

SECURITIES AND EXCHANGE BOARD OF INDIA

EX-PARTE INTERIM ORDER CUM SHOW CAUSE NOTICE

UNDER SECTIONS 11(1), 11(4)(d), 11(4A) AND SECTION 11B(1) AND 11B(2) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 11(1)(d) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003

IN THE MATTER OF FRONT RUNNING BY ASHOK MAHESHWARI AND OTHERS

In respect of:

Sr. No.	NOTICEES	PAN
1.	Ashok Maheshwari	AZJPS6156K
2.	Darshan Bakul Shah	BEZPS1084L
3.	Khusboo Darshan Shah	AUSPS6111J
4.	Darshan Bakul Shah (HUF)	AAIHD5404K
5.	Benzer Department Stores Pvt. Ltd.	AAACB4252E
6.	Mihir Dhirajalal Savla	AQRPS0359K
7.	CHL Stock Concepts Pvt. Ltd.	AADCC7495F
8.	Chirag Mahendra Shah	AAQPS1679F

(The entities mentioned above are individually known by their respective names or Noticee no. and collectively referred to as "Noticees")

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A. BACKGROUND:

1. The present proceedings are emanating from an investigation conducted for the period of April 01, 2021 to May 31, 2022 (**Investigation Period**), by the Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) involving abovementioned *Notices*, brief description of whom are mentioned herein below:

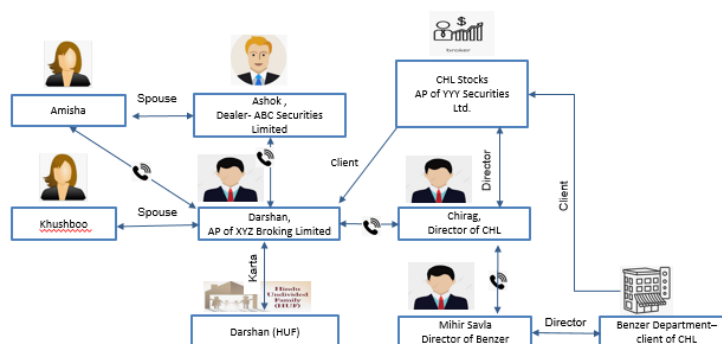
- i. **Mr. Ashok Maheshwari:** A dealer of stock-broker, ABC Securities Limited* (during the investigation period);
- ii. **Mr. Darshan Bakul Shah:** An Authorised Person of stock-broker, XYZ Broking Limited*;
- iii. **Mrs. Khusboo Darshan Shah:** Wife of Mr. Darshan Bakul Shah;
- iv. **Darshan Bakul Shah (HUF):** HUF with Mr. Darshan Bakul Shah as its Karta;
- v. **Benzer Department Stores Pvt. Ltd.** (hereinafter referred to as “**Benzer**”): A private limited company having its registered office in Mumbai. It was trading in securities market through CHL Stock Concepts Pvt. Ltd.;
- vi. **Mr. Mihir Dhirajalal Savla:** Director of Benzer, having authority to execute trades on its behalf. Benzer was having its trading account with YYY Securities Limited* through CHL Stock Concepts Pvt. Ltd.;

- vii. **CHL Stock Concepts Pvt. Ltd.:** An Authorised Person of stock-broker, YYY Securities Limited. CHL Stock Concepts Pvt. Ltd. was having a trading account with XYZ Broking Limited through Darshan Bakul Shah; and
- viii. **Mr. Chirag Mahendra Shah:** Director of CHL Stock Concepts Private Limited who was managing its day to day operations.

(Note: * The actual name of the stock-brokers are not used in this order as at this stage, the stock-brokers are not Noticees. ABC Securities Limited, XYZ Broking Limited and YYY Securities Limited are disguised names for reference purpose and actual names would be supplied to *Noticees* during inspection of documents and to Hon'ble SAT and Courts, during court proceedings. Similarly, names of other persons/entities which are not *Noticees* in the present order are redacted.)

2. A pictorial representation of the description of the aforesaid entities (and spouse of one of the Noticee), as well as the parameters connecting them is given below:

Image no. 1



3. Considering the *prima facie* pattern of trades in common scrips by a few of the *Noticees* with an entity engaged in the business of Portfolio Management Services (hereinafter referred to as “**Big Client**¹”), further investigation was conducted in order

¹ Note: Name of the Big Client has not been used and would be supplied to *Noticees* during inspection of documents and to Hon'ble SAT and Courts during court proceedings

to ascertain whether acts of the above *Noticees* were in possible violation of the provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the “**SEBI Act**”), and the Regulations framed thereunder.

4. An Investigation Authority (**IA**) under section 11C of the SEBI Act was appointed by the Competent Authority to carry out further investigation in the matter. Subsequently, after obtaining due permission of the Competent Court, a search and seizure operation was also carried on August 03, 2022 at the premises of three entities. In case of one entity, no case has been made out and details of the remaining two entities from whom certain digital devices have been seized are as follows:

Table no. 1

Sr. No	Name of the entities	Location
1	Darshan Bakul Shah	Residence: Sion, Mumbai
2	Ashok Maheshawari	Residence: Kandivali, Mumbai

B. RELEVANT FACTS/EVIDENCE COLLECTED

5. In the course of the investigation, following information and evidence have been *inter alia* gathered/collected:

- i. Trading data;
- ii. Bank account statements;
- iii. Details of IP addresses which were used for the trades executed in the account of a few *Noticees*;
- iv. Statements of *Noticees* recorded on oath.
- v. KYC, Call data records (CDRs) etc.

6. The facts of the case are being narrated in detail herein below.

7. The Big Client is a private limited company and is *inter alia* engaged in the business of Portfolio Management Services. In order to execute trades in the securities market, Big Client has empanelled 13 registered stock brokers including ABC Securities Limited. It has been noticed that during the Investigation Period, trades worth INR 6,568.63 Crore (47.28% of the gross traded value of the Big Client) were executed by Big Client through ABC Securities Limited. During the period of investigation, the *Noticee no. 1* (Mr. Ashok Maheshwari) was one of the dealers of ABC Securities Limited and responsible for placing trading orders for the Big Client.

C. Analysis of Trades

8. The outcome of the investigation in the present matter indicates that during the Investigation Period (April 01, 2021 to May 31, 2022), the trading activity of *Noticees no. 2*, *Noticee no. 3* and *Noticee no. 4* had increased substantially. Details of trades and exposure in monetary terms as executed by *Noticees nos. 2 to 4* demonstrating the substantial increase over the said investigation period are provided in the following table:

Table no. 2

Noticee	Pre - Investigation Period (from 01-Oct-2020 to 31-Mar-21) (Total number of months: 6)						Investigation Period (from 01-Apr-21 to 31-May-2022) (Total no. of months: 14)					
	Equity		Derivatives		Equity		Derivatives		Equity		Derivatives	
	Gross Trade Value (in Lakh)	Gross Trade Value (in Lakh)	Intra Day scrip days	Intra day profit (in Lakh)	Intra Day contract days	Intra day profit (in Lakh)	Gross Trade Value (in Lakh)	Gross Trade Value (in Lakh)	Intra Day scrip days	Intra day profit (in Lakh)	Intra Day contract days	Intra day profit (in Lakh)
Darshan Bakul Shah (<i>Noticee no. 2</i>)	26.54	929.18	2	-0.03	5	0.08	2781.06	2721.35	52	6.88	16	0.74
Values per month	4.42	154.86	0.33	-0.01	0.83	0.01	198.65	194.38	3.71	0.49	1.14	0.05
Khushboo Darshan Shah (<i>Noticee no. 3</i>)	243.91	1,562.81	7	1.02	27	0.43	15661.11	4311.95	188	34.4	51	0.22
Values per month	40.65	260.47	1.17	0.17	4.50	0.07	1118.65	308	13.43	2.46	3.64	0.02
Darshan Bakul Shah (HUF) (<i>Noticee no. 4</i>)	995.29	801.30	50	2.02	22	0.2	19342.37	992.28	227	40.93	13	0.21
Values per month	165.88	133.55	8.33	0.34	3.67	0.03	1381.60	70.88	16.21	2.92	0.93	0.02
Total	1265.73	3293.29	59.00	3.01	54.00	0.71	37784.54	8025.58	467.00	82.21	80.00	1.17
Values per month	210.96	548.88	9.83	0.50	9	0.12	2698.90	573.26	33.36	5.87	5.71	0.08

9. Considering the fact that the pre-investigation period and investigation period comprise of different number of months, data is converted into per month data for comparison. The comparison captured in the table above reflect the following:

- i. The gross traded volume of *Noticee no. 2*, *Noticee no.3* and *Noticee no. 4* on a per month basis, increased by 4.3 times from INR 759.84 Lakh (INR 210.96 Lakh +548.88 Lakh) in the pre-investigation period to INR 3,272.16 Lakh (INR 2698.90 Lakh+ INR 573.26 Lakh) in the investigation period, when the trades executed in equity and derivative are taken together.
- ii. Further, the intra-day trading instances, on a per month basis, also increased by 2 times (approx.) from 18.83 (9.83+9) instances in the pre-investigation period to 39.07 (33.36+5.71) instances during the investigation period. The intra-day profits in Equity (Cash segment) of the aforesaid *Noticees* also increased (on a per month basis) during the investigation period, when compared to the period before the investigation period.

10. Further, a detailed comparison of the trading profiles of *Noticee no. 2*, *Noticee no. 3* and *Noticee no.4* with the trading profile of the Big Client, reflected the following:

Table no. 3

Sr. no.	Particulars	Entities	Equity Segment					Equity Derivative Segment				
			Calendar days	No of instances	Gross Traded Value (INR In Lakh)	Average Gross Traded Value (INR In Lakh)	Square off earned (INR In Lakh)	Calendar days	No of instances	Gross Traded Value (INR In Lakh)	Average Gross Traded Value (INR In Lakh)	Square off earned (INR In Lakh)
1.	No of Scrip days/Contract days traded	N4	159	345	19342.37	56.06	41.65	53	85	992.28	11.67	0.21
		N2	63	97	2781.06	28.67	6.88	70	127	2721.35	21.43	0.91
		N3	171	358	15661.11	43.75	34.78	109	232	4311.95	18.59	0.49
2.	Common Scrip days/Contract days with big client	N4	84	190	17562.08	92.43	36.42	1	1	34.19	34.19	0.08
		N2	22	33	2290.03	69.39	5.11	2	2	117.11	58.56	0.26
		N3	68	104	10983.87	105.61	25.31	6	6	157.25	26.21	0.13

Sr. no.	Particulars	Entities	Equity Segment					Equity Derivative Segment				
			Calendar days	No of instances	Gross Trade Value (INR In Lakh)	Average Gross Trade Value (INR In Lakh)	Square off earned (INR In Lakh)	Calendar days	No of instances	Gross Trade Value (INR In Lakh)	Average Gross Trade Value (INR In Lakh)	Square off earned (INR In Lakh)
3.	No of Scrip days/Contract days traded, not common with Big Client (1-2)	N4	105	155	1780.29	11.49	5.23	53	84	958.09	11.41	0.13
		N2	47	64	491.03	7.67	1.77	69	125	2604.24	20.83	0.65
		N3	135	254	4677.24	18.41	9.47	108	226	4154.70	18.38	0.36
4.	No of Scrip days/Contract days wherein day trading has been carried out	N4	110	227	18956.83	83.51	40.93	12	13	143.99	11.08	0.21
		N2	36	52	2710.82	52.13	6.88	15	16	314.77	19.67	0.74
		N3	121	188	15459.85	82.23	34.4	39	51	1530.04	30.00	0.22
5.	No of Scrip days/Contract days wherein intra-day trading has been carried out, common with Big Client	N4	78	177	17384.19	98.22	36.25	1	1	34.19	34.19	0.08
		N2	17	28	2279.09	81.40	5.11	2	2	117.11	58.56	0.26
		N3	64	97	10965.75	113.05	25.31	3	3	138.66	46.22	0.13
6.	Out of Serial no. 4, instances where the client earned a positive square off	N4	106	211	17986.33	85.24	43.27	8	8	201.93	25.24	0.35
		N2	33	48	2618.24	54.55	7.07	15	15	325.01	21.67	0.93
		N3	119	178	14439.91	81.12	36.89	34	44	1368.48	31.10	2.59
7.	Out of Serial no. 5, instances where the client earned a positive square off	N4	66	115	13733.68	119.42	31.57	0	0	0	0.00	0.00
		N2	13	18	1430.92	79.50	4.68	1	1	93.8632	93.86	0.14
		N3	43	67	9370.62	139.86	24.86	0	0	0	0.00	0.00

N2: Noticee no. 2; N3: Noticee no.3; N4: Noticee no. 4

11. The comparison captured in the above table indicates the followings:

- I. *Noticee no. 2, Noticee no. 3 and Noticee no. 4* traded on total 1,244 scrip days (i.e. Intraday + Non-intraday) (345+97+358+85+127+232), out of which 336 (190+33+104+1+2+6) (27.01%) scrip days are common with the Big Client.
- II. *Noticee no. 2, Noticee no. 3 and Noticee no.4* did intra-day trading on 547 (227+52+188+13+16+51) scrip days, out of which 308 (177+28+97+1+2+3) (56.31%) (308 scrip days out of 547 scrip days) scrip days are common with the Big Client. On common scrip days, the aforesaid *Notices* have made profit of INR 67.14 Lakh INR (36.25 Lakh+ INR 5.11 Lakh+ INR 25.31 Lakh+ INR 0.08 Lakh+ INR 0.26 Lakh+ INR 0.13 Lakh) (80.52% of their total intraday profits of INR 83.38)
- III. Thus, the aforesaid *Notices* made significant profits through intra-day trading, majority of which was made on common scrip days with the Big Client.

12. The analysis of the trading activities of the *Noticee no. 5* has indicated that during the Investigation period, its activities in the securities market increased multifold. The investigation revealed the following with respect to the said increase in the trading activities of the *Noticee no. 5*:

Table no. 4

Entity	Pre-relevant period (from 16-Aug-21 to 15-Nov 21) (Total no. of months: 3)						Relevant Period (from 15-Nov-21 to 31-May-22) (Total no. of months: 6.5)					
	Equity	Derivatives	Equity		Derivatives		Equity	Derivatives	Equity		Derivatives	
	Gross	Gross	Intra	Intra day	Intra	Intra	Gross	Gross	Intra	Intra	Intra	Intra
	Trade	Trade	Day scrip days	Profit	Day contract days	day	Trade	Trade	Day scrip days	day	Day contract days	day
	Value (INR Lakhs)	Value (INR Lakhs)		(INR Lakhs)		profit (INR Lakhs)	Value (INR Lakhs)	Value (INR Lakhs)		profit (INR Lakhs)		profit (INR Lakhs)
Benzer Department Stores Pvt Ltd	3600.7	15950.84	25	6.44	115	20.2	28459.65	116994.58	332	82.65	971	194.72
Value per month	1200.23	5316.95	8.33	2.15	38.33	6.73	4378.41	17999.17	51.08	12.72	149.38	29.96

Note: For the purpose of *Noticee no. 5*, the trades relevant for the present proceedings have been executed during November 15, 2021 to May 31, 2022, which is part of the investigation period. Therefore, details of only this period have been captured.

13. Considering the fact that the pre-Relevant period and Relevant period comprise of different number of months, data is converted into per month data for comparison. The comparison captured in the table above reflect the following:

- I. Like *Noticees nos. 2 to 4*, there have been substantial increase during the Relevant period in trading in equity and derivative segment by *Noticee no. 5*. In the process, during the Relevant period the gross traded value of *Noticee no. 5* on a per month basis increased by 3.4 times (approx.) i.e. from INR 6,517.18 Lakh (INR 1200.23 Lakh+ INR 5316.95 Lakh) in the Pre-Relevant period to INR 22,377.58 Lakh (INR 4378.41 Lakh + INR 17999.17 Lakh) in the Relevant period.
- II. The intra-day trading instances, on a per month basis, increased by 4.3 times (approx.) from 46.66 (8.33+38.33) instances in the Pre- Relevant period to 200.46 (51.08+149.38) instances in the Relevant period.

