SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

UNDER SECTIONS 11(1), 11(4), 11(4A), 11B(1) AND 11B(2) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992

IN RESPECT OF:

S. NO.	NOTICEE	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 AFORESAID ENTITIES ARE HEREINAFTER REFERRED TO BY THEIR RESPECTIVE NAMES /NOTICEE NUMBERS AND COLLECTIVELY AS THE "**NOTICEES**").*

IN THE MATTER OF FRONT RUNNING BY ASHOK MAHESHWARI AND OTHERS

BACKGROUND:

1. Securities and Exchange Board of India ("**SEBI**") passed an Interim Order-cum-Show Cause Notice ("**SCN**") dated April 26, 2024 ("**Interim Order**") in respect of the Noticees, namely, Ashok Maheshwari ("**Noticee 1**"), Darshan Bakul Shah ("**Noticee 2**"), Khusboo Darshan Shah ("**Noticee 3**"), Darshan Bakul Shah (HUF) ("**Noticee 4**"), Benzer Department Stores Pvt. Ltd. ("**Noticee 5**"), Mihir Dhirajalal Savla ("**Noticee 6**"), CHL Stock Concepts Pvt. Ltd. ("**Noticee 7**") and Chirag Mahendra Shah ("**Noticee 8**") for *prima facie* violation of Sections 11C(3) and 12A (a), (b), (c), (e) of the SEBI Act, 1992 ("**SEBI Act**") as well as Regulations 3 (a), (b), (c), (d), 4 (1) and 4 (2) (q) read with Regulations 2 (1) (c) and 8 (1) (a) and (b)

of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ("**PFUTP Regulations**"), as applicable. The Noticees had allegedly carried out a scheme of front-running the trades of a Portfolio Management Service provider (referred to as "**Big Client**" in the Interim Order) to make unlawful gains. The investigation revealed a certain pattern of trading in common scrips by Noticees 2, 3, 4, 5, 7 and 8, proximate to trades of the Big Client during the period from April 1, 2021 to May 31, 2022 ("**Investigation Period**" or "**IP**").

INTERIM ORDER CUM SHOW CAUSE NOTICE

2. The brief facts of the matter which led to issuance of the Interim Order are as follows:

Facts pertaining to Noticees 2, 3 and 4

a. The Big Client, viz., Unifi Capital Pvt. Ltd. ("**Unifi**") was engaged in the business of Portfolio Management Services. It executed trades in the securities market through 12 empanelled stock brokers, including Kotak Securities Limited (for which a disguised name, ABC Securities Limited was used in the Interim Order), through which 47.28% of its gross traded value ("**GTV**") was executed during the Investigation Period. Noticee 1 (Mr. Ashok Maheshwari), one of the dealers of Kotak Securities Limited, was responsible for placing trading orders for the Big Client.

b. The per month GTV of Noticees 2, 3 and 4 increased to 4.3 times during the IP compared to the six-month period prior to the IP. Further, the intra-day trading instances as well as intra-day profits of these Noticees also increased during the IP.

c. 27.01% scrip days of Noticees 2, 3 and 4 were common with the Big Client and in respect of intraday trading, 56.31% scrip days were common with the Big Client. 80.52% of intraday profits of these Noticees were made on scrip days[1] common with the Big Client.

[1] A combination of a particular trade date and a particular scrip is termed as a 'scrip day'.

d. As per the call detail records ("**CDR**"), multiple phone calls were exchanged between Noticee 1 and his wife on one hand, and Noticee 2 on the other, during the IP.
e. Both Noticee 1 and 2 in their respective statements before SEBI admitted to knowing each other and interacting through Whatsapp and Telegram.
f. Noticee 2 also admitted that he used to receive trading and squaring-off instructions from Noticee 1 through auto-deleting messages on Telegram app during market hours. Profits made out of such trades were shared in cash with Noticee 1 after deducting 15% of the amount.
g. Locations of the mobile phones of Noticees 1 and 2 showed that they were in close proximity to each other on various dates during the IP.
h. The Interim Order highlighted various instances of alleged front running in the accounts of Noticees 2 to 4.

Facts pertaining to Noticees 5 and 6

i. The per month GTV and intraday trading instances of Noticee 5 increased by approx. 3.4 times and 4.3 times, respectively, during the relevant period of investigation, i.e., Nov 15, 2021 to May 31, 2022 as compared to the prior period.
j. 41.85% scrip days of Noticee 5 were common with the Big Client and in respect of intraday trading, 59.64% scrip days were common with the Big Client. 63.77% of intraday profits of Noticee 5 were made on scrip days common with the Big Client.
k. Trades of Noticee 5 were executed in its account held with Vibrant Securities Ltd. (for which a disguised name, YYY Securities Limited was used in the Interim Order) through its Authorised Person, CHL Stock Broking Limited (Noticee 7) and were placed through the CTCL Terminal, FORT 24, which, as per the data furnished by the Internet Service Provider, was logged into from the residential address of Noticee 2 on many days during the IP, indicating that the orders were being placed by Noticee 2.
l. However, Noticee 6 (Director of Noticee 5) and Noticee 8 (Director of Noticee 7) in their statements before SEBI claimed that the orders were being placed through office premises of Noticee 7 itself.

m. The Interim Order highlighted various instances of alleged front running in the account of Noticee 5.

Facts pertaining to Noticees 7 and 8

n. There were multiple calls between Noticee 2 and Noticee 8 during the IP.
o. The combined per month GTV of Noticees 7 and 8 during the IP increased by 1.26 times vis-à-vis their GTV in the six-month period prior to the IP.
p. 46.31% scrip days of Noticees 7 and 8 were common with the Big Client and in respect of intraday trading, 30.10% scrip days were common with the Big Client. 37.64% of intraday profits of Noticees 7 and 8 were made on scrip days common with the Big Client.
q. Even though Noticee 7 itself was an Authorised Person of Vibrant Securities Limited, it majorly traded during the Investigation Period through its trading account held with Noticee 2 (Authorised Person of Jainam Broking Limited). Further, Noticee 2 used the same terminal for placing the orders of Noticee 7, through which the orders of Noticee 2, Noticee 3 and Noticee 4 were placed.
r. The Interim Order highlighted instances of alleged front running in the accounts of Noticees 7 and 8.

Profit Sharing among Noticees 1 and 2

s. An image of a currency note was found in the mobile phone seized from Noticee 2 and he admitted that the same was used for identification of Noticee 1 at the time of delivery of cash by an employee of Noticee 2. Noticee 2 had also met Noticee 1 physically at various places. Noticee 2 also admitted that the Telegram message from Noticee 1 regarding receipt of money found in his seized mobile phone was regarding transfer of profits.

3. The *prima facie* findings arrived at in the Interim Order are summarised as under:

i. The Big Client was one of the clients of Kotak Securities Limited where Noticee 1 was working as a dealer.

ii. Noticee 1 devised a scheme in connivance with Noticee 2, where Noticee 1 passed on the material non-public information about the impending orders of the Big Client, to Noticee 2 through Telegram Chats.

iii. Trading activities carried out in the accounts of Noticees 2, 3, 4, 5, 7 and 8 showed that in several intra-day trades on common scrip days with the Big Client, the said Noticees placed their orders ahead of the order of the Big Client and immediately thereafter, reversed the first leg and squared it off for profit, taking advantage of the price impact caused by the trades of the Big Client. These trades were close to the order timing of the Big Client ensuring that the second leg matched with the order of the Big Client.

iv. Electronic records such as trading data, login location of the dealer terminal of Noticee 7 and call data records, corroborated by the statements of Noticees 2 and 8 showed that Noticee 2 took advantage of the information regarding impending orders of Big Client to make unlawful profits in the accounts of Noticees 3, 4, 5 and 7 and himself . Further, the trades in the accounts of Noticee 8 were also following a 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 1.

v. Such clearly identifiable profit-generating trades were executed on 433 scrip days (426 scrip days in cash segment and 7 scrip days in F&O segment) by the aforesaid Noticees. The profits that accrued in the account of Noticees 2, 3, and 4 by such trades were shared by Noticee 2 with Noticee 1, in cash.

vi. The evidence on record pointed to a manipulative, fraudulent and unfair trade practice carried out by Noticees which resulted in accrual of unlawful gains of approx. ₹1.30 Crore cumulatively in the accounts of Noticee 2, 3, 4, 5, 7 and 8, resulting in violation of section 12A (a), (b), (c), (e) of SEBI Act, regulations 3 (a), (b), (c), (d), 4(1) and 4(2)(q) of PFUTP Regulations by the Noticees.

vii. Additionally, Noticee 6 and 8 made false statements on oath that the orders in the account of the Noticee 5 were placed through phone calls or

by Noticee 6 physically visiting the office of Noticee 7, whereas it was established during the investigation that the orders in the account of Noticee 5 were placed from the residential premises of the Noticee 2. Thus, by making false statements on oath, Noticee 6 and 8 violated section 11C(3) of the SEBI Act read with regulation 8(1)(a) and (b) of PFUTP Regulations.

4. Accordingly, in the Interim Order, directions were issued against the Noticees, *inter alia,* restraining them from buying, selling or dealing in securities, either directly or indirectly, in any manner whatsoever until further orders. Noticee 1 was also restrained from associating himself with any intermediary registered with SEBI, in any capacity, till further orders. An amount of ₹1,30,15,856.95 being the total unlawful gain earned from the alleged front running activities was directed to be impounded, jointly and severally, in the manner provided in the Interim Order.

5. The Interim Order also called upon the Noticees to show cause as to why a direction to disgorge the unlawful gains along with interest and/or a direction of restraint from accessing securities market for an appropriate period and a direction imposing penalties, should not be issued against them for alleged violation of the aforementioned provisions of SEBI Act and PFUTP Regulations. The Noticees were given 21 days' time to file their replies from the date of receipt of the Interim Order and avail an opportunity of personal hearing, if they so desired.

MISCELLANEOUS ORDER IN RESPECT OF NOTICEES 2 TO 4, AND SAT APPEAL NOS. 381 AND 428 OF 2024

6. Pursuant to the Interim Order, Noticees 2 to 6 filed applications in May 2024 before SEBI, *inter alia*, requesting that the share of profits received by Ashok Maheshwari be excluded from the amount directed to be impounded collectively from them. However, while the applications were under consideration, Noticees 5 and 6 challenged the Interim Order before the Hon'ble SAT in Appeal No. 428 of 2024.

7. Accordingly, vide Miscellaneous Order dated August 6, 2024, only the applications filed by Noticees 2, 3 and 4 were considered and the same were dismissed by the then Ld. WTM, *inter alia*, on the ground that the *prima facie* finding in the Interim Order that a share of the profits was shared with Ashok Maheshwari would be a subject matter for consideration at the stage of consideration of the matter on merits.

8. It is noted that apart from Noticees 5 and 6, Noticees 7 and 8 also challenged the Interim Order before the Hon'ble SAT in Appeal No. 381 of 2024. Since Noticees 5, 6, 7 and 8 had deposited the amount directed to be impounded as per the Interim Order, the Hon'ble SAT vide its orders dated June 28, 2024 and August 12, 2024 in the appeals filed by Noticees 5, 6, 7 and 8, directed a stay on the Interim Order *qua* these Noticees.

9. In this regard, I also note from the material on record that as on date, the total unlawful gains of ₹1,30,15,856.95 directed to be impounded in the Interim Order have been deposited by the Noticees.

INSPECTION OF DOCUMENTS, REPLIES OF THE NOTICEES AND PERSONAL HEARING

10. Noticees 5 and 6 vide their letter dated May 10, 2024, and Noticees 7 and 8 vide their letter dated May 13, 2024, sought inspection of documents. Accordingly, an opportunity of inspection of documents was granted to these Noticees on May 28, 2024 when inspection of all relevant documents was carried out by the Authorised Representatives ("ARs") of the Noticees.

11. Further, Noticees 7 and 8 again sought inspection of certain additional documents during their personal hearing held on August 29, 2024, which was granted by the Competent Authority and accordingly, inspection of all relevant documents was carried out by the ARs of Noticees 7 and 8 on September 4, 2024 and the records of the inspection proceedings note that the ARs were

satisfied that all relevant information and documents had been provided to them and also explained wherever required.

12. I note from a perusal of the records that all the Noticees filed their replies to the Interim Order cum SCN. Pursuant to receipt of their replies, an opportunity of personal hearing was provided to all the Noticees on October 23, 2024. Authorised Representatives of Noticees 1, 5 and 6 appeared for this hearing, and made their submissions denying all the allegations and reiterating their written replies submitted earlier.

13. Noticees 2, 3, 4, 7 and 8 did not appear for the hearing scheduled on October 23, 2024, and requested vide emails dated October 21, 2024 (Noticees 7 and 8) and October 22, 2024 (Noticees 2, 3 and 4) that the hearings be rescheduled. As requested, these Noticees were granted another opportunity of hearing on November 19, 2024 when Authorised Representatives of Noticees 7 and 8 appeared and made oral submissions reiterating their written replies submitted earlier.

14. Noticees 2, 3 and 4 did not even appear on this rescheduled date and sought another opportunity of hearing vide email dated November 15, 2024 and the same was rescheduled to December 13, 2024 when the ARs of Noticees 2, 3 and 4 reiterated their written replies submitted earlier.

15. Pursuant to the hearings, the Noticees were granted opportunity to make post-hearing submissions and the same were filed by all the Noticees herein.

16. It is noted that Final Order in the matter could not be passed till the time the then Competent Authority demitted office on completion of tenure on May 30, 2025 and thereafter, the matter was reallocated to me on June 25, 2025.

17. In the interest of natural justice, the Noticees were intimated vide email dated July 4, 2025 that they were being granted another opportunity of personal hearing before the undersigned and were asked to intimate as to whether they wished to avail of the same. In response to the said email, all Noticees except

Noticee 1 indicated their willingness to appear for the personal hearing and accordingly, hearings were scheduled for Noticees 2, 3 and 4 on August 19, 2025 and for Noticees 5 to 8 on August 20, 2025.

18. However, all these Noticees requested that the hearings be rescheduled on account of personal difficulties and accordingly, the hearings were rescheduled for Noticees 2, 3 and 4 on October 27, 2025 and for Noticees 5 to 8 on October 28, 2025. The respective Authorised Representatives of Noticees 2 to 8 appeared on the said dates and made oral submissions reiterating their written replies submitted earlier.

19. Pursuant to the hearings, all the Noticees were also granted opportunity to make post-hearing submissions. The submissions of the Noticees made in their written replies to the Interim Order cum SCN, during the personal hearings, and in their post-hearing submissions are summarised in the following paragraphs.

20. The submissions made by Noticee 1 vide his reply dated June 11, 2024 to the Interim Order and post-hearing submissions dated November 5, 2024 are summarised as under:

    i. He was employed with Kotak Securities Limited as Senior Manager in Private Client Group Dealing Desk and placed orders received from various clients, including Unifi, on trading terminals.
    ii. He had no communication or connection with Mr. Darshan Shah in any manner whatsoever, and was only part of a common Whatsapp Group with Mr. Darshan Shah. He had no knowledge about Mr. Darshan Shah or his wife carrying out any front-running activities and thus, could not have passed on any such information to Mr. Darshan Shah. He had never met Mr. Darshan Shah at Guru Kripa Hotel or at any other location for sharing purported profits or for any other purpose, and visited Guru Kripa Hotel because it was in close proximity to his workplace.
    iii. The allegations failed to establish any connections between him and Noticees 2, 3 and 4 and the findings made in the Interim Order were misconceived and based on incomplete and incorrect assumption of facts.

iv. The trades were executed on the floor of the exchange which is a blind mechanism preventing identification of counterparties and hence, it was highly unlikely that the Noticee was aware of the counterparties and matching of few trades, that too for a minuscule quantity, on a given day was co-incidental rather than predetermined. There was a huge time difference between the buy and sell trades.

v. The Noticee was merely a Dealer executing trades for Unifi and did not indulge in any trades wherein losses were incurred to the client or any other person. Loss and profit in the stock market could not be definitely determined and stock prices vary due to various components including sentiments, market conditions, economic and political development, etc. Therefore, without any motive being established and only for the reason of huge price variation, the trades executed by him based on instructions of Unifi could not be classified as non-genuine. Moreover, the trades were all in regular good scrips and not in illiquid scrips as such.

vi. Noticee 1 did not receive any non-public information about any impending orders of the alleged Noticees 2, 3 and 4 from any of them and hence, had not facilitated any front-running scheme.

