BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO: Order/SBM/VS/2022-23/16307)

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

In respect of:
Mr. Bhavesh Gadhavi
(PAN No.: AMMPG4969Q)
31, Himalaya Co-op Housing Society,
3rd Floor, Sahar Road, Andheri (E),
Mumbai-400069

In the matter of
Front–Running by Manish Chaturvedi & Others

FACTS OF THE CASE

1. Securities and Exchange Board of India ('**SEBI**') had received two reports dated October 11, 2010 and January 31, 2011, respectively, from the National Stock Exchange ('**NSE**'), *inter alia*, mentioning alleged front-running trading activity by certain persons/entities in respect of the trades of about 10 companies/entities (hereinafter referred to as '**the Sterling Group**') during the period January 1, 2010 to December 15, 2010. Thereafter, SEBI received three more Reports dated May 31, 2010, October 29, 2010 and March 14, 2011, respectively, from NSE, on the suspected front-running trading activity by Ms Laxmi Chaturvedi and Mr Bhavesh Gadhavi (who were allegedly connected to each other), of the trades of the Sterling Group during the period May 31, 2010 to March 14, 2011. Upon analysis of the aforementioned Reports received from NSE, an investigation was conducted by SEBI in the matter for the period from March 1, 2009 to March 31, 2011 (hereinafter referred to as **'Investigation Period'**). The investigation conducted by SEBI focused on the front-running of the trades of the Sterling Group by several persons/entities. As the same set of entities were also observed to be trading in considerable volumes on the Bombay Stock Exchange ('**BSE'**), the trades of these entities on BSE were also examined by SEBI. The investigation conducted by SEBI revealed that several persons/entities were involved in the front running of the trades of the Sterling Group. The persons/entities relevant to the case have been broadly segregated into the following three sub-groups:-

a. 9 entities viz. Mr. Bhavesh Gadhavi ('**Bhavesh'/'Noticee**'), E Ally Consulting India Pvt. Ltd. ('**E-Ally'**), Josh Trading Pvt. Ltd. ('**Josh**'), Ms. Laxmi Chaturvedi ('**Laxmi**'), Pinky Auto Finance Ltd. ('**Pinky**'), Shree Jaisal Electronics & Industries Ltd. (**Jaisal**'), Viraj Mercantile Pvt. Ltd. ('**Viraj'**), Mr. Anandilal Chanda ('**Anandilal**') and Anandilal Chanda HUF ('**Chanda HUF**') were, *prima facie*, observed to be front running the trades of the Sterling Group/ its clients during the period under investigation,

b. 8 persons/entities, viz. Mr. Manish Manoharlal Chaturvedi (**'Manish**'), Mrs. Madhu Chanda ('**Madhu**'), Anandilal, M/s. Sharekhan Limited ('**Sharekhan**'), Mr. Manoharlal Bhaiyalal Chaturvedi ('**Manohar**'), Mr. Abhinandan Ranka ('**Abhinandan**'), Mr. Sandeep Maloo ('**Sandeep**') and Mr. Praveen Kumar Jain ('**Praveen'**) had allegedly aided/ abetted /facilitated in the front running activities of these entities,

c. 10 companies /entities of the Sterling Group whose trades were front-run viz. Abhi Ambi Financial Services Limited, Sterling Futures & Holidays Limited, Ratha Infrastructure Pvt Limited, Baghmar Finlease Pvt Limited, Shanmugha Home Makers Pvt Limited, Siva Trade Consultancy Pvt Limited, Saravana Enterprises, Shanmuga Real Estate & Promoters Pvt Limited, V.S Net Limited and Siva Projects Engineering & Enterprises Limited (Sterling group of companies whose trades were front-run).

2. Pursuant to the investigations by SEBI and in view of the above observations/findings brought out during the course of investigations, SEBI initiated adjudication proceedings against various persons/entities, including the Noticee who were involved in the front running of the trades of the Sterling group under the provisions of section 15HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') for their alleged violation of the provisions of sections 12A(a), (b) and (c) of the SEBI Act read with regulations 3(a), (b), (c), (d) and 4 (1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereafter referred to as '**PFUTP Regulations'**).

APPOINTMENT OF ADJUDICATING OFFICER

3. Ms. Rachna Anand, was initially appointed as the Adjudicating Officer ('**AO'**) in the matter vide communiques dated July 17, 2017 to conduct the adjudication proceedings in the manner specified under Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Adjudication Rules'**) and impose such penalty

