BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/GG/AU/2023-24/29827-29829]

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

In respect of:

Name of the Entity	**Noticee No.**	**PAN No.**
Pranav Dipak Desai	Noticee No. 2	AAAPD7367H
Kokila Dipak Desai	Noticee No. 3	AAGPD1109H
Ajay Krishnamurthy Rao	Noticee No. 4	AGQPR6838R

(The sequence of the Noticees in the SCN is retained for ease of reference. The Show Cause Notice against Noticee No. 1- Pawan Agarwal was disposed earlier vide Settlement Order dated July 04, 2023.)

In the matter of complaint by Finsec Law Advisors Ltd on behalf of Aequitas

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A. BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") received three complaints dated February 11, 2019, April 22, 2019, and July 25, 2019 from FINSEC Law Advisors (hereinafter referred to as the **"Complainant"**) wherein, it had complained on behalf of its client, Aequitas Investment Consultancy Private Limited (hereinafter referred to as **"Aequitas"**), a registered Portfolio Management Services (hereinafter referred to as **"PMS"**) alleging that the employees of Ambit Capital Pvt Ltd (hereinafter referred to as **"Ambit"**) the broker of Aequitas, has violated the provisions of SEBI (Prohibition of Fraudulent Trade Practice)

Regulations, 2003 (hereinafter referred to as **"PFUTP Regulations"**) by indulging in front-running activity and undertaking trades in advance of the trades of Aequitas in their own account and through the accounts of their family members in certain scrip.

2. Pursuant to receipt of the above complaints, SEBI carried out an investigation to ascertain whether the Noticees mentioned in the complaints have violated the provisions of PFUTP Regulations and SEBI (Stock Broker and Sub Broker) Regulations, 1992. The investigation period is from January 01, 2018, to December 31, 2018 (hereinafter referred to as "**investigation period or IP**").

3. Investigation team observed from the complaints that the allegations pertain to the wrongful use of confidential information regarding Aequitas' trades by the dealers of Ambit either to front run or mirror the said trades for themselves or their family members or clients of Ambit; leading to allegations that Mr. Pranav Dipak Desai (**Noticee No. 2-Pranav),** Ms. Kokila Dipak Desai **(Noticee No. 3-Kokila)** and Mr. Ajay Krishnamurthy Rao (**Noticee No. 4-Ajay)** along with one another had violated Section 12(A)(c) of SEBI Act and Regulation 3(a), 3(d), 4(1) and 4(2)(q) of PFUTP Regulations, as applicable.

B. APPOINTMENT OF ADJUDICATING OFFICER

4. Pursuant to the Investigation in the matter SEBI initiated adjudication proceedings and appointed me as an Adjudicating Officer vide Order dated November 16, 2021 under Section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the **"SEBI Act")** read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the **"SEBI Adjudication Rules"**) to inquire into and adjudge under section 15HA of the SEBI Act, against Noticee Nos. 2, 3 and 4 along with Noticee No.1 for the alleged violations referred in the Show Cause Notice, as applicable.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

5. A common notice dated April 22, 2022, was issued against all the Noticees under rule 4(1) of the SEBI Adjudication Rules to show cause as to why an inquiry should not be initiated against them and why penalty should not be imposed against them under section 15HA of the SEBI Act for the alleged violation of the provisions of Section 12(A)(c) of SEBI Act and Regulation 3(a), 3(d), 4(1) and 4(2)(q) of PFUTP Regulations, as applicable. The Notice is hereinafter referred to as Show Cause Notice (SCN). The allegation in the SCN against Noticee No. 1, got settled in terms of the Settlement Order dated July 04, 2023 read with Corrigendum dated July 05, 2023. Noticee No. 1 was the officer-in-charge, to whom both Noticee No. 2-Pranav and Noticee No. 4-Ajay were reporting. As the matter stands settled in respect of Noticee No. 1, he is being referred to in this order as the Reporting Officer **(RO)**. Noticee No. 3-Kokila is the mother of Noticee No. 2-Pranav.

6. Noticee Nos. 2-Pranav and 3-Kokila submitted their replies to the SCN vide letter dated June 13, 2022 and Noticee No. 4-Ajay has submitted his reply vide email dated March 09, 2023, and also submitted his written submissions vide email dated March 13, 2023. The details of the replies of the Noticees are elaborated in the latter part of this order, while dealing with the facts and issues in the matter, on merits.

7. An opportunity of hearing was granted to Noticee Nos. 2-Pranav and 3-Kokila on June 09, 2022, vide hearing Notice dated June 03, 2022. Noticee Nos. 2-Pranav and 3-Kokila vide email dated June 09, 2022, requested to reschedule the hearing on June 15, 2022, or June 16, 2022. Thereafter, the hearing was rescheduled to June 17, 2022. Mr. Anil Shah, Advocate and Managing Partner - Juris Matrix Partners LLP, Advocates & Solicitors appeared for the hearing on June 17, 2022, for Noticee Nos. 2-Pranav and

3-Kokila and reiterated the submission made vide their replies dated June 13, 2022. As six months had elapsed since the conclusion of the hearing, an email dated March 20, 2023, was, sent to Noticee Nos. 2-Pranav and 3-Kokila, in the interest of justice to file an additional reply, if any, and it was also informed to them to indicate whether they desire a personal hearing in the matter post-conclusion of the hearing dated June 17, 2022. Noticee Nos. 2-Pranav and 3-Kokila did not respond to the email dated March 20, 2023.