21. Vide reply dated May 15, 2024 and additional submissions dated December 13, 2024, December 18, 2024, November 26, 2025 and April 10, 2026, Noticee 3 made the following submissions:

i. Her trading account was being operated by Noticee 2, her husband, since long and hence, she could not be held liable for front running.

ii. During the Investigation Period, she gave birth to a child and underwent prolonged postpartum depression and was not in condition to decide anything prudently. On this ground alone, the Noticee deserved exoneration from the present SCN.

iii. The SCN was issued *qua* the Noticee only on the basis of trading pattern and alleged connection between the Noticees. Trading pattern was not consequential for determining the involvement of the Noticee. It was also evident from SCN itself that she was not connected with any Noticee except Noticee 2, who is her husband and not a single call/ fund transfer was found

with other alleged connected entities. No meaningful analysis of purported front running trades or orders in easily intelligible manner was provided. Even the elements of definition of front- running, unlawful gain, disgorgement, etc., were not made out. In the absence of such details, allegations levelled in the WTM order were unsubstantiated, subjective, devoid of any merit.

iv. Upon perusal of the Interim Order, it was seen that search and seizure was carried out against three entities, out of which one of the entities was let off on the count that no case was made out. It was incumbent on SEBI to provide the counts, reasons and documents as to why the third entity was let off so that the parallels could be drawn between the case of present Noticee and the entity let off, failure of which made the whole proceedings violative of Article 14 of the Constitution of India.

v. Noticee had not earned a single penny by alleged unlawful activity and thus, she could not be called upon to deposit an alleged unlawful profit/gain.

vi. The Noticee was debarred from accessing the securities market and all the bank accounts of the Noticee were frozen because of the Interim Order. Such harsh action at the juncture of investigation caused great prejudice to the Noticee. In this regard, reliance was placed by the Noticee upon the Order dated March 27, 2023 passed by Hon'ble SAT in the matter of *Arshad Hussain Warsi vs. SEBI* (Appeal No. 284 of 2023) to contend that the Interim Order-cum-Show Cause Notice was unlawful and premature *qua* the Noticee.

vii. There was inordinate, unreasonable and unjustified delay of 3 years in issuing the ex-parte Interim Order which caused great prejudice to the Noticee.

viii. There was a difference of timing between the trades of Big client and the Noticee, making it apparent that the Noticee was not involved in any of the alleged trades.

ix. The Interim Order alleged that the nature of trades carried out was BBS or SSB, however, as per the table relied upon in the Order, the transactions were in the nature of buy-sell-buy or sell-buy-sell. The buy orders of the Noticee in her trades alleged to be following the sell-sell-buy pattern (Tables 14, 16 and 23 of the Interim Order) were actually placed before the sell orders of the Big Client. The trades of Noticees 2, 3 and 4 matched on only 336 scrip days out of a total 1244 scrip days on which these Noticees traded during the

investigation period. Thus, benefit of doubt had to be extended to the Noticee as only 25% trades matched during the financial year. It was also imperative to demonstrate the total trades executed by the Big Client to show any malice.

xv. The exchange of phone calls between Noticee 1 and 2 relied upon in the Interim Order cannot be linked to trading by Noticee 3 with the Big Client.

xvi. Noticees 2 and 3 were not aware of the background of Noticee No.1, i.e., either his relation with Kotak Securities or with Unifi.

xvii. Noticee 3 was not aware about the emails exchanged by and between Noticee 1 with the Big Client due to which the benefit of doubt ought to be extended in favor of Noticee 3.

xviii. Trades executed in the Noticee's account did not fall under the definition of front-running which emerges from a combined reading of Regulation 4(2)(q) of PFUTP Regulations and the definition of front-running in the SEBI Circular dated May 25, 2012.

xix. The first essential ingredient of front running is possession of information of substantial impending transactions whereas in the Interim Order, the Hon'ble WTM himself observed that Noticee 3 did not possess information of the impending order of the Big Client.

xx. The second essential ingredient of front running is that impending transactions need to be substantial. However, what is substantial has not been defined in any Act, Rules or Regulations. Further, one of the ways to ascertain the substantiality could be the impact of an order of Big Client on the price of the security. Impact of similar kind of orders on the price of different scrips may be substantially different, as various factors such as liquidity, volatility, availability of derivative contracts, size of market float, etc. are responsible for impact. However, no impact analysis was provided by SEBI.

xxi. Nature of order of Big Client - whether it was limit order or market order, whether was fully disclosed or minimum filled order was not disclosed in Impugned Order and hence, allegations against the Noticee were not clearly explained as to how she became front runner in present proceedings.

xxii. The third essential ingredient of front running is that Order should be placed by those who possess the information. However, in the present matter, the trades were placed by Noticee 1 and the Noticee 2 only executed the trades

in the account of Noticees 3 and 4 on the instruction of Noticee 1. Only Noticee 1 had information about upcoming orders of the Big Client and he hid this information from Noticee 2.

xxiii. Volume of trades of Noticee 3 did not match on all days with the Big Client and matching only took place when there was less liquidity in the scrip or in other multiple market scenarios which contributed to such matching. The Noticee's orders were miniscule and therefore, orders of Noticee were not substantial on being compared to the total market volume or volume of other Noticees.

xxiv. There was no allegation/finding that trading of Noticee resulted into fraud on Big Client or investors or on the securities market itself and in this regard, reliance was placed on the judgment passed by Hon'ble Supreme Court in the matter of *Balram Garg vs. SEBI* in Civil Appeal No. 7054 of 2021.

xxv. Requirement of 'intention' is a pre-requisite to prove 'fraud' for violation of PFUTP Regulations. In the present proceedings, the offences alleged under the PFUTP Regulations are serious offences which require evidence of 'fraud or deceit' and are not just ordinary civil defaults. It is a settled principle recognized by courts of law that 'intent' and the elements of 'Fraud' are a pre-requisite in all parts of Regulations 3 and 4 of the PFUTP Regulations. Reliance was placed in this regard on the judgment of the Hon'ble SAT in the matter of *Jaypee Capital Services Ltd. v. SEBI (Appeal No. 333 of 2017).*

xxvi. Imposition of penalty requires SEBI to establish connivance or collusion of the Noticee with other Noticees and there was no evidence in this regard. Reliance was placed in this regard on the judgment of the Hon'ble Supreme Court in the matter of *SEBI vs. Rakhi Trading* [(2018) 13 SCC 753].

xxvii. On one hand, the SCN alleged that Noticee 1 was the main culprit in alleged front-running trades, whereas while calculating the unlawful gains, no amount of unlawful gains was calculated in respect of Noticee 1. It is well-settled jurisprudence that a Noticee can be held liable for impounding/ disgorgement only upto the extent of unlawful gain made by that particular Noticee. Thus, in light of the order passed by Hon'ble SAT in the matter of *Dizzystone Trading Pvt. Ltd. vs. SEBI* and without admitting to any fact or finding, Noticee 3 could not be made liable to pay the alleged unlawful gains pocketed by Noticee 1

and liability should be imposed on a proportionate basis, i.e., an amount of ₹8,28,929.70 since Noticees 1, 2 and 3 were alleged to be jointly and severally liable.

xxviii. Reliance was placed in the Interim Order on various judgements such as *Madhu Chanda and others vs. SEBI* (Appeal No. 335 of 2021), *SEBI vs. Kanaiyalal Baldevbhai Patel and Ors.* [(2017) 15 SCC 1], etc. However, such precedents could not apply in the present case since she was differently placed in this matter as appellants in those matters had knowledge about impending orders and orders were also placed by them only.

xxix. The Noticee's trades were independently executed by Noticee 2 without any advice, with his own hard-earned money and within permitted price limits and circuit filters. So, no wrongdoing or fraud could be attributed to the purchase transactions.

xxx. There were mitigating factors in the present case, viz., the Noticee had not taken the regulatory proceedings in a nonchalant manner, was not guilty of conduct which was contumacious or dishonest or acted in conscious disregard of law, did not act in defiance of law and her actions were not in any manner detrimental to the investors and the securities market as a whole.

xxxi. Without prejudice to the other submissions, the Noticee contended that interest could not be charged qua her as the same can be charged only from the date of passing of final order, and relied upon the orders of the Hon'ble SAT in *Shailesh S. Jhaveri vs. SEBI* and *SRSR Holdings Pvt. Ltd. vs. SEBI* in support of the contention.

22. The submissions made by Noticees 2 and 4 vide their reply dated August 22, 2024 and additional submissions dated December 13, 2024, December 18, 2024, November 26, 2025 and April 10, 2026 are summarised as under:

    i. Noticee 2 acquired sub-broking license from Jainam Broking Ltd ("Jainam") in 2009-10 and was an AP at Jainam, having about 25 active clients. Noticee 4, Darshan Shah HUF is a separate legal entity and Noticee 2 is a Karta of the HUF.

    ii. Statements made by the Noticees were the sole basis on which the Interim Order deduced the alleged violations and no other substantial evidence was

provided. The statements of Noticee 2 were made under coercion and hence, could not be relied upon. Noticee 2 had sent an email on March 06, 2023 informing about the ill treatment given by Investigating Officers during the investigation.

iii. Statement made by Noticee 2 was wrongly interpreted by SEBI and pertinent questions such as knowledge of impending order of the Big Client were not asked either from Noticee 1 or 2.

iv. Noticee 4 was not a natural person and Noticee 2 was the brain of Noticee 4. Thus, Noticee 4 could not be liable for any alleged violation.

v. Noticee 2 did not have knowledge that Noticee 1 was affiliated to any Big Client or was on the payroll of the stock broker. Even the impugned SCN imputes knowledge of the Big Client orders only to Noticee 1 and Noticee 1 never stated that he passed on knowledge of the impending order of the Big Client to Noticee 2. Hence, the connection on the basis of calls could not be treated as evidence, in absence of other corroborative evidence. The only averment made in the Interim Order was that Noticee 1 placed the order through Noticee 2 and other Noticees. Noticee 2 only executed the order in the other Noticees' trading accounts on the instructions received from Noticee 1 and hence, he could not be treated as a front-runner even though the alleged trades were in the nature of front run trades.

vi. Knowledge of impending order and placement of order are the two most important elements to define front-running. The entire SCN did not suggest that Noticee 2 had knowledge about impending orders of Big Client and Noticee 2 did not place the orders in the accounts of other Noticees. Therefore, trades executed by him could not be called front-run trades and for this reason alone, he could not be held liable for alleged front running trades.

vii. Similar submissions were made as Noticee 3 on the aspects of substantiality of the impending transactions, minuscule matching trades with Big Client, requirement of 'intent' to prove fraud, unjustified delay of 3 years in issuance of the Interim Order causing prejudice, calls between Noticees 1 and 2 and between Noticees 2 and 8 not being linked to the trading activity of Noticees with Big Client, Noticee 2 not being aware of email exchange between

Noticee 1 and the Big Client, trading pattern not being consequential for determining the malice in the involvement of the Noticees, no meaningful analysis of the purported front running trades/orders in an intelligible manner, patterns of buy-buy-sell and sell-sell-buy (in Tables 14, 21, 23, 25 and 27) in the trades of Noticees 2 and 4 not being made out, and Noticees to only be made liable for unlawful gains in a proportionate manner and no liability to pay interest be imposed upon them (without admitting facts and findings).

viii. Noticee 2 was under *bonafide* belief that the scrip suggested by Noticee 1 was based on his own research and experiences.

ix. Spike in the trading volume was due to COVID induced restrictions on movement and people staying at home.

x. There was no role of Noticee 2 in execution of the trades in the trading account of Noticees 5, 7 and 8 and the same was evident from the statement of Noticees 6 and 8.

xi. Noticee 2 had surrendered his terminal of sub-brokership. All his clients were online clients and if required, he served a client by placing order to the Head Office. Sub brokership was the main source of income of the Noticee and hence, he should be allowed to carry on his business to earn his livelihood.

xii. No order for debarment or restraint be passed against the Noticees since they are already under restraint for 2 years.

23. The submissions made by Noticee 5 and its Director, Noticee 6 vide their reply dated September 20, 2024 and post-hearing additional submissions dated November 8, 2024 and November 10, 2025 are summarised as under:

i. Interim Order had the effect of a final order since SEBI had already concluded that Noticees were guilty and prohibited Noticees from buying, selling or dealing in securities, directly or indirectly, in any manner, whatsoever, until further orders. The said direction was *ultra vires* the SEBI Act and was in gross violation of principles of natural justice and other principles enshrined in the Constitution of India.

ii. The ex-parte Interim Order was passed on April 26, 2024, whereas the last date of examination period was May 31, 2022. Since around 2 years had already lapsed, there was no urgency for passing of the Interim Order.

iii. Increase in the trading activities in the securities market was purely due to the market opportunities available and the increased activity was in no way related to the allegations levelled by SEBI. Noticees shortlisted the scrips based on their market research and traded in those scrips.

iv. *Bonafide* trading done by Noticees 5 and 6 in their ordinary course of business was erroneously clubbed with the trading by other Noticees, and combined trading of all the Noticees was projected together in order to create an adverse impression. Noticee 5 traded on a total of 485 scrip days, out of which only a miniscule 203 scrip days were common with the Big Client and 58% scrip days did not match with the Big Client.

v. As per the Trade and Order Log, the time gap between Noticee's and Big Client's order is more than one hour in several trades and thus, in a dynamic trading on stock exchanges, this large time gap dethrones allegations of BBS or SSB pattern where trades have to happen just around the trades of Big Client. Further, even in the alleged instance of front running in the scrip of Radico Khaitan mentioned in the Interim Order at Table No. 21, the order was placed by Noticee 5 at 9:19 AM whereas the buy order of the Big Client was placed after a gap of almost 3 hours on 12:16 PM.

vi. All the trades of Noticees 5 and 6 were executed through Noticee 7, i.e., CHL Stock Broking Limited, which was the Authorized Person of Vibrant Securities Limited. Noticee 7 was the only authorized person to place orders on behalf of Noticees 5 and 6, and the Noticees did not have any connection or relation with any other person to place orders on their behalf.

vii. Noticee 6 (Director of Noticee 5) made a deposition before SEBI where he clearly stated that he placed orders in Noticee 5's account through telephonic and Whatsapp communications with Noticee 8 or by visiting the office of Noticee 7. Further, Noticee 8 in his deposition stated that Noticee 6 placed majority of the orders by visiting his office and sometimes through calls and all the orders were placed from the office premises through the laptop of Noticee 8. Therefore, the question of placing orders from the

address of Noticee 2 did not arise. Noticees 5 and 6 had no contact with Noticee 2 and the same was not proved by SEBI in the Interim Order.

viii. No certificate was provided by SEBI to substantiate the authenticity of the electronic evidence relied upon. Therefore, the conclusion drawn by SEBI that the trades were executed from a different place was a bald statement.

ix. SEBI failed to mention that Noticee traded in the scrip of Radico Khaitan and made profits in that scrip on other days as well, and placed their orders after the Big Client on many occasions. SEBI's interpretation and data analysis was one-sided.

x. Similarly, SEBI failed to mention that Noticee 5 traded in the scrip of Tata Steel on other days as well on many occasions. The trade volume of Noticee 5 in Tata Steel was merely 0.06% and 0.19% of the total traded quantity in the scrip on January 28, 2022 and January 21, 2022 respectively. Further, even in the scrip of NIIT Ltd. and IEX Ltd., Noticee 5 was a regular trader and its trading volume on the alleged front running days was miniscule. Therefore, the allegation of front-running was contrary to the factual position on record.

xi. SEBI did not even attempt to show as to what were the relevant order and trade prices of the Noticee 5 compared to the alleged order and trade prices. Undoubtedly, in a liquid scrip, it could never be alleged or concluded that the profits were only due to alleged front-running.

xii. Noticees 5 and 6 were not aware about the image in the phone of Noticee no. 2 as mentioned at para 69 of the Interim Order and SEBI failed to establish a connection between Noticee 2 and Noticees 5 and 6. Therefore, Noticees 5 and 6 could not be held liable for the said allegation.

xiii. The Interim Order at Para 87 concluded that it was Noticee 2 who had executed trades in the account of Noticee 5. Hence, to implicate Noticees 5 and 6 in the present proceedings would cause serious loss to their business and goodwill. Noticees 5 and 6 had no connection whatsoever with the other Noticees and not at all aware about their trading activities.

xiv. No evidence was adduced by SEBI to show that Noticees 5 and 6 were connected with the other Noticees and had any information about the trading activities of the Noticees. There could not be a presumption of

communication between the Noticees and cogent material ought to be on record. Noticee 5 was not aware of trades placed in its account by Noticee 2 and did not authorise Noticee 2 to place orders in its account and had only authorised Noticee 7 to place orders.