on the Noticee, as deemed fit, in terms of Rule 5 of the Adjudication Rules and in terms of Section 15HA of the SEBI Act. Pursuant to transfer of Ms. Rachna Anand, the undersigned was appointed as the Adjudicating Officer in the matter vide order dated May 10, 2018. Upon the receipt of the matter/file from the concerned department, certain clarifications were sought from the concerned department of SEBI w.r.t the communique/appointment of the AO order. The concerned department vide order dated October 03, 2018 modified the communication order w.r.t appointment of AO. Thereafter, pursuant to the transfer of the undersigned to another department of SEBI, Dr. Anitha Anoop was appointed as the Adjudicating Officer in the matter vide order dated March 18, 2019. Subsequently, due to the transfer of Dr. Anitha Anoop, the undersigned was again appointed as the Adjudicating Officer in the matter vide communique dated November 3, 2020.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Show Cause Notice ref. SEBI/EAD-1/AA/ASR/488/2019 dated December 23, 2019 (hereinafter referred to as '**SCN'**) was issued to the Noticee under the provisions of rule 4(1) of the Adjudication Rules to show-cause as to why an inquiry should not be initiated against the Noticee and penalty be not imposed on him under the provisions of section 15HA of the SEBI Act for his alleged violation of the provisions of sections 12A(a), (b) and (c) of the SEBI Act read with regulations 3(a), (b), (c), (d) and 4 (1) of the PFUTP Regulations. The details in respect of the violation committed/ non-compliance by the Noticee in the aforesaid matter and as observed from the SCN are as under:
    a. *Mr. Manish Manoharlal Chaturvedi (Manish): Manish submitted to SEBI that he was involved in research and suggesting scrips for investment/ trading to Sterling Group's management. Manish was generally observed to be placing orders with the brokers on behalf of the Sterling Group after seeking approval from his seniors. As per the submissions of the Sterling Group, Manish was employed with the group from November 03, 2008 to November 08, 2011.*
    b. *Mr. Praveen Kumar Jain (Praveen): Praveen had financial transactions with all 7 frontrunners (i.e., other than Anandilal Chanda, his HUF and Sharekhan) and has facilitated banking transactions for the frontrunners through several entities which claimed to be involved in the business of diamond trading, investment etc. He stays in the same building as Manish did during the investigation period.*
    c. *Mr. Manoharlal Bhaiyalal Chaturvedi (Maniharlal): Manoharlal is father of Manish and he was authorized to deal in the trading account of his wife Laxmi Chaturvedi.*
    d. *Mrs. Laxmi Manoharlal Chaturvedi (Laxmi): Laxmi is Manish's mother and front-running was observed in her account apart from receiving money from Praveen.*

e. *Mr. Bhavesh Gadhavi (Bhavesh): Front-running was observed in his account besides multiple banking transactions with Praveen's companies/ other companies in diamond trade. Bhavesh submitted that his account was misused without his knowledge.*

f. *Mr. Sandeep Maloo (Sandep): Sandeep is a Chartered Accountant by profession and was authorised to place orders in the accounts of E Ally Consulting India Pvt. Ltd. (E Ally) and Pinky Auto Finance Ltd. (PAFL).*

g. *Mrs. Neeta Maloo (Neeta): Neeta is Sandeep's wife, was authorized to trade in Shree Jaisal Electronics & Industries Ltd. (Jaisal) account.*

h. *Mr. Abhinandan Ranka (Abhinandan): Abhinandan was a director and authorized to place orders in the account of Josh and Viraj. He is also a cousin of Praveen.*

i. *Pinky Auto, E Ally, Jaisal Electronics, Viraj Mercantile, Josh Trading: Front running was observed in these accounts apart from multiple banking transactions with companies related to Praveen.*

j. *Mrs. Madhu Chanda (Madhu): Madhu was a dealer of Sharekhan Limited (hereinafter referred to as 'Sharekhan') and submitted that she was heading the branch at second floor at the Lower Parel and was also handling all the accounts of 7 of the front-runners such as Laxmi, Viraj, Josh, PAFL, E Ally, Jaisal and Bhavesh Gadhavi at Sharekhan.*

k. *Mr. Anandilal Chanda (Anandilal): Anandilal (Madhu Chanda's husband) was observed to be front running in his own account, his HUF's account and also in the proprietary account of Sharekhan.*

l. *Vishal Vijay Shah (Vishal): A proprietary firm (registered member of BSE), provided false ledger statements/ documents/ bills for transactions on BSE in the account of Laxmi and Viraj without registering them as clients and without execution of actual trades on BSE.*

m. *It is alleged that three of the Noticees indulged in front running consecutively i.e., Bhavesh Gadhavi indulged in front running during the period July 16, 2009 to April30, 2010, followed by PAFL during the period May 07, 2010 to July 30, 2010 (except on one day i.e. May 17, 2010) and then by E Ally from August 03, 2010 to February 17, 2011.*

n. *It is alleged that the 7 Noticees namely Laxmi, Viraj, Josh, PAFL, E Ally, Jaisal and Bhavesh had, prima facie, front-run Sterling Group and Noticees namely Anandilal and Anandilal Chanda HUF, had front-run clients of Sharekhan during the period March 2009 -March 2011. Further, these entities traded heavily on those scrip days which were common with the Sterling Group vis-à-vis trading in small volumes on the other scrip days. Summary of the client wise total trading activity of each of the front runner during the investigation period is provided at Page 1 of Annexure 7 and a consolidated summary of the same is tabulated below:*