8. Noticee No. 4-Ajay vide email dated June 20, 2022, had informed that he has filed a settlement application under SEBI Settlement Regulations. Subsequently, vide email dated February 13, 2023, he informed that he has withdrawn the settlement application. Pursuant to the same, an opportunity of hearing was granted to Noticee No. 4-Ajay on March 10, 2023, vide hearing Notice dated March 03, 2023. Mr. Kunal Katariya, Advocate, and Ms. Ashmita Goradia, Advocate appeared on behalf of Noticee No. 4-Ajay and reiterated the submissions made vide email dated March 03, 2023. Further, written submissions were forwarded vide email dated March 14, 2023.

9. Pursuant to the Settlement Order dated July 04, 2023 passed in favour of the Noticee No.1, it is now necessary for me to adjudicate and dispose the SCNs issued to Noticee Nos. 2 to 4.

D. ISSUES

I. Whether Noticee Nos. 2-Pranav and 3-Kokila have front run the trades of Big Clients and/or mirrored the trades of Big Clients, as alleged and thereby violated provisions of Section 12(A)(c) of SEBI Act and Regulation 3(a), 3(d), 4(1), and 4(2)(q) of PFUTP Regulations?

II. Whether Noticee No. 4-Ajay has mirrored the trades of Big Clients as alleged and thereby violated provisions of Section 12(A)(c) of SEBI Act and Regulation 3(a), 3(d) and 4(1) of PFUTP Regulations?

III. If any of the above questions is answered in affirmative, what would be the quantum of monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15 J of the SEBI Act?

10. The relevant provisions of Section 12(A)(c) of SEBI Act and Regulation 3(a), 3(d), 4(1), and 4(2)(q) of PFUTP Regulations are extracted below for ease of reference:

Section 12A(c) of SEBI Act.

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.
12A. *No person shall directly or indirectly—*
a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;
b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;
c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;
d) engage in insider trading;
e) deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder;
f) acquire control of any company or securities more than the percentage of equity share capital of a company whose securities are listed or proposed to be listed on a recognized stock exchange in contravention of the regulations made under this Act.

Regulation 3 (a), (b), (c) and (d) and Regulation 4(1) and 4(2)(q) of SEBI (PFUTP) Regulations, 2003

3. ***Prohibition of certain dealings in securities***
No person shall directly or indirectly—
(a*)buy, sell or otherwise deal in securities in a fraudulent manner;*
(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;
(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;
(d*)engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities*

which are listed or proposed to be listed on a recognized stock exchange in contNovember@2023ravention 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 fraudulent or an unfair trade practice in securities.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves: —

(a) ……

(q) an intermediary buying or selling securities in advance of a substantial client order or whereby a futures or option position is taken about an impending transaction in the same or related futures or options contract.

(r)……

Preliminary Objections of Noticee Nos. 2 and 3.

11. I note from the post inspection submissions dated 25.05.2022 and from the replies of Noticee Nos. 2-Pranav and 3-Kokila that a limited inspection of documents was granted of photocopies and no original documents were offered for inspection thereby rendering the inspection perfunctory, futile and incomplete. I note from the records that Noticee Nos. 2-Pranav and 3-Kokila vide letter dated 12.05.2022 had sought inspection of original documents relied upon and collected during the investigation. Vide email dated 17.05.2022, both Noticee Nos. 2-Pranav and 3-Kokila were provided inspection of the document on 19.05.2022 and vide email dated 23.05.2022 the Record of Proceedings of Inspection of Documents was sent to the Noticees.

12. Noticee Nos 2 and 3 further submitted that they had reasons to believe unless refuted that no original documents are on record with the investigation. In response, vide email dated 02.06.2022, it was informed to the counsel of the Noticees that during the inspection conducted on 19.05.2022, the file which was provided for inspection was a mirror file of the original file and the original file is stored in the registry. Further, the counsel was informed that the original file would be provided if she would wait for an hour as the original file had to be retrieved from the registry. The Counsel did not demand the original file and she conducted inspection of documents. Thereafter another opportunity of inspection was provided

to Noticee Nos. 2-Pranav and 3-Kokila on 03.06.2022 and I note from the Record of Proceeding of Inspection intimated to the Advocates of Noticee Nos. 2-Pranav and 3-Kokila vide email dated 03.06.2023 that the entire original file was provided to the Noticees for inspection, except the draft of Investigation Report and one internal office noting contained on page 199 of the file, which was not relevant or relied upon for the proceedings arising out of the SCN. Hence, the submission of Noticee Nos. 2 and 3 regarding inspection is not acceptable.

Allegations of mirror trading against Noticee Nos. 2-Pranav and 3-Kokila

13. It was alleged in the SCN that Noticee No. 2-Pranav had made use of the confidential information of trades of Aequitas group entities and engaged in mirroring of transactions of Aequitas group entities in the accounts of his parents which was in breach of his fiduciary duties and the trust reposed by the Aequitas group entities. It was further alleged that the trade of Aequitas has been front-run by Noticee No. 2-Pranav through the trading accounts of his father, Dipak Desai (now deceased) resulting in an unlawful gain of Rs. 1,07,760/- and through the account of his mother i.e., Noticee No. 3-Kokila resulting in an unlawful gain of Rs. 71,840/- in her account.

14. The facts to support the above allegations have been captured in two tables in the SCN-one in respect of Dipak Desai and the other in respect of Kokila Desai.