24. Noticee 7 and its Director, Noticee 8 made similar submissions vide their reply dated July 22, 2024 and additional written submissions dated November 15, 2024, November 28, 2024, October 29, 2025 and October 30, 2025 and the same are summarised as under:

i. Noticee 7 is a private limited company and Noticee 8, an individual, is a Director of Noticee 7, and its majority shareholder (90%).
ii. The directions issued in the Interim Order against Noticees 7 and 8 were stayed by the Hon'ble SAT in its order dated June 28, 2024 in Appeal No. 381 of 2024.
iii. The Interim Order sought to create a tenuous and non-existent link between Noticees 7 and 8 on one hand and Noticee 1, the alleged tipper, on the other.
iv. Noticees 7 and 8 had no connection with the Big Client. Their transactions were independent of those carried out by the Big Client.
v. Buy and sell transactions of Noticees 7 and 8 were executed "on-market", through a SEBI registered Broker with whom they were maintaining a share trading account. Noticees 7 and 8 were mainly in the business of trading in securities market since the last 15 and 24 years respectively, and trading was their main source of income. They had been very large traders in the market for the last several years and no proceedings apart from the Interim Order had ever been initiated against them.
vi. Noticee 7, being a regular and large trader in the securities market, had trading accounts with 5 different brokers, including one Jainam Broking Limited ("Jainam"), and was trading regularly with all such brokers. The trading account of Noticee 7 with Jainam was opened in 2013 through Noticee 2, who was an Authorised Person of Jainam. Noticee 7 used to place large number of trades through Jainam since 2013, i.e., about 8 years prior to the Investigation Period. Noticee 8 did not have trading account with Jainam and his trades were placed with another trading member.

vii. The large trading turnover of Noticee 7 in its trading accounts with different brokers was as under:

Financial Year	Gross Turnover with Jainam (In ₹ Crores)	Gross Turnover with others (In ₹ Crores)	Gross Total Turnover (In ₹ Crores)	Profit (In ₹ Crores) (Before Statutory expenses)
2019-2020	23.02	4771.47	4794.49	-0.50
2020-2021	165.65	3559.29	3724.94	5.48
2021-2022	1052.75	1367.54	2420.29	5.31
2022-2023	1114.62	2064.53	3179.15	3.19
2023-2024	985.43	1267.53	2252.96	10.18

viii. Further, Noticee 8 also had large trading volumes as under:

Financial Year	Turnover (₹) (In ₹ Crores)	Profit/loss (In ₹ Crores)
2019-2020	23.38	0.23
2020-2021	157.12	0.33
2021-2022	507.65	0.60
2022-2023	149.25	0.86
2023-2024	76.79	0.81

ix. Noticee 2 used to advise several scrips to trade and Noticee 7 bonafide followed his advice and even permitted him to use his independent judgment and place trades in the account of Noticee 7. Such trades were always in well-known scrips, at the then prevailing prices and there was nothing unusual about them. Noticee 7 was usually informed of these trades at the end of the day.

x. Noticee 2 had never mentioned about Noticee 1 or the Big Client to Noticees 7 and 8, and they were not aware of any alleged relationship between the said two parties or that they allegedly knew each other.

xi. The Call Data Records provided by SEBI did not match with the data mentioned in the Interim Order (Para. 22 on page 15 and 16 of the Interim Order). CDR showed that there were only 29 instances when calls were

exchanged between Noticees 2 and 8 and alleged front running happened whereas there were a total of 66 alleged front running instances. Even in such 29 instances, there were occasions when the buy and sell orders were placed by Noticees 7 and 8 prior to the calls and on certain other occasions, the calls were either before or after market hours, and in some instances, there was a huge gap between the calls and trades. Hence, no connection could be drawn between the trades and calls.

xii. There was nothing wrong in calls exchanged between Noticees 2 and 8 as they had a professional trading relationship and the calls were only with respect to the same.

xiii. SEBI had failed to adduce any evidence about the communication of non-public information by Noticee 2 to Noticee 8. SEBI had passed two orders in the past (*Poonam Haresh Jashnani* and *Suumaya Industries Ltd.),* which in turn had relied upon the judgment of the Hon'ble Supreme Court in the matter of *Balram Garg* (supra), wherein it was, *inter alia,* held that merely because a person was related to a connected person could not be the foundational fact to draw an inference of communication of UPSI. Further, trading pattern could not be the circumstantial evidence to support communication of UPSI.

xiv. There was no connection or any fund flow between Noticee 1 and Noticees 7 and 8. Therefore, there was no question of information about the proposed trades of the Big Client being passed onto Noticees 7 and 8.

xv. The alleged false statement by Noticee 8 about placing of orders of Noticee 5 was in fact a complete misinterpretation. Noticee 8 had no intention of making any false statement to SEBI. Noticee 7 was an Authorized Person of Vibrant Securities Limited and Noticee 5 was a client of Noticee 7. Noticees 7 and 8 had not indulged in any wrongdoing, yet they were made part of the investigation before SEBI and were stressed about the same. In the usual course of business, client's orders including that of Noticee 5 would be routed through Noticee 8 or any of the dealers of Noticee 7. These orders were generally executed at the office of Noticee 7. It was in this context that Noticee 8 had made the alleged false statement to SEBI. Further, this was irrelevant to the alleged front-running trades.

xvi. The trading turnover set out in Table 6 of the Interim Order was completely untenable since the pre-investigation period was only 6 months but the investigation period was 14 months and therefore, the two periods were incomparable. Further, even from the figures in the table, there was no evidence that Noticees' trading activity grew multiple times during the investigation period.

xvii. The trading profile set out at Table 7 of the Interim Order was completely irrelevant as the Interim Order made out no connection of Noticees 7 and 8 with the Big Client or Noticee 1, the Tipper. Further, as per the table itself, the profit made by Noticee 7 through the alleged front running trades was a miniscule ₹21.30 lakh as compared to its total profits of ₹ 467.70 lakh. Similar was the case for the profits made by Noticee 8. Even the total turnover of the alleged front running trades of Noticee 8 was merely 0.29% of his total turnover.

xviii. As per SEBI's own data, the number of days on which there was no alleged front running were much higher as compared to the days on which the impugned trades took place.

xix. The Investigation Report mentioned that Kotak Securities Limited, where Noticee 1 was the dealer, was an empaneled broker of the Big Client, w.e.f., July 2021. Therefore, prior to July 2021, Ashok Maheshwari had no information of trades of the Big Client and could not have passed information regarding the same to any person. Hence, the trades done prior to July 2021 could not be alleged to be front-running.

xx. SEBI alleged that there were a total of 69 scrip days where alleged front-running took place [66 instances (63 in cash segment and 3 in F&O segment) for Noticee 7 and 3 instances in F&O segment for Noticee 8]. These were spread across various days from 11.06.2021 to 14.02.2022 and in several instances, Noticee 7 merely earned a minuscule profit as summarized as under:

Profit Range	Instances
0-5000	10
5000-10000	11

10000–20000	14
20000—50000	19

xxi. Several instances were cited by the Noticees to contend that the BBS/SSB patterns alleged in the Interim Order were not made out. For example, in certain instances, Noticee 7's buy and sell order end time was prior to Big Client's buy order start time, indicating that Noticee 7 sold off the shares even before the Big Client bought its first share and thus, BBS pattern could not be made out. There were also instances where the order of Big Client was placed several hours before the first order of the Noticees. Further, in certain other instances, Noticee 7's sell and buy order end time was prior to Big Client's sell order start time, indicating that Noticee 7 sold off and bought back the shares even before the Big Client sold its first share and thus, SSB pattern could not be made out.

xxii. Similarly, there were alleged BBS (or SSB) instances where Noticee 7's buy order start time and sell order end time (or sell order start time and buy order end time) were between Big Client's buy order start and end time (or sell order start time and end time) and in case Noticee 7 was aware of Big Client's impending orders, Noticee 7 would have bought (or sold) before Big Client and would not have sold (or bought) while Big Client was still buying (or selling).

xxiii. There was another set of instances where either or both of the first and second legs of the Noticee 7's orders were placed after Big Client had already started placing orders, and those instances were claimed to not follow the BBS/SSB pattern.

xxiv. Noticee 7 also referred to certain other instances of its trades in the scrips of BALRAMCHIN, BAJAJHLDNG, IIFLWAM, GSFC to contend that they could not be alleged to be frontrunning since either the Noticee 7 did not trade through Jainam in those instances or the Big Client did not trade through Kotak Securities.

xxv. The 3 instances of alleged front run trades of Noticee 8 did not coincide with trades of Noticee 7. Further, in one of these instances of trading in the scrip of IEX, the trading volume of Noticee 7 was 7500 shares whereas the volume

of the Big Client was only 2454 shares and thus, the same could not be alleged to be front running.

xxvi. The trades of Noticees 7 and 8 were always in well-known liquid scrips. The impugned trades formed a miniscule part of their overall trading. On practically every single day on which front-running was alleged, Noticees had traded in several other scrips, in respect of which no allegations of front running had been alleged.

xxvii. Further, there were numerous instances where both the Big Client and Noticee 7 had traded in the same scrip on the same day, however, there was no allegation of any front running in the said scrip on that particular day. Therefore, the alleged front running trades were a mere co-incidence and no adverse inference could be drawn.

xxviii. It was absurd to suggest that front running was even possible in large capital scrips.

xxix. In the absence of proof of communication of non-public information, it is impossible to make out the charge of front running or insider trading against a party.

xxx. A finding on the serious charge of fraud requires strict proof as held in the cases of *R.K. Global vs. SEBI* (SAT Appeal No. 158 of 2008), *Narendra Ganatra vs. SEBI* (SAT Appeal No. 47 of 2011), *Sterlite Industries (India) Ltd. vs. SEBI* (2001) 34 SCL 485 (SAT) and *Parsoli Corporation vs. SEBI* (SAT Appeal No. 146 of 2010). The taint of *'fraud'* could not be attached or charged on preponderance of probability. In fact, compelling evidence should be brought on record for a person/ entity to be held liable for *'fraud'.*

xxxi. Noticee 8 had always cooperated with the investigation team of SEBI in the present subject matter and there was no allegation of non-cooperation against him. Reliance was placed on two adjudication orders passed by SEBI in the matter of *Sai Prakash Properties Development Ltd.* dated November 27, 2020 and in the matter of *Supreme Tex Mart Limited* dated December 18, 2020.

CONSIDERATION OF ISSUES AND FINDINGS

25. I have perused the Interim Order cum SCN, the replies and submissions of the Noticees, and other material available on record.

26. At the outset, I shall address the preliminary issues raised by the Noticees.

Preliminary issues

27. Noticees 2, 3 and 4 have contended that there has been significant delay of three years in issuance of the Interim Order in 2024 while the allegations pertain to 2021–2022 thereby causing great prejudice to them. In this regard, I note that the Investigation Period in this matter stretched over 14 months (April 2021 to May 2022) and comprised an uphill task of analysing trading activity on 2055 scrip days by 8 Noticees and the long drawn statement recordings of these Noticees. Thus, investigation in the matter was completed and thereafter, enforcement proceedings were approved against the Noticees by the Competent Authority on March 21, 2024. Subsequently, the Interim Order cum SCN in the matter was passed on April 26, 2024. Thus, I find that there is a reasonable justification for the stated delay in issuance of Interim Order in this matter. I also note that the Noticees have not shown as to how the purported delay has prejudiced them from defending themselves against the allegations. In view of the same, I am not inclined to accept the submission of the Noticees in this regard.

28. It has also been asserted that principles of natural justice were breached in this matter due to a lack of clarity of allegations contained in the SCN since the ingredients of front-running were not explained. However, I find that the Noticees filed detailed replies to the SCN, and did not seek any specific clarifications as to the contents of the SCN, and made detailed submissions during hearing opportunities granted to them, which go on to show that the allegations were understood by the Noticees and responded to accordingly. Separately, the argument made by certain Noticees that the ingredients of front running outlined by the Courts have not been met in the present case, has been taken on record and will be addressed later in the order.

29. Another contention sought to be advanced is that the debarment directions and freezing of bank accounts as directed in the Interim Order were extreme measures which prematurely pronounced the Notices guilty, and that there was no urgency for passing the Interim Order. In this regard, I note that paras 112–116 of the Interim Order made out a case for passing of interim directions based on the conduct of the Noticees during investigation, i.e., misuse of official position by Noticee 1 by sharing confidential information, making of false statements, the nexus and fraudulent design amongst the Noticees, misuse of technology to share information and cover their tracks, and sharing of large amount of profits in cash. Moreover, the allegations levelled in the Interim Order were not final in nature and a post-decisional opportunity of hearing has been provided to each of the Noticees. Without prejudice to the foregoing, I also note that Noticees 5, 6, 7 and 8 had challenged the Interim Order in appeals filed before the Hon'ble SAT, however, the said appeals were not allowed and the Hon'ble SAT only granted a stay on the directions in the Interim Order *qua* these Noticees, subject to them depositing the impounded amounts. Accordingly, the Noticees' argument regarding harshness of directions and lack of urgency in the matter is not acceptable.

30. Noticee 2 also contended that the allegations and findings in the Interim Order were based solely on statements made by several Noticees, and his statements were obtained by coercion which could not be relied upon. In this regard, a reference was made to an e-mail dated March 6, 2023 sent by Noticee 2 to Investigating Authority ("**IA**") detailing the coercion purportedly meted out to him during investigation.

31. In this regard, I note that the statements made by Noticees only served to corroborate the finding of front running carried out by the Noticees which was otherwise established (in the Interim Order) by the electronic evidence as well as trading pattern of the Noticees and thus, these statements were not the solely relied upon evidence in the matter as sought to be averred by Noticee 2.

32. I have also perused a copy of the letter enclosed with the aforesaid email dated March 6, 2023 received by the IA from Noticee 2, which, *inter alia*, lists the dates on which Noticee 2 was summoned by the IA for statement recording during investigation. As regards the first instance of statement recording on December 16, 2022, I note from the material on record that there is no mention in the letter of any coercion during this instance. Since some of the information sought from Noticee 2 was not readily available with him during the statement recording, he was allowed to provide the said information by December 19, 2022 as per his request. However, at a later point in time, he made another request that he may be allowed to appear on December 20, 2022 instead of December 19, 2022 and the said request was granted. I observe that even though Noticee 2 appeared before the IA on December 20, 2022, he left the statement recording in between due to chest pain and vomiting and as advised by the IA, he appeared again on December 22, 2022 to complete his statement.

33. Thereafter, an examination report was received by SEBI from NSE on December 29, 2022, alleging that Noticee 5 had indulged in front running the trades of the Big Client and it was suspected that Noticee 2 had facilitated this front running since there were frequent calls/messages between Noticee 2 and Noticee 8 (who is the Director of the AP through whom Noticee 5 maintained its trading account). Accordingly, Noticee 2 was once again summoned to appear before the IA on January 9, 2023 and he appeared before the IA in response to the same.

34. However, upon discovery of further new facts in the matter, viz., that orders of Noticee 5 were being placed from the residence of Noticee 2, another summons was issued to Noticee 2 advising him to appear before the IA on February 1, 2023. At this time, Noticee 2 again sought an adjournment and was allowed to appear before the IA on February 2, 2023, when, even though he appeared, he left without any intimation on the ground that he was feeling unwell. He was again advised to appear before the IA on March 9, 2023, however, vide the subject letter dated March 6, 2023, he submitted that it was no more possible for him to appear physically and he requested that a questionnaire may be sent to him which would be replied in writing within a reasonable period of time.

35. I note from the material on record before me that Noticee 2 was not summoned again by the IA after receipt of his letter dated March 6, 2023, *inter alia*, conveying his inability to physically appear before the IA. It is also not in dispute that the Noticee's requests for appearing on alternative dates were acceded to by the IA on multiple occasions. Further, the Noticee did not submit any supporting documents during the statement recordings regarding his alleged medical exigencies.

36. Before proceeding further in this regard, I would advert to the relevant portion of the judgment of the Hon'ble Supreme Court in the matter of *Periyasami and Ors. Vs. State represented through the Inspector of Police, 'Q' Branch CID, Tiruchirappalli, Tamil Nadu and Ors.* [*2014 (6) SCC 59*], which is reproduced hereunder:

> *"It is argued however that A1- Senthilkumar has retracted his confession and, hence, it has no evidentiary value. It cannot be relied upon. It is not possible to accept this submission. Retraction does not always dilute or reduce or wipe out the evidentiary value of a confessional statement. Quite often retraction is an afterthought. It could be the result of legal advice or pressure exerted by those whose involvement may be likely to be disclosed or confirmed by the confessional statement of the accused. Therefore, in each case, the court will have to examine whether the confession was voluntary and true and whether the retraction was an afterthought.*
>
> *…*
>
> *A retracted confessional statement is therefore not always worthless. We have no hesitation in reiterating that A1- Senthilkumar's confessional statement was recorded after following the correct procedure; that it was voluntary and truthful; that A1- Senthilkumar was not forced or compelled to give his statement and that the retraction of the said statement is clearly an afterthought and should be ignored."*

37. Drawing guidance from the aforesaid observations of the Hon'ble Supreme Court, I note that Noticee 2 by his aforesaid letter of March 6, 2023 has not

contended that any of the statements made by him during statement recording were factually untrue or that they were obtained from him by illegal means. The very fact that the Noticee's letter dated March 6, 2023 ended with a request to respond to a questionnaire clearly indicates that the Noticee's narrative of obtaining statement under coercion is merely an afterthought.

38. From the above, I find that it is the protracted nature of statement recording that has been called into question by Noticee 2. However, this *per se* cannot be considered as coercion. Upon careful consideration of relevant facts, I find that the statements of Noticee 2 are admissible evidence, untainted by coercion or any other legal infirmities. Further, as already noted above, the said statements are also corroborated in material particulars by trading pattern and electronic evidence.

39. I now proceed to deal with the argument of Noticee 3 that while search and seizure operation was carried out against three persons, the reasons for letting one of them off were not provided to the other Noticees. On a perusal of the record, I find that this contention is without any legal or factual basis since the Interim Order clearly stated that in the case of the entity (named Mr. C R Ramesh), no case was made out. In other words, the investigation could not unearth any relevant evidence of the role of this person, who was one of the Dealers working at Unifi, in the scheme. Accordingly, I find that this argument holds no merit.

40. Another issue raised by Noticees 5 and 6 is regarding the authenticity of evidence in respect of the allegation that the FORT 24 CTCL terminal belonging to a dealer of Noticee 7 was found to be logged into by Noticee 2 from his residential address on various days, indicating that Noticee 2 executed trades in the accounts of clients of Noticee 7. The Noticees contended that this inference drawn by SEBI was a bald statement arrived at without a proper application of mind.

41. Notably, the evidence in question consists of Internet Protocol (IP) data pertaining to the said CTCL terminal for February 2, 2022 (when one of the

alleged front running trade in the scrip of Radico Khaitan was executed from Noticee 5's account) as obtained from Vibrant Securities Ltd. (the stock broker whose AP was Noticee 7), and the corresponding location details of the IP address from where this CTCL terminal was logged in, as obtained from the concerned Internet Service Provider (ISP), viz., Intech Online Private Limited. It was observed from the data furnished by the ISP (as reproduced in Table 19 of the Interim Order) that the said IP address was allotted in the name of Noticee 2 and located at his residential address during the relevant period. It was also observed that trades in the account of Noticee 3 on February 2, 2022 were also placed from this same address. Furthermore, the said CTCL terminal was found logged in from the residence of Noticee 2 on many sample days during the investigation period.

42. In this regard, I note that the Noticees 5 and 6 did not *per se* contest the facts brought out through the electronic evidence (such as the IP address of the dealer terminal being located at the address of Noticee 2 or the fact that Noticee 2 traded in the mentioned scrips on those dates), but only questioned the authenticity of evidence in general. It is noted that the information obtained from the phones and laptops seized during the search and seizure operation conducted at the premises of Noticee 2 was duly authenticated by a certificate under section 65B of the Indian Evidence Act, 1872, even though the provisions of the Indian Evidence Act, 1872 are not strictly applicable to quasi-judicial proceedings such as the present one. Also, it is not the case of the Noticees that the electronic records were tampered in any manner.