Sr. No.	*Particulars*	*Value*
1	*Total number of scrip days traded by the frontrunners*	*4,001*
2	*Number of scrip days of 1 above - common with Sterling group*	*833*
3	*Total profit on scrip days common with Sterling group*	*₹8,72,00,568*
4	*Total profits on other scrip days (i.e., not common with Sterling group)*	*₹38,82,609*
5	*% of Number of Shares day traded on common scrip days to number of shares day traded during the investigation period*	*84.68%*
6	*% of Matching with the Sterling group compared to total number of share day traded by the frontrunners on common scrip days*	*85.95%*
7	*% of no. of trades matching with Sterling Group with same order price to total no. of trades matched (including +/- ₹0.05 in case of Anandilal Chanda/ his HUF)*	*85.24%*
8	*% of average number of shares per trade with Sterling group to average number of shares per trade with others*	*2,424.14%*
9	*% of average value per trade with Sterling group to average value trade with others*	*2,941.26%*
10	*% of average turnover on scrip days common with Sterling Group to average turnover on other scrip days*	*3,465.75%*
11	*% of average Profit on scrip days common with Sterling Group to average profits on other scrip days*	*8,541.53%*

o. *Therefore, based on the above observations including the voice recording, pattern observed, phone calls between Manish and Madhu, matching of trades with the Sterling Group and the significant difference between the average value/ quantity of trades of the frontrunners that matched with the Sterling Group vis-à-vis the others and the amount of unfair gains earned by them, it is alleged that the trades of the Sterling Group were front-run in seven different accounts viz. Laxmi, Viraj, Josh, PAFL, E Ally, Jaisal and Bhavesh.*

p. *It is further alleged that these trades of the front-runners were executed based on the trades of the Sterling Group and only with an intention to square-off by matching with the Sterling Group. Considering the activity of the nine frontrunners (Laxmi, Viraj, Josh, PAFL, E Ally, Jaisal, Bhavesh, Anandilal and Anandilal Chanda HUF) on the common scrip days, about 86% of number of shares day traded by the front-runners matched with the Sterling group, which appears to be on the basis of the prior information of trades of the Sterling Group available with Manish. Due to the trading by front runners, based on prior information of trades of Sterling Group, the investing public/ investors have, prima facie, either incurred loss or have been deprived of the profits. It is alleged that Sandeep was associated with E Ally and his wife Neetha was associated with Jaisal during the referred investigation period.*

q. *The aforesaid alleged violations, if established, make the Noticee, liable for monetary penalty under sections 15HA of the SEBI Act.*

5. It is noted that the SCN dated December 23, 2019 had returned undelivered with a remark '*left.*' Further, the SCN could not be served upon the Noticee by way of affixture at the Noticee's last known address which was available on record. In view of the said facts, in terms of rule 7 (d) of the Adjudication Rules, a public notice was issued in the newspaper dated April 22, 2022 (Times of India dated April 22, 2022) with regard to the issuance of the SCN as well as the opportunity of personal hearing which was provided to the Noticee on April 28, 2022. However, neither the Noticee nor his authorized representative appeared for the hearing on the scheduled date. The Noticee also failed to make his submissions to the SCN. It is noted that, vide the aforementioned public notice, it was clearly mentioned that in case of failure to submit the reply and/or failure to appear for the hearing, the case would be decided on the basis of the material /facts available on record.

6. As already stated, the Noticee has neither filed any reply to the SCN nor availed the opportunity of personal hearing despite the service of the Notice upon him, as aforesaid. In the facts and circumstances of the case, I am of the view that the Noticee has nothing to submit in the matter and in terms of rule 4(7) of the Adjudication Rules, I am inclined to proceed further in the matter *ex-parte* on the basis of facts/ material available on record. Further, it is also a case that the charges and allegations have been levelled based upon the trades of the Noticee and supporting material that were annexed along with the SCN issued to the Noticee. In this regard, it is pertinent to draw reference to the order of the Hon'ble Securities Appellate Tribunal ('SAT') in the matter of *Classic Credit Ltd. vs. SEBI (Appeal No. 68 of 2003 decided on December 08, 2006)* wherein Hon'ble SAT has, *inter-alia*, observed that, *"........... the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them"*. It is also pertinent to note that the Hon'ble SAT in the matter of *Sanjay Kumar Tayal & Others vs SEBI (Appeal No. 68 of 2013 decided on February 11, 2014)*, has also, *inter alia*, observed that: *"....... appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges leveled against them in the show cause notices..."* Therefore, in view of the above observations, I am inclined to proceed further in the matter on the basis of facts/material on record.

CONSIDERATION OF ISSUES AND FINDINGS

7. I have carefully perused the documents/material available on record during the course of the proceedings, including the findings recorded against the Noticee in the investigation report ('**IR**'). It is alleged that the Noticee has allegedly front run the trades of the Sterling group and therefore, it is alleged that Noticee has violated the provisions of sections 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(a), (b), (c), (d) and 4(1) of the PFUTP Regulations.

