BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO: ORDER/AK/RK/2025-26/31731-31734)

U/S 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 R/W RULE 5 OF SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995, IN RESPECT OF:

Noticee Nos.	Name of the Noticees	PAN
1	Dilip Kumar Kanoria	AETPK9421L
2	Seema Kanoria	ALQPK3020M
3	Sakshi Kanoria	BQPPK7436N
4	Dilip Kumar Kanoria HUF	AADHD8471P

In the matter of Front Running activities by Dilip Kumar Kanoria and related entities

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (**"SEBI"**) conducted an investigation in the trading activities of Dilip Kumar Kanoria (**"Dilip/Noticee 1"**), Seema Kanoria (**"Seema**/**Noticee 2"**), Sakshi Kanoria (**"Sakshi/Noticee 3"**) and Dilip Kumar Kanoria HUF (**Noticee 4**) (Noticees 1, 2, 3 and 4 shall hereinafter be collectively referred to as the "**Front Runners/FRs/Noticees**"), who had allegedly front run the trades of Shreekant Phumbhra, a proprietary Big Client (**BC**), through KNA Share Brokers Private Limited (KNA), to ascertain violations, if any, by the Noticees, of the provisions of SEBI Act, 1992 (hereinafter referred as "**SEBI Act**") and SEBI (Prohibition of Fraudulent And Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred as **"PFUTP Regulations**") for the Investigation period from January 01, 2021 to December 31, 2021. (hereinafter referred to as the "**IP**").

2. It was found that Noticee 1, while being the dealer of the BC, had, prima facie, front run the trades of BC by executing trades in his own trading account, as well as in the accounts of his related entities i.e. Noticees 2-4, who allowed Noticee 1 to use their accounts for trading.

APPOINTMENT OF ADJUDICATING OFFICER

3. Upon being satisfied that there were sufficient grounds to inquire into and adjudicate upon the violations by the Noticees, SEBI, vide order dated September 24, 2024 appointed Ms Asha Shetty as the Adjudicating Officer (**AO**) in the matter. Pursuant to transfer of the AO, undersigned was appointed as AO u/s 15-I(1) of the SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the **"SEBI Adjudication Rules"**), vide order dated November 22, 2024, to inquire into and adjudge u/s 15HA of the SEBI Act, the alleged violations of the provisions of SEBI Act and PFUTP Regulations by the Noticees.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A common Show Cause Notice dated October 15, 2024 (hereinafter referred to as "**SCN"**) was issued to the Noticees in terms of Rule 4(1) of SEBI Adjudication Rules, requiring the Noticees to show cause as to why an inquiry should not be held against them and why penalty, if any, should not be imposed u/s 15HA of the SEBI Act, for the violations stated in the SCN.

5. In response to the SCN, Noticees, vide email dated October 28, 2024 sought an extension of time to file reply in the matter, and also expressed their intention to file Settlement Application in the matter. Vide email dated November 04, 2024, the said request was acceded to and Noticees were given time till November 28, 2024 to file reply in the matter.

6. In absence of any response to the SCN, and in the interest of natural justice, an opportunity of personal hearing was granted to the Noticees on February 06, 2025, vide hearing notice dated January 23, 2025. Vide email dated January 29, 2025, AR of the Noticees submitted that they had applied for settlement in the matter in terms of (Settlement Proceedings) Regulations, 2018, and vide email dated February 05, 2025, requested to adjourn the hearing in the matter. The request of the Noticees was acceded to, and, vide email dated February 06, 2025, hearing in the matter was rescheduled to February 17, 2025. Further, Noticees were given an opportunity to submit reply in the matter, latest by February 09, 2025. In response, AR of the Noticees, vide email dated February 08, 2025, again sought

adjournment of hearing to March 02, 2025 on account of Settlement application filed by the Noticees. Vide email dated February 12, 2025, hearing in the matter was rescheduled to March 06, 2025 and another opportunity was provided to the Noticees to submit their reply in the matter, latest by, March 02, 2025.

7. Vide email dated March 01, 2025, AR of the Noticees again requested for extension of time to file reply in the matter. The said request was accommodated and, vide email dated March 03, 2025, Noticees were given time to file reply by March 15, 2025, and were further apprised that the revised hearing date would be communicated to them in due course. AR of the Noticee, vide email dated March 15, 2025, requested to again adjourn the hearing in the matter. The material available on record shows that the Settlement application in the matter was rejected by SEBI, vide letter dated August 25, 2025.