43. Further, the communication between Noticee 2 and Noticee 8 (the Director of Noticee 7, who was the AP through whom trades were placed in Noticee 5's account), and the fact that the wife of Noticee 8 was employed with Noticee 2 is not disputed. Noticee 2 has also not disputed the image recovered from his mobile phone which contained the login details of the CTCL terminal FORT 24 or that he had Whatsapp chats (later deleted) with the dealer of Noticee 7 to whom the aforesaid CTCL terminal belonged, or even the fact that Noticee 2 had an image in his phone which detailed the net scrip-wise position of Noticee 5.

The trading pattern of the Noticees provides further independent corroboration that Noticee 2 executed trades in the accounts of clients of Noticee 5. Therefore, I find that the challenge of the Noticees to the authenticity of the relevant electronic records is unsustainable.

Consideration of issues on merits

44. Having dealt with the preliminary contentions raised by the Noticees, I now proceed to address the issues raised for determination on merits.

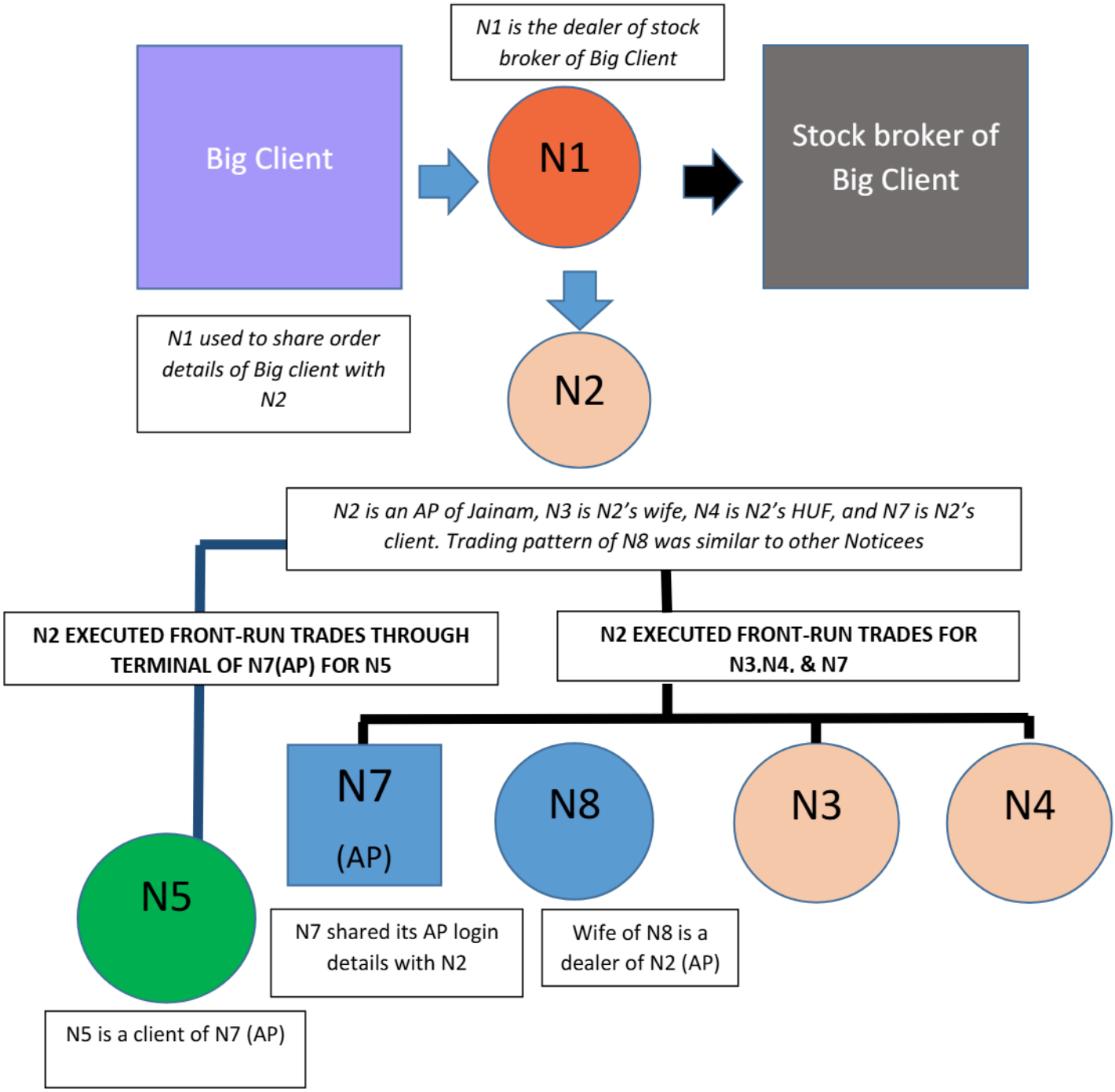
45. The allegation in the present case in brief is that during April 2021 to May 2022 ("Investigation Period"/ "IP"), Noticee 1 who was employed with Kotak Securities Ltd. and entrusted with execution of trades for a portfolio manager, Unifi Capital Pvt. Ltd. ("**Big Client**"), tipped Noticee 2 about impending large orders of the Big Client. Subsequently, Noticee 2 took advantage of this non-public information to make unlawful profits in his account as well as in the accounts of Noticees 3, 4, 5, 7 and 8. The profits were shared by Noticee 2 with Noticee 1 in cash.

46. The Big Client traded in various scrips during the IP through twelve empanelled stock brokers, where almost half of its traded value during the IP was through one stock broker, viz., Kotak Securities Limited, whose employee, Noticee 1, received instructions from and executed trades for the Big Client. Noticee 2 is an Authorised Person ("**AP**") of another stock broker, Jainam Broking Ltd. Noticee 3 is the wife of Noticee 2, and Noticee 4 is the HUF of Noticee 2. Noticee 5, a company, only traded during the IP through Noticee 7, who was an AP with another stock broker, Vibrant Securities Ltd. Noticee 7, even though itself an AP, traded in its own account maintained with another AP, i.e., Noticee 2. Noticee 8 was the Director of Noticee 7 and also traded during the investigation period.

47. Noticees 2, 3, 4, 5, 7 and 8, on various instances, traded in the same scrips as the Big Client and were found to largely follow the same peculiar pattern - of first entering buy/sell orders, followed by a quick reversal of their position(s) leading to matching of their trades with the Big Client's trades to a large extent (since the

placement of orders was timed to match the Big Client's orders), and thereby, making profit.

48. A diagrammatic representation of the *modus operandi* of this alleged scheme is presented below ("N" stands for "Noticee")



49. As per the Interim Order, the aforementioned conduct of the Noticees constituted a scheme of front-running the orders of the Big Client.

50. In this regard, before delving into consideration of the issues raised in the matter, I deem it fit to draw reference to the relevant provisions of the PFUTP Regulations which, inter alia, purport to deal with front running in securities market and the same are reproduced hereunder:

Regulation 4 (1)

"Without prejudice to the provisions of regulation 3, no person shall indulge in a manipulative, fraudulent or an unfair trade practice in securities markets."

Regulation 4 (2)(q)

Dealing in securities shall be deemed to be a manipulative, fraudulent or an unfair trade practice if it involves any of the following –

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

51. I note from the language of the aforementioned provisions that the PFUTP Regulations, inter alia, deem the placing of an order in securities by a person while directly or indirectly in possession of non-public information regarding a substantial impending transaction in that securities, as manipulative, fraudulent or unfair trade practice.

52. Upon traversing the allegations levelled against the Noticees, the material on record, the replies and submissions filed by various Noticees and the relevant statutory framework governing front running in the securities market, I am of the view that the broader issues that arise for determination before me are as under:

(i) Whether Noticees 2, 3, 4, 5, 7 and 8 were directly or indirectly in possession of non-public information regarding substantial impending orders of the Big Client

(ii) Whether orders were placed in the trading accounts of Noticees 2, 3, 4, 5, 7 and 8 on the basis of this non-public information.

Accordingly, I proceed to deal with these issues in seriatim.

Possession of non-public information about substantial impending orders of the Big Client

53. As per the Call Detail Records ("**CDR**") and tower location data obtained from the Telecom Service Provider ("**TSP**"), it was observed that during the investigation period, there were frequent calls between Noticee 1 (and his wife) and Noticee 2, and that Noticees 1 and 2 were in close proximity to each other on various dates. The statements of Noticees 1 and 2 dated August 3, 2022 and December 16, 2022, respectively, also corroborate the fact that these Noticees knew each other and interacted through phone calls, Whatsapp and Telegram chats.

54. Further, screenshots of WhatsApp and Telegram chats obtained from the seized phone of Noticee 2 showed that Noticee 1 instructed Noticee 2 to place trades in certain scrips at a price similar to which the Big Client's trades were placed, and also confirmed receipt of an amount of ₹2,56,400/- from Noticee 2. Further, Noticee 2, in his statement recorded on December 22, 2022, categorically admitted, *inter alia*, that Noticee 1 used to share order details of Big Client with Noticee 2; that Noticee 1 had sent an image of a currency note to Noticee 2 for identification as a receiver of a share of profits in cash; and that he had met Noticee 1 at Guru Kripa Hotel Sion or Bandra T Junction for payment of profit proceeds. This admission by Noticee 2 is also corroborated by incontrovertible electronic records, *viz*,, tower location data of mobile phones of Noticees 1 and 2 and a photo of a currency note found from the mobile phone of Noticee 2. Accordingly, I hold that the allegation in the Interim Order that trading instructions were passed on from Noticee 1 to Noticee 2 over phone calls, WhatsApp and Telegram chats and that these Noticees had met each other physically on various dates, stands established.

55. In this context, I note that Noticees 2 to 4 have contended that the statement of Noticee 2 was wrongly interpreted by SEBI and pertinent questions such as knowledge of impending orders of Big Client were not asked from Noticee 1 or 2. At this stage, it would be appropriate to reiterate that the statements made by Noticees were not the solely relied upon evidence and only served to corroborate the findings otherwise arrived at by means of electronic evidence as well as trading pattern of the Noticees. Be that as it may, the argument of the Noticees regarding knowledge of the impending orders of the Big Client with Noticee 1 or 2 is taken note of and the same shall be dealt with later in this Order.

56. In this context, I find it pertinent to highlight that there is an inconsistency between the two replies filed by Noticee 1 to the SCN since Noticee 1, in his first reply dated June 11, 2024, had submitted that he had never met Noticee 2 anywhere for any purpose, whereas, in his later reply dated November 5, 2024, he admitted that he had met Noticee 2 about 2–3 times during a purported WhatsApp group meeting but had never met him personally. The apparent disconnect between both these submissions exhibits the unreliability of the statements of Noticee 1 in this regard.

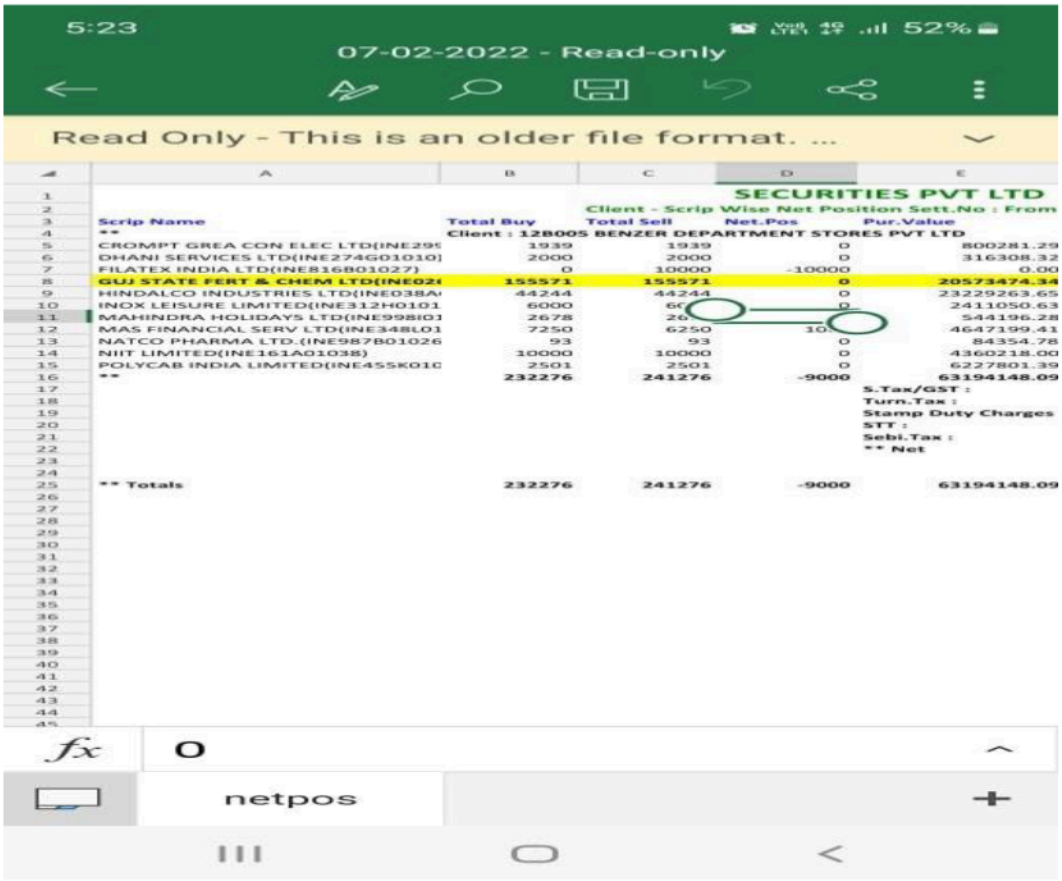
57. Further, other than bald denials by Noticee 1 that he had no connection with Noticee 2 and that he never met Noticee 2 at any place for any purpose, Noticee 1 offered no specific comments or rebuttals on the evidence such as screenshot of his instruction sent to Noticee 2 on Telegram to sell 50,000 shares of ICICI Prudential at a specific price on November 10, 2021 or on the image recovered from the seized mobile phone of Noticee 2 of a currency note sent by Noticee 1 to Noticee 2 on Telegram, which was admitted by Noticee 2 to have been used for identification of Noticee 1 as the receiver of cash payment of profits earned from the front-running trades. Considering the above, I have no hesitation in disregarding the contention of Noticee 1 that he had no connection with Noticee 2.

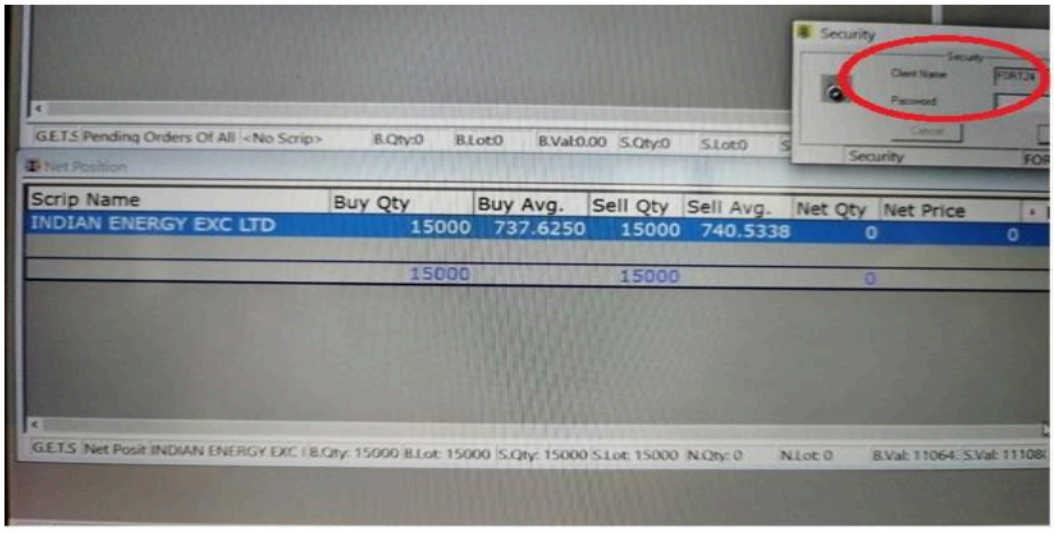
58. With regard to Noticees 3 and 4, I note that Noticee 2 has himself admitted that he placed trades in the accounts of Noticees 3 and 4, being respectively his wife and his HUF, and the investigation has established that trades in the accounts of Noticees 3 and 4 were found to be following a similar front running pattern as observed in the account of Noticee 2. Accordingly, I deem it reasonable to conclude that Noticee 2 (and by extension, Noticees 3 and 4, albeit indirectly) were in possession of non-public information regarding substantial impending orders of the Big Client.