Table No.1 (Trades in Dipak Desai Account)

Ambit group entities   Big Clients

Sr. No.	Date	Security Name /Contract	Buy Qty	Buy order start time	Buy order end time	Sell Trade Qty	Sell order start time	Sell order end time	Profit (Squared) of FR (In Lacs)	Buy Traded Qty	Buy order start time	Buy order end time	Sell Trade Qty	Sell order start time	Sell order end time	Pattern (BBS /SSB /etc)	FR activity before BC in case of BB /SS (Y/ N) *
1	07-Feb-18	CCL	-	-	-	1500	15:07:28	15:07:28	-	-	-	-	2,00,000	11:41:08	12:10:33	SS	N
2	16-Jul-18	EIDPARRY	1719	13:51:33	13:51:33	-	-	-	-	1,69,351	11:43:41	15:29:57	-	-	-	BB	N
3	19-Jul-18	RAIN	2750	11:38:54	11:38:54	-	-	-	-	1,21,077	10:06:40	15:29:37	-	-	-	BB	N
4	25-Jul-18	VISAKAIND	2000	15:20:18	15:20:18	-	-	-	-	9,837	15:17:23	15:19:08	-	-	-	BB	N
5	31-Jul-18	TALWGYM	5000	12:05:17	12:05:17	-	-	-	-	6,74,273	10:54:16	12:35:13	-	-	-	BB	N
6	08-Aug-18	DCMSHRIRAM	-	-	-	1250	11:39:23	11:39:23	-	-	-	-	14,011	09:25:45	09:30:48	SS	N
7	08-Aug-18	VINDHYATEL	1200	11:35:41	11:35:41	1200	12:23:25	12:23:25	1.08	1,59,277	09:33:35	12:15:39	-	-	-	BBS	NA
8	16/07/2018	EID Parry India Ltd	281	13:50:09	13:50:09	0	-	-	-	649	11:43:41	15:15:29	-	-	-	BB	No
9	01/10/2018	Rain Industries Ltd	1,000	09:38:23	09:38:23	0	-	-	-	16,369	14:51:27	14:53:57	-	-	-	BB	Yes
10	31/10/2018	Jindal Saw Ltd	6,000	13:03:49	13:55:50	0	-	-	-	1,25,976	09:37:44	12:48:51	-	-	-	BB	No
11	21/09/2018	Sunflag Iron & Steel Company Ltd	0	-	-	12,500	12:52:28	13:39:37	-	-	-	-	16,870	12:18:36	13:25:47	SS	No
12	21/09/2018	Sunflag Iron & Steel Company Ltd	0	-	-	12,500	12:52:28	13:39:37	-	-	-	-	10,000	12:32:42	12:41:13	SS	No
13	29/11/2018	Vindhya Telelinks Ltd	320	09:33:47	09:41:21	0	-	-	-	91	14:23:06	14:26:43	-	-	-	BB	Yes
14	18/04/2018	DCM Shriram Ltd	0	-	-	600	12:41:21	12:41:21	-	-	-	-	6,535	10:24:31	15:28:34	SS	No
15	05/06/2018	DCM Shriram Ltd	1,000	13:56:43	13:56:43	0	-	-	-	1,411	11:51:14	13:32:45	-	-	-	BB	No
16	07/08/2018	DCM Shriram Ltd	0	-	-	750	15:28:38	15:28:38	-	-	-	-	2,650	09:17:21	12:30:36	SS	No
17	19/02/2018	Gujarat Ambuja Exports Ltd	0	-	-	1,233	12:52:44	15:06:35	-	-	-	-	424	11:09:40	11:10:06	SS	No
18	07/09/2018	Sanghvi Movers Ltd	2,500	11:16:54	11:16:54	0	-	-	-	2,997	10:02:29	11:47:01	-	-	-	BB	No
19	21/12/2018	Talwalkars Better Value Fitness Ltd	7,400	09:35:18	09:36:04	0	-	-	-	1,736	11:25:30	14:00:01	-	-	-	BB	Yes

Table No.2 (Trades in Kokila Desai Account)