14. The comparison of trading profile of *Noticee no. 5* vis-à-vis that of the Big Client is captured in the following table:

Table no. 5

Sr. No.	Particulars	Entities	Equity Segment					Equity Derivative Segment				
			Calendar days	No of instances	Gross Traded Value (INR in Lakh)	Average Gross Traded Value (INR in Lakh)	Square off earned (INR in Lakh)	Calendar days	No of instances	Gross Traded Value (INR in Lakh)	Average Gross Traded Value (INR in Lakh)	Square off earned (INR in Lakh)
1.	No of Scrip days/ Contract days traded	N5	96	485	28459.65	58.68	88.47	108	1825	116994.58	64.11	212.74

Sr. No.	Particulars		Equity Segment					Equity Derivative Segment				
		Entities	Calendar days	No of instances	Gross Traded Value (INR in Lakh)	Average Gross Traded Value (INR in Lakh)	Square off earned (INR in Lakh)	Calendar days	No of instances	Gross Traded Value (INR in Lakh)	Average Gross Traded Value (INR in Lakh)	Square off earned (INR in Lakh)
2.	Common Scrip days/Contract days with Big Client	N5	67	203	19618.31 (68.93 % of GTV)	96.64	52.52	63	127	13223.52 (11.30 % of GTV)	104.12	13.27
3.	No of Scrip days/Contract days traded, not common with Big Client (1-2)	N5	92	282	8841.34 (31.07 % of GTV)	31.35	35.96	106	1698	103771.06 (88.70 % of GTV)	61.11	199.47
4.	No of Scrip days/Contract days where in day trading has been carried out	N5	89	332	24866.31 (87.37 % of GTV)	74.9	82.65	91	971	84453.84 (72.19 % of GTV)	86.98	194.72
5.	No of Scrip days/Contract days where in intra-day trading has been carried out, comm	N5	66	198	19521.41 (68.59 % of GTV)	98.59	52.71	43	65	10644.45 (9.10 % of GTV)	163.76	14.03

Sr. No.	Particulars		Equity Segment					Equity Derivative Segment				
		Entities	Calendar days	No of instances	Gross Traded Value (INR in Lakh)	Average Gross Traded Value (INR in Lakh)	Square off earned (INR in Lakh)	Calendar days	No of instances	Gross Traded Value (INR in Lakh)	Average Gross Traded Value (INR in Lakh)	Square off earned (INR in Lakh)
	on with Big Client											
6.	Out of Serial no. 4, instances where the client earned a positive square off	N5	87	307	23736.51 (83.40 % of GTV)	77.32	99.62	91	929	75228.65 (64.30 % of GTV)	80.98	293.51
7.	Out of Serial no. 5, instances where the client earned a positive square off.	N5	64	163	17188.32 (60.40 % of GTV)	105.45	46.6	0	0	0.00 (0.00% of GTV)	0	0

N5: Noticee no. 5

15. From the above table, the following is observed with respect to trading activities and exposure of Noticee no. 5 in equity segment:

- I. The Noticee no. 5 traded on total 485 scrip days (i.e. Intraday + Non-intraday), out of which 203 (41.85%) scrip days were common with the Big Client.
- II. Further, Noticee no. 5 did intra-day trading on 332 scrip days, out of which 198 (59.64%) scrip days were common with the Big Client.

III. The *Noticee no. 5* made aggregate profit of INR 82.65 Lakh on 332 intra-day trading days. A significant part of the profit, which is INR 52.71 Lakh (63.77% of INR 82.65 Lakh) was made on scrip days common with the Big Client.

16. Further, the examination of trades of *Noticee no. 7* and *Noticee no. 8* also showed that their trading activity during the Investigation period grew multiple times when compared with trades executed during the pre-Investigation period. The granular details showing the apparent change in the trading activities of *Noticees no. 7* and *8* during the Investigation period when compared with their trading activities in pre Investigation period are captured in the following table:

Table no. 6

Name of Entity	Pre - Examination Period (from 01-Oct-20 to 31-Mar-21) (Total no. of months: 6)						Examination Period (from 01-Apr-21 to 31-May-22) (Total no. of months: 14)					
	Equity	Derivatives	Equity		Derivatives		Equity	Derivatives	Equity		Derivatives	
	Gross	Gross	Intra	Intra day	Intra	Intra	Gross	Gross	Intra	Intra	Intra	Intra
	Trade	Trade	Day scrip days	profit	Day contract days	day	Trade	Trade	Day scrip days	day	Day contract days	day
	Value (INR Lakh)	Value (INR Lakh)		(INR Lakh)		profit (INR Lakh)	Value (INR Lakh)	Value (INR Lakh)		profit (INR Lakh)		profit (INR Lakh)
CHL Stock Concepts Pvt. Ltd. (AADCC7495F)(<i>Noticee no. 7</i>)	7706.14	58050.27	793	15.43	1833	53.91	37546.42	138211.64	1898	57.00	3690	333.52
Value per month	1284.36	9675.05	132.17	2.57	305.50	8.99	2681.89	9872.26	135.57	4.07	263.57	23.82
Chirag Mahendra Shah (AAQPS1679F) (<i>Noticee no. 8</i>)	18.93	2024.18	6	-0.08	426	3.43	4.22	24026.21	1	0.01	1313	85.33
Value per month	3.16	337.36	1.00	-0.01	71.00	0.57	0.30	1716.16	0.07	0.00	93.79	6.10
	7725.07	60074.45	799	15.35	2259	57.34	37550.64	162237.9	1899	57.01	5003	418.85
Value per month	1287.51	10012.41	133.17	2.56	376.50	9.56	2682.19	11588.42	135.64	4.07	357.36	29.92

17. Considering the fact that the pre-investigation period and investigation period comprise of different number of months, data is converted into per month data for comparison. The comparison captured in the table above reflect the following:

I.The gross traded value of *Noticee no. 7* & *Noticee no.8*, on a per month basis, increased by 1.26 times (approx.) from INR 11,299.92 Lakh (INR 1287.51 Lakh+ INR 10012.41 Lakh) (Pre-Investigation period) to INR 14,270.61 Lakh (INR 2682.19 Lakh+ INR 11588.42 Lakh) (Investigation period).

18. When the trading profile of *Noticee no. 7* and *Noticee no. 8* during the relevant period were compared vis-à-vis the trading profile of the Big Client, the following details emerged:

Table no. 7

Particulars			Equity Segment					Equity Derivative Segment				
Sr .N o		Entitie s	Calen dar days	No of instan ces	Gross Trade d Value (INR in Lakh)	Avera ge Gross Trade d Value (INR in Lakh)	Squa re off earn ed (INR in Lakh)	Calen dar days	No of instan ces	Gross Traded Value (INR in Lakh)	Avera ge Gross Trade d Value (INR in Lakh)	Squa re off earn ed (INR in Lakh)
1.	No of Scrip days/Cont ract days traded	CHL Stock Conce pts Pvt. Ltd.	286	6670	71614.27	10.74	61.86	286	7720	231143.5	29.94	405.84
		Chirag Mahendra Shah	40	79	202.83	2.57	0.01	270	3269	53603.77	16.4	90.33
2.	Common Scrip days/Cont ract days with big client	CHL Stock Conce pts Pvt. Ltd.	147	245	11043.53 (15.42 % of GTV)	45.08	23.28	206	473	17751.15 (7.68% of GTV)	37.53	28.95
		Chirag Mahendra Shah	4	4	5.76 (2.84 % of GTV)	1.44	0	103	230	2180.07 (4.07% of GTV)	9.48	5.47
3.	No of scrip days/Cont ract days traded, not common with Big Client (1-2)	CHL Stock Conce pts Pvt. Ltd.	286	6425	60570.74 (84.58 % of GTV)	9.43	38.58	286	7247	213392.37 (92.32 % of GTV)	29.45	376.9
		Chirag Mahendra Shah	38	75	197.08 (97.16 % of GTV)	2.63	0.01	270	3039	51423.70 (95.93 % of GTV)	16.92	84.86

4.	No of Scrip days/Contract days wherein day trading has been carried out	CHL Stock Concepts Pvt. Ltd.	278	1898	37546.42 (52.43 % of GTV)	19.78	57	281	3690	138211.64 (59.79 % of GTV)	37.46	333.52
		Chirag Mahendra Shah	1	1	4.22 (2.08 % of GTV)	4.22	0.01	221	1313	24026.21 (44.82 % of GTV)	18.30	85.33
5.	No of Scrip days/Contract days wherein intra-day trading has been carried out, common with Big Client	CHL Stock Concepts Pvt. Ltd.	84	128	9653.45 (13.48 % of GTV)	75.42	21.46	125	234	11778.46 (5.10% of GTV)	50.34	23.67
		Chirag Mahendra Shah	0	0	0.00 (0.00 % of GTV)	NA	0.00	37	76	1311.73 (2.45% of GTV)	17.26	4.51
6.	Out of Serial no. 4, instances where the client earned a positive square off	CHL Stock Concepts Pvt. Ltd.	283	1510	38390.23 (53.61 % of GTV)	25.42	141.1	283	3009	142802.38 (61.78 % of GTV)	47.46	596.29
		Chirag Mahendra Shah	1	1	4.22 (2.08 % of GTV)	4.22	0.01	220	1043	24958.45 (46.56 % of GTV)	23.93	130.41
7.	Out of Serial no. 5, instances where the client earned a positive square off	CHL Stock Concepts Pvt. Ltd.	41	63	7938.26 (11.08 % of GTV)	126.00	20.23	2	3	337.20 (0.15% of GTV)	112.40	1.07
		Chirag Mahendra Shah	0.00	0.00	0 (0.00 % of GTV)	NA	0	3	3	154.03 (0.07% of GTV)	51.34	1.00
	(*A Scrip day is considered as a day in which the client has traded in a combination of trade date and unique symbol.)											

19. From the above table, the following is noted:

- I. The *Noticee no. 7* and *Noticee no. 8* traded on total 326 (286+40) scrip days (i.e. Intraday + Non-intraday), out of which 151 (147+4) (46.31%) scrip days were common with the Big Client.
- II. Further, *Noticee no. 7* and *Noticee no. 8* did intra-day trading on 279 (278+1) scrip days, out of which 84 (30.10%) scrip days were common with the Big Client.
- III. The *Noticee no. 7* and *Noticee no. 8* made aggregate profit of INR 57.01 Lakh (INR 57 Lakh+ INR .01 Lakh) on 279 intra-day trading days, out of

which INR 21.46 Lakh (37.64% of INR 57.01 Lakh) was made on scrip days common with the Big Client.

20. As the analysis of trades of the *Noticee no. 2*, *Noticee no. 3*, *Noticee no.4*, *Noticee no. 5*, *Noticee no. 7* and *Noticee no. 8* have indicated close proximity with the trades of the Big Client executed through the stock broker, ABC Securities Limited, the possibility of a connection between the *Noticee no. 1* and other *Noticees* was analysed. The investigative steps taken in this direction revealed the following:

D. Connection between *Noticee no. 1* and *Noticee no. 2*

21. It was observed during the investigation that there were multiple phone calls exchanged between phone numbers of *Noticee no. 1*/his wife with *Noticee no. 2*. Details of the phone calls like number of calls, total duration etc., as got exchanged between *Noticee no.1* and his wife with *Noticee no. 2* during the Investigation period are captured in the table below:

Table no. 8

Entity (A)	Entity (B)	Incoming Calls		Outgoing Calls		Total	
		No of calls	Duration (seconds)	No of calls	Duration (seconds)	No of calls	Duration (seconds)
Darshan (98XX722XXX) (<i>Noticee no. 2</i>)	Ashok (99XX409XXX)(<i>Noticee no. 1</i>)	18	2613	22	4802	40	7415
	Amisha Maheshwari (93XX290XXX) (<i>Wife of Noticee no. 1</i>)	9	307	4	820	13	1127

22. Similarly, the analysis of the Call Data Records of *Noticee no. 2* and *Noticee no. 8* indicated that multiple calls were exchanged between them during the relevant period. The summary of such calls is captured in the following table:

Table no. 9

Entity (A)	Entity (B)	Incoming Calls		Outgoing Calls		Total	
		No of calls	Duration (seconds)	No of calls	Duration (seconds)	No of calls	Duration (seconds)
Darshan (98XX722XXX)	Chirag (98XX499XXX)	47	3225	253	35707	300	38932

23. The statement of the *Noticee no. 1* was recorded on oath on August 03, 2022 during the Search and Seizure at his residence. In the said statement, the *Noticee no. 1* has *inter alia* stated that:

- I. He (*Noticee no. 1*) knows Mr. Darshan Bakul Shah (*Noticee no. 2*). He and Mr. Darshan Bakul Shah are part of Whatsapp groups like ‘*Trend Analyser*’ on which market related information such as news, charts are shared. He interacts with Mr. Darshan Bakul Shah in 2-3 months through phone calls, whatsapp personal chats.
- II. He is not allowed to access the mobile phone in the dealing room during market hours. However, during the days of Covid-19, (April- July, 2021 and January, 2022), he was working from home and thus, could access his phone.

24. Further, the *Noticee no. 2*, Mr. Darshan Bakul Shah, in his statement dated December 16, 2022, has *inter alia* stated as under:

- I. He (*Noticee no. 2*) executed trades in his own account as well as in the account of his wife, and his HUF.
- II. He knows Mr. Ashok Maheshwari (*Noticee no. 1*), and also identifies his photograph shown during the statement recording. He has further stated that Mr. Ashok is his friend since 2013 and they had met in the Traders’ Carnival in Pune. Both of them are engaged in group- discussions through Whatsapp groups namely “Trend Analyzer”, “Wings traders”, and they discuss technical

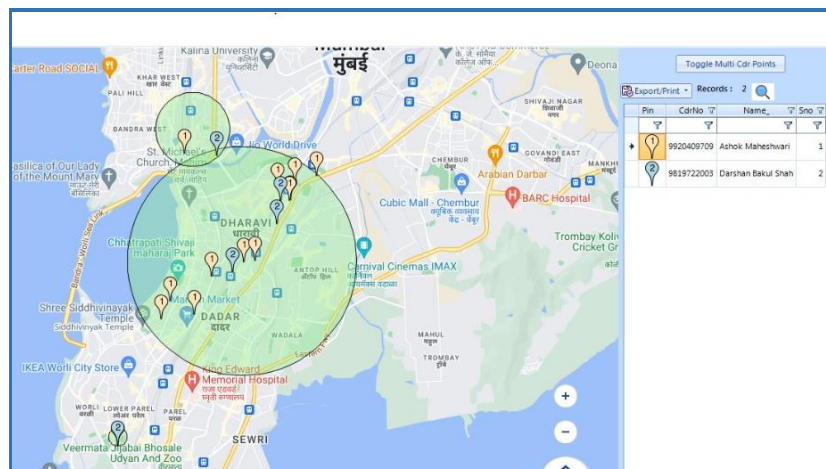
analysis and securities markets news. Both of them are also connected through Facebook, though, Mr. Ashok has now removed him from his (Mr. Ashok's) friend list. He (*Noticee no. 2*) further acknowledges that Mrs. Amisha Maheshwari is the wife of Mr. Ashok. Both of them (*Noticee no. 1* and *Noticee no. 2*) have also often done personal chat on Telegram.

- III. Mr. Ashok used to give two types of trading orders on any given day. The first order used to be buy/sell specific quantity of any scrip and such instructions were used by him (*Noticee no. 2*) to execute trades *inter alia* in his own account, his wife's account and/or in the account of his HUF. Subsequently on the same day, Mr. Ashok used to instruct limit order (price and quantity) for the same scrip so as to square off the trade executed earlier in the day. All positions provided by Mr. Ashok were carried out to square off trade positions on all days.
- IV. The information about orders were received from Mr. Ashok during the market hours. The information to modify the limit price were also received from Mr. Ashok so that the buy/sell order executed earlier in the day was squared off. The details of the limit orders for squaring off the previous trade were generally received within 5-15 minutes of the previous buy/sell order.
- V. The information was received through personal chat of Mr. Ashok (Mobile no. 99XX409XXX) on Telegram during the market hours and the messages were put to setting that they would be auto deleted from the Telegram.
- VI. The scrips included IEX, Wipro, IIFLWAM, Champlast, Coromandal, TVToday, GSFC, Suprajit, Tata Steel etc.
- VII. Profits so earned out of trades executed upon receipt of information from the *Noticee no.1*, were shared in cash with Mr. Ashok after deducting 15% of the amount. Both of them used to meet twice a month to share the profits. He has

several times met Mr. Ashok for profit sharing at Guru Krupa Hotel, Sion or Bandra T Junction.

25. The aforesaid statement of the *Noticee no. 2* acknowledging that he used to meet the *Noticee no. 1* at different locations is further corroborated by the digital evidence in form of Tower locations of the mobile numbers owned, possessed and used by both of them. The said evidence is portrayed in the following pictorial representation:

Image no. 2



26. The above depicted picture captures the locations of the mobile number of the *Noticee no. 1* (99XX409XXX) and the mobile number of the *Noticee no. 2* (98XX722XXX) showing that they were in close proximity to each other (Criteria: Max distance between towers – 0.5 km and Max time between calls - 30 minutes) on various dates viz., July 17, 2021, October 15, 2021, October 22, 2021, December 04, 2021, January 02, 2022, February 04, 2022, February 22, 2022, April 22, 2022 and May 31, 2022.

27. After considering the relevant part of the statements made by *Noticee no. 1* and *Noticee no. 2*, it would be appropriate to look at the trading activity carried out by the Big Client as well as the trading activities executed in the account of *Noticees nos. 2, 3, 4, 5, 7 and 8*.