8. Subsequently, vide email dated September 05, 2025, Noticees were given a final opportunity of hearing in the matter on September 17, 2025, along with an opportunity to file reply in the matter, latest by September 08, 2025. AR of the Noticees, vide email dated September 12, 2025 submitted response to the SCN on their behalf. The said hearing was attended to by AR of the Noticees, who reiterated the submissions already made by the Noticees, vide email dated September 12, 2025.

9. Before moving forward, it is pertinent to look at relevant provisions, which are alleged to have been violated by the Noticees. The same are reproduced hereunder:

SEBI Act

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 recognized 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 recognized stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder.*

PFUTP Regulations

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

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

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

(2) a suggestion as to a fact which is not true by one who does not believe it to be true;

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

(4) a promise made without any intention of performing it;

(5) a representation made in a reckless and careless manner whether it be true or false;

(6) any such act or omission as any other law specifically declares to be fraudulent,

(7) deceptive behaviour by a person depriving another of informed consent or full participation,

(8) a false statement made without reasonable ground for believing it to be true.

(9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.

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 markets.

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

(q) any order in securities placed by a person, while directly or indirectly in possession of information that is not publically available, regarding a substantial impending transaction in that securities, its underlying securities or its derivative;

CONSIDERATION OF ISSUES AND FINDINGS

10. I have gone through facts, material available on record and the submissions of the Noticees. The issues that arise for consideration in the present case are:

    ISSUE No. I: Whether Noticees have violated the provisions of SEBI Act and PFUTP Regulations, as alleged in the SCN?

    ISSUE No. II: Do the violations, if any, attract monetary penalty u/s 15HA of the SEBI Act?

    ISSUE No. III: If so, what should be the monetary penalty, after taking into consideration the factors stipulated in Section 15J of the SEBI Act r/w Rule 5(2) of the SEBI Adjudication Rules?

11. Before I proceed to deal with the issues on merits, I would like to first address the preliminary issue raised by the Noticees that the instant SCN has been issued with a delay of four years and the same is in violation of Principles of natural justice. In this regard, I note from the material available on record that SEBI had conducted investigation with respect to the front running activities of the Noticees in the matter, for the IP, from January 01, 2021 to December 31, 2021, which involved thorough analysis of trades of the suspected entities, recording of statements of the entities involved, establishing connection between the identified suspected entities, which in itself is a time taking activity. In the instant case, I note that the initiation of adjudication proceedings against the Noticees was approved by SEBI on July 26, 2024 and SCN in the matter was issued to the Noticees on October 15, 2024. In response to which, Noticees as mentioned above, requested for adjournments of hearing, sought extension of time to file reply, applied for Settlement in the matter, and ultimately submitted reply on merits in the matter, as detailed in pre-paras.

12. In this regard, I note that in the matter of ***Pooja Vinay Jain vs SEBI*** [Appeal No. 152 of 2019 dated March 17, 2020], Hon'ble SAT has inter alia made the following observations–

"12. The decision would show that the power to initiate the proceedings must be exercised by the authorities within a reasonable time. This would depend upon the facts and circumstances of the case, nature of the default / statute and prejudice caused to the noticee.

13. In the present case, the appellant neither put a plea of prejudice before the AO nor before us. It was simply stated that since the proceedings were launched by respondent SEBI after a period seven years, the same should be quashed on the ground of delay. The record would show that all the documents concerning the defense of the appellant were filed by her before the AO. Therefore, for want of any prejudice the proceedings cannot be quashed simply on the ground of delay in launching the same. Further, as explained by the learned counsel for the respondent as recorded in paragraph No. 6.4 above, large numbers of entities and transactions were analyzed by SEBI which took some time. In the result, the following order:-

ORDER

14. The appeal is hereby dismissed without any order as to costs."

13. I note that the Noticees have also failed to explain how the delay, if any, had prejudiced their interest, hence their contention with respect to delay is not tenable. I now proceed to deal with the issues on merits as under;

ISSUE No. I: Whether Noticees have violated provisions of SEBI Act and PFUTP Regulations, as alleged in the SCN?