8. Before dealing with the aforesaid charges in seriatim, the relevant legal provisions, the contraventions of which have been alleged in this case against the Noticee are mentioned as under:

SEBI Act

"Section 12A- Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. No person shall directly or indirectly—

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;…"

PFUTP Regulations

"Regulation 3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made 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.

Regulation 4. Prohibition of manipulative, fraudulent and unfair trade practice

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

9. For determining the violations alleged in the SCN, it is important to firstly ascertain whether the Noticee was known/connected to Manish/Praveen. In this context, I note that the Investigation Report/SCN has detailed out the connections of the Noticee with Manish/Praveen based on the analysis of the KYC documents, financial transactions, depositions made by the Noticee etc. during the course of investigations. I note that based on the circumstantial evidence and the audio recordings, Manish was in possession of the information pertaining to the impending orders of the Sterling Group. From the investigations, it is noted that Manish was employed with the Sterling group from November 2008 to November 2011 and he was the person who was placing the orders in the Sterling group accounts. From the investigation report, it is noted that Manish also placed the orders in the account of the Noticee (who traded through Sharekhan). It is also noted that as per the KYCs of Laxmi (mother of Manish whose account was opened on June 08, 2009) and the Noticee (whose account was opened on June 11, 2009 & who had financial transactions with Praveen and stayed in the same building as Manish) submitted by Sharekhan that both were having common mobile number i.e., both Noticee and Laxmi were observed to be having common mobile no (as mentioned in KYC docs). As per the statement of Praveen, which was recorded during the course of investigation, Manish and Madhu (the dealer of Sharekhan) who was heading the branch of Sharekhan at the second floor at the Lower Parel office handled the accounts of the entities (i.e front runners) viz. Laxmi, Viraj, Josh, PAFL, E-Ally, Jaisal and Noticee, which were maintained with Sharekhan. Further, investigations brought out that during the relevant period, there were frequent telephonic communications between Manish (dealer of Sterling group) and Madhu (dealer of Sharekhan).

10. It was observed during the course of investigation that Praveen resided in the same building as Manish did during the relevant period of the transactions of the Sterling group. Further, during

investigations, it emerged that Praveen's companies had financial transactions/dealings with the Noticee and it is also noted that among all the entities who had made payment to Praveen, Noticee's contribution was the highest. It was also established during the investigations that Praveen had financial transactions with the front-runners, including the Noticee and had facilitated their banking transactions through several layer of entities, which claimed to be in the business of diamond trading, investments etc. Therefore, from the overall assessment of the above observations/facts, it is evident that the Noticee was connected to Manish through Praveen, who resided in the same building as Manish did during the relevant time and through Laxmi (mother of Manish), as both shared common Mobile Number as per their respective KYC documents submitted by Sharekhan. In his deposition made during the course of investigation, it was mentioned by Praveen that both Manish and Madhu (dealer of Sharekhan) took call on the trading accounts to be used for the purpose of front-running the trades of the Sterling group. Further, from the investigation report, it is observed that Noticee had appeared before the IA when a summon was issued to him during the course of investigations and had mentioned that he was not trading in the market and was unaware of the transactions that have taken place in his trading account through Sharekhan. Thus, from the above, the connections of the Noticee with Praveen and Manish is amply established.

11. It is noted that the trades of the Sterling Group were made through their stock brokers i.e. JM Financial Services Limited ("JMFL") and HSBC Invest Direct Securities (India) Limited ("HSBC"). On the other hand, the trading in the account of Noticee was placed through Sharekhan. On the basis of the analysis of the call records, e–mails and voice recordings obtained by SEBI during the course of investigation along with the study of the trading pattern in the above accounts in respect of orders placed for the Sterling Group [through JMFL and HSBC], the following modus operandi was observed:
    a. Manish used to suggest scrips and the trade price to the management of the Sterling group companies and seek approval from them for placing the orders with the brokers on behalf of the Sterling Group.
    b. As an employee of the Sterling Group, Manish was in possession of the information such as trade type (buy/ sell), scrip, order time (including date), price and quantity of the client of the Sterling Group.
    c. Before placing orders in the accounts of the Sterling Group, Manish, on the basis of the information available with him, used to place several orders through various accounts

that were used for the purpose of front–running the trades of the Sterling group. The orders were placed in smaller quantities by calling up the dealers of the brokers.

d. The same is evident from the fact that after execution of the trades for a certain quantity, the dealer of Sharekhan (Madhu) used to call up Manish and inform him about the execution status (or) Manish used to call up the dealer to check the status of the order execution in the accounts of various trading accounts, including the account of the Noticee.

e. Upon the start of the call between the dealer and Manish after the execution of certain quantity, a rush for executing more trades was observed in most cases. This is based on the fact that the orders were being placed at a better price and for higher quantities from the start of the call.

f. During the continuation of the call and immediately thereafter, the position was exactly/ almost exactly squared up. In the meantime, Manish used to place orders in the accounts of the Sterling Group companies, viz. Abhi Ambi, Sterling Futures, Ratha Infrastructure, Baghmar Finlease, Shanmuga Home Makers, Siva Trade Consultancy, Saravana, Shanmuga, V.S. Net Limited and Siva Projects. In most of the cases, the order price in the accounts of the Noticee were far away from the market but was same as the price offered by the Sterling Group and therefore, most of the orders in the accounts of the Noticee got executed upon the entry of the orders placed by the Sterling Group. Further, the orders placed by Manish for Sterling Group, which were being front-run, were generally in the nature of 'immediate' or 'cancel orders' i.e. the unexecuted order quantity was deleted after matching with the orders in the accounts of the Noticee.