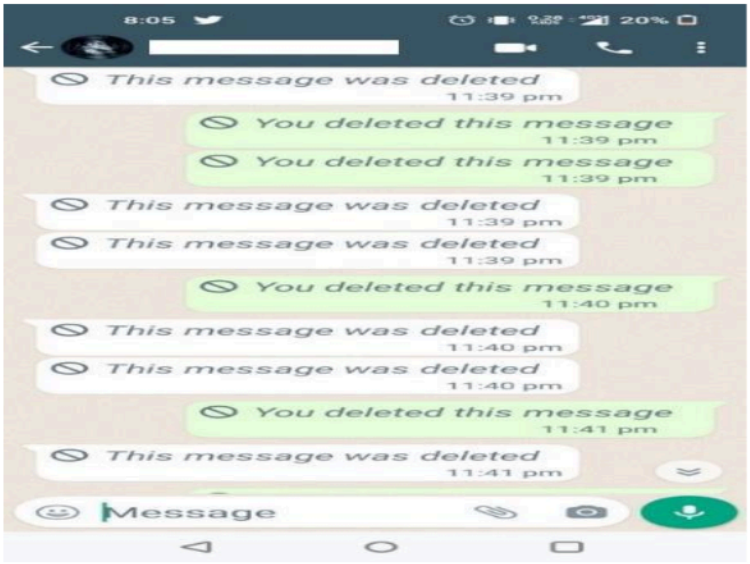
59. As regards Noticee 5, I note that Noticee 6 (Director of Noticee 5) and Noticee 8 (Director of Noticee 7) during their respective statement recordings have sought to concoct a narrative that Noticee 6 independently placed orders on behalf of Noticee 5 either by making telephonic or Whatsapp calls on the number of Noticee 8 or by sometimes visiting Noticee 8 at the office of Noticee 7 and that the orders were placed from the office premises of Noticee 7 itself. However, as noted earlier, it was observed from the data obtained from the concerned ISP that the login into the dealer's terminal of Noticee 7 (who was the AP with which Noticee 5 had a trading account) for executing trades of Noticee 5 actually took place from the residential address of Noticee 2 which shows that order placement in the trading account of Noticee 5 was being done from the address of Noticee 2. Thus, the statements of Noticees 6 and 8 in this regard are clearly inconsistent with the digital footprint and deserve to be rejected.

60. It is also pertinent to refer to Image Nos. 5, 6 and 7 of the Interim Order which show, *firstly,* that the scrip-wise net position of Noticee 5 was available with Noticee 2 (whereas Noticee 5 was a client of Vibrant Securities which had no relation to Noticee 2); *secondly*, that the seized mobile phone of Noticee 2 had an image containing the login details of the terminal of the dealer of Noticee 7 who was responsible for placing orders on behalf of Noticee 5; and *thirdly,* that there were WhatsApp exchanges (since deleted) between Noticee 2 and the said dealer of Noticee 7. Therefore, it clearly emerges that Noticee 6 had relegated all decisions regarding the trades of Noticee 5 to Noticees 7 and 8, who in turn had completely handed over the decision regarding, and execution of, trades in

the account of Noticee 5 to Noticee 2. The said Image Nos. 5, 6 and 7 of the Interim Order are reproduced as follows:







61. Further, I note from the alleged front running instances, including those detailed in the Interim Order (as would also be discussed in detail in the next section dealing with the nature of trades of the various Noticees) that the trading pattern of Noticee 5 was also similar to Noticees 2, 3 and 4, for whom trades were admittedly placed by Noticee 2.

62. Moving on to the case of Noticees 7 and 8, it was observed that even though Noticee 7 was itself an AP of a stock broker, it had a trading account with Noticee 2 (who was an AP for another stock broker) and majorly traded through the said account during the investigation period. It was also observed from the CDR obtained from the TSP that Noticees 2 and 8 had frequent communication with each other, which was also admitted by Noticee 8 in his statement recorded on January 12, 2023. It is also an admitted position of Noticee 7 that it permitted Noticee 2 to use his independent judgment and place trades in Noticee 7's account. In addition, the wife of Noticee 8 was working with Noticee 2 as a dealer. I also note from the alleged front running instances, including those detailed in the Interim Order (as would also be discussed in detail in the next section dealing with the nature of trades of the various Noticees) that the trading pattern of Noticees 7 and 8 was similar to Noticees 2 to 5, whose trading activity has been established above as controlled by Noticee 2.

63. Notably, Noticees 2 to 8 have sought to distance themselves from Noticee 1 by either stating that they had no connection with Noticee 1, or in any case, there was no likelihood that Noticee 1 passed information to them regarding impending trades of the Big Client. I consider such an argument not compelling since the analysis in the foregoing paragraphs, based on the statements of the Noticees, their digital footprints, their communication channels and the similar, repetitive and characteristically front running trading pattern of the Noticees, coupled with sharing of profits in cash between Noticees 1 and 2, clearly shows that Noticee 2, and by extension, Noticees 3, 4, 5, 7 and 8, were directly or indirectly in possession of non-public information regarding the trades of the Big Client. Moreover, in view of the irrefutable evidence discussed hereinbefore, I am not even slightly convinced by another disingenuous argument made by Noticees 2, 3 and 4 that they did not know that Noticee 1 was employed with a stock broker or had information about the trades of Big Client.

64. At this point, it is also necessary to deal with an argument advanced by Noticee 8 that SEBI has not adduced any evidence to prove the communication of non-public information by Noticee 2 to Noticee 8. The Noticee has also adverted to the judgment of Hon'ble Supreme Court in the matter of *Balram Garg* (supra), which, *inter alia,* held that a mere relation with a connected person could not be the foundational fact to draw an inference of communication of UPSI and the trading pattern could also not be the circumstantial evidence to support communication of UPSI.

65. At the outset, I note that the reliance placed by the Noticee on the judgment in *Balram Garg* (supra) is misplaced since that matter pertained to violation of the SEBI (Prohibition of Insider Trading) Regulations, 2015 ("PIT Regulations") and involved interpretation of terms such as 'connected person', 'UPSI' and 'insider' which are alien to the statutory framework of PFUTP Regulations which is the subject in issue in the instant case.

66. Nonetheless, in the interest of a fair adjudication, I do intend to deliberate on the applicability of the said judgment to the matter at hand. Upon perusal of the judgment in *Balram Garg* (supra), I note that the issue therein was whether two

of the Noticees who were 'connected persons' as per the PIT Regulations had communicated 'Unpublished Price Sensitive Information' (UPSI) to other Noticees who were the relatives of these 'connected persons'. Hon'ble Supreme Court in that matter, *inter alia*, held that in view of the estranged relationship between the Noticees therein and absence of any evidence to show frequent communication between the Noticees, there could not have been any presumption of communication of UPSI between the Noticees, based merely on the *inter se* relation between the Noticees or their trading pattern. However, the matter at hand is completely different since the investigation herein has revealed that there indeed was frequent communication between Noticee 2 and 8 and thus, trading pattern was not the sole material on the basis of which a presumption was drawn in the Interim Order that Noticee 8 was in possession of information regarding impending substantial trades of the Big Client. I also note that the Noticees 2 and 8 shared such cordial relations that Noticee 2 was permitted to use his independent judgment and place trades in the account of Noticee 7 (of which Noticee 8 was a director). Therefore, frequent communication and cordial relations between Noticees 2 and 8 are the foundational facts, which coupled with the peculiar trading pattern of Noticees 7 and 8, lead to a reasonable inference based on the preponderance of probabilities that Noticee 8 was in possession of information regarding impending trades of the Big Client. Further, Noticee 8 has not been able to effectively rebut the aforesaid inference, except an unsubstantiated denial of the same. Thus, I hold that the reliance placed by Noticee 8 on the judgment of *Balram Garg* (supra) is misplaced.

67. At this juncture, I also take note of an argument advanced by Noticee 3 in respect of possession of non-public information, viz., that one of the essential ingredients of front running is that the impending transactions of the Big Client whose knowledge is sought to be imputed onto the Noticees need to be substantial and since the relevant statutory framework does not define the word 'substantial', one of the ways to ascertain substantiality could be the impact of an order of Big Client on the price of the security. Accordingly, it was contended that lack of impact analysis by SEBI in the present matter was fatal to the charge of communication of impending substantial order. On similar lines, the Noticee 3

also contended that nature of the orders of Big Client, whether those were limit orders or market orders, fully disclosed or minimum filled, were not disclosed and thus, it was not clear as to how she was alleged to be a front runner.

68. In this regard, I note, *firstly*, that the Noticees were provided with various documents such as order timing analysis sheets as Annexure 6 to the Investigation Report in order to enable them to ascertain the nature of Big Client's orders relevant for the purpose of raising their defence to the allegations levelled against them. It is also noted that while Noticees 5, 6, 7 and 8 sought and were provided inspection of various documents and material during the proceedings, Noticees 2, 3 and 4 never requested such inspection or sought any clarity regarding the allegations contained in the Interim Order. In any event, I note that not only did the Noticees 2 to 4 not raise the issue of non-disclosure of certain order details at the inspection stage or during the subsequent personal hearing stage, the Noticees have even now not made any genuine effort to underscore the relevance, for the purpose of their defence, of details such as whether the Big Client orders were limit or market orders, or were fully disclosed or minimum filled. For the sake of utmost brevity at this juncture, I deem it fit to mention in passing that placement of an order (before the Big Client's order in whole or a tranche thereof) by a person while directly or indirectly in possession of non-public information regarding a substantial transaction in securities is enough to establish a charge of front running, notwithstanding the type of orders of a Big Client as sought to be ascertained by the Noticees. Accordingly, I don't find any merit in the argument of Noticee 3 that there could be no allegation of front running without disclosing such details of the Big Client's orders.

69. *Secondly,* as regards the substantiality of the orders of Big Client, I note that there cannot be a straitjacket definition of a 'substantial order' and the same would depend on the highly subjective perception of the particular trader who is taking a position in advance of the Big Client with an expectation of earning profits. In this context, I draw reference to paragraph 7 of the Interim Order which alludes to the nature of business of the Big Client and the quantum of the trades placed by it during the investigation period, showing the substantive nature of the

trading done by the Big Client. Noticee 1, who was the dealer in Kotak Securities placing orders on behalf of the Big Client, was well aware that the orders of Big Client used to be of such quantity so as to create an impact on the price and therefore, passed on suitable trading instructions to Noticee 2. The factum that the trades of the Big Client in the present matter were actually substantial is also borne out of the fact that the front runners made repetitive profits out of their trades. Accordingly, the contention of Noticee 3 that without providing an impact analysis and details of nature of Big Client orders, the charge of communication of impending substantial transactions was not made out, is without any basis and is liable to be rejected.

70. In view of the foregoing analysis, I conclude that the Noticees 2, 3, 4, 5, 7 and 8 were indeed directly or indirectly in possession of non-public information regarding the impending substantial orders of the Big Client. I now proceed onto the determination of the next issue that arises for my consideration in the present matter, viz., whether orders were placed in the accounts of these Noticees while in possession of such non-public information.

Front running trades in the accounts of the Noticees based on communication of non-public information

71. Once it is established that Noticees 2, 3, 4, 5, 7 and 8 were directly or indirectly in possession of non-public information regarding the impending substantial orders of the Big Client, it is apposite to consider the actual trading behaviour of the Noticees as brought out in the Interim Order. In this regard, I notice an uncanny trading pattern in the accounts of Noticees 2, 3, 4, 5, 7 and 8 where these Noticees traded on various occasions ahead of the Big Client, in the same direction as the Big Client and later squared off their trades proximate to the trades of the Big Client, at prices similar to the price of the Big Client's substantial orders which, many times, were not close to the Last Traded Price ("LTP"), leading to the Noticees' square off trades matching to a large extent with the trades of the Big Client in many instances and earning a profit in such trades due to the impact of the Big Client's trades on the scrip prices. Based on, *inter alia,*

the above, the Interim Order alleged that these Noticees indulged in front running of the orders of the Big Client, primarily by employing a Buy-Buy-Sell (BBS) or Sell-Sell-Buy (SSB) trading pattern.

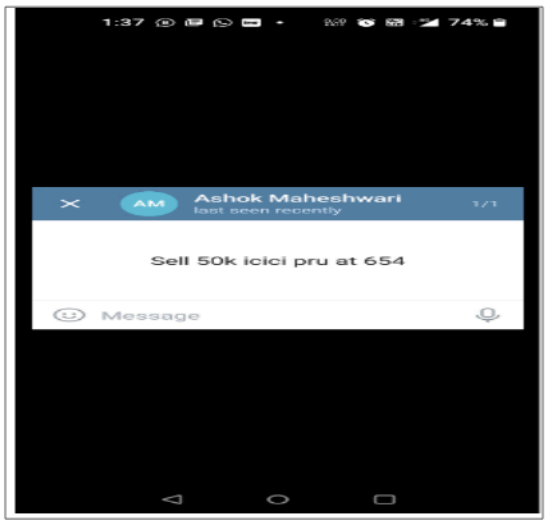
72. It was also noticed that Noticees 2, 3, 4, 5, 7 and 8 significantly increased their trading exposure during the IP as compared to the period before and after the IP. Further, they carried out substantially more intra-day trades during the IP, and most of their profits in intra-day trades were made on scrip days common with the Big Client.

Trading by Noticees 2, 3 and 4

73. In order to elucidate the front running pattern employed by the Noticees, I would advert to a few alleged front running instances captured in the Interim Order. For instance, when the Big Client instructed Noticee 1 to sell 3,85,548 shares of Wipro Ltd. at 10:51:32 on February 14, 2022, Noticee 1 acknowledged the instruction almost *5 minutes later*, at 10:56:00 and thereafter, placed 15 sale orders in the account of the Big Client between 10:56:36 and 11:46:25. However, between 10:55:15 and 10:55:29, i.e., just a few seconds before order placement was initiated in the account of the Big Client, short sell orders in the scrip of Wipro Ltd. were placed in the accounts of Noticees 3 and 4. Further, between 10:55:57 and 11:06:41, i.e., within a few seconds to minutes of the short sell orders, *limit* buy orders were placed in the trading accounts of Noticees 3 and 4 for squaring-off their previously placed short sell orders at prices similar to the order price specified by the Big Client to Noticee 1, leading to an almost 100% matching of the trades of Noticees 3 and 4 with the trades of the Big Client, leading to a cumulative profit of approx. ₹90,700 for these Noticees.

74. Similarly, in the scrip of ICICI Prudential Limited (in respect of which a screenshot of a Telegram message from Noticee 1 instructing Noticee 2 to sell 50,000 shares was recovered from the seized mobile phone of Noticee 2 and the contents of the said instruction were corroborated by the statement of Noticee 2), Noticees 3 and 4 short sold 50,000 and 25,000 shares on November 10, 2021 at 12:46:26

and 12:46:31 respectively, ahead of the sale of 8,56,317 shares by the Big Client which started at 12:49:17 and ended at 13:15:46. The sale of shares by Noticees 3 and 4 before the Big Client's sell order was at prices higher than that of the Big Client. The second leg / buy order of Noticees 3 and 4 squaring-off their sales was designed to match the sell order of the Big Client, which was already known to Noticees 2, 3 and 4. The orders matched the Big Client's sell order to the extent of 73.48% in the case of Noticee 3, and 99.73% in the case of Noticee 4, leading to profits of ₹ 1,05,422 by Noticee 3 and ₹ 49,033.75 by Noticee 4. A similar trading pattern, followed by Noticees 2, 3 and 4 in the scrip of TV Today on December 14, 2021, was also illustrated in the Interim Order. The aforesaid screenshot of Telegram message received from Noticee 1 regarding order placement in the scrip of ICICIPRU is placed hereunder for reference.



75. Having regard to the repeated instances (201 in total as per the Interim Order) of close proximity of order placement by the Big Client and the Noticees 2 to 4, the significant uptick in the Gross Traded Value as well as the intraday instances during the investigation period as compared to the prior period, the almost immediate placement of square-off orders by these Noticees post their first orders, at prices very close to the Big Client, even if far away from LTP, and the substantial matching of the orders of these Noticees with the Big Client, I hold on a preponderance of probabilities basis that Noticees 2, 3 and 4 indulged in front running the trades of Big Client and made unlawful gains. The sheer mathematical improbability of systematically preceding the trades of Big Client

without prior information of the said orders of the Big Client, and making profits, forecloses any possible defence of a mere fortuitous coincidence.

Trading by Noticee 5

76. It was observed that Noticees 4 and 5 placed limit buy orders on February 02, 2022 in the scrip of *Radico Khaitan Ltd.* between 09:19:54 and 12:15:30 at a price of ₹1072-73 (Noticee 4) and ₹ 1070-1070.75 (Noticee 5). The Big Client placed buy orders between 12:16:55 and 12:18:26 at limit order price of ₹1075. However, before the Big Client placed its buy order and within seconds of placing one of its own buy orders, Noticee 4 placed limit sell orders between 12:14:48 and 12:15:30 at ₹1074.90, which matched 100% with the Big Client's buy order. Similarly, Noticee 5 placed limit sell orders at ₹1075-76 from 10:46:40 to 12:14:30 which were away from LTP (₹1071.05), 81% of which matched with the buy orders of the Big Client.

77. Likewise, I observe from the findings in the investigation report that in the scrip of *Tata Steel Ltd*., Noticees 2, 3, 4 and 5 placed limit sell orders for a total of 30,000 shares at a price of ₹1122.95 - 1123 on January 28, 2022 between 11:46:21 and 11:46:58, minutes before the Big Client placed limit sell order of a tranche of 50,000 shares at ₹ 1120. Noticees 2, 3, 4 and 5 immediately after placing their sell orders, squared off their entire short sale by placing limit orders to buy a total of 10,757 shares at ₹1120 – 1120.10 (when the LTP was between 1121.80 to 1122.15) between 11:47:41 and 11:49:38, which matched 100% with the sell order tranche of the Big Client due to the price-time proximity of the orders.

78. From the above quoted instances, I note that trading pattern of Noticee 5 during these instances was similar to Noticees 2, 3 and 4 (whose trading as per Noticee 2's own submissions, were ultimately controlled by him) and the trades were priced and timed in such a manner so as to match to a large extent with the orders of the Big Client, resulting into profits. Furthermore, I have already held at para 59 above that Noticee 2 was exercising control over the trades of Noticee 5

by accessing one of the dealer terminals of Noticee 7. It was also noted that the Gross Traded Value as well as the intraday instances of Noticee 5 grew multifold during the investigation period as compared to the prior period. Noticee 5 was found to have indulged in similar BBS or SSB patterns in a total of 166 trading instances.