			Ambit group entities							Big Clients							
Sr. No.	**Date**	**Security Name /Contract**	**Buy Qty**	**Buy order start time**	**Buy order end time**	**Sell Trade Qty**	**Sell order start time**	**Sell order end time**	**Profit (Squared) of FR (In Lacs)**	**Buy Traded Qty**	**Buy order start time**	**Buy order end time**	**Sell Trade Qty**	**Sell order start time**	**Sell order end time**	**Pattern (BBS /SSB/etc)**	**FR activity before BC in case of BB/SS (Y/N)***
1	25-Apr-18	ANDHRSUGAR	-	-	-	786	12:36:37	12:36:37	-	-	-	-	3,057	09:38:23	12:18:15	SS	N
2	06-Jun-18	JAYAGROGN	5000	11:26:52	11:26:52	-	-	-	-	12,615	11:14:25	11:14:25	-	-	-	BB	N
3	31-Jul-18	TALWGYM	5000	12:05:25	12:05:25	-	-	-	-	6,74,273	10:54:16	12:35:13	-	-	-	BB	N
4	08-Aug-18	DCMSHRIRAM	-	-	-	750	11:40:13	11:40:13	-	-	-	-	14,011	09:25:45	09:30:48	SS	N
5	08-Aug-18	VINDHYATEL	800	11:36:11	11:36:11	800	12:23:39	12:23:39	0.72	1,59,277	09:33:35	12:15:39	-	-	-	BBS	NA
6	29-Aug-18	CENTENKA	-	-	-	1000	09:17:39	09:17:39	-	-	-	-	13,229	09:16:49	14:23:58	SS	N
7	19-Sep-18	TIIL	400	12:31:52	12:31:52	-	-	-	-	380	09:32:48	09:37:03	-	-	-	BB	N
8	17/05/2018	Balrampur Chini Mills Ltd	10,000	12:36:14	12:36:14	0	-	-	-	28,217	11:25:54	15:27:49	-	-	-	BB	No
9	14/09/2018	Balrampur Chini Mills Ltd	0	-	-	5,000	13:50:14	13:50:14	-	-	-	-	3,29,383	13:24:32	13:46:14	SS	No
10	08/06/2018	Rain Industries Ltd	0	-	-	5,500	12:22:09	12:22:09	-	-	-	-	30,519	12:38:57	14:25:45	SS	Yes
11	01/10/2018	Rain Industries Ltd	1,000	09:38:06	09:38:06	0	-	-	-	16,369	14:51:27	14:53:57	-	-	-	BB	Yes
12	31/10/2018	Jindal Saw Ltd	3,000	13:35:27	13:48:15	0	-	-	-	1,25,976	09:37:44	12:48:51	-	-	-	BB	No
13	21/09/2018	Sunflag Iron & Steel Company Ltd	0	-	-	12,049	12:52:23	15:29:58	-	-	-	-	16,870	12:18:36	13:25:47	SS	No
14	21/09/2018	Sunflag Iron & Steel Company Ltd	0	-	-	12,049	12:52:23	15:29:58	-	-	-	-	10,000	12:32:42	12:41:13	SS	No
15	15/11/2018	Vindhya Telelinks Ltd	400	14:56:44	15:13:00	0	-	-	-	186	10:38:42	11:07:48	-	-	-	BB	No
16	29/11/2018	Vindhya Telelinks Ltd	920	10:04:04	10:59:18	0	-	-	-	91	14:23:06	14:26:43	-	-	-	BB	Yes
17	05/06/2018	DCM Shriram Ltd	1,000	13:56:58	13:56:58	0	-	-	-	1,411	11:51:14	13:32:45	-	-	-	BB	No
18	07/08/2018	DCM Shriram Ltd	0	-	-	250	15:28:45	15:28:45	-	-	-	-	2,650	09:17:21	12:30:36	SS	No
19	19/02/2018	Gujarat Ambuja Exports Ltd	0	-	-	106	15:08:43	15:09:02	-	-	-	-	424	11:09:40	11:10:06	SS	No
20	09/03/2018	Gujarat Ambuja Exports Ltd	0	-	-	1,994	10:48:29	10:48:29	-	-	-	-	2,204	10:21:58	10:24:28	SS	No
21	21/12/2018	Talwalkars Better Value Fitness Ltd	3,900	09:35:56	09:35:56	0	-	-	-	1,736	11:25:30	14:06:01	-	-	-	BB	Yes
22	24/05/2018	IFGL Refractories Ltd	0	-	-	3,000	10:17:30	12:19:26	-	-	-	-	8,269	10:08:58	13:16:42	SS	No

15. For determining whether Noticee No. 2-Pranav had front run and / or mirrored the trades of Siddharth Bhaiya, MD of Aequitas Investment Consultancy Pvt Ltd (Big Clients or BC), it is necessary for me to examine the connection between both of them and the positioning or placement of Noticee No.2, with respect to the availability of information of Aequitas group.

16. In the reply, Noticee No.2-Pranav has denied that he had wrongfully used confidential information by front-running or mirroring the trades of Aequitas for himself or for his family members or clients of Ambit. Further, Noticee No.2-Pranav contended that the allegation is that by accessing his mobile phone outside the dealing room, he 'could have' discussed with his family members, the transactions of Aequitas group before placing orders in his parents' accounts. According to Noticee No. 2-Pranav, this is far-fetched and the investigation has no evidence about the discussion he had with the family members. He therefore denied passing of the information of Aequitas group to his family members. Further, he contended that the SCN has chosen to cull out certain trades that coincidently matched with Aequitas. Further Noticee No. 2-Pranav placed reliance on the time gap between the trades of Aequitas Group and that of his parents. The trades did not match immediately or within a few seconds/minutes, according to Noticee No.2-Pranav. The time difference shows that he could never have known the counter party. Further, it was submitted that the quantity of their trades is minuscule and could never be instrumental in influencing the market or the scrip at all.

17. At the same time, Noticee No. 2-Pranav admitted that he was an employee of Ambit and was reporting to the RO and used to sit inside the dealing room where employees of Aequitas would call up Ambit dealing room to place orders. Noticee No. 2-Pranav has admitted that he knew Siddharth Bhaiya, MD of Aequitas Investment Consultancy Pvt Ltd through his RO who introduced him as both Sidhart Bhaiya and his RO were good friends.

He has also admitted that he sometimes introduced clients to Aequitas for their Portfolio Management Service and hence there were professional as well as personal relationship between Noticee No. 2-Pranav and Siddharth Bhaiya, MD of Aequitas.

18. Noticee No.2-Pranav has further admitted during the investigation and in the reply to the SCN that he could overhear conversations between the RO and other dealers with their clients since they were sitting on the same desk. It is further admitted that Noticee No. 2-Pranav used to recommend trades to his father and after mutual agreement, he used to place orders in his father's account. His mother's account (i.e Noticee No.3) was also operated by him. In view of the above admissions and the attending circumstances, I find that Noticee No. 2-Pranav and Siddharth Bhaiya, MD of Aequitas Investment Consultancy Pvt Ltd (Big Clients) were known to each other and that Noticee No.2 had reasonable access to the information pertaining to the trade instructions placed by Aequitas employees with the Ambit group. It is also a fact that Noticee No.2-Pranav was using the trading accounts of his parents for trades. I also note that there is no proof of calls made by Noticee No.2 to his father or to the broker of his parents. In the circumstances, I am compelled to ascertain whether there is any similarity of trades between the BC, on one side and Noticee No.2, on the other (executed in Dipak Desai's account and Kokila Desai's account) and whether the trades can also be stated to be front running the Big Client, as alleged in the SCN.