12. It is noted that Manish had traded in the account of the Noticee on those scrip days which were common with the *Sterling Group vis–a–vis* trading in small volumes on the remaining scrip days. From the material made available on record, it is also noted that given that there were a large number of common scrip days, matching of majority of trades with the Sterling Group on a consistent basis took place. Accordingly, the analysis for one scrip day for each front–runner account (i.e the account of Noticee) was analysed and observations are made as under:

a. Trades of the Noticee ahead of Abhi Ambi (a *Sterling Group* entity) in the scrip of IDEA (NSE) on April 09, 2010 were examined and details are as below:

i. The trades of the Noticee on April 09, 2010 (in one of the 6 Tranches) are analysed in light of trades of Abhi Ambi as under:

<table>
<tr><th></th><th colspan="4">Bhavesh</th><th colspan="4">Abhi Ambi</th></tr>
<tr><td>Tranche I</td><td>Total Buy Qty</td><td>Avg. Buy Price (₹)</td><td colspan="2">Turnover (₹)</td><td colspan="2" rowspan="5"><u>Abbreviations Used</u>
B.O.T – Buy Order Time
B.O.P – Buy Order Price
B.T.T – Buy Trade Time
B.T.P – Buy Trade Price</td><td colspan="2" rowspan="5">S.O.T – Sell Order Time
S.O.P – Sell Order Price
S.T.T – Sell Trade Time
S.T.P – Sell Trade Price</td></tr>
<tr><td></td><td>5,91,337</td><td>67.82</td><td colspan="2">40,107,067</td></tr>
<tr><td></td><td>B.O.T</td><td>B.O.P (₹)</td><td>B.T.T</td><td>B.T.P (₹)</td></tr>
<tr><td>From</td><td>09:09:34</td><td>67.25</td><td>09:09:34</td><td>67.25</td></tr>
<tr><td>To</td><td>09:59:29</td><td>68.60</td><td>10:00:16</td><td>68.60</td></tr>
<tr><td></td><td>Total Sell Qty</td><td>Avg. Sell Price (₹)</td><td colspan="2">Turnover (₹)</td><td>Total Buy Qty</td><td>Avg. Buy Price (₹)</td><td colspan="2">Turnover (₹)</td></tr>
<tr><td></td><td>5,85,420</td><td>68.30</td><td colspan="2">3,99,83,763</td><td>11,00,000</td><td>68.28</td><td colspan="2">7,51,11,133</td></tr>
<tr><td></td><td>S.O.T</td><td>S.O.P (₹)</td><td>S.T.T</td><td>S.T.P (₹)</td><td>B.O.T</td><td>B.O.P (₹)</td><td>B.T.T</td><td>B.T.P (₹)</td></tr>
<tr><td>From</td><td>10:00:17</td><td>67.90</td><td>10:00:38</td><td>67.90</td><td>10:00:45</td><td>68.00</td><td>10:00:45</td><td>68.00</td></tr>
<tr><td>To</td><td>10:02:41</td><td>68.30</td><td>10:02:42</td><td>68.35</td><td>10:02:11</td><td>68.30</td><td>10:02:41</td><td>68.30</td></tr>
</table>

ii. From the above table, it is observed that, buy orders were being placed in Noticee's account from 09:09:34 Hrs to 09:59:29 Hrs. As per the mobile bills, Manish placed a call at 09:09:20 Hrs for 1 Minute and 38 seconds to Madhu after which multiple buy orders were placed in the account of the Noticee. It is observed that in 133 buy orders, aggregate quantity of 4,92,350 shares was placed for purchase at an average of 3,702 shares per order upto 09:57:12 Hrs.

iii. A subsequent call was placed by Madhu to Manish at 09:57:39 Hrs for 1 airtime pulse i.e., the call ended between 09:57:40 and 09:58:38 Hrs. Upon start of the call, buy orders of higher quantities were being placed at higher order price. In 16 buy orders between 09:57:52 and 09:59:29 Hrs, 1,00,000 shares were ordered at an average of 6,250 shares per order. The price range for 16 buy orders prior to the call was in the range of ₹ 67.55 - ₹ 67.70 and from the start of the call was ₹ 67.75 - ₹ 68.00.

iv. Immediately thereafter, another call was made by Madhu to Manish at 09:59:36 Hrs and 18 sell orders for a total of 5,90,001 shares were placed from 10:00:17 Hrs to 10:02:41 Hrs with average sell order price of ₹ 68.30 and average sell order quantity of 32,523 shares per order. It was also observed that the sell order placement in Noticee's account started 28 seconds in advance to the buy order entry by Abhi Ambi.