E. Trading activities in the accounts of *Noticee no. 2*, *Noticee no.3* and *Noticee no. 4*

28. On February 14, 2022, instructions over email were issued on behalf of the Big Client to sell 3,85,548 shares and 4,32,540 shares of Wipro Limited. The said emails were addressed/issued to the *Noticee no. 1* in capacity of dealer of ABC Securities Limited. The details of the emails issued on behalf of the Big Client and the confirmation of the trades received thereto is tabulated in the following table:

Table no. 10

Scrip Name: Wipro Limited Trade date: February 14, 2022		
Time	Email From / To	Particulars
10:51:32	Employee of the Big Client - > Ashok	<i>"Kindly execute the following trades Sell 3,85,548 shares of Wipro @ 550 or better levels"</i>
10:56	Ashok -> Employee of the Big Client	<i>"Noted"</i>
11:00	Ashok -> Employee of the Big Client	<i>"Wipro Complete"</i>
11:10:01	Employee of the Big Client - > Ashok	<i>"Kindly EXECUTE the following trades ... Sell 4,32,540 shares of Wipro @ 550 or better levels"</i>
11:13	Ashok -> Employee of the Big Client	<i>"Noted"</i>
14:52	Ashok -> Employee of the Big Client	<i>"please find the trade file attached". The details forwarded by Ashok includes the list of trades carried out on Feb 14, 2022 by ABC Securities Limited on behalf of the Big Client on various scrips including sell of 4,32,540 @ 549.11 per share and 3,85,548 @ 550.34 per share.</i>

29. It is seen from the records that on February 14, 2022 itself, *Noticee no. 3* and *Noticee no. 4* had also executed intra-day trades in the scrip of Wipro Limited. Further, the said two *Noticees* first entered into short selling the scrip of Wipro Limited and within a short period of time, the said position was squared off that resulted in profits

of INR 49,079.05 and INR 41,709, respectively in the account of *Noticees nos. 3 and 4*.

30. It is useful to look at the timings of the events surrounding the trades of the Big Client as well as *Noticee no .3* and *Noticee no. 4* in the scrip of Wipro Limited from the following details:

Table no. 11

Sr. No.	Time	Event
1	10:51:32 am	First email issued by the Big Client to the <i>Noticee no. 1</i> to sell 3,85,548 shares
2	10:55:15 am to 10:57:35 am	Sell order placement in the account of <i>Noticee no.4</i>
3	10:55:23 am to 10:55:29 am	Sell order placement in the account of <i>Noticee no. 3</i>
4	10:56 am	Reply email from <i>Noticee no. 1</i> to the Big Client acknowledging the instructions of selling the shares
5	10:56:36 am to 11:46:25 am	11 sale orders in the range of 32,500 to 1,00,000 shares placed on behalf of the Big Client
6	10:56:55 am to 10:58:14 am	4 sale orders of 50,000 shares each were placed in the account of the Big Client

7	10:55:57 am – 11:06:41 am	Buy order of 22,585 shares placed in the account of <i>Noticee no.4</i> . These were limit orders ² .
8	10:56:00	Buy order of 20,000 shares placed in the account of <i>Noticee no. 3</i> . These were limit orders.

31. As can be noted from the facts stated in the above table, the instructions of the Big Client to sell 3,85,548 shares of Wipro Limited were acknowledged by the *Noticee no. 1* at 10:56 am, i.e., after 4 minutes and 28 seconds from the email containing the instructions to sell. It is seen that between the time of receiving instructions from the Big Client and acknowledging /replying the same by the *Noticee no. 1*, **Sell** transactions in the account of *Noticee no. 4* and *Noticee no. 3* were initiated at 10:55:15 am and 10:55:23 am, respectively. Subsequently, at 10:56:55 am to 10:58:14 am, the **Sell** transactions (4 orders of 50,000 each) on behalf of the Big Client started coming to the trading platform. However, just before placement of **Sell** orders on behalf of the Big Client, the **Buy** orders on behalf of *Noticee no. 3* as well as *Noticee no. 4* (which were limit orders) had been placed. By placing orders in the **Sell-Sell-Buy** pattern, the 99.99% buy orders of the *Noticee no. 4* (22,583 out of 22,585 shares) and 100% buy orders of the *Noticee no. 3* (20,000) matched with the sell orders of the Big Client. The details of the trading pattern, matching of trades, timings, price range etc., are tabulated hereunder in the following table:

² A Limit order is an order placed at a particular price or better price. A buy limit order is an order to buy shares at the specified price or price lesser than the specified price. A sell limit order is an order to sell shares at the specified price or price higher than the specified price.

Table no. 12

Entity	Buy/Sell	Count of Orders	Original order Vol or range	Order Start Time	Order End Time	Trade Start Time	Trade End Time	Sum of Trade Qty	Order Type	Order Price Range (INR)	Trade Price	LTP at Order Entry	Avg. Trade Price (INR)	Match Vol.	Match Vol. %	Profit (INR)
N3	Sell	2	10,000	10:55:23	10:55:29	10:55:23	10:55:29	20,000	Limit	552	552 – 552.55	552.55 – 552.75	552.08	-	-	-
N4	Sell	3	10,000	10:55:15	10:57:35	10:55:15	10:58:13	22,585	Limit	551.25 - 552	551.25 – 552.8	551.35 – 552.85	552.29	-	-	-
Big Client	Sell	4	50,000	10:56:55	10:58:14	10:56:55	10:58:14	2,00,000	Limit	550.00	550.00 – 551.70	551.15 – 551.85	550.34	-	-	-
N3	Buy	1	18,000 - 20,000	10:56:00	10:56:00	10:56:55	10:57:16	20,000	Limit	550.05 - 550.15	550.05 – 550.15	552.35	550.14	20,000	100	41,709.00
N4	Buy	3	2-20000	10:55:57	11:06:41	10:56:55	11:06:41	22,585	Limit	550.00 - 550.15	550.00 – 550.15	550.00 – 552.35	550.12	22,583	99.99	49,079.05

N3: Noticee no.3; N4: Noticee no. 4

32. As can be noted from the table above, the short selling positions in the accounts of the *Noticee no.3* and *Noticee no. 4* were taken just before the sell order of the Big Client and within a short time of the taking such position, the *Noticee no. 3* and *Noticee no. 4* were able to garner a collective profit of INR 90,700 (approx.). It may be pointed out that time wise, buy orders by *Noticees nos. 3* and *4* may have been placed before the actual sell orders by the Big Client, but these buy orders were limit orders with the advance knowledge that price will fall due to large quantity in the sell order of the Big Client and then, their buy order at lower price will match the sell order of the Big Client. It is seen from the records that this is not a one off instances where the trades of the individual/entities matched with the trades of the Big Client, but there are other glaring examples also, where *Noticee no. 2*, *Noticee no. 3* and *Noticee no. 4* have been found to have followed a **Buy-Buy-Sell** or **Sell-Sell-Buy** trading pattern in comparison to trades of the Big Client and made a substantial profit following such pattern of trading.

33. It is noted that on December 14, 2021, the Big Client had entered into sell transaction(s) of shares of TV Today through ABC Securities Limited and the exchange of emails between the Big Client and the *Noticee no. 1* (acting as Dealer at ABC Securities Limited) is tabulated herein below:

Table no. 13

Scrip Name: TV Today Network Limited date: Dec 14, 2021			
Sr. No.	Time	Email From / To	Particulars
1	12:26	Employee of the Big Client to Ashok	"Kindly execute the following trades ... Sell 1,00,000 shares of TV Today @ 445 or better levels ... Sell 15,000 shares of TV Today @ 445 or better levels ... Sell 1,00,000 shares of TV Today @ 445 or better levels....."
2	12:35	Ashok to Employee of the Big Client	"Order Placed".
3	12:46	Employee of the Big Client to Ashok	"Kindly execute the following trades ... Sell 65,000 shares of TV Today @ 445 or better levels ... Sell 4,000 shares of TV Today @ 445 or better levels ...Sell 50,000 shares of TV Today @ 445 or better levels"
4	13:00	Ashok to Employee of the Big Client	"Order Placed".

34. As can be noted from the details captured at Serial nos. 2 and 4 of the table above, the *Noticee no. 1* had acknowledged the order placement instructions after substantial time of the receipt of the email from the Big Client. In the meanwhile, the orders in the nature of short sell of shares of TV Today were placed in the accounts of *Noticee no. 2*, *Noticee no. 3* and *Noticee no. 4*. Incidentally, while squaring off their short sell

position, buy orders (which were limit orders) were placed in their accounts (*Noticees nos. 2, 3 and 4*) and all the buy orders of the three individual *Noticees* matched (100%) with the sell orders placed on behalf of the Big Client. To substantiate the above, details of timing of order placement, price, etc., placed on December 14, 2021 in the trading account of *Noticees nos. 2, 3 and 4* are captured in the following table:

Table no. 14

Entity	Buy/Sell	Count of Orders	Original order Vol	Order Start Time	Order End Time	Trade Start Time	Trade End Time	Sum of Trade Qty	Order Type	Order Price Range (INR)	Trade Price	LTP at Order Entry	Avg. Trade Price (INR)	Match Vol. with BC	Match Vol. with BC (%)	Profit (INR)
N2	Sell	1	5,000	12:30:44	12:30:44	12:30:44	12:30:44	5,000	Limit	450	450.05 – 452.55	452.75	451.71	-	-	-
N3	Sell	1	20,000	12:30:26	12:30:26	12:30:26	12:30:26	20,000	Limit	450	450 – 456.15	456.25	453.40	-	-	-
N4	Sell	2	2500-5000	12:30:39	12:31:11	12:30:39	12:31:11	7,500	Limit	450	450.25 – 452.45	452.95 – 453.40	451.78	-	-	-
Big Client	Sell	1	1,00,000	12:31:49	12:31:49	12:31:49	12:31:58	100,000	Limit	445.00	445.00	455.15	446.45	-	-	-
N2	Buy	1	5,000	12:31:47	12:31:47	12:31:49	12:31:49	5,000	Limit	445.00	445.00	456.00	445.00	5,000	100	29572.80
N3	Buy	1	20,000	12:31:41	12:31:41	12:31:49	12:31:49	20,000	Limit	445.00	445.00	455.00	445.00	20,000	100	167538.00
N4	Buy	1	7,500	12:31:44	12:31:44	12:31:49	12:31:49	7,500	Limit	445.00	445.00	454.60	445.00	7,500	100	47800.85

N2: Noticee no. 2; N3: Noticee no. 3; and N4: Noticee no. 4

35. As can be seen from the above table, the orders on behalf of the Big Client were placed at 12:31:49 pm and just a short while ago, sell orders in the accounts of *Noticee no. 2*, *Noticee no.3* and *Noticee no. 4* were placed. The said position of sell orders in the accounts of three *Notices* (*Notices nos. 2, 3 and 4*) were reversed by placing buy orders within short period of time. Thus, *Noticee no. 2*, *Noticee no. 3* and *Noticee no. 4* followed the pattern of **Sell-Sell-Buy**, meaning thereby just before the sell orders of the Big Client, the aforesaid *Notices* took a sell position in the scrip, which was followed by the sell order on behalf of the Big Client and all the shares offered to be purchased by the said *Notices* through limit orders were sold by the Big Client only i.e., 100% of their trades matched with the Big Client. It is observed that the Big Client

has instructed vide email at 12:26 pm for placing sell orders and the same was responded by the *Noticee no. 1* vide email issued at 12:35 pm. However, it emerges that before responding to the email, the information about forthcoming/impending sell orders in the account of the Big Client was shared and prior positions have been taken in the account of *Noticees nos. 2, 3 and 4*. Later on, once the sell orders were executed in the account of the Big Client, the above mentioned three *Noticees i.e. Noticees nos. 2, 3 and 4* have squared off their position by placing buy orders (with limit) for TV Today shares and in all this transaction, the aforesaid *Noticees* were able to make a collective profit of INR 2.44 Lakh (approx.) in few minutes.

36. The next evidence is trades executed by the Big Client in the scrip of ICICI Prudential Limited on November 10, 2021 and for the said transaction, exchanging of the following email communications with the *Noticee no. 1* are of importance:

Table no. 15

Scrip Name: ICICI Prudential Limited - Nov 10, 2021		
Time	Email From / To	Particulars
12:44	Employee of the Big Client -> Ashok	"Kindly execute the following trades Sell 8,56,317 shares of ICICI Prudential @ 652 or better levels..."
12:49	Ashok -> Employee of the Big Client	"Noted"

37. As can be seen from the table above, there is a time gap of 5 minutes in the reply email issued by the *Noticee no. 1* to acknowledge the order placement instruction of the Big Client. In between the said time, sell orders of 50,000 shares and 25,000 shares of ICICI Prudential Limited started coming in the accounts of *Noticee no. 3* and *Noticee no. 4*, respectively. As seen earlier, for the aforesaid position also, *Noticee no. 3* and *Noticee no. 4* were successful in squaring off their sell trade within few minutes. Resultantly, the *Noticee no. 3* made a profit of INR 1,05,422.60 and the *Noticee no. 4*

made a profit of INR 49,033.75, and the volume of their limit buy trade (while squaring off) matched 73.48% and 99.73%, respectively, with the sell trades of the Big Client. The aforesaid details of the trades executed in a **Sell-Sell-Buy** pattern are presented in the following table:

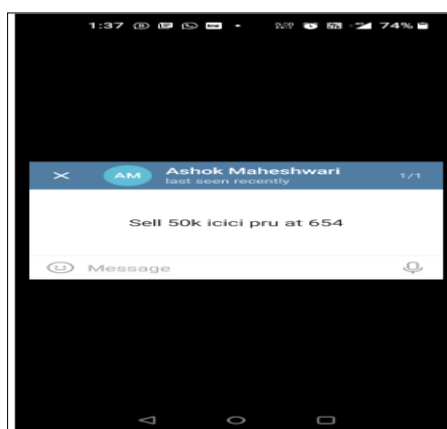
Table no. 16

Entitie s	Buy /Sell	No. of Orders	Original order. Vol or range	Order Start Time	Order End Time	Trade Start Time	Trade End Time	Sum of Trade Qty	Order Type	Order Price Range (INR)	Trade Price (in INR)	LTP at Order Entry	Avg. Trade Price (INR)	Match Vol. with BC	Match Vol. with BC (%)	Profit (in INR)
N3	Sell	5	10000	12:46:26	13:08:58	12:46:26	13:15:07	50000	Limit	654	654 – 655.10	654 – 655.10	654.27	-	-	-
N4	Sell	3	5000-10000	12:46:31	13:14:30	12:46:31	13:14:32	25000	Limit	653.90 - 654	653.90 - 655	654 – 654.90	654.19	-	-	-
Big Client	Sell	4	10000	12:49:17	13:15:46	12:49:17	13:18:33	359734	Limit	652.00-652.00	652.00-654.45	652.00-654.80	652.18	-	-	-
N3	Buy	5	10000	12:48:28	13:15:40	12:49:17	13:15:46	50000	Limit	652.00-652.00	651.70-652.00	651.70-655.00	651.98	36740	73.48%	105422.60
N4	Buy	2	10000-15000	12:48:08	13:15:28	12:49:17	13:15:28	25000	Limit	652.00-652.20	652.00-652.20	652.00-655.00	652.08	24932	99.73%	49033.75

N3: Noticee no.3; N4: Noticee no. 4

38. In respect to the above-mentioned trades executed in the scrip of ICICI Prudential Limited, the investigation has ascertained from the mobile phone seized from the Noticee no. 2, a screenshot of a message that was sent by the Noticee no. 1 through Telegram Messenger to Noticee no. 2. Copy of the said message is as under:

Image no. 3



39. The aforesaid message issued by the *Noticee no. 1* instructed the *Noticee no. 2* to sell 50,000 shares of ICICI Prudential at INR 654, and as seen in the table above, the sell trades of ICICI Prudential were placed in the account of *Noticee no. 3* (his wife) and *Noticee no. 4* (his HUF) at the same price range.

40. At this juncture, it is of pertinence to refer to the statement on oath made by the *Noticee no. 2* on December 22, 2022, wherein he has *inter alia* stated the following when the aforesaid image was shown to him:

“The image shown to me is an order received from Ashok, to sell a quantity of 50 k @ 654 per share in the scrip of ICICIPRU. The order was received through telegram message. This order information was received from Ashok on Nov 10,2021. Based on the order information received, I traded in the scrip.

Similar to the above, I used to receive order information from Ashok through Telegram, in which quantity, type of order, scrip name, scrip price was mentioned. Based on the order information, I traded in the scrip in my and/or wife/HUF account. Such information was auto deleted from telegram within 24 hours.”