79. Furthermore, Noticees 5 and 6 (Mr. Mihir Dhirajalal Savla, Director of Noticee no. 5) have not offered any plausible explanation as to what would have been the motive for Noticee 7 (whose terminal was operated by Noticee 2) to regularly place trades in the account of Noticee 5 which mimicked the front running trading pattern of Noticees 2, 3 and 4 and resulted into such unusual profits, other than the reasonable inference which can be arrived at on the basis of preponderance of probabilities that Noticees 5 and 6 were part of the front running scheme of making profits.

Trading by Noticees 7 and 8

80. Regarding the allegation of front-running trades in the account of Noticees 7 and 8, it has already been noted that despite being an AP itself, Noticee 7 (whose Director's wife was working with Noticee 2 as a dealer) majorly traded through Noticee 2 during the investigation period and there was regular communication between Noticees 2 and 8 during the investigation period. Further, the concerted action of these Noticees in the alleged scheme is indicated from the admitted position of Noticees 7 and 8 that Noticee 2 was allowed to place trades in the account of Noticee 7, using his independent judgment, and that Noticee 2 also used to impart trading advice to these Noticees which had usually been profitable.

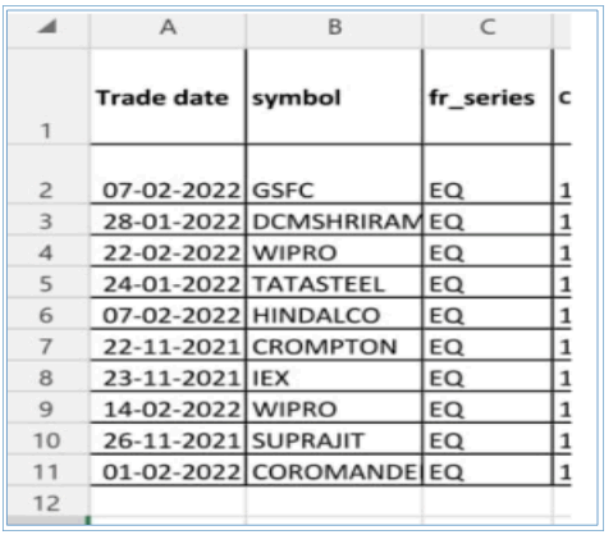
81. Before proceeding further, I give my quick consideration to an argument advanced by Noticee 8 that his alleged front running trades (3 in number) did not coincide with the trades of Noticee 7. However, I note that the Interim Order had made no such allegation that trades of Noticees 7 and 8 had coincided. The front running of each Noticee in several scrips has to be independently viewed based

on cogent evidence on record and the mere fact that the trades of Noticees 7 and 8 did not coincide cannot be considered as mitigating in any sense. I now move on to analyse the trades in the account of Noticee 7 as enumerated in the Interim Order.

82. The trading activity of Noticee 7 (along with Noticees 4 and 5) in the scrip of Indian Energy Exchange Limited on November 23, 2021 reveals some compelling insights similar to other instances discussed in the Interim Order. It was observed that Noticee 1 received an instruction from the Big Client for selling shares of IEX at 09:18 AM whereas the actual sell orders were only initiated more than 4 minutes later at 09:22 AM, which went on till 12:46 PM. Between those 4 minutes, Noticees 5 started placing short selling orders in the scrip from 09:21, shortly followed by Noticee 4. Noticee 7, on the other hand, started placing its sell orders at 12:44 PM just before the final tranche of the sell order of the Big Client. The corresponding square-off orders of these Noticees also followed this staggered pattern with all the Noticees placing their respective limit square-off orders almost immediately after their first orders. It was also observed that even though the first orders of the Noticees were placed at different prices depending probably on the particular LTP at the relevant time, the square-off orders of all Noticees were placed at almost the exact same price as the order price of Big Client in order to ensure maximum matching of orders. Accordingly, 69.96% orders of Noticee 4, 98.34% orders of Noticee 5 and 100% orders of Noticee 7 matched with the orders of the Big Client. Such immaculate price-time matching of the square-off orders of the Noticees with the orders of the Big Client leaves no room for doubt that these Noticees indulged in front running the orders of the Big Client in the scrip of IEX. In total, Noticees 7 and 8 were found to have indulged in a similar BBS or SSB pattern on 69 trading instances.

83. I also note from the material on record that an image containing a list of 10 scrips and the particular dates on which the Noticees were found to have front run the Big Client in those scrips, was obtained from the seized mobile phone of Noticee 2. The fact that Noticee 2 had this image on his phone, indicating that he kept a record of front running activities, when seen alongside all the other evidence,

including the connections, the statements, the digital footprints and the trading pattern of the Noticees, highlights the involvement of Noticee 2 in the front-running of these scrips with the help of non-public information about the Big Client's orders obtained from Noticee 1. The aforesaid image is reproduced below.



	A	B	C	
1	Trade date	symbol	fr_series	c
2	07-02-2022	GSFC	EQ	1
3	28-01-2022	DCMSHRIRAM	EQ	1
4	22-02-2022	WIPRO	EQ	1
5	24-01-2022	TATASTEEL	EQ	1
6	07-02-2022	HINDALCO	EQ	1
7	22-11-2021	CROMPTON	EQ	1
8	23-11-2021	IEX	EQ	1
9	14-02-2022	WIPRO	EQ	1
10	26-11-2021	SUPRAJIT	EQ	1
11	01-02-2022	COROMANDE	EQ	1
12				

84. Having observed as above, before conclusively recording my finding regarding the Noticees indulging in front running, the various defences advanced by the Noticees in this respect need to be dealt with.

85. One key argument advanced in this regard is by Noticees 5, 7 and 8 wherein they have targeted the very foundation of the charge of front running by contending, with sample illustrations, that the ingredients of front running were not made out in the trades impugned in the Interim Order. In this respect, I proceed to deal with each one of their contentions as under:

Trade-wise arguments of Noticee 5

86. Noticee 5, in one of his submissions dated November 8, 2024, has enumerated a list of *8 trades* culled out from the trade log provided by SEBI and has claimed that the time gap between the orders placed by Noticee 5 and the Big Client was more than an hour and given the dynamic nature of the stock exchange platform, there could be no allegation of front running of trades of Big Client. I have carefully gone through each one of the 8 quoted instances and without dealing

with the issue of time gap between the respective orders at this stage, I find that these instances do not even form part of the 166 trading instances alleged by SEBI to be in the nature of front running. It is observed that each entry in the scrip-wise trading details supplied to the Noticees for their respective trades (File titled: "*Annexure 1 Order Analysis.xlsx*") was marked with a specific identifier in the second last column of the excel sheet indicating the nature of the trade, viz., the pattern of 'BBS' or 'SSB' for front running trades and 'NFR' for genuine trades. The 8 trades quoted in the submission of Noticee 5 were all marked with 'NFR' meaning that they were not alleged to be front running trades in the first instance.

87. Further, in his post-hearing submissions dated November 10, 2025, Noticee 5 has also called into question its alleged front running trade in the scrip of Radico Khaitan on February 2, 2022 as was mentioned in the Interim Order at Table No. 21 on similar grounds that the time gap between the buy order of the Noticee and the Big Client was almost 3 hours. I have gone through the trading details of the Noticee and the Big Client in the scrip of Radico Khaitan on that day as mentioned in the Interim Order and I observe that contrary to its claim, Noticee 5 placed a total of 5 orders between 9:19 AM and 12:13 PM (and not just one order at 9:19 AM as claimed by him), followed closely by his last square-off sell order at 12:14 PM. These last orders of Noticee 5 were also quite proximate to the four buy orders placed by the Big Client on that day immediately thereafter, between 12:16 PM and 12:18 PM.

88. I further note that the buy orders of the Big Client were placed at a price (₹1075) more than the LTP, purportedly to ensure execution of its substantial orders, and quite interestingly, Noticee 5 also placed its sell orders at almost the exact same price as that of the Big Client (₹1075) which, though, was quite far away from the LTP (₹1071.05) prevailing at the time of placing the order by Noticee 5, and matched more than 81% with the order of the Big Client. *Finally*, I also take note of the observation in the Interim Order that the dealer terminal from which the orders of Noticee 5 were placed on that day was logged in from the residence of Noticee 2. The unmistakable conclusion that can be derived from these notable

facts, viz., that the later tranches of the orders of Noticee 5 were placed close on the heels of the order of the Big Client; that there was a striking similarity in the order prices of the Big Client and Noticee 5, albeit far removed from the LTP; the unusual matching percentage of 81%; and the order being placed from the residence of Noticee 2, is that Noticee 5 indulged in front running in the Radico Khaitan scrip on February 2, 2022.

Trade-wise arguments of Noticees 3, 7 and 8

89. Noticee 3 has, *inter alia*, contended that the alleged front-running trades in the scrips of TV Today, ICICI Prudential and Tata Steel as enumerated in the Interim Order were actually buy-sell-buy or sell-buy-sell trades, rather than BBS or SSB since the original orders and square-off orders of Noticee 3 in these instances were entered prior to the order of the Big Client, and were therefore not front-running trades. On similar grounds, Noticee 7 has also contended that its trades in various scrips such as KICL, TATACOMM, CROMPTON and in derivative contracts of AXISBANK and SBIN, etc. were not following the BBS or SSB pattern since both the buy and sell orders of the Noticee were either before the Big Client order or post placement of order by Big Client.

90. In respect of this argument regarding the start and end of buy and sell orders of the front runners being prior to the start of or post order placement by Big Client, it is pertinent to underline that the square-off buy (or sell) orders of these Noticees were *limit orders,* i.e., to be executed at a price specified by the buyer (or seller) or a lower (or a higher price, depending on the order being buy or sell), and not at the current market price. Therefore, the timing of the placement of limit square-off orders by the Noticees is immaterial because the said orders were typically executed only after and even matched with the orders of the Big Client since the front-runners, armed with the knowledge of Big Client's impending orders, placed their square-off orders at *limit prices* which were same or near to the limit prices of Big Client's orders. Thus, the actual trading pattern was indeed BBS or SSB which also resulted in profits, since the square-off order prices of the Noticees deviated significantly from the prices of their original orders (first leg), even

though both orders were placed in temporal proximity to each other. Further, as noted hereinbefore, in certain cases, the square-off order prices of Noticees were far away from the Last Trade Price in the scrip. This near-perfect price matching with the Big Client ensured matching of trades of the Noticees to a large extent with that of the Big Client, and resulted in substantial profits in the accounts of these Noticees. Thus, I am inclined to reject this attempt of the Noticees to conflate the time of entry of the order with the time of its execution, in order to claim that the impugned trades followed buy-sell-buy or sell-buy-sell patterns.

91. At this stage, I take note of another alleged front running pattern observed in the scrips such as SUVENPHAR and in derivative contracts of AXISBANK and SBIN which was disputed by Noticee 7 on the ground that BBS or SSB pattern was not made out since the Noticee's square off order start time was prior to the Big Client's order start time. In line with the discussion in the previous paragraph, the material on record suggests that the square-off orders of Noticee 7 in these instances were actually limit orders placed at prices away from the LTP and proximate to the price of the Big Client's orders so as to ensure matching with the Big Client and thus, the present argument of the Noticee is untenable.

92. Another alleged front running pattern sought to be disputed by Noticees 7 and 8 was observed in the scrip of KOLTEPATIL, and in derivative contracts of TATASTEEL and AXISBANK where the placement of the order of the Big Client was initiated before any of the original or square-off orders of the Noticees was placed and thus, purportedly the BBS or SSB pattern was not followed.

93. In this respect, I note that the Big Client was found to have executed large orders split into tranches over the course of a day, and some of the tranches were front-run by the Noticees. There is as such no requirement in law that all the tranches of a trade of a Big Client need to be front-run by a Noticee to bring home the charge of front running and a front runner can gain by placing his order any time before any substantial tranche of the Big Client's order. Accordingly, I find this line of reasoning of the Noticees to be unsustainable. The deciding factor for front running, as consistently established in this Order, is placing an order by the

Noticees while in possession of information regarding impending order of the Big Client and then placing the square-off order in a price-time matching pattern to ensure maximum matching of trades and consequent profits.

94. Another pattern disputed by Noticee 7 was observed in the scrips of ISEC, COROMANDEL, IIFLWAM, GARFIBRES, STOVEKRAFT, etc. where the start time of the original orders and end time of the square-off orders of the Noticee were found to be sandwiched between the start and end time of the orders of the Big Client, and the Noticee claimed that BBS or SSB pattern was not formed. However, in respect of these instances, it is relevant to note that the Big Client's orders therein were placed in tranches. As already discussed, the orders placed by Noticee 2 were based on material non-public information regarding impending trades of the Big Client passed on to him by Noticee 1. Thus, the fact that the orders of Noticee were sandwiched between the start and end times of the orders of the Big Client does not alter the inference that the Noticee front ran certain tranches of the Big Client's orders.

95. Furthermore, Noticees 7 and 8 have also asserted that in scrips such as JBCHEMPHARM, TATASTEEL, MAYURUNIQ, SONATSOFTW, IEX, and in derivative contract of SBIN, etc., the Noticees square-off orders ended and they exited the scrip even when the last legs of Big Client orders were still being placed and if they had any knowledge of the Big Client orders as was being alleged, they would not have exited their positions prior to the Big Client, and thus, front running could not be alleged in respect of these orders.

In respect of this argument, I note from the material on record, including the statement of Noticee 2, that Noticee 1 used to provide a particular price and quantity of the order to be placed and also provided the price and quantity for the square-off order, which was used by Noticee 2 to execute trades in his account and in the accounts of Noticees 3 and 4. It is not SEBI's case that such price and quantity instructions were continuously being provided to Noticee 2 for each and every tranche of the Big Client's order or that Noticee 2 was aware of the exact time of order completion by the Big Client. Thus, based on this specific exchange

of information, the Noticees were not expected to front-run each and every tranche of the Big Client's order and it was observed from the minute time gap between the Noticees' original and square-off orders (at a limit price designed to ensure profit) that the Noticees did not wait too long to exit their positions in these scrips. This trading behaviour goes on to indicate that the Noticees opted for a risk-free approach by taking positions in these scrips in search of reasonably guaranteed profits, rather than a complete mathematical precision of front-running every tranche of the Big Client's order in expectation of earning maximum possible profits. It is also noteworthy that in most of the instances, the quantity of the first leg / original order of the Noticees was substantially lesser in comparison to the Big Client and therefore they had lesser scope to split their square-off order before every tranche of the Big Client's orders. Therefore, the argument that if they had the knowledge of Big Client orders, they would not have exited their positions prior to the Big Client, is flimsy and has not been able to repudiate the narrative of the Interim Order.

96. The Noticees have also challenged the imputation of SSB pattern front running in scrips such as MOLDTKPAC where both buy and sell order start time of Noticee was after the sell order end time of Big Client, and in scrips such as JBCHEPHARM and IEX where the sell order end time of the Noticee was after the sell order end time of the Big Client. Similarly, in the scrip of BALRAMCHIN, it was argued that the Noticee's buy order end time was after Big Client's buy order end time and thus, BBS pattern was not made out.

97. In this regard, I note that even though *prima facie* it appears that the sell (or buy in case of BBS pattern) orders of Big Client for these trades ended before the sell (or buy) order of the Noticees, what actually happened was that the Big Client modified the prices of its sell (or buy) orders placed earlier in the day and the Noticee(s) placed its orders at almost the same price and same time that the Big Client modified its order, leading to substantial matching of the orders of the Noticee and the Big Client. For instance, the sell orders placed by the Big Client in the scrip of MOLDTKPAC between 09:16 to 09:25 hours on August 4, 2021 were modified between 10:47 and 14:31 hours, and similarly, the sell orders

placed by the Big Client in the scrip of JBCHEPHARM between 09:26 to 11:18 hours on August 13, 2021 were modified between 11:54 and 14:14 hours. Accordingly, the present contention of the Noticees is devoid of merit.

98. I also take note of the contention of Noticee 8 that on September 2, 2021, he took a short position in IEX futures (expiring on September 30, 2021) equivalent to 7500 shares whereas the Big Client traded only 2454 shares of IEX and hence, his trade could not be termed as front running. I note from the relevant trading details of the Noticee and Big Client in the scrip of IEX on that day that while the sell orders of Noticee 8 were placed between 13:34:24 PM to 13:36:04 PM, the Big Client placed its sell orders between 11:27:33 AM and 13:41:45 PM and the square-off leg of Noticee 8 was between 13:41:10 PM and 14:26:54 PM. Thus, as a matter of fact, Noticee 8 started squaring off his short position merely 30 seconds before the Big Client had completely stopped trading in the scrip and further, the exposure of Noticee 8 in the IEX scrip was almost three times that of the Big Client. In this peculiar factual situation, it seems improbable that a person allegedly intending to front run a Big Client would firstly take a position three times larger than the Big Client and then not only wait to initiate squaring-off his position till the time the Big Client almost ceases trading, but also continue placing his alleged square-off orders well after the Big Client has ceased trading. Thus, I am inclined to give the benefit of doubt to the Noticee regarding this particular trade and the same shall not be considered as a front run trade. The unlawful gains to be disgorged from the Noticee 8 shall accordingly be reduced to the extent of the alleged profits made by this trade.

99. In view of the foregoing, barring the aforesaid trade by Noticee 8 in IEX in the F&O segment, I am of the considered opinion that the Noticees 2 to 8 have not been able to satisfactorily disprove the fact that their other impugned trades were indeed in the nature of front-running. I now proceed to deal with other arguments raised by the Noticees.