v. Between 10:00:45 and 10:02:11 Hrs, 4 buy orders were placed by Abhi Ambi for a total of 11,00,000 shares at ₹68.30. All the orders were placed at the same order price as that of the sell order price in Noticee's Account i.e., ₹ 68.30. The LTP at the time of the order entry by Abhi Ambi was Rs 67.95, ₹ 68.05, ₹ 68.25 and ₹ 68.15.

vi. Total number of shares sold from Noticee's account in Tranche I was 5,85,420 shares in 59 trades. Of which, 5,56,248 (95.02%) shares got matched with Abhi Ambi in 30 trades (average of 18,542 shares per trade) and the balance 29,172 shares got matched with others in 29 trades (average of 1,006 shares per trade).

vii. Though several calls were observed between Manish and Madhu near the timing of orders/ trades of Noticee, no trades were observed in Manish account on that date. Also from Madhu's itemised mobile bills, it was observed that during the market hours, no call/ SMS was placed to any number other than one call to an unknown number and 32 calls to Manish on 9967051632, 9987261632 and 9790967968. Therefore, it can be inferred that Manish communicated with Madhu for the purpose of front–running the trades of the Sterling Group through the accounts of the entities registered with Sharekhan, including the trading account of the Noticee. Further, the fact that the order price in Noticee's account was away from the LTP but at the same price as that of Abhi Ambi with a small gap in order time makes it evident that the trades in Noticee's account were based on definite information of Abhi Ambi's orders.

viii. A summary of Noticee's trades in the scrip of IDEA (NSE) on April 09, 2010, is tabulated below:

Noticee's trades in IDEA			
No. of shares day traded	**Matched with the *Sterling group***	**Profit in (₹)**	**% of market volume (buyer and seller)**
19,41,419 (3142 buy and 133 sell trades)	18,96,247 (97.67%) (48 sell trades of Noticee)	**₹ 7,58,085**	36.07%

13. Therefore, from the above trading pattern of the Noticee, it is evident that the Noticee was front-running the trades of the Sterling group and enabled Manish to undertake the front-running activity and in the process, Noticee has clearly aided and abetted Manish in such illegal trading activity. From the material made available on record, I find that Noticee had traded in

106 scrip days (out of a total of 162 days) which were common with the Sterling group. I also find that about 87.07% of the trades of Noticee got matched with the trades of the Sterling group in terms of same order price to total trades matched. I find from the above trading pattern of the Noticee that by indulging into front-running, the Noticee has disturbed the market equilibrium and normal price discovery mechanism of the stock exchanges, besides creating false or misleading appearance of the trading in the securities market. It is also noted from the SCN that all the front-runners, including Noticee have traded through various brokers. It is noted that Noticee had mainly traded through one broker viz. Sharekhan and earned profit of ₹1,16,08,630/- on the various scrip days which were common with that of the Sterling Group.

14. I find from the investigation report that Noticee had made submissions before the investigation authority (IA) that his account was misused without his knowledge. In this regard, I note that while undergoing the KYC procedures with Sharekhan, Noticee had provided common mobile number (same as that of Laxmi, who is mother of Manish), which has persuaded me to conclude that the Noticee has lent his trading account to Manish for the purpose of aiding him in the illegal front running activity. Lending of the trading accounts for operation by others and not for the genuine trading activity of the concerned client, which was observed in the instant case, tantamount to 'fraud' for the purpose of the PFUTP Regulations. I find that by indulging in such activity, the Noticee had clearly aided and abetted Manish and facilitated him in the illegal front-running activity employed by him w.r.t the trades of the Sterling Group, Importantly, significant number of trades of the Sterling group were front-run through the trading account of the Noticee during the investigation period. As already mentioned above (at para 13), Noticee made a profit of ₹1.16 crore as a result of his trading on various scrip days, which were common across the Sterling group trades during the relevant period. Hence, I am of the view that Noticee cannot escape liability for violating the relevant provisions of laws i.e., SEBI Act and PFUTP Regulations.

15. In the context of allowing another person to use the trading account, it is pertinent to draw reference to an Order dated September 15, 2020 passed by the Hon'ble SAT in the matter of **Pragnesh Vishnubhai Patel Vs SEBI (Appeal no. 268 of 2020)**, wherein Hon'ble SAT has held that :- "*We also find that admittedly the appellant allowed the other Noticee Lalit Amritlal Shah to use his trading account and if his trading account was misused, the appellant himself is to be blamed and for this blunder, the appellant cannot escape the liability for violating the SEBI laws*". In the same Order, Hon'ble SAT has further held that :- "*But we are conscious of the fact that the appellant himself is to be blamed for*

allowing its trading account to be misused which is violative of the SEBI laws". Further, in the context of name lending for the purpose of trading, I also take note of the judgment of Hon'ble Securities Appellate Tribunal in **Rahul H. Shah Vs. SEBI (Appeal No. 83 of 2012 decided on May 11, 2012)** wherein it was held by Hon'ble SAT that *"is a fraudulent activity and requires to be curbed for maintaining the sanctity of the securities market"*.