41. Based on the perusal of the records of the present matter, it is seen that in total, *Noticee no. 2*, *Noticee no. 3* and *Noticee no. 4* have been found to have followed the **Sell-Sell-Buy** or **Buy-Buy-Sell** pattern with the trades of the Big Client in as many as 201 instances (200 instances in cash segment and 1 instance in derivative segment) and have earned a cumulative profit of INR 61.25 Lakh from such trading activities. The break-up of the said instances is enumerated in the following table:

Table no. 17

Noticee	Equity Segment					Equity Derivative Segment					Total Profit (INR)
	Cale ndar days	No of insta nces	Gross Traded Value (INR Lakh)	Average Traded Gross Value (INR Lakh)	Square off earned (INR Lakh)	Cale ndar days	No of insta nces	Gross Traded Value (INR Lakh)	Average Traded Gross Value (INR Lakh)	Square off earned (INR Lakh)	
N2	13	18	1430.92	79.5	4.68	1	1	93.86	93.86	0.14	4.82
N3	43	67	9370.62	139.86	24.86	0	0	0	0	0	24.86
N4	66	115	13733.68	119.42	31.57	0	0	0	0	0	31.57
Total	122	200	24535.22	338.78	61.11	1	1	93.86	93.86	0.14	61.25

N2:Noticee no. 2; N3:Noticee no. 3; N4:Noticee no. 4

42. It is seen that in all the instances where the peculiar pattern of trading has been observed, the time gap of placement of orders on behalf of *Noticee no. 2*, *Noticee no. 3* and *Noticee no. 4* was quite miniscule as compared to the timing of the placement of the orders of the Big Client. Further, in some of such instances, the quantities of the trades of the aforesaid *Noticees* (*Noticees nos. 2, 3 and 4*) matched 100% with the trades of the Big Client.

F. Trading activities in the accounts of *Noticee no. 5* along with *Noticees nos. 2 to 4*.

43. After examining the trading pattern followed by *Noticee no. 2*, *Noticee no.3* and *Noticee no. 4*, it is useful to examine trades of other set of entities. While the investigation into the trading activities of *Noticee no. 2*, *Noticee no. 3* and *Noticee no. 4* was ongoing, SEBI received an examination report from the National Stock Exchange of India Limited (**NSE**) which was shared vide email dated December 29, 2022. The said report indicated that a trading pattern similar to the aforesaid three *Noticees* (*Noticees nos. 2, 3 and 4*), has been followed by Benzer Department Store Private Limited (*Noticee no. 5*) during the period of November 15, 2021 to May 31, 2022 . Accordingly, the scope of ongoing investigation of SEBI was further enlarged so as to examine the trades of other entities also, and the facts examined thereto are stated hereunder.

44. It has been noticed that trades of *Noticee no. 5* was executed in its account held with YYY Securities Limited through its Authorised Person, CHL Stock Broking Limited (*Noticee no. 7*). The records indicate that the trades in the account of the *Noticee no. 5* were placed through Client ID- FORT 24 (FORT 24 signifies the location FORT and 24 is the last digit of "Computer to Computer Link" Software Id/CTCL), which is registered in the name of Mr. FXXXm MXXXh RXXXi, a dealer of *Noticee no. 7*.

45. During the course of investigation, statement of both the *Noticee no. 6* (Mr. Mihir Dhirajalal Savla, Director of *Noticee no. 5*) and *Noticee no. 8* (Mr. Chirag Mahendra Shah, Director of *Noticee no. 7*) were recorded on oath.

46. *Noticee no. 6* in his statement dated January 09, 2023 and January 16, 2023, has *inter alia* stated as under:

- I. That he started trading on behalf of *Noticee no. 5* around September, 2020.
- II. The orders in the account of the *Noticee no. 5* were placed by making telephonic, whatsapp calls on the number of *Noticee no. 8* and also sometimes by visiting him (*Noticee no. 8*) at the office of the stock broker.
- III. As per his understanding, *Noticee no. 8* is the owner of the *Noticee no. 7* and it was *Noticee no. 8* only, who had introduced him to YYY Securities Limited.

47. Further, *Noticee no. 8* has *inter alia* stated the following on oath in his statement made on January 23, 2022 and February 02, 2023:

- I. The *Noticee no. 6* placed majority of the orders by visiting his office during the period from October, 2021 to May, 2022, and sometimes, the orders were placed through calls received on his mobile phone (*Noticee no. 8*).

- II. The orders were placed through the laptop of the *Noticee no. 8*. All orders of the *Noticee no. 8* as well as client are placed from the office premises only. The orders are placed by *Noticee no. 8*, Ms. TXXX SXXX or the dealers on behalf of the clients.

48. The examination of records indicate that the orders in the account of *Noticee no. 5* were placed through the ID of Mr. FXXXm MXXXh RXXXi, a dealer at CHL Stock Broking Limited (*Noticee no. 7*), having CTCL Id: 400001001024.

49. It is seen that vide email dated January 24, 2023 YYY Securities Limited has provided details of the Internet Protocol (IP) data pertaining to the aforesaid CTCL for February 02, 2022, which is as under:

Table no. 18

Time Stamp	Greek Client ID	Description
08:47:27	FORT24	Login Successful from IP - 103.26.57.155, Exchange-NSE-EQ, NSE-FO
15:39:33	FORT24	Logoff Successful from IP - 103.26.57.155

50. The details of the IP address mentioned in the Table above were ascertained from the Internet Service Provider (ISP) namely, Intech Online Private Limited (**Intech**). The said details as furnished by Intech has reflected that the login in the 'CTCL ID: FORT 24' was made from the residential address of the *Noticee no. 2*, with the following details:

Table no. 19

User Id	Customer Name	PHONE	IP Address	Call Start date	Call End Date	Address	City
chamanhouse_22	Darshan Shah	93XX252XXX	103.26.57.155	30 Jan 2022 22:48:02	06 Feb 2022 22:56:35	XX, CXXXXXn XXXXe, Plot No XX, Sion West	Mumbai

51. The digital footprint pertaining to the aforesaid CTCL Id as quoted above indicates that the order placement in the trading account of the *Noticee no. 5* was being done from the address of the *Noticee no. 2*, i.e. XX, CXXXXn XXXXe, Plot No XX, Sion West, Mumbai with the internet connection through Mobile no. 93XX252XXX. This address was mentioned in the KYC documents of the aforesaid mobile number and was the one of the place where Search and Seizure was carried out by SEBI. The said mobile number (93XX252XXX) is found to be registered in the name of Mr. BXXXI XXXh, father of Mr. Darshan Bakul Shah (*Noticee no. 2* herein). Apart from the above, it is also observed from the evidence on record that trades placed in the account of *Noticee no.3*, Darshan Bakul Shah HUF (through XYZ Broking Limited) on February 02, 2022 were also found to be placed using the same IP address, viz., **103.26.57.155**.

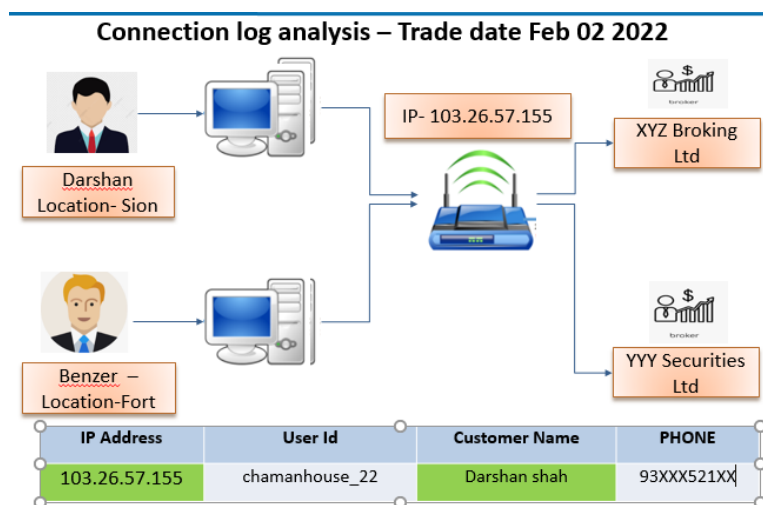
52. The log in details of the CTCL ID FORT 24 for sample days was further examined. In the course of examination, it has been observed that on many days, the log in the said CTCL ID was carried out from the residential premises of the *Noticee no. 2*. The details of such logins and names of shares traded on those days is mentioned below:

Table no. 20

Date	Name of Scrip (code)	IP Address	Login-Log off	Location Address	Mobile No
14/01/2022	NH	103.26.57.130	09:12-10:10; 14:21-15:08	XX, CXXXXn XXXXe, Plot No XX, Sion West Mumbai	93XX252X XX
25/01/2022	NATCOPHARM COROMANDEL	103.216.145.4 4	08:58-10:46 ; 10:55- 15:16		
02/02/2022	BBTC,RADICO	103.26.57.155	08:47-15:39		
08/02/2022	IIFLWAM,ISEC,NAT COPHARM,HINDAL CO,POLYCAB,MHR IL,NIITLTD,CROMP TON	103.66.83.220	09:13-15:30		
09/03/20 22	COROMANDEL,TII NDIA	103.66.81.72	09:09-10:24; 10:26- 10:30; 14:26- 15:39		

53. The following picture would graphically present the digital evidence pertaining to IP address collected during the investigation:

Image no. 4



54. Further, examination of trades executed in the account of *Noticee no. 5* reveals the following.

Trading in the scrip of Radico Khaitan on February 02, 2022

55. It is seen that *Noticee no. 4* made a profit of INR 6,627.00 and *Noticee no. 5* made a profit of INR 40,219.85 in intraday trades in the scrip of Radico Khaitan on February 02, 2022.

56. It is seen that on February 02, 2022, the Big Client had placed a buy order in the shares of Radico Khaitan Ltd. On the said day, both *Noticee no. 4* and *Noticee no. 5* have also transacted in the said scrip and the analysis of trades executed in the account of *Noticees nos. 4* and *5* shows that they had followed the pattern of **Buy-Buy-Sell** in comparison to the trades of the Big Client and have earned profits. It is observed that in the whole process, the *Noticee no. 4* has made a profit of INR 6,627 whereas the *Noticee no. 5* was able to make a profit of INR 40,219.85. The details of the aforesaid trades are captured in the following tabular representation:

Table no. 21

Entit s	Buy /Se ll	Coun t of Order s	Origin al order Vol or range	Order Start Time	Order End Time	Trade Start Time	Trade End Time	Sum of Trade Qty	Order Type	Order Price Range (INR)	Trade Price (INR) (Range)	LTP at Order Entry (Range)	Avg. Trade Price (INR)	Match Vol. with BC	Match Vol. with BC (%)	Profit (INR)
Notice e no. 4	Buy	2	575- 2000	12:14:4 8	12:15:3 0	12:14:4 8	12:15:4 2	3,00 0	Limit	1072- 1073	1071.0 5 - 1073	1071 - 1071.2 0	1072.1 2	-	-	-
Notice e no. 5	Buy	5	1000- 5000	09:19:5 4	12:13:0 0	09:19:5 4	12:13:0 0	7916	Limit	1070 - 1070.7 5	1068.4 0 - 1070.7 5	1068.4 0 - 1073.5 0	1069.9 0	-	-	-
Big Client	Buy	4	546- 5000	12:16:5 5	12:18:2 6	12:16:5 5	12:25:3 2	1250 0	Limit	1075.0 0	1072.0 5- 1075.0 0	1072.0 5- 1074.9 0	1074.5 4			
Notice e no. 4	Sell	1	3000	12:14:5 9	12:14:5 9	12:16:5 5	12:16:5 5	3,00 0	Limit	1074.9 0	1074.9 0	1072.3 0	1074.9 0	3,000.0 0	100%	6,627.0 0
Notice e no. 5	Sell	2	1291- 6625	10:46:4 0	12:14:3 9	10:46:4 0	12:18:2 6	7916	Limit	1075.0 0- 1076.0 0	1075.0 0- 1076.0 0	1076.5 5- 1071.0 5	1075.5 3	6413	81.01 %	40219.8 5

57. It is seen that the buy orders on behalf of the Big Client starting coming to the trading platform at 12:16:55 pm, and the buy orders in the account of *Noticee no. 5* were placed during 09:19:54 am to 12:13:00 pm. The window for buying shares (limit order) in the account of the Big Client was between 12:16:55 pm to 12:18:26 pm and before completion of execution of such orders (during 12:16:55 pm to 12:25:32 pm), *Noticee no. 5* sold all his 7916 shares purchased earlier. In the whole process, 81.01% of the sell transaction of *Noticee no. 5* matched with the buy orders of the Big Client. Further, the details of the IP addresses captured under Table no. 19 would show that the connection of Trading Terminal FORT 24 on February 02, 2022 was made at IP address 103.26.57.155 during 08:47 am to 15:39 am and the said IP address is situated at the house of the *Noticee no. 2*.

Trading in the scrip of Tata Steel on January 28, 2022

58. Further examination reveals that on January 28, 2022, the Big Client advised its stock broker, ABC Securities Limited to sell the shares of Tata Steel. The extracts of the emails exchanged between the employee of the Big Client and *Noticee no. 1* (Dealer of ABC Securities Limited) are reproduced hereunder:

Table no. 22

Scrip Name: Tata Steel date: Jan 28, 2022														
Time	Email From / To	Particulars												
09:18	Employee of the Big Client → Ashok	“Kindly execute the following trades Sell 3,51,629 shares of Tata Steel @ 1120 or better levels.....”												
09:25	Ashok) → Employee of the Big Client	“Order Placed”												
11:59	Employee of the Big Client → Ashok & Team	Dear Sir, Kindly execute the following trades ... <table><tr><td>Security</td><td>Quantity</td><td>Remarks</td><td>Li</td></tr><tr><td>TATA STEEL LTD</td><td>259</td><td>SELL</td><td>c</td></tr></table>					Security	Quantity	Remarks	Li	TATA STEEL LTD	259	SELL	c
Security	Quantity	Remarks	Li											
TATA STEEL LTD	259	SELL	c											
12:06	Ashok → CR Employee of the Big Client	Order Complete												
14:47	Employee of the Big Client → Ashok	Please cancel all pending orders and send us the trade file												
14:51	Ashok → Employee of the Big Client	Please find the trade file attached.												

59. As can be seen from the above details, at 09:18 am on January 28, 2022, an email was issued on behalf of the Big Client to sell 3,51,629 shares of Tata Steel at INR

1120 or better levels. The said email was responded by the *Noticee no. 1* at 09:25 am by replying as “Order placed”. When the Order Log of the Tata Steel for the said day is analysed, it is found that the aforesaid instructions of the Big Client were converted into 10 different orders in the range of 250 shares to 50,000 shares. The said orders were placed between the time of 09:22:39 am to 12:05:47 pm.

60. When the trade log of the aforesaid scrip is analysed, it shows that *Noticee no. 2*, *Noticee no. 3*, *Noticee no. 4* and *Noticee no. 5* have executed trades just ahead of the Big Client and have acted in close proximity of trades of the Big Client as enumerated in the following table:

Table no. 23

Particulars	Buy/Sell	Count of Orders	Original order. Vol or range	Order Start Time	Order End Time	Trade Start Time	Trade End Time	Sum of Trade Qty	Order Type	Order Price Range (INR)	Trade Price (INR) (Range)	LTP at Order Entry	Avg. Trade Price (INR)	Match Vol. with BC	Match Vol. with BC (%)	Profit (INR)
N2	Sell	1	5,000	11:46:48	11:46:48	11:47:00	11:49:03	1,500	Limit	1122.95	1122.95	1122.45	1122.95	-	-	-
N3	Sell	1	10,000	11:46:33	11:46:33	11:46:49	11:49:01	3,000	Limit	1122.95	1122.95	1122.20	1122.95	-	-	-
N4	Sell	1	5,000	11:46:58	11:46:58	11:47:01	11:49:11	1,381	Limit	1122.95	1122.95	1122.85	1122.95	-	-	-
N5	Sell	2	10,000	11:46:21	11:46:22	11:46:22	11:46:39	4,876	Limit	1123	1123	1125.45-1122.70	1123	-	-	-
Big Client's orders	Sell	1	50,000	11:50:57	11:50:57	11:50:57	11:51:44	50,000	Limit Order	1,120.00	1120 - 1120.10	1,120.70	1120.02	-	-	-
N2	Buy	1	1,500	11:48:22	11:48:22	11:50:57	11:50:57	1,500	Limit Order	1,120.10	1,120.10	1,121.80	1,120.10	1,500	100.00	4,275.00
N3	Buy	1	3,000	11:47:41	11:47:41	11:50:57	11:50:57	3,000	Limit Order	1,120.00	1,120	1122.15	1,120	3,000	100.00	8,850.00
N4	Buy	1	1,381	11:47:49	11:47:49	11:50:57	11:50:57	1,381	Limit Order	1,120.05	1,120.05	1,122.00	1,120.05	1,381	100.00	4,004.90
N5	Buy	1	4876	11:49:38	11:49:38	11:50:57	11:50:57	4,876	Limit Order	1,120.10	1,120.10	1,122.00	1,120.10	4,876	100.00	14,140.40

N2: Noticee no. 2; N3: Noticee no. 3; N4: Noticee no. 4; and N5: Noticee no. 5; BC: Big Client

61. As noted earlier, the sell order of the Big Client for 3,51,629 was split into 10 orders of different quantities comprising of 250-50,000 shares each. Out of the said orders, one order of 50,000 shares was placed at 11:50:57 am, which was fully executed (50,000 shares) during 11:50:57 am to 11:51:44 am. The details of trades captured in the Table above indicates that *Noticees nos. 2, 3, 4, and 5* have also placed their short sell orders in the scrip of Tata Steel during the time of 11:46:21 am to 11:46:58 am for various quantities in the range of 1,381 to 4,876, and in this process, the said *Noticees* cumulatively sold 10,757 shares of Tata Steel Limited.