Other arguments raised by the Noticees

100. I note that the Noticees have raised several similar arguments regarding the alleged front running trades being a minuscule part of their overall trades and profits in the market, they being professional traders and the matching percentage with Big Client not being a 100% in all those alleged instances since matching occurred only when the market in the scrips was less liquid and thus, the benefit of doubt be accorded to them. It was also argued that the Noticees and the Big Client traded in the same scrips on other days too when the same was not alleged to be front running. However, in respect of all these arguments, I note that Regulation 4(2)(q) of PFUTP Regulations itself declares merely the placing of an order in securities by a person while directly or indirectly in possession of non-public information regarding a substantial impending transaction in that securities, as manipulative, fraudulent or unfair trade practice. It is not SEBI's case that most of the trades of Noticees 7 and 8 were attributable to front running, or that only the front-running trades of the Noticees were profitable. Thus, the factors such as front running instances being a miniscule part of overall trading and profits or front running trades not matching perfectly with the trades of the Big Client or the Noticees trading genuinely in the same scrips as the Big Client on other days, are not *per se* relevant to ascertain violation of this provision and these factors would not absolve the Noticees from the illegality of the front-running trades. For the sake of brevity, the decisive factors for classifying a trade as front run are not being reiterated here.

101. Be that as it may, I am of the view that even from a purely data-centric perspective relied upon by the Noticees, the trading profile of the Noticees is not so innocuous as is being sought to be projected. From the material on record brought out in the Interim Order, I observe that there has been a substantial increase in the per-month Gross Traded Value and the number of intra-day trading instances for Noticees 2 to 8 during the investigation period as compared to the previous period. Further, the scheme unfolds even more distinctly when the data is viewed entirely from the intra-day trading angle since the intra-day scrip days common with the Big Client for the three groups of Noticees, viz., (i) 2

to 4, (ii) 5, (iii) 7 and 8, are 56.31%, 41.85% and 30.10% respectively, and the proportion of profits made just from those common scrip days vis-à-vis the total intra-day profits of these groups is 80.52%, 63.77% and 37.64% respectively. Thus, when seen in this perspective, the defence sought to be mounted by the Noticees by painting a picture of miniscule profits, genuine trading and coincidental matching, crumbles.

102. It has also been argued that the alleged front running trades in the Noticees' accounts did not coincide with the timing of calls between them during the investigation period and conversely, many of the calls did not correspond to any of the alleged front running trades. In my view, with the use of disappearing messages on Telegram, as admitted in the statement of Noticee 2, including one retrieved screenshot of an instruction by Noticee 1 to trade in the scrip of ICICI Prudential, and evidence of exchange of Whatsapp chats as well as evidence of physical meetings between them, Noticees were not dependent on phone calls precisely around the trades, for exchanging information regarding the Big Client's impending trades. Thus, this argument of the Noticees is irrelevant in the facts of the case and thus, futile.

103. In respect of their alleged front-running trades, Noticees 5 and 6 have contended that increase in their trading activity was due to increased market opportunity, and that the Noticees shortlisted scrips based on their own market research and understanding of fundamentals of the scrips. In my view, this defence stands wholly negated since there is adequate evidence to indicate that trades in the account of Noticee 5 were actually placed from the CTCL terminal of a dealer of Noticee 7 which was operated from the residence of Noticee 2. The investigation has also unearthed pertinent electronic records from the mobile phone of Noticee 2 such as scrip-wise position of Noticee 5, login details of dealer terminal from where Noticee 5's orders were placed and deleted Whatsapp chats between Noticee 2 and the concerned dealer. Finally, the abnormal pattern of placing orders by Noticee 5 prior to Big Client's orders, followed by square-off within minutes, and proximate to the price and time of Big Client's trades has also been clearly brought out. I also consider the attempt of Noticee 6 to cover up the

violation by stating on oath (falsely) that he placed orders for Noticee 5 mostly by visiting the office of Noticee 8, as indicative of the involvement of Noticees 5 and 6 in permitting misuse of their/their company's trading account as part of the front-running scheme hatched by Noticees 1 and 2.

104. Noticees 7 and 8 have contended that they have no connection with the Big Client, or with Noticee 1. Noticees 7 and 8 stated that they regularly carried out large trades and have been in the business of trading in the securities market for the last 15 and 24 years, respectively, and were independently trading through 5 brokers, including Jainam, with whom they opened a trading account in 2013 through Noticee 2 who was one of Jainam's Authorised Persons. As has already been held earlier in this Order, there is sufficient evidence that, *firstly,* orders were placed in the trading account of Noticee 7 from the residence of Noticee 2 and from the same terminal as was used for trading in the accounts of Noticees 2, 3 and 4; *secondly,* Noticees 7 and 8 carried out trades which involved front-running the orders of the Big Client in the same scrips in which Noticees 2, 3, 4 or 5 had traded, and following the same pattern; and *thirdly*, Noticees 7 and 8 participated in a scheme where they let Noticee 2 use their client accounts (such as that of Noticee 5) to execute trades where unlawful gains were made by front-running the Big Client.

105. At this stage, I also deem it fit to address another specious argument sought to be advanced by the Noticees 2, 3 and 4 that it was Noticee 1 who "placed" orders for Noticees 2, 3 and 4 and Noticee 2 merely "executed" trades in the accounts of Noticees 2, 3 and 4 on the instructions of Noticee 1, and thus, Noticees 2, 3 and 4 could not be treated as front runners even though the alleged trades were in the nature of front run trades. In support of this argument, the Noticees relied on the definition of front running contained in a SEBI Circular dated May 25, 2012 to contend that none of the ingredients of the definition of front running were fulfilled in the case of the Noticees. The Noticees have also attempted to latch on to the word "executed" as mentioned in paras 100, 101 and 105 of the Interim Order to claim that SEBI's Order itself acknowledged that the Noticees were only executing the trades.

106. In this regard, even though the aforesaid SEBI Circular dated May 25, 2012 has since been rescinded, in order to deal with the contention of the Noticees, I deem it fit to reproduce the relevant extract of the SEBI Circular:

> *"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 orders, 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;"*

107. I note that the Noticees, whilst relying on a combined reading of Regulation 4(2)(q) of PFUTP Regulations and the definition of *front running* contained in a SEBI Circular dated May 25, 2012, have, in effect, contended that the charge of front running can only be attracted if the order in securities is placed by the person having information of the impending substantial transaction, and that the Noticees neither possessed such information about any impending substantial orders nor placed the orders themselves but only *executed* the orders.

108. Even though the contention of the Noticees 2, 3 and 4 that they did not possess information about any impending substantial orders of the Big Client has already been entirely debunked in terms of the findings at para 70 above, at this point, I intend to delve further on this issue, in light of the present argument of the Noticees.

109. In the foregoing paragraphs, it has already been established that Noticee 1 had the information about the impending trades of the Big Client. It has also been established by digital evidence, unique trading behaviour of the Noticees and other corroborating evidence discussed in the earlier paragraphs at length that Noticee 2, from his residence, was placing trades on behalf of other Noticees. Now what has been sought to be contended by the Noticees is that nobody other than Noticee 1 was in possession of the 'non-public information' about the impending trades of the Big Client, and that every other Noticee was merely

responsible for *execution* of trades in their accounts at the instructions of Noticee 1, which came to them directly or indirectly. To address this argument of the Noticees, I deem it appropriate to refer to the language of regulation 4(2)(q) of the PFUTP Regulations and the observations of Hon'ble Supreme Court in the matter of *Kanaiyalal Baldevbhai Patel* (supra). In a typical tipper-tippee relationship understood in the context of 'front running' (tippee trading as Hon'ble Supreme Court refers to it), it is the tipper who has the non-public information about the substantial impending orders and passes it on to the tippee, who would then apply his own mind to use the said information to place orders in his account, which would be tantamount to 'front running' in the eyes of law and would attract the rigors of regulation 4(2)(q). The said violation would not be mitigated if instead of the tippee, the tipper himself applies his mind and uses/processes the information to structure his instructions for the tippee so that the tippee can simply place those orders in his (tippee's) account. The violation would also not be mitigated in a situation wherein the tippee, instead of his own account, uses other entities' accounts to place the orders making use of the instructions coming from the tipper. What remains common in these three scenarios discussed above is that intent of the entities involved in front running is to maximise their profits by making use of the non-public information regarding the substantial impending orders of the Big Client. The provisions of SEBI Act and PFUTP Regulations attracted in case of front running are wide enough to cover trading done by entities who received instructions from the tipper, which, in turn, had built within them the tipper's knowledge of the substantial impending orders of the Big Client.

110. In the present case, I am of the considered view that the so-called "instruction" received by Noticee 2 from Noticee 1 automatically subsumed within itself the information regarding the impending transactions of the Big Client, even without Noticee 1 explicitly informing Noticee 2 every time that the instruction was based on the impending orders of Big Client. The evidentiary test in this regard cannot and must not be to prove that each and every Noticee knew, in detail, the exact nature of orders to be placed by the Big Client. Rather the preponderance of probabilities standard as expounded by the Hon'ble Supreme Court in the matter

of *SEBI vs Kanaiyalal Baldevbhai Patel* (supra), which would be applicable in the instant case, clearly dictates that an inferential conclusion from the proven and admitted facts, so long the same is reasonable, and can be legitimately arrived at on a consideration of the totality of the materials, would be permissible and legally justified. The only reasonable inference which can be drawn in light of the attendant facts and circumstances of this case is that Noticee 1 was communicating non-public information regarding impending substantial trades of the Big Client to Noticee 2 (and by extension to Noticees 3, 4, 5, 7 and 8).

111. The narrative purportedly sought to be peddled by Noticee 2 that he was under a *bona fide* belief that the scrips suggested by Noticee 1 were based on his own research rather than on any information about impending trades of Big Client, and that Noticee 2 kept mindlessly following the instructions of Noticee 1, does not pass muster with a reasonable mind, especially when seen in light of the fact that Noticee 2 (who was not a novice investor but an Authorised Person of a Stock Broker expected to be well conversant with the fact that returns in the securities market are subject to market risks) was repeatedly executing profitable trades not just in his own account but also in the accounts of Noticees 3 and 4. This trading pattern raises further suspicion that placement of orders by Noticee 2 was driven not by a legitimate investment acumen but was based on specific non-public information, which ensured profits for him and all the accounts that he operated. Therefore, allowing any traction to this "mere execution" argument of the Noticees would militate against Regulation 4(2)(q) of PFUTP Regulations.

112. As regards the argument of Noticees 2 to 4 regarding placement of orders, I am of the view that the Noticees are seeking to draw an artificial distinction between "placed the order" and "executed the order", which is nothing but a distinction without a difference entirely alien to the relevant statutory framework. I also note that "execution" of orders is not so innocuous and mechanical as sought to be made out by these Noticees and appears more of a colourable device, since apart from having the information of the impending trades of the Big Client, the Noticees systematically preceded the trades of the Big Client and also consciously selected the quantity and price of the trade. The intentional and

repeated pre-positioning of trades coupled with consistent profits constitutes a clear and cogent chain of circumstantial evidence which renders the defence of mere "execution" by the Noticees untenable and the same appears to be merely a self-serving afterthought.

113. Following the same line of reasoning, I am unable to accept the argument of Noticee 3 that the well-settled precedents in the cases of *Kanaiyalal Baldevbhai Patel* (supra) and *Madhu Chanda* (supra) are not applicable to her case since unlike those matters, she did not have any knowledge of the impending orders and did not place the orders herself. Once the artificial distinctions sought to be drawn by the Noticees between "instruction" and "information" and between "placed the order" and "executed the order" stand demolished, the question of Noticee 3 not being held liable for front running the orders of Big Client, in light of the aforementioned precedents, does not survive.

114. This argument of the Noticees stands further deflated when it is observed that the investigation in this matter has even unearthed incontrovertible evidence of sharing of profits in cash between Noticees 1 and 2, which leads to an unimpeachable conclusion that Noticee 1 and 2 (and by extension, Noticees 3 and 4) were hand in glove in carrying out the front running scheme. Accordingly, it is not open to Noticees 2, 3 and 4 to now take a pedantic approach and claim that it was Noticee 1 who "placed" the impugned trades and they only "executed" the trades.

115. In light of the aforesaid finding, I also dismiss the argument of Noticees 2, 3 and 4 that Noticee 2 "independently executed" trades without any advice and with his own hard-earned money, even though this argument is not even worthy of consideration in the first place, given the fact that the Noticees have contradicted themselves by submitting that they executed trades based on instructions of Noticee 1.

116. In the same vein, I deem it fit to also record my views on a natural corollary of the previous argument of the Noticees, viz., whether Noticees 3, 4, 5 and 7 could

be held liable for front running since it was Noticee 2 who actually placed the front running orders on their behalf on certain occasions. I clarify that although this particular argument was not canvassed before me, the same needs to be dealt with in order to ensure an effective adjudication of the issue at hand. In this regard, I draw reference to the judgment of the Hon'ble SAT in the matter of *Madhu Chanda* (supra) where it was, *inter alia*, appositely observed that lending of trading accounts is an offence of grave nature and the same amounts to fraud for the purpose of the PFUTP Regulations. Further, the Hon'ble SAT in *Mahavirsingh N. Chauhan vs. SEBI* (Appeal No. 393 of 2018) also imposed liability on certain entities who were renting their demat accounts by, *inter alia*, observing that the entities were concealing the identity of the fraudster and, thus, were acting not only in concert but in connivance with the said fraudster. In line with this settled position, I am drawn to the inference that Noticees 3, 4, 5 and 7 would be squarely liable for the offence of front running, notwithstanding the fact that the actual orders in their accounts may have been placed by Noticee 2 on certain occasions, since these Noticees enabled and facilitated Noticee 2 to perpetrate the fraudulent scheme.

117. In furtherance of this logic, I regard the argument of Noticee 5, that it had only authorised Noticee 7 to place trades in its account and had no connection with Noticee 2 who was actually found to have placed trades in the account, as devoid of merit, since the investigation has established a discernible front running pattern in its account which was lent to Noticee 7. The identity of the person actually placing the trades becomes immaterial in such a scenario.

118. I also note that Noticee 3 has contended in her reply to the SCN that she did not earn any profit from front-running and the Interim Order directed harsh measures against her. However, this contention falls flat in the face of the material on record as the profits made from trades carried out in the account of Noticee 3 are clearly mentioned in the Interim Order. As per her own submission, her account was being operated by Noticee 2, who admitted in his reply that he shared with Noticee 1 the profits made from the trades carried out on the basis of information received from Noticee 1. Accordingly, the said profits were directed to be

impounded from Noticee 3. The argument regarding the harshness of the Interim Order has already been dealt at para 29 of this Order and is not being reiterated here.

119. Another argument sought to be advanced by the Noticees is that "intent" must be proved for a finding of fraud under the PFUTP Regulations. In this regard, I note that unless the language of the statute indicates as such, *mens rea* or intent is not an essential ingredient of a civil wrong, as held by the Hon'ble Supreme Court in *Chairman, SEBI vs. Shriram Mutual Fund*. Further, in the context of the PFUTP Regulations, the Hon'ble Supreme Court in the matter of *SEBI vs. Kanaiyalal Baldevbhai Patel* (supra)*, inter alia,* observed as under:

> *"5. … 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.*
>
> *8. … The test to determine whether the second person had been induced to act in the manner he did or not to act in the manner that he proposed, is whether but for the representation of the facts made by the first person, the latter would not have acted in the manner he did. This is also how the word inducement is understood in criminal law. The difference between inducement in criminal law and the wider meaning thereof as in the present case, is that to make inducement an offence the intention behind the representation or misrepresentation of facts must be dishonest whereas in the latter category of cases like the present the element of dishonesty need not be present or proved and established to be present.*
>
> *14. To attract the rigor of Regulations 3 and 4 of the 2003 Regulations, mens rea is not an indispensable requirement and the correct test is one of preponderance of probabilities"* (emphasis supplied)

Thus, it is no longer *res integra* that proof of 'intent' and *mens rea* are not the prerequisites for proving *fraud* under the PFUTP Regulations.

120. Even so, I find that the state of mind, or *scienter,* in respect of the Noticees is brought out in the present case by direct digital evidence as well as circumstantial evidence of trades based on knowledge of price and timing details of the Big Client's order, which were passed on in the form of instructions from Noticee 1 to Noticee 2, who in turn used it for placement of trades in the accounts of various front runners, directly or indirectly.

121. Alongside the argument of 'intent' being a necessary ingredient of fraud, I also deem it fit to address another contention of the Noticees regarding the untenability of arriving at a finding of a serious charge such as 'fraud' which requires strict proof and compelling evidence rather than a mere preponderance of probabilities in light of various judgments of the Hon'ble SAT such as *R.K. Global vs. SEBI, Narendra Ganatra vs. SEBI, Sterlite Industries (India) Ltd. vs. SEBI* and *Parsoli Corporation vs. SEBI* (supra). However, it is my considered view that these judgments are not squarely applicable to the instant case because none of these cases involved allegations of front running and pertained to other distinct species of market manipulation such as synchronized trading, reversal trades, disclosure violations, etc.

122. Further, the Hon'ble Supreme Court in the matter of *Kanaiyalal Baldevbhai Patel* (supra) has categorically held that once a conclusion that fraud has been committed while dealing in securities is arrived at, the provisions of Regulations 3(a), (b), (c) and (d), and 4(1) get attracted automatically. Accordingly, there is no need for a threadbare analysis of the aforesaid judgments relied upon by the Noticees and in the particular facts and circumstances of the matter, the conduct of the Noticees is fraudulent, manipulative and an unfair trade practice, and is violative of Regulations 3(a), (b), (c) and (d), 4(1) and 4(2)(q) of PFUTP Regulations.

123. Regardless of the inapplicability of the aforementioned judgments to the instant matter, upon a careful reading of these authorities, I do not find that any of these judgments has deviated from the preponderance of probabilities standard, as is

sought to be averred by the Noticees. It is reiterated that the present case squarely meets the standard set by the Hon'ble Supreme Court in the matter of *SEBI vs. Kanaiyalal Baldevbhai Patel and Ors.* as demonstrated by the compelling facts of this case, viz., the knowledge of the Big Client's orders and repetitive pre-positioning of trades by front runners leading to substantial profits, etc.