16. It is evident and established that the dealings of the Noticee in the scrips of Sterling Group were substantial and the Noticee has significantly traded on the scrip days, which were common with the trades of the Sterling group. The trading pattern of the Noticee on the respective scrip days which also coincidently matched with the Sterling group trades shows that there is strong preponderance of probability w.r.t manipulative trading pattern followed by the Noticee in his trading account and Noticee cannot absolve his responsibility by merely stating that he was unaware that his trading account was misused for illegal purposes. I find that the Noticee, in connivance with other entities, indulged in the fraudulent scheme of front-running and the trades of the Sterling group were front run through these entities, including the trading account of the Noticee. I also note that the contract notes in respect of these trades were issued by the stock broker in the name of the Noticee and the receipt/payments of money (as a result of pay-in and pay-out) were also made/received from/into his bank accounts.

17. Therefore, in view of the above observations/findings, I hold that the Noticee, by lending his bank/trading accounts to Praveen /Manish have clearly aided/abetted/facilitated the manipulators and enabled them to indulge in the fraudulent activity of front-running of the trades of the Sterling group, as observed in this case. The aforesaid conduct of the Noticee had an adverse impact on the fairness, integrity and transparency of the securities market. I also note from the investigation report that Manish who had used the Noticee's trading account for the purpose of indulging in the illegal front running had complete control over the accounts of various entities which were used to front run the trades of the Sterling group, including the trading account of the Noticee.

18. Therefore, in view of the above observations, I hold that Noticee has violated the provisions of sections 12A(a), (b) and (c) of the SEBI Act read with regulations 3(a), (b), (c), (d) and 4 (1) of the PFUTP Regulations. Considering the aforesaid facts and circumstances, I am of the opinion that this case deserves imposition of penalty upon the Noticee under the provisions of

section 15HA of the SEBI Act. The provisions of section 15HA of the SEBI Act (as it existed at the relevant time) is mentioned as under:

Penalty for fraudulent and unfair trade practices.

15HA. *If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*

19. In order to further appreciate the concept of front running, I note that the issue of front running had come for consideration before the Hon'ble Supreme Court of India and I seek reliance on the judgment of Hon'ble Supreme Court, passed in the matter of ***SEBI Vs. Shri Kanaiyalal Baldevbhai Patel and Ors. (MANU/SC/0096/2018)*,** relevant extracts of which are reproduced hereunder:

"…As per the Major Law Lexicon by P Ramanatha Aiyar (4th Edition 2010), 'front running' is defined as under:

Front running -Buying or selling securities ahead of a large order so as to benefit from the subsequent price move.

This denotes persons dealing in the market, knowing that a large transaction will take place in the near future and that parties are likely to move in their favour.

The illegal private trading by a broker or market-maker who has prior knowledge of a forthcoming large movement in prices. (Investment)

The Black's Law Dictionary (Ninth Edition) defines the term 'front running' as under:

Front running, n. Securities. A broker's or analyst's use of nonpublic information to acquire securities or enter into options or futures contracts for his or her own benefit, knowing that when the information becomes public, the price of the securities will change in a predictable manner. This practice is illegal. Front-running can occur in many ways. For example, a broker or analyst who works for a brokerage firm may buy shares in a company that the firm is about to recommend as a strong buy or in which the firm is planning to buy a large block of shares…

...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

20. Further, Hon'ble Supreme Court, while dealing further with the scope on the prohibitions contained in the PFUTP Regulations, had held in the matter of *SEBI Vs Kanhaiyalal Baldevbhai Patel (CIVIL APPEAL NO. 2595 OF 2013)* decided on September 20, 2017 that – *"… it can be inferred that as a matter of principle, while interpreting this regulation, the court must weigh against an interpretation which will protect unjust claims over just, fraud over legality and expediency over principle. Once this rule is clearly established, individual cases should not pose any problem."*

21. The prohibitions contained in the charging provisions in this case contemplate the deployment of a fraudulent or unfair or manipulative '*device*', '*scheme*', '*artifice*' or '*contrivance*' with a design or purpose or plan or motive to '*defraud*', to '*deceive*', to '*manipulate*', to '*induce*', etc. *'in connection with dealing in securities'* and apply even in cases where the acts or omissions or concealments committed, whether in a deceitful manner or not, by any person while dealing in securities to induce any person to deal in securities would amount to *fraudulent* act. Clearly, in the instant matter, the fact that Noticee had knowingly allowed his trading accounts to be operated by a third party and which induced Manish to indulge in the manipulative trades of front running indicates deceitful intent on the part of the Noticee. In this context, Hon'ble Supreme Court of India in the above referred *Kanhaiyalal Baldevbhai Patel* case had also held that – *"The emphasis in the definition in Regulation 2(c) of the 2003 Regulations is not, therefore, of whether the act, expression, omission or concealment has been committed in a deceitful manner but whether such act, expression, omission or concealment has/had the effect of inducing another person to deal in securities."*

22. Hon'ble Supreme Court has further held that the definition of "*fraud*" expands beyond what can normally be understood to be a '*fraudulent*' act. The emphasis is on act of inducement. It further held that for scrutinizing the cases under the PFUTP Regulations, mere inference, rather than proof, that the person induced would not have acted in the manner that he did but for the inducement is sufficient. No element of dishonesty or bad faith in the making of the inducement would be required.