62. It is further seen from the details mentioned in the Table above that immediately after selling the shares, the said individual *Noticees* started squaring off their positions by placing limit buy orders from the time period of 11:47:41 am to 11:49:38 am. The timing of initiation of said limit buy orders was just before the sell order of the Big Client came into the system (11:50:57 am). The price range for the orders of the aforesaid *Noticees* was also in the range of INR 1120 to INR 1120.10, which was same or proximate to the price range at which the Big Client had instructed its stock broker to sell its shares.

63. It is noted that due to the proximity of timings of placement of orders, as well as the identical price range, buy orders of the *Noticee no. 2, Noticee no. 3, Noticee no. 4* and *Noticee no. 5* matched 100% with the sell orders of the Big Client. In other words, when the Big Client was selling its 50,000 shares, the aforesaid *Noticees* purchased 10,757 shares (1500 shares by the *Noticee no. 2*; 3000 shares by *Noticee no. 3*; 1381 shares by *Noticee no.4*; and 4876 shares by *Noticee no. 5*). In the said process of indulging into short sell of the shares of Tata Steel i.e. first engaging in sell order and then reversal of the sell orders by executing buy order, *Noticee no. 2* made INR 4,275 profit; *Noticee no. 3* made INR 8,850 profit; *Noticee no.4* made INR 4,004.90 profit,

and *Noticee no. 5* also made INR 14,140.40 as profit in very quick span of time. From the above, it is seen that the pattern of trading followed in tandem with the trades of the Big Client was again **Sell- Sell- Buy**.

Trading in the scrip of NIIT on February 22, 2022

64. From the records, it is observed that similar trading pattern has also been followed in the scrip of NIIT Limited when trades were executed on February 22, 2022. The only difference is that this time, *Noticees* have followed the **Buy-Buy-Sell** pattern, meaning thereby, certain *Noticees* first engaged in buy trades and later on reversed their position by engaging in sell orders and made profit by taking advantage of bulk buy orders of Big Client. It is noted that on February 22, 2022, the Big Client instructed ABC Securities Limited to buy shares of NIIT Limited through multiple emails, extract of which is reproduced hereunder:

Table no. 24

Scrip Name: NIIT Limited date: Feb 22, 2022																																													
Time	Email From / To	Particulars																																											
09:28	Employee of the Big Client -> Ashok	"Kindly execute the following trades ... Buy 73,210 shares of NIIT Ltd @ 420 or better levels Buy 1,00,000 shares of NIIT Ltd @ 420 or better levels....."																																											
09:39	Ashok - >Employee of the Big Client	"order placed"																																											
12:34	Employee of the Big Client -> Ashok	Dear Sir, Kindly EXECUTE the following trades ... <table><tr><th>Security</th><th>Quantity</th><th>Remarks</th></tr><tr><td>STATE BANK OF INDIA</td><td>4,298</td><td>BUY</td></tr><tr><td>AXIS BANK LTD</td><td>2,789</td><td>BUY</td></tr><tr><td>CROMPTON GREAVES CONSUMER ELECTRICALS LTD</td><td>7,518</td><td>BUY</td></tr><tr><td>COROMANDEL INTERNATIONAL LTD</td><td>4,196</td><td>BUY</td></tr><tr><td>SONATA SOFTWARE LTD</td><td>2,976</td><td>BUY</td></tr><tr><td>ATUL LTD</td><td>238</td><td>BUY</td></tr><tr><td>POLYCAB INDIA LTD</td><td>924</td><td>BUY</td></tr><tr><td>UNITED SPIRITS LIMITED</td><td>2,623</td><td>BUY</td></tr><tr><td>NIIT LTD</td><td>5,052</td><td>BUY</td></tr><tr><td>Varun Beverages Limited</td><td>1,171</td><td>BUY</td></tr><tr><td>NARAYANA HRUDAYALAYA LTD</td><td>1,724</td><td>BUY</td></tr><tr><td>NATCO PHARMA LTD</td><td>1,269</td><td>BUY</td></tr><tr><td>TUBE INVESTMENTS OF INDIA</td><td>672</td><td>BUY</td></tr></table>		Security	Quantity	Remarks	STATE BANK OF INDIA	4,298	BUY	AXIS BANK LTD	2,789	BUY	CROMPTON GREAVES CONSUMER ELECTRICALS LTD	7,518	BUY	COROMANDEL INTERNATIONAL LTD	4,196	BUY	SONATA SOFTWARE LTD	2,976	BUY	ATUL LTD	238	BUY	POLYCAB INDIA LTD	924	BUY	UNITED SPIRITS LIMITED	2,623	BUY	NIIT LTD	5,052	BUY	Varun Beverages Limited	1,171	BUY	NARAYANA HRUDAYALAYA LTD	1,724	BUY	NATCO PHARMA LTD	1,269	BUY	TUBE INVESTMENTS OF INDIA	672	BUY
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13:26	Ashok - >Employee of the Big Client	Order Placed																																																										
13:54	Employee of the Big Client -> Ashok	Kindly EXECUTE the following trades ... <table><tr><th>Security</th><th>Quantity</th><th>Remarks</th></tr><tr><td>STATE BANK OF INDIA</td><td>488</td><td>BUY</td></tr><tr><td>AXIS BANK LTD</td><td>317</td><td>BUY</td></tr><tr><td>CROMPTON GREAVES CONSUMER ELECTRICALS LTD</td><td>637</td><td>BUY</td></tr><tr><td>COROMANDEL INTERNATIONAL LTD</td><td>477</td><td>BUY</td></tr><tr><td>SONATA SOFTWARE LTD</td><td>338</td><td>BUY</td></tr><tr><td>ATUL LTD</td><td>27</td><td>BUY</td></tr><tr><td>POLYCAB INDIA LTD</td><td>105</td><td>BUY</td></tr><tr><td>UNITED SPIRITS LIMITED</td><td>298</td><td>BUY</td></tr><tr><td>NIIT LTD</td><td>574</td><td>BUY</td></tr><tr><td>Varun Beverages Limited</td><td>133</td><td>BUY</td></tr><tr><td>NARAYANA HRUDAYALAYA LTD</td><td>196</td><td>BUY</td></tr><tr><td>NATCO PHARMA LTD</td><td>253</td><td>BUY</td></tr><tr><td>TUBE INVESTMENTS OF INDIA</td><td>76</td><td>BUY</td></tr><tr><td>BIRLASOFT LTD (PREV KPIT TEC LTD)</td><td>484</td><td>SELL</td></tr></table>			Security	Quantity	Remarks	STATE BANK OF INDIA	488	BUY	AXIS BANK LTD	317	BUY	CROMPTON GREAVES CONSUMER ELECTRICALS LTD	637	BUY	COROMANDEL INTERNATIONAL LTD	477	BUY	SONATA SOFTWARE LTD	338	BUY	ATUL LTD	27	BUY	POLYCAB INDIA LTD	105	BUY	UNITED SPIRITS LIMITED	298	BUY	NIIT LTD	574	BUY	Varun Beverages Limited	133	BUY	NARAYANA HRUDAYALAYA LTD	196	BUY	NATCO PHARMA LTD	253	BUY	TUBE INVESTMENTS OF INDIA	76	BUY	BIRLASOFT LTD (PREV KPIT TEC LTD)	484	SELL											
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14:38	Ashok - >Employee of the Big Client	Hi, Please find the trade file attached.																																																										

65. The instructions of the Big Client were translated into 62 different orders in the range of 115-15,000 shares from the end of the Stock Broker and were placed during 09:30:11 am to 14:30:47 pm. Here again, evidence gathered in the course of investigation show that *Noticee no. 2*, *Noticee no. 3*, *Noticee no. 4* and *Noticee no. 5* have traded ahead of trades of the Big Client and were successful in making large amounts of profits, details of which are described in the following table:

Table no. 25

Entitie s	Buy /Sel l	Count of Order s	Original order. Vol or range	Order Start Time	Order End Time	Trade Start Time	Trade End Time	Sum of Trade Qty	Order Type	Order Price Range (INR)	Trade Price (INR) (Range)	LTP at Order Entry (Range)	Avg. Trade Price (INR)	Match Vol. with BC	Match Vol. with BC (%)	Profit (INR)
N2	Buy	1	7000- 10000	13:04:4 9	13:04:4 9	13:07:4 5	13:14:4 7	10,00 0	Limit	423.00 - 423.05	423.00 - 423.05	423.80 423.03	423.03	-	-	-
N3	Buy	4	514- 10000	09:44:2 0	13:03:4 0	09:55:1 7	13:12:3 8	31,00 0	Limit	417.00 - 423.10	417.00 - 423.10	419- 423.55	421.09	-	-	-
N4	Buy	1	2629- 10000	13:13:1 9	13:13:1 9	13:14:4 4	13:15:4 4	10,00 0	Limit	423.05 - 423.30	423.05 - 423.30	423.05 423.05	423.24	-	-	-
N5	Buy	4	5005- 10000	09:33:2 6	13:03:5 0	09:55:1 7	13:17:0 4	25,10 6	Limit	417.00 - 423.10	417.00 - 423.10	420.00 - 423.55	422.23	-	-	-
Big Client	Buy	16	2214- 15000	09:58:0 1	13:19:4 9	09:59:0 3	13:19:4 9	90,00 0	Limit	421.50 - 425.00	421.50 - 425.00	420.70 - 424.95	423.25	-	-	-
N2	Sell	1	6949- 10000	13:09:4 8	13:09:4 8	13:18:3 0	13:19:3 1	10,00 0	Limit	424.90	424.90	423.45	424.9	9878	98.78 %	18650.0 0
N3	Sell	4	1000- 10000	09:59:0 0	13:09:4 4	09:59:0 3	13:18:3 0	31,00 0	Limit	422.00 - 424.85	422.00 - 424.85	422.00 - 423.45	422.92	26915	86.82 %	61659.7 5
N4	Sell	1	10000	13:15:5 1	13:15:5 1	13:19:3 1	13:19:3 5	10,00 0	Limit	424.95	424.95	423.10	424.95	8798	87.98 %	18344.8 5
N5	Sell	3	1212- 20000	09:59:2 3	13:17:2 0	09:59:2 3	13:19:4 9	25,10 6	Limit	422.00 - 425.00	422.00 - 425.00	422.00 - 423.00	424.4	21684	86.37 %	53096.2 0

N2: Noticee no. 2; N3: Noticee no.3; N4: Noticee no. 4; N5: Noticee no. 5 ; BC: Big Client

66. The aforesaid details show that a **Buy-Buy-Sell** pattern was followed by the *Noticee no. 2*, *3*, *4*, and *5*. While marching ahead of trades of the Big Client, the above-stated individual *Noticees* have made profits in the range of INR 18,344.85 to INR

61,659.75, by collectively trading in 76,106 shares of NIIT Limited. Here also, the first leg (**Buy**) transaction was executed before the orders (**Buy**) of the Big Client were placed, and the second leg (**Sell**) of transaction of *Noticee no. 2, 3, 4 and 5* were placed during the period when the buy orders of the Big Client were being placed i.e. during the pendency of orders of the Big Client. It has also been noticed that the proximity of timings of second leg of trades of the aforesaid *Noticees* was so close that 86.37% to 98.78% of their trades matched with those of the Big Client.

67. The above examination illustrates trades of *Noticee no. 5* in three scrips and demonstrates as to how its trades were based on **Buy-Buy-Sell** or **Sell-Sell-Buy** pattern followed by *Noticee no. 5* in comparison with the trades of the Big Client. It is seen that similar patterns of **Buy-Buy-Sell** or **Sell-Sell-Buy** (in comparison to trades of the Big Client) were followed by the *Noticee no. 5* on 163 other scrip days³ and in the process, it has made a total profit of INR 46.60 Lakh from such trades.

68. Further, from the mobile phone of *Noticee no. 2*, following image was found which was named as: “YYY Securities Limited – Client – Scrip Wise Net Position Sett. No....”:

³A combination of a particular trade date/day and a particular share / scrip is considered as one Scrip Day. For instance, if a trader trades in 6 unique scrips in a single day, he is considered as having traded in 6 Scrip Days.

Image no. 5

5:23 07-02-2022 - Read-only 52%

Read Only - This is an older file format. ...

SECURITIES PVT LTD				
Scrip Name	Total Buy	Total Sell	Net.Pos	Pur.Value
**	1939	1939	0	800281.29
CROMPT GREA CON ELEC LTD(INE295	2000	2000	0	316308.32
DHANI SERVICES LTD(INE274G01010)	0	10000	-10000	0.00
FLATEX INDIA LTD(INE16801027)	0	0	0	0.00
GUJ STATE FERT & CHEM LTD(INE021	155571	155571	0	20573474.34
HINDALCO INDUSTRIES LTD(INE038A)	44244	44244	0	23220263.65
INOX LEISURE LIMITED(INE312H0101)	6000	60	0	2411050.63
MAHINDRA HOLIDAYS LTD(INE098801)	2678	264	10	544196.28
MAS FINANCIAL SERV LTD(INE348L01)	7250	6250	10	4647199.41
NATCO PHARMA LTD.(INE087B01026)	93	93	0	84354.78
NIIT LIMITED(INE161A01038)	10000	10000	0	4360218.00
POLYCAB INDIA LIMITED(INE455K010)	2501	2501	0	6227801.39
**	232276	241276	-9000	63194148.09
** Totals	232276	241276	-9000	63194148.09

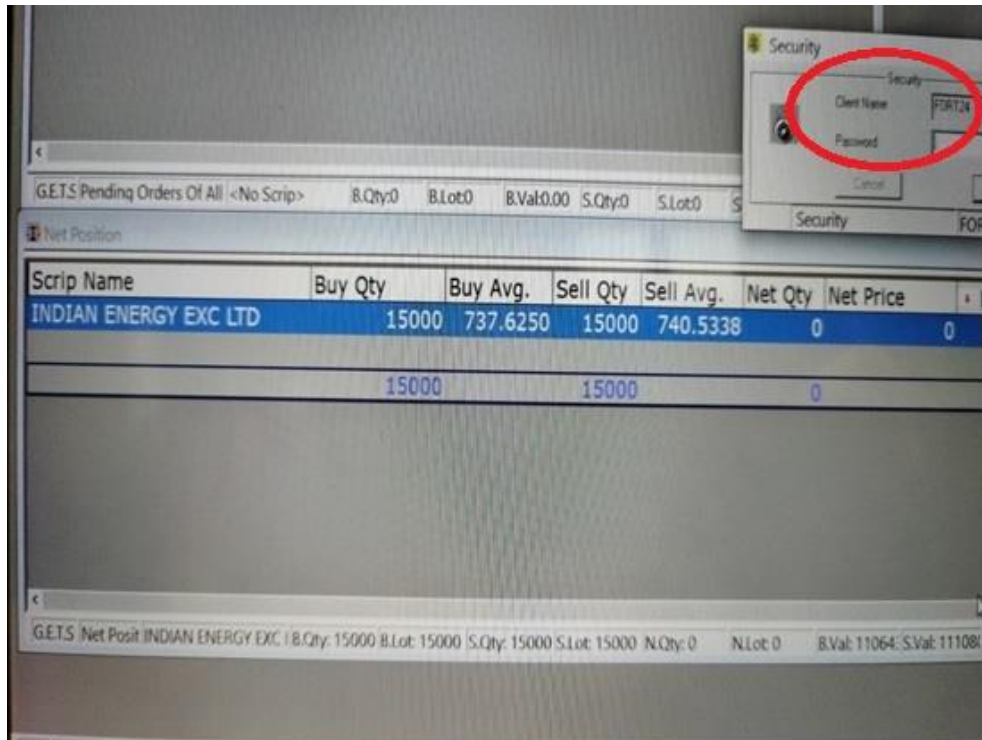
S.Tax/GST :
Turn.Tax :
Stamp Duty Charges
STT :
Scrip.Tax :
** Net

fx 0 netpos +

69. The aforesaid image shows scrip wise net position of the Benzer Department Stores Private Limited (*Noticee no. 5*), who was a client of YYY Securities Limited, which had no relation with the *Noticee no. 2*. Vide an email dated January 08, 2024, comments of the *Noticee no. 2* were sought on the above-quoted image, to which he replied vide his email dated January 13, 2024 as: “*I have not noticed any such image on my mobile at the relevant time and thereafter. I am not aware about any such image about Benzer in my mobile.*”.