19. I note from Table No.1 above (in Para 14) that on 18.08.2023, the Big client had placed a sell order for 14,011 shares of DCMSHRIRAM at 09:25:45 and the said trade got executed 09:30:48, being the end time. On the same day, Noticee No.2-Pranav placed a sell order for 1250 shares of DCMSHRIRAM through his father's account and placed a sell order for 750 shares through his mother's account and the start time was 11:39:23 and 11:40:13 respectively.

20. Similarly, on 31.10.2018, the Big Client had placed a buy order for 1,25,976 shares of Jindal Saw Ltd at 09:37:44 and the said trade got executed at 12:48:51. On the same day, Noticee No.2-Pranav had placed a buy order of 6000 shares of Jindal Saw Ltd through his father's account and had placed a buy order of 3000 shares in the same scrip through his mother's account and the start time was 13:03:49 and 13:35:27, respectively. It is clear from the said trades that after the trades of Big Client, Noticee No. 2-Pranav had placed 2 buy orders for 9000 shares of Jindal Saw Ltd through his parent's accounts. Similarly, in several other scrips shown in the table, Noticee No. 2-Pranav had placed either Sell Sell, Buy Buy or Buy Buy Sell trade pattern through his parents' accounts. On different occasions trades have been placed in the same scrip. But invariably, the Big Client's trades have been mimicked by Noticee No.2-Pranav through his parents' accounts. In total, the investigation has brought out 18 and 21 instances of such mirror trading done by Noticee No.2, using the two separate trading accounts of his mother and father respectively.

21. The question is whether Noticee No.2 would have put the same trades independently or whether he has traded merely on the basis of the trade information of the Big client, of which he had reasonable access. Noticee No.2-Pranav has merely set up vague and bald denials about the wrongful use of confidential information to front run or mirror the trades of Aequitas for himself or for his family members or clients of Ambit, without producing any proof whatsoever. Noticee No.2 further contended that his intent behind the transactions was to buy the shares so as to hold the same and asserted that in fact, the shares are still being held by him, as they were never intended for intra-day trading. The Noticees had the opportunity to rebut the allegation by producing the demat statements and showing that either there were trades in these scrips on days other than the days mentioned in the table or that they were buying to hold the shares and continued to hold the same thereafter. However, nothing was produced by the Noticees. . The significant number of instances of trades executed

closely on the heels of the Big Client, is hard to be treated as a matter of coincidence. Merely contending that there are no call records or that there is no proof to show that he had the confidential information while executing the trades is insufficient to rebut the allegation of mirror trading of BC. The preponderance of probabilities in the instant case, point towards the commission of the illegal trades by Noticee No.2 using his father's account and the account of Noticee No.3. Hence, I find that Noticee No.2-Pranav and Noticee No. 3-Kokila had mirrored the trades of Big Clients.

22. Regulation 3(a) of SEBI PFUTP Regulations is a generic provision which provides that no person shall directly or indirectly buy, sell or otherwise deal in securities in a fraudulent manner. In this case, the mirroring of trades of the BC was brought to the notice of SEBI by the Big Client through a complaint to SEBI's attention. Upon analysis of the trades, SEBI also found some merit in the complaint as there was a defined, distinct and identifiable pattern of mirroring of the trades of the BC done by Noticee No.2 using his parent's accounts. This shows that the mirroring of trades was deceitfully contemplated and executed by Noticee Nos. 2 and 3, without the knowledge of the BC. This would attract the prohibition laid down in Regulation 3(a) of SEBI PFUTP Regulations against buying , selling or otherwise dealing in securities in a fraudulent manner. Section 12A(c) of the SEBI Act and Regulation 3(d) of SEBI PFUTP Regulations mandate that no person shall engage in any act or course of business which operates as fraud or deceit upon any person in connection with any dealing in securities. Regulation 4(1) of the SEBI PFUTP Regulations also provides a blanket prohibition against manipulative, fraudulent and unfair trade practices. Thus, I find that the trades executed by Noticee No.2 using the account of Noticee No.3 and his deceased father, fall within the bar of prohibition provided in the SEBI Act and the PFUTP Regulations.

Allegation of front running done by Noticee No. 2-Pranav and Noticee No. 3-Kokila

23. I note from the SCN that from the Buy-Buy-Sell trade patterns reported by NSE on August 08, 2018, a buy order for 1200 shares of Vindhya Telelinks was placed from the trading account of Dipak Desai with broker Hasmukh Lalbhai Share Brokers Pvt. Ltd during the period when buy orders of the Big Client Aequitas for 1,59,277 shares of Vindhya Telelinks with the broker Ambit Capital Pvt Ltd was impending and during the same period, a sell order was placed for 1200 shares from the aforementioned trading account of Dipak Desai to square off the trade. It was observed that during the second leg of transaction by Dipak Desai, 100% of his Sell orders matched with the Buy orders of Aequitas.

24. Further, on the same day, a buy order for 800 shares of Vindhya Telelinks was placed from the trading account of Noticee No. 3-Kokila with broker Hasmukh Lalbhai Share Brokers Pvt Ltd during the period when buy orders of the Big Client Aequitas for 1,59,277 shares of Vindhya Telelinks with the broker Ambit Capital Pvt Ltd was impending and during the same period, a sell order was put for 800 shares from the aforementioned trading account of Noticee No. 2-Pranav to square off the trade. It was observed that during the second leg of transactions by Noticee No. 3-Kokila, 100% of her Sell orders matched with the Buy orders of Aequitas.