14. Findings of the investigation and allegation in the SCN of front running by Noticees, submission of Noticees and findings thereon are as under;

14.1 It was observed from the Know Your Client forms (KYC) of the Noticees that, KNA was a common trading member for the Noticees. Further, from the KYC, it was observed that Noticee 3 is the daughter of Noticee 1, Noticee 2 is the wife of Noticee 1 and Noticee 1 is the karta of Noticee 4. Further, from the statement of Noticee 1, it was observed that he used to place orders on behalf of Noticees 2 to 4.

14.2 Similarly, it was observed from the statement of one Mr. Navin, Director of KNA, that Noticee 1 started to trade with KNA from the year 2020 and all the Noticees used to trade through internet based trading platform. He further submitted that, Noticee 1 himself used to place orders for all the Noticees.

14.3 It was observed from the statement of BC that he used to place order over the phone with Noticee 1, and following was observed from the statement of Noticee 1:

14.3.1 He was working with the BC for last 29 years as a dealer.

14.3.2 During the IP, he used to trade through trading member KNA.

14.3.3 He was trading through the accounts of Noticees 2 to 4, apart from operating his own trading account.

14.3.4 BC used to place orders through mobile phone call.

14.4 It was observed from the statements of Noticees 2 and 3 that Noticee 1 used to place the orders in their trading accounts through KNA and further, from the statement of Noticee 3, it was observed that she had received funds from her parents i.e. Noticees 1 and 2, during the IP. Further, Noticee 2 had submitted that she was a house wife, and all investment related matter was taken by her husband i.e. Noticee 1.

14.5 It was observed from the Call Data Records (CDR) of Mobile no. 98XXXXXX66, belonging to the Noticee 1, and order timing analysis of the Noticees that Noticee 1 used to first trade in his account /in the account of Noticees 2 to 4 after getting/making calls from/to Shreekant Phumbhra and thereafter, he used to place orders in the BC account.

14.6 It was observed that the buy orders from the trading accounts of Noticees started before the impending buy order of the BC. Further, as and when the buy order of BC was placed in the system, because of the sudden surge in demand for a considerable quantity, there was an upward movement in the price of the scrip and correspondingly, sell trades were executed from the trading accounts of Noticees.

14.7 It was observed that the Noticees had made a profit of Rs 1,70,091/- in the equity derivative segment and Rs 1,15,371/- in the equity segment, thus totally to a total profit of Rs Rs. 2,85,462/-from the alleged front running activity.

14.8 It was thus observed that Noticee 1, while being the dealer of BC and having knowledge of his impending orders, executed trades in his own account and in the accounts of other Noticees 2-4, prior to trades of BC, and subsequently squared off the position to make total profit of Rs. 2,85,462/- in 45 front running instances. Hence, it was alleged that Noticee 1 along with other Noticees 2-4 had front run the trades of Shreekant Phumbhra, thereby violating Section 12A(a), (b), (c) of SEBI Act and Regulations 3(a), 3(b), 3(c) and 3(d) and 4(1), 4(2)(q) r/w Regulation 2(1)(c) of PFUTP Regulations.

15. **Findings with respect to the front running activities of the Noticees**

15.1 I have gone through the allegations levelled against the Noticees and now proceed to deal with their submissions. As regards submission of the Noticees that they are a regular, bonafide trader and investor in the securities market and their further submission that they had undertaken trades in the ordinary course of business, I find pertinent to refer to the the sample instances of Buy

Buy Sell (BBS) pattern trades executed by the Noticees 1, 2 and 4 and the same are illustrated below:

***Buy-Buy-Sell (BBS)Pattern at NSE*:**

A. Trade date: 27/09/2021 – Name of the Security: Polycap India Ltd.

<table>
<tr><th colspan="5">Front Runner (FR) -DILIP KUMAR KANORIA HUF</th><th colspan="4">Big Client</th></tr>
<tr><td></td><td>Total Buy Qty</td><td>Avg Buy Price (Rs.)</td><td colspan="2">Turnover (Rs.)</td><td>Total Buy Qty</td><td>Avg Buy Price(Rs.)</td><td colspan="2">Turnover (Rs.)</td></tr>
<tr><td></td><td>900</td><td>2416.00</td><td colspan="2">2174400.00</td><td>2100</td><td>2424.70</td><td colspan="2">5091870</td></tr>
<tr><td></td><td>Buy Order Time(range)</td><td>Buy Order Price (Rs.)</td><td>Buy Trade Time (range)</td><td>Buy Trade Price (Rs.)</td><td>Buy Order Time(range)</td><td>Buy Order Price (Rs.)</td><td>Buy Trade Time (range)</td><td>Buy Trade Price (Rs.)</td></tr>
<tr><td>From</td><td>10:24:52</td><td>2416.00</td><td>10:25:18</td><td>2416</td><td>10:33:21</td><td>2425.05</td><td>10:33:21</td><td>2423.95</td></tr>
<tr><td>To</td><td>10:24:52</td><td>2416.00</td><td>10:25:20</td><td>2416</td><td>10:34:09</td><td>2425.00</td><td>10:34:09</td><td>2425.00</td></tr>
<tr><td></td><td>Total Sell Qty</td><td>Avg Sell Price (Rs.)</td><td>Turnover (Rs.)</td><td>Matched Qty BC</td><td colspan="4" rowspan="5"></td></tr>
<tr><td></td><td>900</td><td>2425.00</td><td>2182500.00</td><td>900</td></tr>
<tr><td></td><td>Sell Order Time(range)</td><td>Sell Order Price (Rs.)</td><td>Sell Trade Time(range)</td><td>Sell Trade Price (Rs.)</td></tr>
<tr><td>From</td><td>10:32:29</td><td>2425.00</td><td>10:33:21</td><td>2425.00</td></tr>
<tr><td>To</td><td>10:32:29</td><td>2425.00</td><td>10:34:09</td><td>2425.00</td></tr>
</table>

15.2 From the above table, I note that the buy trades were executed from the trading account of Noticee 4 (FR client) for 900 shares between 10:25:18 and 10:25:20, wherein the buy start price and buy end price was Rs 2416. The buy trades for 2100 shares were executed by BC between 10:33:21 and 10:34:09, wherein, the buy start price was Rs 2423.95 and end price was Rs 2425. As soon as BC started buying, sell trades were executed for 900 shares between 10:33:21 and 10:34:09 from the trading account of Noticee 4. The sell trades were executed between Rs 2425 and 2425. There were matched trades between Noticee 4 and BC for 900 shares sold by Noticee 4. The above trades resulted in a positive square off difference of Rs 8100 for Noticee 4.

B. Trade date: 05/02/2021 –Name of the Security: ICICI Prudential Life Insurance Co Ltd.

Front Runner - DILIP KUMAR KANORIA (FR)					Big Client			
	Total Buy Qty	Avg Buy Price (Rs.)	Turnover (Rs.)		Total Buy Qty	Avg Buy Price(Rs.)	Turnover (Rs.)	
	9000	483.20	4348800.00		30000	484.61	14538225	
	Buy Order Time(range)	Buy Order Price (Rs.)	Buy Trade Time(range)	Buy Trade Price (Rs.)	Buy Order Time(range)	Buy Order Price (Rs.)	Buy Trade Time(range)	Buy Trade Price (Rs.)
From	09:24:48	483.20	09:25:17	483.2	09:26:52	484.80	09:26:52	484.05
To	09:24:48	483.20	09:25:17	483.2	09:26:52	484.80	09:26:52	484.80
	Total Sell Qty	Avg Sell Price (Rs.)	Turnover (Rs.)	Matched Qty BC				
	9000	484.80	4363200.00	9000				
	Sell Order Time(range)	Sell Order Price (Rs.)	Sell Trade Time(range)	Sell Trade Price (Rs.)				
From	09:26:29	484.80	09:26:52	484.80				
To	09:26:29	484.80	09:26:52	484.80				

15.3 I note from the above table that the buy trades were executed from the trading account of Noticee 1 (FR client) for 9000 shares between 09:25:17 and 09:25:17, wherein the buy start price and buy end price was Rs 483.2. The buy trade for 30000 shares was executed by BC between 09:26:52 and 09:26:52, wherein the buy start price was Rs 484.05 and end price was Rs 484.8. As soon as the BC started buying, sell trades were executed for 9000 shares between 09:26:52 and 09:26:52 from the trading account of Noticee 1. The sell trades were executed at Rs 484.8. There were matched trades between Noticee 1 and BC for 9000 shares sold by Noticee 1. The above trades resulted in a positive square off difference of Rs 14,400 for Noticee 1.