70. From the mobile phone seized from the possession of the *Noticee no. 2*, another image was also recovered containing log in details of the Terminal of the Dealer of CHL, namely FXXXm MXXXh RXXXi. The said image is reproduced hereunder:

Image no. 6



71. Apart from the above, another screenshot was recovered from the phone of the *Noticee no. 2* which shows that there were Whatsapp chats exchanged between the *Noticee no. 2* and FXXXm MXXXh RXXXi (Dealer of CHL), however, all such messages were deleted. Image of screenshot of the deleted message in the mobile of the *Noticee no. 2* is provided below :

Image no. 7



G. Trading activities in the accounts of *Noticee no. 7* and *Noticee no. 8* along with other *Noticees*

72. The next set of evidences that require deliberation are with respect to CHL Stock Concepts Pvt. Ltd. (*Noticee no. 7*) and its Director Chirag Mahendra Shah (*Noticee no. 8*). As noted earlier, even though *Noticee no. 7* itself was an Authorised Person of a Stock-Broker (YYY Securities Limited), it was having a trading account with *Noticee no. 2* (Authorised Person of XYZ Broking Limited). It has been seen that during the Investigation period, the *Noticee no. 7* has majorly traded through the said account held with the *Noticee no. 2*. Further, the *Noticee no. 2* has used the same terminal for placing the orders of the *Noticee no. 7*, through which the orders of *Noticee no. 2*, *Noticee no.3* and *Noticee no. 4* were placed. It is also seen from the records that wife of the *Noticee no. 7* was working with the *Noticee no. 2* as a Dealer.

73. Further, in the statement dated January 12, 2023, the *Noticee no. 8* has admitted that he was interacting with the *Noticee no. 2* on regular basis. The relevant portion of the said statement read as:

Q.10 Do you know Darshan Bakul Shah? If yes, please provide the details thereof.

A.10 Yes, I know him from 2008-10. He is sub broker in XYZ. I interact with him through normal call and WhatsApp call on regular basis. For last one year, I have not interacted with him on Telegram Channel.”

74. The aforesaid statement as well as details of Call data records captured in Table no. 9 *prima facie* establishes the connection between the two *Noticees i.e. Noticees nos. 2 and 8*

75. It has been discussed in Table no. 7, as to how *Noticee no. 7* and *Noticee no. 8* had common trading activity as compared to the Big Client. It is useful to examine few of the trades that were executed by *Noticee no. 7* and *Noticee no. 8* having a pattern of **Buy-Buy-Sell** or **Sell-Sell-Buy** with the Big Client.

Trading in the scrip of Indian Energy Exchange Limited on November 23, 2021:

76. On November 23, 2021, the Big Client vide three emails had instructed the *Noticee no. 1* to sell 2,49,070 shares @ INR 775 or better levels, 514 shares @ CMP and 1,28,083 shares @ INR 785 or better levels, respectively. The *Noticee no. 1* confirmed placement of orders via return emails. The chain of emails exchanged between the Big Client and *Noticee no.1* are reproduced herein below:

Table no. 26

Symbol: IEX date: Nov 23, 2021		
Time	Email From / To	Particulars
09:18	Employee of the Big Client -> Ashok	Kindly execute the following trades ... Sell 2,49,070 shares of Indian Energy Exchange @ 775 or better levels
09:23	Ashok ->Employee of the Big Client	"order placed"
09:30	Ashok ->Employee of the Big Client	249070 IEX sold at 775.13 in U02ZD
11:05	Employee of the Big Client -> Ashok	INDIAN ENERGY EXCHNGE LTD – SELL-514 QTY, CMP
11:25	Ashok ->Employee of the Big Client	Order complete
12:34	Employee of the Big Client -> Ashok	 Sell 1,28,083 shares of Indian Energy Exchange @ 785 or better levels
12:47	Ashok ->Employee of the Big Client	Order complete

77. It is noticed that the aforesaid instructions received on behalf of the Big Client by its stock broker, were implemented through 9 different orders, wherein 4 orders were in the range of 514-10000 shares and 5 orders were in the range of 49070-50000

shares. The analysis of the trades executed by individuals *Noticees* vis-à-vis the trades of the Big Client indicates that *Noticee no. 4*, *Noticee no. 5* and *Noticee no. 7* have also traded on the same day i.e. on November 23, 2021 in the scrip of Indian Energy Exchange Limited and the examination of trading pattern followed by *Noticees nos. 4, 5* and *7* while executing trades in the scrip of Indian Energy Exchange Limited was a **Sell-Sell-Buy** pattern when compared with the trades of the Big Client in the same scrip (Indian Energy Exchange Limited). Details of trades executed in the scrip of Indian Energy Exchange Limited by the Big Client and the other three aforementioned *Noticees* are captured in the following table:

Table no. 27

Entit s	Buy /Sel l	Count of Order s	Original order Vol or range	Order Start Time	Order End Time	Trade Start Time	Trade End Time	Sum of Trade Qty	Order Type	Order Price Range (INR)	Trade Price (in INR)	LTP at Order Entry	Avg. Trade Price (INR)	Match Vol. with BC	Match Vol. with BC (%)	Profit (in INR)
Noticee no. 4	Sell	3	5000	09:26:06	12:44:29	09:26:33	12:44:29	15,000	Limit	776.95 - 790.00	776.95 - 791.80	775.70 - 792.00	784.15	-	-	-
Noticee no. 5	Sell	5	5000- 10000	09:21:52	09:25:50	09:21:52	09:26:46	46200	Limit	777.00 - 779.40	777.00 - 779.40	775.95 - 779.40	777.57	-	-	-
Noticee no. 7	Sell	3	5000- 10000	12:44:50	12:45:04	12:44:00	12:45:00	25000	Limit	790.00 - 791.65	790.00 - 791.65	790.90 - 791.80	790.50	-	-	-
Big Client	Sell	5	49070 - 50000	09:22:43	12:46:19	09:22:43	12:46:19	250320	Limit	775.00 - 786.10	775.00 - 786.10	776.70 - 789.30	778.82	-	-	-
Noticee no. 4	Buy	2	5000- 10000	09:27:15	12:45:30	09:27:15	12:46:19	15000	Limit	775.00 - 786.50	774.70 - 786.50	774.30 - 788.95	778.82	10,494	69.96	43,365.65
Noticee no. 5	Buy	5	5000- 10000	09:22:48	09:27:06	09:22:48	09:27:06	45000	Limit	775.00 - 775.00	774.85 - 775.00	774.65 - 776.95	774.99	44252	98.34	106832.9
Noticee no. 7	Buy	2	10000- 15000	12:45:12	12:45:18	12:46:19	12:46:19	25000	Limit	786.10	786.10	791.00	786.10	25000	100.00	1,11,335.80

78. A plain reading of the trading details quoted above in conjunction with the email communication quoted earlier strongly suggest the following key points with respect to trading in the scrip of Indian Energy Exchange Limited:

- I. The first email was received by the *Noticee no. 1* to sell shares on behalf of the Big Client at 09:18 am and the order was placed at 09:22:43 am.

- II. From 09:22:43 am to 12:46:19 am, 5 orders for shares in the range of 49070 -50000 were placed on behalf of the Big Client.
- III. However, before completion of the said orders of the Big Client, sell orders on behalf of *Noticee no. 4* and *Noticee no. 5* were placed. *Noticee no. 4* placed sell orders for 15,000 shares during 09:26:06 am to 12:44:29 pm, and *Noticee no. 5* placed sell orders for 46,200 shares during 09:21:52 am to 09:25:50 am.
- IV. *Noticee no. 4* started squaring off the position (limit buy order) at 09:27:15 am only and *Noticee no. 5* started squaring off the position at 09:22:48 am. By such time, orders on behalf of the Big Client were already placed in the system and as a result, 69.96% of buy orders of *Noticee no. 4* and 98.34% of *Noticee no. 5* matched with the orders of the Big Client.
- V. Similarly, for the second tranche of sell order of the Big Client (instructed to be sold at 12:34 pm), it is seen that *Noticee no. 7* placed a sell order for 25000 shares between 12:44:50 pm to 12:45:04 pm and within few seconds, i.e., between 12:45:12 pm to 12:45:18 pm, the *Noticee no. 7* squared off its position (by placing limit buy orders) and in the process, 100% trades of *Noticee no. 7* matched with those of the Big Client.

79. Confining the present discussion to the *Noticee no. 7*, it is seen from the details of Order type mentioned in the Table above reflect that all orders of behalf of the Big Client as well as the *Noticee no. 7* were limit orders, i.e., were placed at fixed prices/price range. The limit orders were placed on near to the price of the orders of the Big Client with a minimal time gap. When the fact of 100% matching of second leg of trades of *Noticee no. 7* is seen, the *prima facie* **Sell-Sell-Buy** pattern of trades in the account of *Noticee no. 7* vis-à-vis trades of the Big Client becomes apparent.

80. It is observed that similar trading pattern is also noticeable in the trades executed in the account of Mr. Chirag Mahendra Shah (*Noticee no. 8*). Both *Noticee no. 7* and *Noticee no. 8* (Director of *Noticee no. 7*) have collectively followed the **Sell-Sell-Buy** or **Buy-Buy-Sell** pattern while trading on 69 scrip days. *Noticee no. 7* followed the pattern on 66 scrip days (63 in cash segment and 3 trades in F&O segment) and *Noticee no. 8* executed all 3 trades in F&O segment. Both *Noticee no. 7* and *Noticee no. 8* have collectively made a profit of INR 22.30 Lakh. Majority of such orders were placed through the Trading terminal of *Noticee no. 2* herein.

H. Profit Sharing

81. After elaborating the trade details, it is useful to examine the profit sharing between *Noticee no. 1* and *Noticee no. 2*. It is seen that the following image was found in the mobile phone seized from the *Noticee no. 2*:

Image no. 8



82. When the *Noticee no. 2* was confronted with the aforesaid image during his statement recording on December 22, 2022, he has *inter alia* stated on oath as:

“...This five rupees note was sent by Ashok Maheshwari from his mobile (no: 99XXX097XX) on Telegram for identification of himself as a receiver

of cash via Ganesh, my employee, sent by Darshan Shah in the month of March 2022.

I handover cash to Ganesh and the above 5 Rupee Note image for identification of Ashok Maheshwari. Ganesh, handed over the cash to Ashok Maheshwari upon verifying the images with the serial number mentioned in the above images....”

83. Further, in another statement dated December 16, 2022, the Noticee no. 2 has *inter alia* stated that he has met the Noticee no. 1 several times at Guru Krupa Hotel, Sion or Bandra T Junction for making the payments of profit proceeds. It is seen that the proximity of their mobile phones has already been depicted under Image no. 2 which *prima facie* establishes the connection and sharing of profit made out of trades executed upon the receipt and sharing of information of trades of the Big Client.

84. The investigation has also been able to retrieve a picture of Telegram chat exchanged between Noticee no. 1 and Noticee no. 2 which is reproduced herein below:

Image no. 9



85. While the *Noticee no. 1* denied having knowledge of the aforesaid chat, the *Noticee no. 2* in his statement dated December 22, 2022, when confronted with the above chat has *inter alia* admitted as: *“In the picture above, Ashok Maheshwari has confirmed the receipt of Rs. 2,56,400. This payment was paid in cash to Ashok Maheshwari for sharing profits earned based on the orders received from Ashok Maheshwari”*.

86. Further, the *Noticee no. 2* also admitted in his statement dated December 22, 2022 that he has made gross profit of INR 70 Lakh (approx.) and after deducting expenses, he has paid INR 25 Lakh (approx.) to the *Noticee no. 1* through non-banking channels (in cash), during October, 2021 to March, 2022. The relevant portion of the said statement is reproduced hereunder:

“I do not remember the exact profit earned by me through the trades executed on the basis of information supplied by Ashok Maheshwari. However, I believe that I have earned approx Rs. 70 Lacs on gross basis. Out of which, after deducting approx. 16-20 Lacs. towards statutory exps. Viz. STT, SEBI Charges, Exchange transaction charges, Income tax etc., I paid Rs. 25 Lacs approx. to Ashok Maheshwari in cash. The remaining amount of Rs. 25-29 Lacs. approx. is retained by me.”

I. FINDINGS

87. The elaborate examination of the trading activities carried in the account of *Noticee no. 2*, *Noticee no.3*, *Noticee no. 4*, *Noticee no. 5*, *Noticee no. 7* and *Noticee no. 8* has *prima facie* indicated either a **Sell-Sell-Buy** or **Buy-Buy-Sell** pattern, wherein orders were placed just ahead of the orders of the Big Client. As has been seen from the emails extracts produced in different parts of this order, it was the *Noticee no. 1*, who

while acting as a Dealer of ABC Securities Limited (stock-broker of the Big Client), was entrusted with the task of executing trades on the stock exchange platform. It has been confessed by the *Noticee no. 2* that the *Noticee no. 1* passed on the information about impending trades of the Big Client to the *Noticee no. 2*, and further that he (*Noticee no. 2*) exploited the said information by structuring trades in the accounts of *Noticee no.3*, *Noticee no. 4*, and himself. It has also been *prima facie* established based on the technical data pertaining to login details that the trades in the account of *Noticee no. 5* were executed by the *Noticee no. 2* only, and the pattern of trades executed in the account of the *Noticee no. 5* have been found similar to the pattern of trades executed in the accounts of *Noticee no. 2*, *Noticee no.3* and *Noticee no. 4*. Further, the *Noticee no. 7* was holding its trading account with the *Noticee no. 2* and the trades in the accounts of *Noticee no. 8* are also following the pattern identical to other trading *Noticees*, indicating that the said trades were also borne out of the information about impending trades of the Big Client, passed on by *Noticee no. 2*. The said finding is supported by the admitted communication channel between the *Noticee no. 2* and the *Noticee no. 8*.

88. I observe that in his statement, the *Noticee no. 2* has also confessed that the profits out of the trades executed in his account and his family entities, were shared with the *Noticee no. 1* in cash payment. Apart from the said confessional statement, an image depicting Telegram Chat (Image no. 9) also indicates that the *Noticee no. 1* had acknowledged receipt of INR 2,56,400 from the *Noticee no. 2*.

89. In the present case, it has been *prima facie* noted from the factual details of trading activities carried out in the accounts of *Noticee no. 2*, *Noticee no. 3*, *Noticee no. 4*, *Noticee no. 5*, *Noticee no. 7* and *Noticee no. 8* that the first leg of order placement was ahead of the order placement of the Big Client; and the second leg (reversal of first

trade) of such order was in sync with the order placement of the Big Client and in the process the aforesaid *Noticees* were successful in generating quick profits . Such a clearly identifiable profit generating trades were found to have been executed in 433 scrip days (426 scrip days in cash segment and 7 scrip days in F&O segment) by the aforesaid *Noticees* as depicted herein below:

Table no. 28

Entity	Equity Segment					Equity Derivative Segment				
	Calendar days	No of instances	Gross Traded Value (INR in Lakh)	Average Gross Traded Value (INR in Lakh)	Square off earned (INR in Lakh)	Calendar days	No of instances	Gross Traded Value (INR in Lakh)	Average Gross Traded Value (INR in Lakh)	Square off earned (INR in Lakh)
N 2	13	18	1430.92	79.5	4.68	1	1	93.86	93.86	0.14
N 3	43	67	9370.62	139.86	24.86	0	0	0	0	0
N 4	66	115	13733.68	119.42	31.57	0	0	0	0	0
N 5	64	163	17188.32	105.45	46.6	0	0	0	0	0
N 7	41	63	7938.26	126	20.23	2	3	337.2	112.4	1.07
N 8	0	0	0	0	0	3	3	154.03	51.34	1
Total	227	426	49661.8	570.23	127.94	6	7	585.09	257.6	2.21

N2: Noticee no. 2; N3: Noticee no.3; N4:Noticee no. 4; N5: Noticee no. 5, N7: Noticee no. 7;

N8:Noticee no. 8

90. Further, the trades of *Noticee no. 2*, *Noticee no. 3* and *Noticee no. 4* are admittedly placed by the *Noticee no. 2*, who has admitted about the receipt of information of impending trades of the Big Client from the *Noticee no. 1*.

91. It has been elaborated in Table no. 20 that the login of Terminal FORT 24 was made on multiple days from the house of the *Noticee no. 2*. When the said information pertaining to login of Trading Terminal is considered in conjunction with the three images (Image no. 5, Image no. 6 and Image no. 7), it becomes *prima facie* apparent

that it was the *Noticee no. 2*, who was placing the trades in the account of *Noticee no. 5* (Benzer Department Stores Private Limited).

92. Insofar as the trades of *Noticee no. 7* and *Noticee no. 8* are concerned, I *prima facie* observe that when the **Buy-Buy-Sell** or **Sell-Sell-Buy** pattern of trades is seen in the backdrop of confessional statement of the *Noticee no. 2* and the frequent calls exchanged between *Noticee no. 2* and *Noticee no. 7*, it becomes apparent that such trades were also result of the passing of information of impending trades of the Big Client by *Noticee no. 1* to *Noticee no. 2*.

