravita (in Rs.) is here as under:

Period	Stock Cash	Stock Future	Option Tips	Nifty Futures	Bullion Energy	Base Metals	Agro	Bullion Metals	Bullion Metals Agri	PCP
Monthly	5000	6500	6000	5000	8500	8500	8500	9000	10000	25000
Quarterly	13500	17000	16000	13500	16000	16000	16000	25000	27000	70000
Half Yearly	25000	32000	30000	25000	30000	30000	30000	46000	48000	130000
Yearly	45000	64000	46000	45000	56000	56000	56000	84000	86000	240000

19. Further from the analysis of the bank account statements, it was observed that there were several deposits into the said bank accounts from different parts of the country which were equivalent to the fees charged by Gravita for various advisory services offered. Transactions in the bank account statements of Gravita which are equivalent to the fees charged by Gravita are as under:

Fee Amount (in Rs.)	Number of credits of said amount	
	Period	
	January 01 to March 31, 2014	April 01- July 27, 2014 (SBI) and till Aug 31, 2014 (ICICI)
5000	20	33
6000	3	6
6500	3	5
7000	2	1
8500	1	4
9000	1	4
10000	10	12
12000	-	3
13000	-	1
15000	2	7
16000	-	2
17500	1	1
20000	3	2
25000	2	2

25500	-	1
30000	-	2
45000	-	1
50000	2	2
53000	-	1
60000	2	-
<b>Total</b>	<b>52</b>	<b>90</b>

**20.** It was observed that the funds were deposited in the bank accounts from various parts of country viz. Balkeshwar, Barwah, Bhind, Jarwal Road, Maheshwar Road, Mukherjee Marg, Nalkheda, Nathnagar, Govindnagar, Kasturba Nagar, Jabalpur, Vadodara, Surat, Pune-Tilak Road, Delhi, Muzzafarnagar, Agra, Gandhinagar, Goa, Jhansi, Bikaner, Gurgaon, Nadiad, Bangalore, Mandsaur, Kanpur, Ranchi, Bikaner, Chennai etc., which indicates that there is a regular flow of funds in the said bank accounts from various individuals across the country which is equivalent to fees charged by Gravita for the advisory services.

**21.** The aforesaid details indicate that Mr. Ravi Chouksey, Proprietor, Gravita has been collecting funds from investors for providing investment advice to them through SMS/calls. It is noted that information about closure of application of Gravita for registration as IA was communicated to Gravita vide letter dated March 27, 2014. In view of this, it is observed that the amounts credited to the account of Gravita after March 27, 2014, as mentioned in the above table, towards the fees for advisory services were collected without obtaining registration from SEBI as an IA.

**22.** On verifying the track sheets of Gravita available on its website, it was observed that the aforesaid tips (mentioned in Paragraph 13 above) received on July 24, 2014 as SMS were appearing on the track sheets. It was noted that Gravita in their earlier application forwarded for obtaining registration (which was closed for non-submission of information) as IA to SEBI on October 22, 2013 stated that Gravita is in the business of providing advisory services since January 16, 2013.

**23.** In the light of the above analysis and examination, it is evident that the activities of Gravita of giving trading tips, stock specific recommendations etc. to the investors after October 21, 2013 are deemed to be 'Unauthorised Investment Advisory Services', and also clearly indicate that they were engaged in providing investment

advisory services to investors on payment of fees, which prima facie falls under the definition of 'investment adviser (IA)' as defined by Regulation 2(m) of IA Regulations.

24. Thus, I conclude that the Noticees namely Mr. Ravi Chouksey and Gravita Research Company have indulged in unregistered investment advisory services and have violated the provisions of Section 12(1) of the SEBI Act, 1992 and regulation 3(1) of the IA Regulations, 2013 which makes them liable for penalty as prescribed under Section 15 HB of the SEBI Act which reads as under:

***Penalty for contravention where no separate penalty has been provided.***

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

25. At this instant, it is important to quote the observations of the Hon'ble Supreme Court of India in the matter of **SEBI vs. Shri Ram Mutual Fund [2006] 68 SCL 216(SC)**, wherein, the Hon'ble court, *inter alia*, held that: "once the violation of statutory regulations is established, imposition of penalty becomes sine qua non of violation and the intention of parties committing such violation becomes totally irrelevant. Once the contravention is established then the penalty is to follow."

26. While determining the quantum of penalty, it is important to consider the factors stipulated in Section 15J of the Act, 1992 which reads as under:-

**15J - Factors to be taken into account by the adjudicating officer**

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

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

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

**27.** I observe that, from the material available on record, it is not possible to quantify any gain or unfair advantage accrued to the Noticees or the extent of loss suffered by the investors as a result of the default of the Noticees. The default is not repetitive in nature.

### **ORDER**

**28.** In view of the above, after considering all the facts and circumstances of the case and exercising the powers conferred upon me under Section 15-I of the SEBI Act, 1992 read with Rule 5 of the Adjudication Rules, I hereby impose a monetary penalty of ₹2,00,000/- (Rupees Two Lakh Only) on the Noticees viz. Mr. Ravi Chouksey and Gravita Research Company under section 15 HB of the SEBI Act, payable jointly and severally. In my view, the penalty is commensurate with the default committed by the Noticees.

**29.** The Noticees shall remit / pay the said amount of penalties within 45 days of receipt of this order either by way of Demand Draft in favor of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR through e-payment facility into Bank Account the details of which are given below:

Bank Name	State Bank of India
Branch	Bandra-Kurla Complex
RTGS Code	SBIN0004380
Beneficiary Name	SEBI – Penalties Remittable To Government of India
Beneficiary A/c No	31465271959

**30.** The said demand draft or forwarding details and confirmation of e-payment made in the format as given in table below should be sent to "The Division Chief, EFD-DRA- 4, Securities and Exchange Board of India, SEBI Bhavan, Plot no. C- 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 052."

1	Case Name	
2	Name of the Payee	
3	Date of Payment	
4	Amount Paid	
5	Transaction No.	
6	Bank Details in which payment is made	
7	Payment is made for (like penalties/disgorgement / recovery/ settlement amount and legal charges along with order details)	

**31.**In terms of Rule 6 of the Adjudication Rules, copies of this order are sent to the Noticees and also to SEBI.

**Date: December 13, 2017**

**Place: Mumbai**

**D SURA REDDY  
GENERAL MANAGER &  
ADJUDICATING OFFICER**