C. Trade date: 12/01/2021 – Name of the Security: Jupiter Wagons Ltd.

Front Runner–SEEMA KANORIA					Big Client			
	Total Buy Qty	Avg Buy Price (Rs.)	Turnover (Rs.)		Total Buy Qty	Avg Buy Price(Rs.)	Turnover (Rs.)	
	10000	28.84	288367.35		50000	29.79	1489483.8	
	Buy Order Time(range)	Buy Order Price (Rs.)	Buy Trade Time(range)	Buy Trade Price (Rs.)	Buy Order Time(range)	Buy Order Price (Rs.)	Buy Trade Time(range)	Buy Trade Price (Rs.)

From	14:47:59	28.70	14:47:59	28.7	14:48:40	29.15	14:48:43	29.15
To	14:47:59	28.70	14:48:09	28.95	14:48:59	29.50	14:52:24	29.95
	Total Sell Qty	Avg Sell Price (Rs.)	Turnover (Rs.)	Matched Qty Big Client				
	10000	29.95	299500.00	7973				
	Sell Order Time(range)	Sell Order Price (Rs.)	Sell Trade Time(range)	Sell Trade Price (Rs.)				
From	14:49:31	29.95	14:50:19	29.95				
To	14:49:31	29.95	14:50:38	29.95				

15.4 From the above table, I note that the buy trades were executed from the trading account of Noticee 2 (FR client) for 10000 shares between 14:47:59 and 14:48:09, wherein, the buy start price was Rs 28.7 and buy end price was Rs 28.95. The buy trade for 50000 shares was executed by BC between 14:48:43 and 14:52:24, wherein the buy start price was Rs 29.15 and end price was Rs 29.95. As soon as the BC started buying, sell trades were executed for 10000 shares between 14:50:19 and 14:50:38 from the trading account of Noticee 2. The sell trades were executed between Rs 29.95 and 29.95. There were matched trades between Noticee 2 and BC for 7973 shares sold by Noticee 2. The above trades resulted in a positive square off difference of Rs 11,132.65 for Noticee 2.

15.5 From the above illustrated trading patterns, I note that it cannot be a mere co-incident that a dealer, who was receiving order details from the BC was also executing trades in his account and accounts of Noticees 2-4, that too in the same scrips and ahead of the orders of the BC, which he being a dealer was entrusted to place. Further, I note that a genuine investor would have some time horizon for his investment and would not sell the same quantity, as was bought by him within a time gap of 1-4 miniutes.Thus, from the above, I note that submission of the Noticees that they were investors and trades were placed in ordinary course of business and that there was no prior knowledge of confidential information by Noticee 1 does not stand.

15.6 Apart from the trading patterns detailed above, I note that it has already been admitted by Noticee 1 in his submission during the course of investigation that he had executed the orders on trading accounts of Noticees 2, 3 and 4. Further, material available on record shows that there were calls between Noticee 1 and Shreekant Phumbhra during the IP.

15.7 In this regard, I note that there were total 262 calls between Noticee 1 and Shreekant Phumbhra from November 01, 2021 to December 31, 2021, wherein 63 calls were made by Noticee 1 to Shreekant Phumbhra, and 197 calls were made by Shreekant Phumbhra to Noticee 1. Thus, the material available on record conspicuously exhibit that there were calls between Noticee 1 and Shreekant Phumbhra and the same has also not been denied by Noticee 1. I note that the essential element of front running is buying/ selling securities ahead of large order to benefit from the subsequent price move. In the instant case, the Front Runner (FR), i.e. Noticee 1, by using the non-public information regarding an impending Buy/sell order of the BC, had placed his Buy/sell order before the Big Client's Buy/sell order. As and when the Buy order of the Big Client were getting executed, the price of the security rose and Noticee 1 had sold the securities bought earlier, at the higher price, thereby pocketing the difference. By executing the trades prior to the trades being placed by BC based on the information which is not public, is fraudulent in terms of provisions of PFUTP Regulations.