93. To sum up the *prima facie* findings that the *Noticee no. 1* was working as a dealer with ABC Securities Limited, which was having the Big Client as one of its clients. Though there are checks and balances which restrict a dealer to have communication with outside world while working in office, however, the said checks got diluted when everyone had to work from home due to Covid-19. Taking advantage of such a liberty, the *Noticee no. 1* started sharing the information about the impending orders of the Big Client with the *Noticee no. 2* (through Telegram Chats), who took advantage of the said information to make unlawful profits in the accounts of *Noticee no.3*, *Noticee no. 4*, *Noticee no. 5*, *Noticee no. 7*, *Noticee no. 8* and himself. The profits that accrued in the account of *Noticees nos. 2, 3, and 4*, by such trades were shared with the *Noticee no. 1*, in cash form. It is also noticed that the *Noticee no. 2* has admitted to have executed trades in the accounts of his family members, however, he remained silent about the placement of trades in the account of the *Noticee no. 5*, *Noticee no. 7* and sharing of information with *Noticee no. 8*. Though, such sharing has been *prima facie* established based on digital footprints of IP address and logical inferences, as discussed earlier. Thus, empowered with the information about the impending orders of the Big Client, the *Noticee no. 2* not only unlawfully enriched himself and his family

entities, but also extended the benefits to *Noticee no. 5*, *Noticee no. 7* and *Noticee no. 8*.

94. In the earlier part of the order, I have referred to the deposition made by *Noticee no. 6* and *Noticee no. 8*, where both of them have unanimously stated that the order placement in the accounts of the *Noticee no. 5* (Benzer) was being done from the office of the *Noticee no. 7* only. However, the said statements are contradictory to the aforesaid digital data of IP address. Thus, both of them have not furnished true and correct information and have in fact not only made a false statement on oath, with respect to the trade placement in the account of the *Noticee no. 5* but amounting to furnishing wrong and incomplete information.

95. Resultantly, the defence that was sought to be created by *Noticee no. 6* and *Noticee no. 8* has *prima facie* been rebutted by the third party independently verifiable evidence as it has been observed that the trades in the accounts of *Noticee no. 5* were placed from the house of *Noticee no. 2* only and not from the office of the *Noticee no. 7*.

J. EXAMINATION OF LEGAL ISSUES TO DETERMINE IF THERE IS A VIOLATION

96. The term “front running” is defined under SEBI’s Circular no. CIR/EFD/1/2012 dated May 25, 2012. While referred to the said definition, and other definitions of front running, the Hon’ble Supreme Court in the matter of in the matter of *SEBI Vs. Shri Kanaiyalal Baldevbhai Patel and ors.* [(2017) 15 SCC 1] observed as:

...17. SEBI has defined front-running in one of its circular (CIR/EFD/1/2012 dated May 25, 2012) in the following manner-

Front-running; for the purpose of this circular, front running means usage of non-public information to directly or indirectly, buy or sell securities

or enter into options or futures contracts, in advance of a substantial order, on an impending transaction, in the same or related securities or futures or options contracts, in anticipation that when the information becomes public; the price of such securities or contracts may change.

....

19. In actuality, front-running is more complicated than these definitions suggest. It comprises of at least three forms of conduct. They are: (1) trading by third parties who are tipped on an impending block trade ("tippee" trading); (2) transactions in which the owner or purchaser of the block trade himself engages in the offsetting futures or options transaction as a means of "hedging" against price fluctuations caused by the block transaction ("self-front-running"); and (3) transactions where a intermediary with knowledge of an impending customer block order trades ahead of that order for the intermediary's own profit ("trading ahead")...."

97. Based on the afore-quoted judgment, the following may be listed as ingredients to classify a trading activity as front running:

- I. There is existence of an information regarding a substantial order on behalf of a Big Client in a particular security, and such information is not available publicly;
- II. Based on such information about impending orders of Big Client, order (s) is/are placed in the account of Front Runner ("**FR Order**") in the securities in advance of the order (s) of the Big Client. The FR order is placed in alignment with the

order of Big Client: if the Big Client is going to buy securities, the FR order will also be of buying shares and vice versa.

III. The placement of the buy orders of Big Client causes the prices of the scrip to move upward or the sell orders of the Big Client causes the price to move downwards.

IV. During the time of placement of orders of the Big Client, the Front Runner squares off his position and earns the difference in price which is majorly attributable to the orders of the Big Client.

98. To summarise, when Big Client is going to buy shares, the Front Runner follow a pattern of **Buy-Buy-Sell**, where first Buy trades are carried out in the account of Front Runner; second set of Buy trades are carried out in the account of Big Client causing the prices to move upward and the third set of Sell trades are squaring off the position by Front Runner. Similarly, in **Sell-Sell-Buy** pattern, the Front Runner first short sells the shares before sell orders of Big Client are placed in the system and eventually buys the shares and earns profit.

99. The Front Running activity can either be carried out in cash segment or may also be carried out in the derivatives (Futures and Options) segment. Following the patterns explained above, the Front Runner may take a long position (in case of **Buy-Buy-Sell** pattern) or may take a short position (in case of **Sell-Sell-Buy** pattern).

100. When the examination of trades carried out in the earlier part of this order is considered with a lens of the definition of front running elaborated above, I hold, *prima facie*, that the trades executed in the accounts of *Noticees nos. 2, 3,4,5,7 and 8* were in the nature of front running of the trades of the Big Client. It may be emphasised that the trading patterns showing identifiable patterns of **Buy-Buy-Sell** or **Sell-Sell-Buy** trades are themselves sufficient to *prima facie* hold such trades as front running,

however, the present case has other direct evidence in form of confessional statement of the *Noticee no. 2* and corroborative evidence in term of Telegram chats, phone calls, digital footprints of IP address etc.

101. Having examined the trades executed in the account of *Noticees nos. 2, 3,4,5,7* and *8*, where it has been observed with strong evidences that trades in the above mentioned *Noticees* account were in the nature of front running the trades of the Big Client, it become imperative now to make a further examination as to whether the acts on the part of *Noticees* can *prima facie* be in violation of provisions of sub-section (3) of section 11C, clauses (a), (b), (c) and (e) of section 12A of the Securities and Exchange Board of India Act, 1992 and clauses (a), (b), (c), (d) of regulation 3, sub-regulation (1) of regulation 4 and clause (q) of sub-regulation (2) of regulation 4 read with clause (c) of sub-regulation (1) of regulation 2 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003, (**PFUTP Regulations**) as well as clauses (a) and (b) of sub-regulation (1) of regulation 8 of PFUTP Regulations. In case the answer to the above in affirmative, it is to be examined whether the facts of the matter warrant an urgent action while exercising power bestowed under the different provision of section 11, section 11B of SEBI Act and clause (d) of sub-regulation 1 of regulation 11 of PFUTP Regulations. Before proceeding further, it is necessary to go through the relevant provisions of law which are reproduced here under for reference:

SEBI Act, 1992

Functions of Board.

11. (1) Subject to the provisions of this Act, it shall be the duty of the Board to protect the interests of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit.

11 (4) Without prejudice to the provisions contained in sub-sections (1), (2), (2A) and (3) and section 11B, the Board may, by an order, for reasons to be recorded

in writing, in the interests of investors or securities market, take any of the following measures, either pending investigation or inquiry or on completion of such investigation or inquiry, namely: —

...

(d) impound and retain the proceeds or securities in respect of any transaction which is under investigation;

....

(4A) Without prejudice to the provisions contained in sub-sections (1), (2), (2A), (3) and (4), section 11B and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.

Power to issue directions and levy penalty.

11B. (1) Save as otherwise provided in section 11, if after making or causing to be made an enquiry, the Board is satisfied that it is necessary, —

(i) in the interest of investors, or orderly development of securities market; or

(ii) to prevent the affairs of any intermediary or other persons referred to in section 12 being conducted in a manner detrimental to the interest of investors or securities market; or

(iii) to secure the proper management of any such intermediary or person, it may issue such directions,—

(a) to any person or class of persons referred to in section 12, or associated with the securities market; or

(b) to any company in respect of matters specified in section 11A, as may be appropriate in the interests of investors in securities and the securities market.

Explanation.—For the removal of doubts, it is hereby declared that the power to issue directions under this section shall include and always be deemed to have been included the power to direct any person, who made profit or averted loss by indulging in any transaction or activity in contravention of the provisions of this Act or regulations made thereunder, to disgorge an amount equivalent to the wrongful gain made or loss averted by such contravention.

(2) Without prejudice to the provisions contained in sub-section (1), sub-section (4A) of section 11 and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.

11 C(3) The Investigating Authority may require any intermediary or any person associated with securities market in any manner to furnish such information to, or produce such books, or registers, or other documents, or record before him or any person authorised by it in this behalf as it may consider necessary if the furnishing of such information or the production of such books, or registers, or other documents, or record is relevant or necessary for the purposes of its investigation.

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control

Section 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.

(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;

....

(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;

Delegation.

19. The Board may, by general or special order in writing delegate to any member, officer of the Board or any other person subject to such conditions, if any, as may be specified in the order, such of its powers and functions under this Act (except the powers under section 29) as it may deem necessary.

Contravention by companies.

27. (1) Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company, every person who at the time the contravention was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such contravention.

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.*

And “fraudulent” shall be construed accordingly;

Nothing contained in this clause shall apply to any general comments made in good faith in regard to—

- (a) the economic policy of the government*
- (b) the economic situation of the country*
- (c) trends in the securities market or*
- (d) any other matter of a like nature whether such comments are made in public or in private;*

Prohibition of certain dealings in securities

Regulation 3. 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 thereunder;

(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 thereunder. Prohibition of manipulative, fraudulent and unfair trade practices

Regulation 4 (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

Regulation 4 (2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves—

...(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;

Duty to co-operate, etc.

8.(1) It shall be the duty of every person in respect of whom an investigation has been ordered under regulation 5—

(a) to produce to the Investigating Authority or any person authorized by him such books, accounts and other documents and record in his custody or control and to furnish such statements and information as the Investigating Authority or the person so authorized by him may reasonably require for the purposes of the investigation;

(b) to appear before the Investigating Authority personally when required to do so by him under regulation to answer any question which is put to him by the Investigating Authority in pursuance of the powers under the said regulations.

11. (1) The Board may, without prejudice to the provisions contained in sub-sections (1), (2), (2A) and (3) of section 11 and section 11B of the Act, by an order, for reasons to be recorded in writing, in the interests of investors and securities market, issue or take any of the following actions or directions, either pending investigation or enquiry or on completion of such investigation or enquiry, namely:—

....

(d) impound and retain the proceeds or securities in respect of any transaction which is in violation or prima facie in violation of these regulations;

102. As noted above that in case the records indicate violation of aforesaid provisions, it will be required to be examined whether sufficient grounds are present necessitating issuance of interim directions under sub-sections (1) and (4) of section 11, and sub-section (1) of section 11B of the SEBI Act.

103. I note that the clauses (a), (b) and (c) of section 12A of the SEBI Act, 1992 and regulations 3 and 4 quoted above, prohibit:

- i. dealing in securities which is manipulative, fraudulent or an unfair trade practice.
- ii. use of or employment of any manipulative or deceptive device or contrivance, in contravention of the provisions of the SEBI Act or rules or regulations;
- iii. employment of any device scheme or artifice to defraud;
- iv. engagement in any act, practice, course of business which operate/would operate as fraud or deceit upon any person in contravention of the provisions of the SEBI Act or rules or regulations;

- v. dealing in securities while in possession of material or non-public information or communicate such material or non-public information to any other person in contravention of the provisions of the SEBI Act or rules or regulations; or

104. Further, clause (q) of sub-regulation (2) of regulation 4 of PFUTP Regulations (quoted earlier) stipulates that any order of securities placed by a person while directly/indirectly in possession of an information pertaining to a substantial impending transaction in such securities, to be fraudulent.

105. In the present case, it has been elaborated in detail based on factual evidence as to how the *Noticee no. 1* has *prima facie* devised a scheme in connivance with the *Noticee no. 2*, where the *Noticee no. 1* was passing the non-public or material information about the impending order of the Big Client, which was client of its employer (a registered stock broker) to the *Noticee no. 2*. Such material or non-public information of the impending trades of the Big Client was utilised by the *Noticee no. 2* to take position in the same scrip ahead of the Big Client and pass on the same to the *Noticee no. 8*. As and when the orders on behalf of the Big Client containing large quantities were placed, the initial position taken in the accounts of *Noticee no. 2*, *Noticee no. 3*, *Noticee no. 4*, *Noticee no. 5*, *Noticee no. 7* and *Noticee no. 8* were squared off generating profits in quick span of time. In this regard, as per his own admission, the *Noticee no. 2* followed such a *prima facie* fraudulent practice in his account, account of his wife, account of his HUF. Further, based on the technical evidence, it has been *prima facie* noticed that the trades in the nature of front running were also additionally executed in the accounts of *Noticee no. 5* and *Noticee no. 7* by the *Noticee no. 2* and front running trades have also been observed in the accounts of the *Noticee no. 8* as well. The investigation has also brought out evidence about

the sharing of unlawful profits between *Noticee no. 1* and *Noticee no. 2* in cash transactions. All the acts on the part of *Noticees* elaborated in the present order indicates towards the scheme that was crafted for personal gains and to defraud the investors, as the information pertaining to the impending transactions of the Big Client was encashed to make unlawful gains in the accounts of *Noticee no. 2*, *Noticee no.3*, *Noticee no. 4*, *Noticee no. 5*, *Noticee no. 7* and *Noticee no. 8*.

106. In view of the analysis of the facts of the present case, I hold that there is a *prima facie* case of manipulative, fraudulent and unfair trade practice carried out by *Noticees* which resulted in accrual of unlawful gains of INR 1.30 Crore (approx.) in the accounts of *Noticee no. 2*, *Noticee no.3*, *Noticee no. 4*, *Noticee no. 5*, *Noticee no. 7* and *Noticee no. 8* collectively. The analysis carried out in the present order backed by evidence leads to a *prima facie* conclusion that the violation of clauses (a), (b), (c), (e) of section 12 A and clauses (a), (b), (c), (d) of regulation 3, sub-regulation (1) of regulation 4, clause (q) of sub-regulation (2) of regulation 4 of PFUTP Regulations have been committed by the *Noticees* herein as under:

- i. The *Noticees* have employed fraudulent/manipulative or deceptive device or contrivance, in contravention of the provisions of the SEBI Act, 1992 and PFUTP Regulations.
- ii. The *Noticees* have employed a device/scheme or artifice to defraud investors and for that they have engaged in act, practice, course of business which operated as fraud or deceit upon investors in contravention of provisions of the SEBI Act, 1992 and PFUTP Regulations quoted above.
- iii. The *Noticees* have dealt in securities, while in possession of material or non-public information in the form of advance information about the impending orders of the Big Client, which was communicated by the

Noticee no. 1 to Noticee no. 2 which in turn was utilized for executing front running trades in his account as well as accounts of Noticee no.3, Noticee no. 4, Noticee no. 5, Noticee no. 7 and Noticee no. 8.

- iv. The dealing in securities by the aforesaid *Noticees* in manner as elaborated in the present order is fraudulent or an unfair trade practice and was in the nature of front running of the orders of the Big Client.

107. I note that in a similar matter (*Madhu Chanda and others Vs. SEBI, Appeal no. 335 of 2023, Date of decision: October 30, 2023*) involving front running in multiple accounts, the Hon'ble SAT has *inter alia* observed as:

“...We find that the very nature front running refers to an extremely precise trading activity which is impossible to achieve unless the front runner had access to the non-public information about the impending orders of the Big Client (in this case the, Sterling group). For this reason, matching of common scrip days, common percentage of shares, precise matching of price by the front runner with the Big Client, earning significant amounts of profits on common scrip days with the Big Client when compared to non-common scrip days are all extremely strong indicators that the front runners were placing its orders ahead of and in tandem with the large orders of the Big Client in order to make gains for themselves. Thus, due to the trading based on prior information of trades of the Sterling group, the front runners and the entities who facilitated them gained unlawfully and caused loss to other investors / deprived the investors from profits.

...We find that a sample analysis of the trades placed in the accounts of each of the front runners vis-a-vis the trades in the account of the respective Sterling group entity has been carried out meticulously in the WTM order as well as the respective AO orders which clearly establish the manner in which the front running trades were carried out.

108. I further note that the Hon'ble Supreme Court in a recent judgment⁴, while dealing with an issue of economic offences, has underscored the use of technology by offenders and challenges posed by it for the investigating agencies. In exact words, the Hon'ble Court held as:

⁴*Tarun Kumar Vs. Assistant Director Directorate of Enforcement (2023 INSC 1006)*

“With the advancement of technology and Artificial Intelligence, the economic offences like money laundering have become a real threat to the functioning of the financial system of the country and have become a great challenge for the investigating agencies to detect and comprehend the intricate nature of transactions, as also the role of the persons involved therein. Lot of minute exercise is expected to be undertaken by the Investigating Agency to see that no innocent person is wrongly booked and that no culprit escapes from the clutches of the law.”