25. Hence, it was alleged that the trades of Aequitas were front-run by Noticee No.2-Pranav through the account of his father Dipak Desai and Noticee No. 3-Kokila due to which unlawful gain of Rs. 1,07,760/- had accrued to the account of Dipak Chandulal Desai and a sum of Rs. 71,840/- accrued in the account of Noticee No. 3-Kokila. Hence it was alleged that Noticee No. 2-Pranav and Noticee No. 3-Kokila have violated the provisions of Section 12(A)(c) of the SEBI Act and Regulation 3(a), 3(d), 4(1) and 4(2)(q) of PFUTP Regulations.

26. I have taken note of the connections, as established while deciding the issue of mirror trading. The illustration of Buy Buy Sell pattern is as under:

VINDHYATEL: On August 08, 2018, Dipak Desai through broker Hasmukh Lalbhai Share Brokers Pvt Ltd bought 1200 shares at 11:35:41 buy order start time and 11:35:41 buy order end time, at an average buy price of Rs 1301.00. Big Client had bought 1,59,277 shares of Vindhya Telelinks with the broker Ambit Capital Pvt Ltd was impending wherein buy order start time was 09:33:35 and buy order end time was 12:15:39 at an average price of 1390.80. Dipak Desai subsequently sold 1200 shares of Vindhya Telelinks at 12:23:25 start time and 12:23:25 sell order end time, at an average sell price of Rs. 1390.80 to square off the trade. It is observed that during the second leg of transactions by Dipak Desai, 100% of his Sell orders matched with the buy orders of Big Clients.

VINDHYATEL: Similarly, on August 08, 2018, Noticee No. 2-Pranav through broker Hasmukh Lalbhai Share Brokers Pvt. Ltd bought 800 shares at 11:36:11 buy order start time and buy order end time 11:36:11 from the trading account of Noticee No. 3-Kokila at an average buy price of Rs 1301.00. Big Client had bought 1,59,277 shares of Vindhya Telelinks with the broker Ambit Capital Pvt Ltd and the said order was impending wherein buy order start time was 09:33:35 and buy order end time was 12:15:39 at an average price of 1390.80. During the same period, a sell order for 800 shares was placed at 12:23:39 sell order start time and sell order end time 12:23:39 PM at an average sell price of Rs. 1390.80 to square off the trade. It is observed that during the second leg of transactions by Noticee No. 3-Kokila, 100% of her Sell orders matched with the Buy Big Clients.

27. As in the case of the allegation with respect to mirror trading, the Noticees contended that their intent behind the transactions was to buy and hold the shares and the Noticees are still holding the shares as they were never intended for intra-day trading. However, the Noticees failed to give any proof with respect to their contention that the buy was with the idea of

holding the shares. In fact, I note that these are incorrect and false contentions as the Sell orders for the exact quantity bought were placed on the same day. It may be true that the quantity of trades were miniscule and independently may have had no influence on the market. At the same time, one cannot ignore the fact that the investigation was on the basis of the complaint by the Big Client that these trades were being done utilising the information pertaining to his trades and that the Noticees used it to their advantage.

28. As the trade analysis brings out the symmetry in the trading pattern between the trades of Noticee No.2/3 with that of the Big client and since the buy trades have been fully squared-off with sell trades, Noticee No.2 has apparently front-run the trades of the BC and made profits, as brought out in the SCN. In the absence of any controverting evidence, one is compelled to conclude that the trades which ended up in reaping profits to the tune of Rs.1,79,600/-, were the outcome of front running.

29. In this context, it is relevant to emphasise the observations of the Hon'ble Supreme Court of India in the matter of SEBI vs. Shri Kanaiyalal Baldevbhai Patel and Ors. dated September 20, 2017 with respect to front running:

"31. Regulation 3 prohibits a person from committing fraud while dealing in securities. A reading of the aforesaid provision describes the width of the power vested with the SEBI to regulate the security market. In our view, the words employed in the aforesaid provisions are of wide amplitude and would therefore take within its sweep the inducement to bring about inequitable result which has happened in this case instant.

32. Regulation 4 prohibits manipulative, fraudulent and unfair trade practices. It is to be noted that the regulation 4 (1) starts with the phrase 'without prejudice to the provisions of regulation 3'. This phrase acquires significance as it portrays that the prohibitions covered under the regulation 3 do not bar the prosecution under regulation 4 (1). Therefore regulation 4

(1) has to be read to have its own ambit which adds to what is contained under regulation 3.

33. Regulation 4 (2)(q) of FUTP 2003 states that-

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:-

…

q) an intermediary buying or selling securities in advance of a substantial client order or whereby a futures or option position is taken about an impending transaction in the same or related futures or options contract.

Under the provisions of regulation 4(2)(q), only intermediary trading on the information of substantial client order, if it involves fraud then the dealing in securities will be deemed to be fraudulent.

34. An argument has been introduced by the Mr. K.T.S. Tulsi, learned senior counsel, that sub-clause (q) of regulation 4(2) includes only front-running by the intermediaries, by implication it means that any persons other than intermediaries are excluded from the rigors of law. In our opinion such submission cannot be sustained in the eyes of law as the intention of the legislation was to provide for a catchall provision and the deeming provision under sub-clause (q) of regulation 4(2) was specifically provided as the intermediary are in fiduciary relationship with the clients. There is no dispute as to the fact that a fiduciary must act in utmost good faith; he should not act for his own benefit or benefit of any third party without the informed consent of his client. The essential irreducible core of fiduciary duty is the duty of loyalty. Such heightened standard demanded a deeming provision under the FUTP 2003."