15.8 In the ***Kanaiyalal Baldev Bhai Patel Vs SEBI*** matter, Hon'ble Supreme Court observed as under:

> *"…14. To attract the rigor of Regulations 3 and 4 of the 2003 Regulations, mens rea is not an indispensable requirement and the correct test is one of preponderance of probabilities. Merely because the operation of the aforesaid two provisions of the 2003 Regulations invite penal consequences on the defaulters, proof beyond reasonable doubt as held by this Court in Securities and Exchange Board of India Vs. Kishore R. Ajmera(supra) is not an indispensable requirement. The inferential conclusion from the proved and admitted facts, so long the same are reasonable and can be legitimately arrived at on a consideration of the totality of the materials, would be permissible and legally justified…."*

15.9 Hence, based on the ratio laid down by the apex court in the aforemetioned matter and considering number of scrips which was common in trades of the BC and the Noticees, time difference between trades of the Noticees and the BC, Noticee 1's access and possession of information about impending orders of the BC and placing of order by Noticee 1, I find no merit in submission of the Noticees that matching of trades of the Noticees, CDRs, order time analysis and statements and absence of any evidence showing communication between Noticee 1 and BC, did not substantiate the charge of front running.

15.10 Further, from the material provided to the Noticees alongwith SCN, I note that there were total 45 front-running instances, 34 instances of BBS pattern and 11 instances of SSB pattern, wherein front runner, i.e. Noticee 1 while trading through his account and the accounts of Noticees 2, 3 and 4, had made a total profit of Rs. 2,85,462. In this regard, I note that in equity derivative segment, Noticees had earned a profit of Rs 1,70,091/- in 13 FR instances, and in equity segment, the profit was Rs 1,15,371/- in 32 FR instances, as tabulated below:

<u>Equity Derivatives Segment</u>

Profits made by Noticees in equity derivatives segment

Client Name	PAN	Profit (Rs.)
Dilip Kumar Kanoria HUF	AADHD8471P	40,155/-
Dilip Kumar Kanoria	AETPK9421L	72,266/-
Ms. Seema Kanoria	ALQPK3020M	57,670/-
Total Profit		1,70,091/-

<u>Equity Segment:</u>

Profits made by Noticees in equity segment

Client Name	PAN	Profit (Rs.)
Dilip Kumar Kanoria HUF	AADHD8471P	12,782
Dilip Kumar Kanoria	AETPK9421L	39,993
Ms. Seema Kanoria	ALQPK3020M	58,319
Ms. Sakshi Kanoria	BQPPK7436N	4,277
Total Profit		1,15,371/-

Total Profits made by the Noticees in equity and equity derivatives segment

Profit in equity segment	Rs. 1,15,371/-
Profit in equity derivative segment	Rs. 1,70,091/-
Total profit earned	Rs. 2,85,462/-

15.11 The profit to the tune of Rs 2.85 lacs mentioned in the above table, trading pattern and Noticee 1 having prior information on placement of trades of BC, shows that the intent was to generate profit from the trades before punching the trades of BC. The said 45 trades were unlawful and Noticees made a profit to the tune of Rs 2.85 lacs as detailed above, i.e. by front running the trades of BC. Further, along with Noticee 1 who had executed 17 FR instances, Noticees 2, 3 and 4, who executed 21, 1, and 6 FR instances respectively, were equally responsible for front running, as they lent their accounts to Noticee 1 for executing the trades.

15.12 As regards submission of the Noticees that their intent was not to gain any unfair advantage, I note from the profit details above and from the trading patterns detailed in the pre-paras that the intent of the Noticees was to make profit and gain unfair advantage by utilizing the information on impending orders of BC and placing their orders first, before the execution of orders of BC. Thus, submission of the Noticees is bereft of merits.

15.13 With respect to submission of the Noticees that the profit was miniscule and there is no indication that the trades affected price discovery, misled investors or impaired market integrity, I note that however small the number of instances or quantum of profit may be, the same does not validate the trades executed by the Noticees fraudulently, which were excuted after getting the information of trades of BC, that was not available to the public at all, rather Noticee 1 being a dealer for 29 years, entrusted with placing orders of BC, utilized the same for his benefit. Therefore, submission of the Noticees does not stand.

15.14 With respect to the submission of Noticees that the SCN did not provide the party wise details of 45 instances, I note that the trade details of the Noticees were duly provided as the Annexure A to the SCN, which also showed number of the said 45 instances, and the same has not been refuted by the Noticees. Thus, Noticees were in receipt of the requisite details and therefore, their submission is bereft of merits.