109. In the present case, based on the digital footprint in form of IP address, it has been revealed that the *Noticee no. 2* was executing trades in the accounts of *Noticee no. 5*. Thus, the technology has helped the investigative process, without which it would have been a little difficult to expose the well -knit scheme of executing trades in multiple accounts.

110. I have earlier recorded in paragraph no. 94 that *Noticee no. 6* and *Noticee no. 8* have made false statements on oath regarding placement of orders in the account of *Noticee no. 5*. It has been established that the orders in the account of *Noticee no. 5* were placed from the residential premises of the *Noticee no. 2*. However, both *Noticee no. 6* and *Noticee no. 8* asserted during the statement that the orders in the account of the *Noticee no. 5* were placed through phone calls or by *Noticee no. 6* by physically visiting the office of CHL Stock Concepts Pvt. Ltd. Thus, by making false statement on oath, *Noticee no.6* and *Noticee no. 8* have *prima facie* violated clause (1) of section 11 C of the SEBI Act, 1992 read with clause (a) and (b) of sub-regulation (1) of regulation 8 of PFUTP Regulations. The text of the said provisions is already quoted under para 101 above.

111. On the basis of examination of evidences collected during the investigation, I *prima facie* hold that:

- i. The *Noticee no. 1* in connivance with the *Noticee no. 2* was involved in front running the trades of the Big Client. For the said purpose, apart from trading in his own account, the *Noticee no. 2* has admittedly used the accounts of *Noticee no.3* and *Noticee no. 4*. Further, based on the digital footprints, the front running trades in the account *Noticee no. 5* are also found to have been placed from the residential address of *Noticee no. 2*. Insofar as the *Noticee no. 7* is concerned, it has been found that majority of front running trades have been executed in its account held with the *Noticee no. 2*, and such trades were executed from the same CTCL terminal from which the majority of the front running trades of *Noticee no. 2*, *Noticee no.3* and *Noticee no. 4* were also placed. Furthermore, few of the trades in the accounts of *Noticee no. 8* also indicate that the same are also in the nature of front running of trades of the Big Client.
- ii. *Noticee no.3* (wife of *Noticee no. 2*) provided the login credentials of her trading account to the *Noticee no. 2* and further, the login credentials of dealer of *Noticee no. 5* were also available with the *Noticee no. 2*, enabling *Noticee no. 2* to execute the front running trades in their account for their personal enrichment.
- iii. The said acts on the part of the *Noticees* are deemed to be fraudulent in terms of clause (c) of sub-regulation (1) of regulation 2 of PFUTP Regulations and is violative of clauses (a), (b), (c) and (e) of section 12 A of the SEBI Act, 1992 read with clauses (a), (b), (c), (d) of regulation 3, sub-regulation (1) of regulation 4 and clause (q) of sub-regulation (2) of regulation 4 of PFUTP Regulations.
- iv. Further, by making false statement on oath, the *Noticee no. 6* and *Noticee no. 8* have violated sub-section (3) of section 11C of the SEBI Act, 1992

and clauses (a) and (b) of sub-regulation (1) of regulation 8 of PFUTP Regulations.

K. Need for interim ex-parte order

112. I have already held that the acts imputed in the present order on *Noticees* are in violation of various provisions of the SEBI Act, 1992 and the PFUTP Regulations, now it would be important to examine as to whether this interim ex-parte order is required to be passed. I note that sub-section (4) of section 11 and section 11B (reproduced at paragraph 101) allow SEBI to restrain persons from accessing the securities market and prohibit any person associated with securities market to buy, sell or deal in securities and to issue “such directions as may be necessary” in the interest of investors of the securities market. The evidence of the present case speaks volume about the intricate design that was at play, when the Big Client, unaware of the conduct of the *Noticee no. 1* was instructing him to execute trades on its behalf and such instructions, were *prima facie* encashed by the *Noticee no. 1* by sharing the same to the *Noticee no. 2*. When the information reached the *Noticee no. 2*, he acted in a systematic manner and trades were executed in different accounts which cumulatively generated unlawful profits (INR 1.30 Crore approx.).

113. It is noted that a duty has been cast upon SEBI under section 11 to protect the interests of investors in securities and to promote the development of and to regulate the securities market. All the afore-quoted objects are equally crucial for growth of the securities market. It is also noticed that any kind of manipulative activities by a person or group of persons have impact on the securities market as a whole. Therefore, it becomes essential that the investors and the securities market are protected from the manipulative and unfair trade practices relating to securities market and SEBI has been empowered to take any measures, as it deems fit to achieve the mandate. The

PFUTP Regulations have been framed with an objective of preventing fraudulent and unfair trade practices relating to securities market, which will aid in achieving the mandate of investor protection, regulation and development of securities market.

114. A *prima facie* case of violation of various provisions of the SEBI Act, 1992 and PFUTP Regulations has already been made out against *Noticees* which is largely backed by the factual data and confessional statement. I observe that the association of the *Noticees* to the securities market, their overall conduct and the manner in which they have used technology to cover their tracks, necessitate to take emergent actions to protect the integrity of the securities market, so that the interest of the investors is not jeopardised. Further, at this stage, I also note the following factors:

- I. All the *Noticees* are closely associated with the securities market. While the *Noticee no. 1* was acting as a dealer with a Stock Broker, *Noticee no. 2* and *Noticee no. 7* are Authorised Persons with different Stock-Brokers. *Noticee no. 3*, and *Noticee no. 4* are family entities of the *Noticee no. 2* and all their trading decisions have been taken by the *Noticee no. 2*. *Noticee no. 5* is an investor/trader with *Noticee no. 6* as its Director, managing its trading in securities market. *Noticee no. 8* is a Director of the *Noticee no. 7* managing its day to day affairs. Both *Noticee no. 6* and *Noticee no. 8* have not remained truthful during the investigation process of SEBI and have gone to the extent of making false statements on oath, just to save themselves from the enforcement actions of SEBI.
- II. The *Noticee no. 1* has *prima facie* misused his official position by sharing the information that was received by him which he was under an obligation to keep confidential. However, as observed, in order to make profits out of such information, the *Noticee no. 1* passed the said information to the

Noticee no. 2, who promptly used the information to extract profits by *prima facie* front running the trades of the Big Client. The *Noticee no. 1* acted as a Tipper and the *Noticee no. 2* was the Tippie in the present case, who distributed the benefits to multiple account in his family (*Noticee no. 3*, *Noticee no. 4* and himself) and also beyond his family (*Noticee no. 5*, *Noticee no. 7* and *Noticee no. 8*).

- III. The trading activities which are *prima facie* swarmed with illicit design, were repeatedly carried out for long period of time.
- IV. The concerned *Notices* were able to generate large amount of profits (INR 1,30,15,856.95) which is *prima facie* found to be unlawful, which may be siphoned off beyond regulatory reach, if immediate steps are not taken.
- V. Further, I have considered other factors like the nexus that the *Notices* have with each other; the use of technology by them to share information; the admitted position of sharing profits of large amounts in cash. Considering all these factors, it becomes imperative for SEBI to protect the unlawful gains made by the *Notices*, which may be liable for disgorgement in the final proceedings.

115. I seek to place reliance on the order of the Hon'ble Securities Appellate Tribunal, passed in the matter of *Amalendu Mukherjee Vs. SEBI (Appeal (L) no. 169 of 2020)*, wherein the Hon'ble Tribunal has underscored the necessity of passing impounding orders by *inter alia* observing as:

"We are of the opinion that the WTM is empowered under the SEBI Act and the Regulations to pass an ex-parte order in order to protect the interests of securities market and the investors. If such impounding order is not passed, it may result in defeating the ultimate direction of disgorgement if

any, as there would be chances of such monies being dissipated by the appellant. ...”.

116. Based on the foundation of factors quoted above and in totality of the facts of the present case, I am compelled to invoke the provisions under sub-section (1) of section 11, clause (d) of sub-section (4) of section 11, section 11B of the SEBI Act, 1992 and clause (d) of sub-regulation (1) of regulation 11 of PFUTP Regulations, to hold that it is a fit case for passing interim order and to impound the proceeds of *prima facie* unlawful gains made by the *Noticees*.

L. Joint and several liability

117. Having held that the in the facts of the present case, invocation of powers to issue interim order is necessitated, the next issue that deserves consideration is fixing of liability for impounding of unlawful gains which accrued due to deployment of fraudulent scheme by *Noticees*. In this connection, I note that the explanation to sub-section (1) of section 11B of the SEBI Act, 1992 *inter alia* empowers SEBI to issue directions to any person, for disgorgement of wrongful gains made by him, by contravention of any provision of the SEBI Act or the regulations made thereunder.

118. In order to fix the liability of the respective entities, it is noted that the *Noticee no. 1* was instrumental in supplying the information about the impending trades of the Big Client to *Noticee no. 2* and such information was utilised to execute front running trades in the accounts of *Noticee no. 2*, *Noticee no.3*, *Noticee no. 4*, *Noticee no. 5*, *Noticee no. 7* and *Noticee no. 8*.

119. It has also been noted that the *Noticee no. 2* has admitted about the trades executed in his account as well as the accounts of his family entities and has also admitted sharing profits accruing out of such front running trades with the *Noticee no.*

1. All such acts have been *prima facie* found to be in violation of various provisions of SEBI Act, 1992 and PFUTP Regulations. Thus, apart from the respective *Noticees* (*Noticee no.2, Noticee no. 3 and Noticee no. 4*) in whose account the unlawful profit accrued, the *Noticee no. 1* and *Noticee no. 2* played active role for generation of the unlawful gains, making them liable jointly and severally for impounding, with the respective *Noticee* in whose account the profit accrued.

120. Insofar as the *Noticee no. 5* and *Noticee no. 7* are concerned, it has already been *prima facie* held that the trades in their accounts were also in the nature of front running of the trades of the Big Client, and were thus violative of various provisions of SEBI Act and PFUTP Regulations. It is further seen that the *Noticee no. 6* was the Director of *Noticee no. 5*, and the *Noticee no. 8* was Director of *Noticee no. 7*, and both of them were in-charge of and responsible for the alleged act of front running executed in the accounts of the respective companies. Therefore, for the respective unlawful profits that accrued to the *Noticee no. 5* and the *Noticee no. 7*, *Noticee no. 6* and *Noticee no. 8* are liable to be proceeded against and held jointly and severally liable with their respective companies, by virtue of sub-section (1) of section 27 of the SEBI Act, 1992.

121. Therefore, I hold that for the unlawful gains that accrued to the *Noticee no. 5*, both *Noticee no. 5* and *Noticee no. 6* are jointly and severally liable for impounding, and for the unlawful gains that accrued to the *Noticee no. 7*, both *Noticee no. 7* and *Noticee no. 8* are jointly and severally liable for impounding of such unlawful gains.

122. In view of the aforesaid discussion, I hold that the *Noticees* to be jointly and severally liable for impounding of unlawful profits in the following manner:

Table no. 29

Sr. No.	Profit earned by Noticee	Amount of profit (INR)	Entities jointly and severally liable for impounding of wrongful gains
1.	Noticee no. 2	4,82,125.00	Noticee no. 2 and Noticee no. 1
2.	Noticee no. 3	24,86,789.00	Noticee no. 3, Noticee no. 1 and Noticee no. 2
3.	Noticee no. 4	31,56,509.00	Noticee no. 4, Noticee no. 1 and Noticee no. 2
4.	Noticee no. 5	46,60,297.60	Noticee no. 5 and Noticee no. 6
5.	Noticee no. 7	21,30,493.85	Noticee no. 7 and Noticee no. 8
6.	Noticee no. 8	99,642.50	Noticee no. 8
	TOTAL	1,30,15,856.95	

M. Interim order

123. Thus, after analysing all the evidences on record I hold that this is a fit case to exercise powers of passing interim impounding order so as to insulate the securities market and to protect the unlawful gains, which may be beyond regulatory reach. Accordingly, I, in exercise of the powers conferred upon me under sub-section (1) of section 11, clause (d) of sub-section (4) of section 11, sub-section (1) of section 11B read with section 19 of the SEBI Act, 1992 read with clause (d) of sub-regulation (1)

of regulation 11 of PFUTP Regulations, hereby by way of the present *interim* order cum show cause notice, issue the following directions, which shall remain in force until further orders:

- I. The *Noticees* are restrained from buying, selling or dealing in securities, either directly or indirectly, in any manner whatsoever until further orders.
It is clarified that the restraint imposed above shall be operative only against the Proprietary Trades of *Noticee no. 2* and *Noticee no. 7* and is not applicable on the trading of their clients.
- II. If the *Noticees* have any open position in any exchange traded derivative contracts, as on the date of the order, they can close out /square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier. The *Noticees* are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order.
- III. The *Noticee no. 1* is hereby restrained from associating himself with any intermediary registered with SEBI, in any capacity till further orders.
- IV. An amount of INR 1,30,15,856.95 being the total unlawful gain earned from the alleged front running activities is impounded, jointly and severally in manner provided under Table no. 29.
- V. *Noticees* mentioned in Table no. 29 above are directed to credit/deposit jointly/severally the aforesaid amount of unlawful gains to an interest bearing Escrow Account created specifically for the purpose in a Nationalized Bank within 15 days from the date of service of this order. The above *Noticees* shall create Escrow Account(s) with Lien in favour of SEBI

and the amount kept therein shall not be released without permission from SEBI.

- VI. Banks where the *Noticees* are holding bank accounts are directed that no debits shall be made, without permission of SEBI, in respect of the bank accounts held jointly or severally by the *Noticees*, except for the purposes of transfer of funds to the Escrow Account. Further, the Depositories are also directed that no debit shall be made, without permission of SEBI, in respect of the demat accounts held by the aforesaid persons. However, credits, if any, into the accounts maybe allowed. Banks and the Depositories are directed to ensure that all the aforesaid directions are strictly enforced. Further, debits in the bank accounts may also be allowed for amounts available in the account in excess of the amount to be impounded. Banks are allowed to debit the accounts for the purpose of complying with this Order.
- VII. The Registrar and Transfer Agents are directed to ensure that, they neither permit any transfer nor redemption of securities, including Mutual Funds units, held by the *Noticees*.
- VIII. The *Noticees* are directed not to dispose of or alienate any of their assets/properties/securities, till such time the amount of unlawful gain is credited to an Escrow Account except with the prior permission of SEBI.
- IX. The *Noticees* are further directed to provide a full inventory of all their assets whether movable or immovable, or any interest or investment or charge in any of such assets, including property, details of all their bank accounts, demat accounts, holdings of shares/securities if held in physical form and mutual fund investments and details of companies in which they

hold substantial or controlling interest immediately but not later than 15 working days of this Order.

124. The *prima facie* observations/findings contained in this Order are made on the basis of the material available on record. In light of the alleged violations of the provisions of the SEBI Act, 1992 and PFUTP Regulations by the *Noticees*, this Order shall be treated as a Show Cause Notice under sub-section (1) of section 11, clause (d) of sub-section (4) of section 11, sub-section (4A) of section 11, sub-section (1) of section 11B, and sub-section (2) of section 11B of the SEBI Act, 1992 read with clause (d) of sub-regulation (1) of regulation 11 of PFUTP Regulations read with SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005, calling upon them to show cause as to why certain directions shall not be passed against them, as proposed hereunder:

- a. Direction to disgorge an amount equivalent to the total gains made on account of alleged front running along with interest;
- b. Direction to restrain them from accessing the securities market and prohibiting them from buying, selling or otherwise dealing in securities for an appropriate period; and
- c. Directions for imposition of penalty under sub-section (4A) of section 11 and sub-section (2) of section 11B read with section 15HA of the SEBI Act, 1992 against all *Noticees*.
- d. Directions for imposition of penalty under sub-section (4A) of section 11 and sub-section (2) of section 11B read with clause (a) of section 15A of the SEBI Act, 1992 against *Noticees nos. 6 and Noticee no. 8*.

125. The *Noticees* may file their replies to SEBI within 21 days from the date of receipt of this Order and avail an opportunity of personal hearing in the matter, if they so desire.

126. This Order is without prejudice to any other action that SEBI may initiate under the securities laws, as deemed appropriate.

127. This Order shall come into force with immediate effect and shall be in force till further Orders.

128. A copy of this Order shall be forwarded to the *Noticees*, the Stock Exchanges, Depositories, Registrar and Share Transfer Agents and Banks to ensure necessary compliance.

129. A copy of this order is also being sent to the Big Client, ABC Securities Limited, XYZ Broking Limited and YYY Securities Limited, enabling them to take appropriate actions for strengthening their internal controls to prevent occurrence of violations noted in the present Order.

-Sd-

KAMLESH C. VARSHNEY

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA

PLACE: MUMBAI

DATE: APRIL 26th, 2024