30. The circumstances in which Noticee No.2 has executed the buy orders and the timing of the sell orders coupled with the price of the scrip at the time of

sell, clearly show that Noticee Nos 2 and 3 had front run the Big Client. I also note that in these kind of cases, it is difficult to get direct evidence such as the call records or the transcripts preceding the trades. However, the circumstances are strongly indicative of the nature of trades. In this connection, I would like to place reliance on the observations of the Hon'ble Supreme Court In Securities and Exchange Board of India v. Kishore R. Ajmera (2016) 6 SCC 368, where it held that,

"26. It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion."

31. I also note that the Hon'ble SAT in a judgment delivered on 15 March, 2019 (in Appeal No 78/2012 Shri Anandkumar Baldevbhai Patel vs. SEBI) relied on the above judgment and certain observations of the Hon'ble Supreme Court in SEBI BI vs. Rakhi Trading (P) Ltd. (2018) 13 SCC 753 and held that;

14.*"From the aforesaid decisions, it can safely be inferred that it is not necessary that there has to be a clinching evidence or that the intention has to be proved in order to impose penalty under the SEBI Act. The standard of proof is preponderance of probability and the proof of manipulation always depends on the inferences drawn from a host of circumstances. "*

32. Thus the legal proposition laid down in the above cases confirms that reasonable inferences drawn on the basis of the circumstantial evidence can be relied upon by quasi-judicial authorities. If such facts overwhelmingly point towards the commission of the violation, then it meets the required standard of proof of preponderances of probabilities.

33. In the facts and circumstances brought out above, I find that Noticee No. 2-Pranav had front-run the Big Client, through the trading account of Dipak Desai and Noticee No. 3-Kokila and thereby violated the provisions of Section 12(A)(c) of SEBI Act and Regulation 3(a), 3(d), 4(1) and 4(2)(q) of PFUTP Regulations.

Gross Traded Value (GTV)

34. The SCN had alleged that Noticee No.2-Pranav had placed 3 Buy transactions in the trading account of Dipak Desai that were placed prior to the corresponding Buy transactions of the Aequitas group entities in the same scrip. On the other hand, there were 15 Buy/Sell transactions in the trading account of Dipak Desai that was placed after the corresponding Buy/Sell transaction of the Aequitas group entities in the same scrip and the percentage of GTV of common instances of trades of Dipak Desai with Aequitas group vs the GTV of his entire trades during the IP was 22.89%.

35. Similarly, it is alleged that Noticee No.2-Pranav had placed 4 Buy transactions in the trading account of Noticee No.2-Kokila that were placed prior to the corresponding Buy transactions of the Aequitas group entities in the same scrip. On the other hand, there were 17 Buy/Sell transactions by Kokila Desai that was placed after the corresponding Buy/Sell transaction of the Aequitas group entities in the same scrip and the percentage of GTV of common instances of trades of Noticee No.2-Kokila with Aequitas group vs the GTV of her entire trades during the IP was 29.76%.

36. Noticee No.2-Pranav and Noticee No. 3-Kokila have submitted that the observation on the percentage of GTV of Dipak Desai and Noticee No.3-Kokila being 22.89% and 29.76%, respectively, has no legs to stand on. It was further submitted investigation is incomplete since it has failed to establish how a certain percentage of the GTV could be the basis of observing that he had mirrored trades of Aequitas group of entities.

37. GTV normally is used as a tool in investigation to analyse the trade composition, i.e., value of total trades vis-à-vis the mirror trades or the front run trades which are tainted. The ratio is significant as the total value of the mirror trades and front running trades, executed by Noticee No.2-Pranav, reached around 52% of the total value of trades. These figures certainly indicate that at least half the volume of the total trades were fraudulent, in terms of the PFUTP Regulations. I find that the GTV analysis has helped to crystallise the quantum of fraudulent trades vis-à-vis the other trades and therefore the Noticees' contentions in this regard are not acceptable.

Allegations of mirror trading against Noticee No.4-Ajay

38. I note from the SCN that it was alleged that Noticee No. 4-Ajay was the dealer and Relationship Manager at Ambit and was reporting to the Reporting Officer and therefore had knowledge of trades and orders of Aequitas group entities. Noticee No. 4-Ajay made use of the confidential information of trades of Aequitas group entities and engaged in mirroring of transactions of Aequitas group entities in the account of his mother which was in breach of his fiduciary duties and trust reposed by the Aequitas group entities. Thus, it was alleged that Noticee No. 4-Ajay has violated the provisions Section 12(A)(c) of SEBI Act and Regulation 3(a), 3(d) and 4(1) of SEBI (PFUTP) Regulations, 2003.