15.15 As regards submission of the Noticees that at no point in time, there was any cautionary alert, warning or correspondence issued by SEBI or BSE regarding the alleged trades, and further submission of Noticee 1 that he was not under any confidentiality agreement or formal agreement that restricted his trades, I note that the absence of any real time warning or caution or any formal agreement between Noticee 1 and BC did not empower him as a dealer to place his orders, before the orders of BC. The execution of trades in the pattern detailed above, is nothing but a fraud and Noticees by the above said submission are trying to shift the blame of the frauds executed by them on SEBI and BSE, which is nothing but an afterthought to escape the allegation levelled against them. Further, I note that, it was implied on the part of Noticee 1 to not indulge in such trading practice, barred in law. Thus, submission of the Noticees is liable to be rejected.

15.16 I note that the Noticees in the process of front running the trades of BC have not only interfered with the market forces of supply and demand of a particular scrip but also took advantage of the movement in price due to large order of BC.

16. In view of the above, I find that Noticees have violated Section 12A(a), (b) and (c) of the SEBI Act and Regulations 3(a), 3(b), 3(c), and 3(d), 4(1) and 4(2)(q) r/w Regulation 2(1)(c) of PFUTP Regulations.

<u>ISSUE No. II: Do the violations, if any, attract monetary penalty u/s 15HA of SEBI Act?</u>

17. The provision of Section 15HA of the SEBI Act reads as under:

<u>Penalty for fraudulent and unfair trade practices.</u>

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.*

18. In view of the findings as given above, I am convinced that the Noticees are liable for monetary penalty u/s 15HA of the SEBI Act for violations of the provisions of SEBI Act and PFUTP Regulations, as established above.

ISSUE No. III: If so, what should be the monetary penalty that should be imposed upon the Noticees, after taking into consideration the factors stipulated in Section 15J of the SEBI Act r/w Rule 5(2) of the SEBI Adjudication Rules?

19. While determining the quantum of penalty u/s 15HA of SEBI Act, the following factors stipulated in Section 15J of the SEBI Act have to be given due regard:-

SEBI Act

"15J. Factors to be taken into account by the adjudicating officer

While adjudging quantum of penalty under Section 23-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."

20. I note that the material available on record does not quantify losses, if any, suffered by the investors due to such violations on the part of the Noticees. From the document available on record, violations by Noticees are not repetitive in nature. I note that such fraudulent activity dents investor confidence in the fairness of the markets and impacts investor participation in the long run. The regulator when faced with such instances has a duty to ensure that stringent punitive measures are taken against the perpetrators of such activities. The measures taken by SEBI in such cases need to serve as an effective deterrent. As discussed and established in the preceeding paragraphs that the Noticees front ran the trades and violated the provisions of SEBI Act, and PFUTP Regulations during the IP, the same in my assessment cannot be taken leniently and such violations deserve to be adequately penalized.

ORDER

21. After taking into consideration the facts and circumstances of the case, violation of the provisions of SEBI Act, and PFUTP Regulations by Noticees, the unlawful gain made by the Noticees and the time value of unlawful gain, in exercise of

powers conferred upon me u/s 15-I of the SEBI Act r/w Rule 5 of the SEBI Adjudication Rules, I hereby impose following penalty upon the Noticees;

Name of the Noticees	**Penalty u/s**	**Penalty Amount (In Rupees)**
Dilip Kumar Kanoria	Section 15HA of the SEBI Act	Rs. 10,00,000 (Rupees Ten Lakhs Only To be paid jointly and severally
Seema Kanoria		
Sakshi Kanoria		
Dilip Kumar Kanoria HUF		

22. I find that the penalty mentioned above is commensurate with the violations committed by the Noticees.

23. 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

24. In case of any difficulties in payment of penalties, Noticees may contact the support at portalhelp@sebi.gov.in.

25. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings u/s 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

26. In terms of Rule 6 of the SEBI Adjudication Rules, a copy of this order is sent to the Noticees and also to SEBI.

AMIT KAPOOR
Digitally signed by AMIT KAPOOR
Date: 2025.10.27 15:25:23 +05'30'

Place: Mumbai **AMIT KAPOOR**

Date: October 27, 2025 **ADJUDICATING OFFICER**