23. Further, in the facts and circumstances of the case, the quantum of penalty has to be adjudged taking into account the overall conduct of the Noticee, as found in this case and the principle of proportionality. The failure, as found in this case, had clearly defeated the purposes of the SEBI Act and the PFUTP Regulations i.e. investor protection and ensuring regulation of the market. For the purpose of adjudging the quantum of penalty, it is relevant to mention that under section 15I of the SEBI Act, imposition of penalty is linked to the subjective satisfaction

of the Adjudicating Officer. The words in the section that "*he may impose such penalty*" are of considerable significance, especially in view of the guidelines provided by the legislature in section 15J of the SEBI Act. Further, while adjudging the quantum of penalty, the adjudicating officer has discretion and such discretion should be exercised having due regard to the factors specified in section 15J of the SEBI Act, which reads as under:-

> ***Factors to be taken into account by the adjudicating officer***
> *15J. While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely: -*
> *(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
> *(b) the amount of loss caused to an investor or group of investors as a result of the default;*
> *(c) the repetitive nature of the default."*
>
> ***Explanation.*** *—For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section;*

24. Having regard to the factors listed in section 15J and the guidelines issued by Hon'ble Supreme Court of India in *SEBI Vs Bhavesh Pabari Civil Appeal No(S).11311 of 2013* vide judgment dated February 28, 2019, I am of the view that front running is a fraud which adversely impacts the securities market as a whole and not only against the specific person, whose trades have been front run. The person, who does front running, makes profit not only at the expense of the person being front-run but also at the expense of other investors in the market who incidentally suffer loss because of the transactions of the front runner. As already mentioned in the preceding paragraphs, the trading accounts of the Noticee was used for the purpose of front running the trades of the Sterling group. It is also insinuated that the said trading account of the Noticee was provided to Manish by the Noticee himself and the Noticee was clearly aware of the consequences. The same is evident from the finding that Noticee had provided a common mobile number in his KYC document as that of Laxmi (mother of Manish) and Noticee had provided common mobile number to Sharekhan for their respective KYC requirements. Several transactions have taken place in the trading account of the Noticee during the relevant investigation period as a result of the front running of the trades of the

Sterling group. This indicates repetitive nature of default on the part of the Noticee. In this context, I note from the findings of the investigation report that the overall profit earned by the Noticee by way of front-running was ₹1,16,08,648/-. In this context, I also note that WTM-SEBI, vide Final Order dated December 18, 2020 passed under the provisions of sections 11(1), 11(4) and 11 B of the SEBI Act had directed that the disgorgement of the unlawful gains as a result of the trades that have taken place in the accounts of various entities, including the trading accounts of Noticee, which would lie against Manish, as the said trading account was used by Manish to front-run the trades of the Sterling group. Further, vide Final Order dated December 18, 2020, Noticee has been debarred by SEBI from accessing the securities market and buying, selling or otherwise dealing in the securities market, either directly or indirectly, for a period of 5 years from the date of the said Final Order. I have considered the above factors while deciding the quantum of penalty to be imposed upon the Noticee in respect of his default. At the same time, I cannot lose sight of the fact that Noticee has clearly aided and abetted Manish/Praveen in carrying out the unlawful activities of front-running in his trading account, which is detrimental to the investors and to the securities market at large.

25. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in the preceding paragraphs, I, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, hereby impose a penalty of ₹8,00,000/- (Rupees Eight lakh only) on the Noticee viz. Shri Bhavesh Gadhavi under the provisions of section 15HA of the SEBI Act for his violations of the provisions of sections 12 A (a), (b) and (c) of the SEBI Act and Regulations 3 (a), (b), (c), (d) and 4 (1) of the PFUTP Regulations. I am of the view that the said penalty is commensurate with the violation committed by the Noticee in this case.

26. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order by following the path at SEBI website www.sebi.gov.in, ENFORCEMENT > Orders > Orders of AO > PAY NOW; OR by using the web link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html. In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in

27. The details and confirmation of e-payment made in the format as given in table below shall be sent to *"The Division Chief, EFD-DRA-1, Securities and Exchange Board of India, SEBI Bhavan, Plot*

No. C- 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051." and also to e-mail id:- tad@sebi.gov.in

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

28. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, *inter alia,* by attachment and sale of movable and immovable properties.

29. In terms of rule 6 of the Adjudication Rules, copies of this order are sent to the Noticee viz, Mr. Bhavesh Gadhavi and also to Securities and Exchange Board of India.

Date: April 29, 2022
Place: Mumbai

SURESH B MENON
ADJUDICATING OFFICER