39. The details of mirror trades of Hema Rao (Mother of Noticee No. 4- Ajay) as given in the SCN are as under:

			Ambit group entities							Big Clients							
Sr. No.	Date	Security Name /Contract	Buy Qty	Buy order start time	Buy order end time	Sell Trade Qty	Sell order start time	Sell order end time	Profit (Squared) of FR (In Lacs)	Buy Traded Qty	Buy order start time	Buy order end time	Sell Trade Qty	Sell order start time	Sell order end time	Pattern (BBS /SSB/etc)	FR activity before BC in case of BB /SS (Y/N) *
1	16-Feb-18	GAEL	-	-	-	118	09:19:35	09:19:35	-	-	-	-	50,000	12:09:49	12:09:49	SS	Y
2	19-Feb-18	GAEL	500	11:48:42	11:48:42	726	09:17:59	09:27:09	0.04	-	-	-	4,816	11:09:39	11:45:51	SS	Y
3	05-Jun-18	GAEL	15000	12:24:36	13:52:48	-	-	-	-	23,903	10:43:51	10:51:25	-	-	-	BB	N
4	08-Jun-18	RAIN	-	-	-	5000	09:01:37	09:01:37	-	-	-	-	1,69,481	12:38:56	14:29:01	SS	Y
5	19-Jul-18	RAIN	2500	10:51:26	10:51:26	-	-	-	-	1,21,077	10:06:40	15:29:37	-	-	-	BB	N
6	20-Jul-18	RAIN	8700	09:19:17	15:04:12	-	-	-	-	1,000	09:24:32	09:24:32	-	-	-	BB	Y
7	17-Aug-18	RAIN	-	-	-	2500	09:15:01	09:15:01	-	-	-	-	50,000	09:18:31	09:18:31	SS	Y
8	05-Oct-18	CESC	4500	14:21:13	14:54:07	-	-	-	-	1,05,151	09:18:09	15:29:57	-	-	-	BB	N
9	10-Oct-18	UNIVCABLES	5000	10:27:08	10:27:08	-	-	-	-	30,078	09:57:37	14:29:28	-	-	-	BB	N
10	29-Oct-18	JINDALSAW	8000	10:08:50	10:08:50	-	-	-	-	1,029	09:33:02	10:03:59	-	-	-	BB	N
11	02-Nov-18	SHREEPUSHK	7584	15:19:22	15:25:03	-	-	-	-	35,219	13:36:17	15:15:39	-	-	-	BB	N
12	02/11/2018	Shree Pushkar Chemicals & Fertilisers Ltd	1,386	15:20:42	15:21:39	0	-	-	-	6,541	13:36:29	15:15:41	-	-	-	BB	No

40. I note from the reply of Noticee No. 4-Ajay that he has not denied the connection between him and RO and Siddharth Bhaiya, MD of Aequitas Investment Consultancy Pvt Ltd.(Big Clients). I further note from the reply of the Noticee No. 4-Ajay that he has submitted that there were trades in the account of Hema Rao on several other dates during the investigation period in addition to the trades stated in the SCN.

41. I note from the replies that Noticee No.4-Ajay has submitted that from 16.05.2018 to 17.10.2018 Hema Rao had traded on 7 different dates in the scrip of GUJRAR AMB EXPORT, from 24.04.2018 to 26.12.2018 Hema Rao had traded on 20 different dates in the scrip of RAIN INDUSTRIES LIMI, from 12.09.2018 to 17.10.2018 Hema Rao had traded on 7 different

dates in the scrip of CESC, on 10.10.2018 and 11.10.2018 Hema Rao traded on 2 different dates in the scrip of UNIVERSAL CABLES, on 29.10.2018 and 31.10.2018 Hema Rao had traded on 2 different dates in the scrip of JINDAL SAW LTD and from 02.11.2018 to 12.12.2018 Hema Rao had traded on 8 different dates in the scrip of SHREE PUSHKAR CHEMIC.

42. I note from the above submissions and the trade details provided by Noticee No.4-Ajay that though the SCN alleged 12 instances of mirroring of the Big client's trades against the Noticee, the Noticee could show 34 other instances where the trades were done by the client Hema Rao in those scrips, when the Big Client had not traded. This shows that Hema Rao had traded in the scrips identified in the SCN on 34 other days apart from the dates given in the table. This would show that the interest in the identified scrips was not generated solely on the basis of the trades executed by the Big Client or on the basis of the knowledge of the trades of the BC. In view of the above, I find that the allegation against Noticee No. 4-Ajay that he had mirrored the trades of Big Clients using his Client's account does not stand proved. I am therefore inclined to drop the charges of violation of Section 12(A)(c) of SEBI Act and Regulation 3(a), 3(d) and 4(1) of PFUTP Regulations levelled in the SCN against Noticee No.4.

Quantification of penalty

43. In view of the findings given in paragraph Nos 22 and 33, Noticee No.2-Pranav and Noticee No.-3-Kokila are liable for monetary penalty under Section 15HA of the SEBI Act, which reads as below:-

> *"Penalty for fraudulent and unfair trade practices.*
> *15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher."*

44. I note that the investigation has not brought out any price impact or investor loss due to the trades. The fraudulent nature of the trades however stands established from the side of Noticee No.2, being an employee of an intermediary. I note from the trading details of Noticee No.2-Pranav and Noticee No.3-Kokila that they have collectively made a profit of Rs179600. In view of the facts and circumstances of the case and the factors given in Section 15J of SEBI Act, I am inclined to impose a minimum penalty on Noticee No.2-Pranav and since the trades of Noticee No.3 were also executed by Noticee No.2 himself, I am inclined to impose the same jointly and severally on both the Noticees.

ORDER

45. In exercise of the powers conferred upon me under Section 15 I read with Rule 5 of the Adjudication Rules, I hereby impose a penalty of Rs 5 Lakhs (Rs Five Lakhs only) jointly and severally payable by Noticee No.2-Pranav and Noticee No.-3-Kokila.

46. The Noticees shall remit/pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

47. In terms of Rule 6 of the Adjudication Rules, a copy of this order is sent to the Noticees and also to the Securities and Exchange Board of India.

Date: November 29, 2023
Place: Mumbai

GEETHA G.
ADJUDICATING OFFICER