124. In the same vein, I am also not inclined to favourably consider an argument made by Noticee 3 that her trading did not result into a fraud on the Big Client or the investors or on the securities market itself, since these factors are not as such relevant to the charge of violation of Regulation 4(2)(q) of the PFUTP Regulations. Be that as it may, I am of the view that this argument of the Noticees is logically fallacious since by trading in advance of the Big Client, while in possession of the information of substantial impending order of the Big Client, the price advantage, which would have been available to the Big Client or to the general investor, was grabbed by the Noticees and the trades of the Big Client and the general investors were executed at disadvantageous prices, causing them an opportunity loss.

125. Next, I also find the reliance of Noticee 3 on the judgment of the Hon'ble Supreme Court in the matter of *SEBI vs. Rakhi Trading* (supra) to contend that no penalty could be imposed in the matter in absence of any evidence of "collusion" or "connivance" between the Noticees, to be utterly misplaced in light of the intricate concerted action already established between the Noticees in this Order.

126. Noticees 2, 3 and 4 have also claimed that Noticee 1 is the main culprit in the matter, but while computing unlawful gains made by the Noticees, no amount has been individually assigned to him for disgorgement whereas liability for disgorgement can only be imposed upto the extent of unlawful gains made by a Noticee. These Noticees have also made a '*without prejudice'* argument that since Noticee 1 had received his share of the alleged profit, they should not be made liable to disgorge the profit shared with Noticee 1 and further, every Noticee should only be made liable to disgorge on a proportionate basis.

127. I find that Table 29 of the Interim Order mentions the specific amounts to be impounded from the respective Noticees in whose accounts the front-running trades were executed, along with the joint and several liability, wherever applicable. Since Noticee 1 did not trade in his own account and did not make any profits in his own account, direct liability for disgorgement has not been fastened on him. In the same breath, I note that in the case of Noticees 2, 3 and 4, the unlawful gains were directed to be disgorged jointly and severally from Noticee 1 and these Noticees as his role in the violation and the sharing of unlawful gains resulting therefrom cannot be separated from that of Noticees 2, 3 and 4, who executed the trades based on information provided by him. Further, in the case of Noticees 5, 6, 7 and 8, where execution of front-running trades in their accounts was apparently carried out at the behest of Noticee 2 or at his residential address or by using non-public information communicated by him, Noticee 1 was not made jointly and severally liable.

128. In respect of the argument regarding determination of proportionate liability, I find that while there is evidence that Noticee 2 traded in his account as well as the accounts of Noticees 3 and 4 based on information provided by Noticee 1, and also shared profits with Noticee 1, the exact amount or proportion of profit shared with Noticee 1 is not available. Noticee 2 stated on oath that profits were shared with Noticee 1 in cash. While the record shows the image of a currency note and a screenshot of a Telegram message by Noticee 1 to Noticee 2 confirming receipt of ₹2,56,400, and Noticee 2's statement regarding its use for identifying Noticee 1, evidencing profit-sharing in the Interim Order, exact details are not available regarding apportionment of unlawful gains from front-running amongst the Noticees 1, 2, 3 and 4, apart from a statement of Noticee 2 that he paid ₹ 25 lakh to Noticee 1.

129. At this stage, I also deem it fit to quote from the judgment of the Hon'ble SAT dated July 12, 2019 in the matter of *Gagan Rastogi and Anr. Vs. SEBI* (Appeal No. 91 of 2015), wherein, it was, *inter alia*, held as under:

"18. … equitable remedy demands that disgorgement has to be made from the point of unjust enrichment or where the chickens come to roost. However, we cannot accept the arguments that no such unjust enrichment has been made by the appellants nor disgorgement has to be made from where the unjust enrichment rests finally. If one entity who has unjustly enriched knowingly transferring those proceeds further to some other entity does not prevent the authorities from disgorging the same from the original beneficiary of unjust enrichment. The choice is clearly that of the authority to pursue and disgorge an illegal gain from any point of a chain, if such a chain exists." (underline supplied)

130. In view of the above, I am unable to accept the Noticees' contention regarding their liability to disgorge only those unlawful gains which were not shared with Noticee 1 or liability to disgorge only on proportionate basis. Since the unlawful gains are indivisible amongst the Noticees, the instant case is fit for imposition of joint and several liability for disgorgement of unlawful gains amongst Noticees 1 to 4 as envisaged in the Interim Order.

131. Another contention advanced by Noticees 2 to 4 in respect of disgorgement, viz., that the interest on disgorgement can only be charged from the date of passing the final order, also needs to be dealt with at this juncture. In support of this contention, the Noticees have relied on the judgments of the Hon'ble SAT in the matters of *Shailesh S. Jhaveri vs. SEBI* (dated October 4, 2012) and *SRSR Holdings Pvt. Ltd. vs. SEBI* (dated February 2, 2023). Upon an analysis of these precedents, I note that the Hon'ble SAT in the matter of *Shailesh S. Jhaveri* (supra) was indeed of the opinion that when disgorgement proceedings were initiated at a later date, the interest could not be charged from a period prior to that since disgorgement amount got crystallised only on passing of the order. However, I note that in the later judgment of *Navin Kumar Tayal & Ors. vs. SEBI* (dated August 2, 2021), the Hon'ble SAT while duly taking note of its judgment in the matter of *Shailesh S. Jhaveri, inter alia,* held that the contention that interest could only be levied from the date of the order and not from the date of cause of action was unacceptable. The Hon'ble SAT in *Navin Kumar Tayal*

(supra) allowed imposition of interest from the time the unlawful gains were made.

132. I also take note of certain recent judgments of the Hon'ble SAT in matters such as *SMS Techsoft (India) Ltd.* (dated October 18, 2019)*, Dhyana Finstock Ltd. (dated June 10, 2022),* and *Paired Technologies Ltd. (dated June 15, 2022)* where the Hon'ble SAT has upheld imposition of interest from the date of violation or the last date of investigation period till date of payment. In addition, I am of the view that the reliance placed by the Noticees on the judgment of Hon'ble SAT dated February 2, 2023 in the matter of *SRSR Holdings Pvt. Ltd. vs. SEBI* is misplaced since the Hon'ble SAT in this matter did not lay a binding precedent regarding date of imposition of interest and instead remanded the matter back to WTM, SEBI to pass a fresh order, *inter alia*, on the issue of interest. In this regard, I further note that in pursuance of this order of the Hon'ble SAT, WTM-SEBI vide order dated November 30, 2023, categorically rejected the contention that interest would be applicable from the date of order of disgorgement. The said order of WTM has been challenged by the Noticees therein before the Hon'ble SAT, however, no stay has been granted on the same till date.

133. In light of the aforesaid, it is clear that SEBI is empowered to levy interest from the date when the unlawful gains accrued to the Noticees. However, the matter involves approx. 430 instances of front running spread over a period of about 14 months, which would render precise computation of interest on all these individual trades as unduly burdensome, especially when profits made in several individual trades are not substantial. Further, the Noticees have already deposited the principal amount of the unlawful gains accrued to them in compliance of the Interim Order. Therefore, I am of the view that it would be just to levy interest on the unlawful gains from the last date of investigation period till the date of actual payment of impounded amounts by the Noticees.

134. Another novel argument that has been canvassed by the Noticees is that there could be no allegation of front running in a liquid scrip. In this regard, I find no hesitation in noting that when a person has knowledge of substantial impending

trade by another person, and indicative of such knowledge, takes unusual trading positions and squares them off as close as possible to the impending big order both in terms of price and time, making profits thereby, even a liquid scrip with several market participants can be profited from. This is because the timing and price of the big order are known only to the front-runners but not to other investors. I find it pertinent to impress upon the point that front running emanates from information asymmetry about an impending big order and has no direct correlation to liquidity of a scrip.

135. Regarding the false statement on placement of orders of Noticee 5 by Noticee 6 by making calls to Noticee 8 or visiting the office of Noticee 7, Noticee 8 stated that he had made the statement under stress. It is noted that by submitting false information to SEBI vide statements dated January 3, 2022 and February 2, 2023 regarding order placement by Noticee 5, Noticee 8 has attempted to cover up the use of its clients' accounts for trades executed by Noticee 2. Noticee 6 has also stated that he placed orders for Noticee 5 by visiting the office of Noticee 7 and took independent trading decisions, which is an attempt to cover up the fact that it permitted Noticees 7 and 8 to place trades in the account of Noticee 5. The argument that the statement by Noticee 8 was made under stress appears to be merely an afterthought as at no point of time after the recording of the statement did the said Noticee raise this issue in any manner. It is not even the case of Noticee 8 that the statement was made by him under duress or under any medical condition which would have caused such stress. I, therefore, find that the above submissions of Noticees 6 and 8 are devoid of any merit and hold them liable under Section 11C(3) of SEBI Act for making false statements on oath.

136. Noticees 7 and 8 have contended that the broker with which Noticee 1 was employed was empanelled with the Big Client only from July 2021 and thus, no non-public information about the Big Client's trades leading to front-running as alleged could have been passed on from him before that period. I accept this contention of the Noticees. Accordingly, the one trade of Noticee 7 which took place on June 11, 2021 in SUVENPHARMA and earned it a profit of ₹563.70

was not a front-run trade as alleged and is hereby excluded from consideration in the present matter.

137. Noticee 7 has also claimed that in certain scrips, some of its alleged front-running trades were executed through brokers other than Jainam, with which Noticee 2 was associated as Authorised Person and that these trades could not be termed unlawful. In this context, it is noted that the Investigation Report itself at Table 41 provides details of brokers other than Jainam through which Noticee 7 had executed its front-running trades, meaning thereby that the charge of front running against Noticee 7 was not premised on Noticee 7 trading through a particular broker. Once the constant communication between Noticee 2 and the Director of Noticee 7 during the relevant period is established, and the front running pattern of the Noticee placing orders in advance of one or more of the order tranches of the Big Client at predetermined prices is apparent, I find that the charge of front running stands proven and the identity of the broker from whom the said Noticee(s) traded becomes immaterial and thus, this contention of the Noticees is without merit and must be discarded. Accordingly, a similar argument raised by Noticee 8 that it did not trade through Jainam and thus, its trades could not be alleged to be front running the trades of Big Client is also rejected.

138. Similarly, Noticee 7 has pointed out an alleged front running instance where the trades by Big Client in the scrip of GSFC on January 19, 2022 were executed through brokers other than Kotak, with which Noticee 1 was employed. Noticee 7 thus contended that these alleged front-running trades could not have been the result of leakage of non-public information about impending trades of the Big Client.

139. In respect of the instance referred by Noticee 7, I note that the trade and order details show that on the said date, the Big Client traded 6862 shares of GSFC, out of which orders were placed for 1128 shares through Motilal Oswal Financial Services Limited at 13:51, for 246 shares through XTX Markets LLP, and for remaining 5488 shares through Kotak Securities Ltd., with which Noticee 1 was

employed, at 13:42. It was observed that Noticee 7 placed his orders at 13:45, all of which got executed by 13:51 and the matching percentage with Big Client was 96.42%. Since the orders of the Big Client as well as the Noticee were placed at the exact same price and in close proximity to each other which led to an abnormal matching percentage, there is no room for doubt that the orders of Noticee 7 in GSFC scrip on that day were motivated by the knowledge of the impending orders of the Big Client and thus, the mere fact that Big Client placed its orders through three different brokers does not detract from the finding that Noticee 7 indulged in front running the trades of the Big Client in the scrip of GSFC.

Conclusion

140. I note from the SCN that the Noticees have been charged with the violation of Regulations 3(a), (b), (c) and (d), 4(1) and 4(2)(q) of PFUTP Regulations read with Section 12A (a), (b), (c) and (e) of SEBI Act, and violation of Regulation 8(1)(a) and (b) of PFUTP Regulations read with Section 11C(3) of SEBI Act.

141. In light of the foregoing and the findings recorded hereinabove, I conclude that the Noticees 1 and 2 (along with other Noticees) collaborated to execute a carefully crafted scheme of front running the orders of the Big Client with the help of non-public information about substantial orders of the Big Client shared by Noticee 1 with Noticee 2 in return for an arrangement of sharing profits made out of such trades, which at its root was a fraudulent, manipulative, and an unfair trade practice. I note that Noticee 2 has admitted in his statement recorded during investigation that Noticee 1 used to share specific trading instructions with him which were used by him to execute trades not only in his account but also in the accounts of his wife and HUF, and that the profits of trading were shared with Noticee 1 in cash.

142. The *inter se* connections amongst Noticees, the intricate digital evidence unearthed during investigation, and the methodically consistent pattern of order price-time matching between the Noticees and the Big Client, leading to continuous profits, clearly evidence a malicious arrangement designed to exploit

advance knowledge of institutional trades. Noticee 2 carried out front-running trades not only in his own account but also in the accounts of Noticees 3 and 4, in addition to being responsible for placing trades in the accounts of Noticees 5 and 7 also on various occasions. It has also been brought out that trades of Noticee 8, who was admittedly in frequent communication with Noticee 2, also followed the front running pattern observe in the case of the other Noticees. Accordingly, in light of the foregoing discussion in this Order, it is held that Noticees 1, 2, 3, 4, 5, 7 and 8 violated Section 12A (a), (b), (c) and (e) of the SEBI Act and Regulations 3 (a), (b), (c) and (d), 4 (1) and 4 (2) (q) of the PFUTP Regulations. Further, Noticees 6 and 8, as the Directors of Noticees 5 and 7 respectively, were in-charge of and responsible for the acts of Noticees 5 and 7 and thus, by virtue of Section 27(1) of the SEBI Act, are liable for violation of Section 12A (a), (b), (c) and (e) of the SEBI Act and Regulations 3 (a), (b), (c) and (d), 4 (1) and 4 (2) (q) of the PFUTP Regulations.

143. Further, Noticees 6 and 8 made false statements on oath to conceal a vital fact regarding misuse of client accounts for front-running, viz., that orders in the account of Noticee 5, a client of Noticee 7, were being placed from the residence of Noticee 2, and thereby violated Section 11C (3) of the SEBI Act read with Regulation 8 (1) (a) and (b) of the PFUTP Regulations.

144. Once it stands established that the Noticees violated the various provisions of SEBI Act and PFUTP Regulations dealing with fraudulent and unfair trade practices, I now move on to the issue of imposition of penalties on the Noticees and the relevant provision of SEBI Act is reproduced hereunder:

"Penalty for fraudulent and unfair trade practices.

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

145. I note that Section 15J of the SEBI Act entails guidance regarding the factors to be considered while deciding the quantum of penalty to be imposed under the provisions of SEBI Act and the said provision reads as under:

> ***"Factors to be taken into account while adjudging quantum of penalty.***
>
> ***15J.*** *While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or 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 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."*

146. In light of Section 15J of SEBI Act, I find that the Noticees have indeed made wrongful gains. However, the entire wrongful gains have been deposited by the Noticees in an escrow account in compliance of the directions of the Interim Order. Further, I find that that the SCN has not quantified the loss caused to investors or group of investors as a result of the default by Noticees. There is also no record of any past securities laws violation by these Noticees. However, I note that the Hon'ble Supreme Court in the matter of *Adjudicating Officer, SEBI vs. Bhavesh Pabari* has, *inter alia*, held that the factors enumerated in Section 15J of the SEBI Act are merely illustrative in nature and are not the only factors which can be taken into consideration while determining the quantum of penalty.

147. In this regard, I note from the material on record that the manipulative scheme in the instant case was hatched primarily by Noticee 1 and 2 and thereafter, was executed through the accounts of Noticees 3, 4, 5, 7 and 8. Further, the conduct

of Noticees 7 and 8 in lending the accounts of their client, Noticee 5 for propagation of the scheme was also egregious, to say the least. Accordingly, the penalty would be imposed on these Noticees commensurate to their role in the scheme as brought out hereinabove in this Order.

148. Further, I deem the conduct of Noticees 1, 2, 7 and 8, who were either dealers or authorised persons associated with stock brokers, in perpetrating the front running scheme to be particularly appalling and consider it as an aggravating factor worthy of harsher directions on these Noticees in respect of their access to SEBI registered intermediaries.

149. As regards the disgorgement of unlawful gains from the Noticees, I note that since the role of Noticee 1 is enmeshed with that of Noticee 2 and Noticee 2 was executing all the trades in the accounts of Noticees 3 and 4, the profits made by Noticees 2, 3 and 4 are payable jointly and severally with Noticee 1. However, since it was Noticee 2 who further extended the front-running scheme, taking advantage of the non-public information to trade in the accounts of Noticees 3, 4, 5 and 7 and tipping Noticee 8 regarding the non-public information as well, the Noticees 2 to 8 are liable as directed in the operative part of the Order that follows. Further, the Noticees would be liable to pay interest on such unlawful gains for the period from the last day of the investigation period till the time such unlawful gains were deposited in compliance of the Interim Order.

150. I also reiterate at this juncture that in light of the orders of the Hon'ble SAT in appeals filed by Noticees 5 to 8 challenging the Interim Order dated April 26, 2024, the debarment imposed on the Noticees vide the Interim Order ceased to operate *qua* Noticees 5 and 6 on August 12, 2024 and *qua* Noticees 7 and 8 on June 28, 2024, whereas the same continues to operate in respect of Noticees 1 to 4 till date. This is a relevant factor to be considered while issuing directions of restraint against the concerned Noticees.

ORDER

151. In view of the above findings and having regard to the peculiar facts and circumstances of the matter, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4) and 11B (1) of SEBI Act read with Section 19 thereof hereby issue the following directions:

151.1 The Noticees are hereby restrained from accessing the securities market and are prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, for a further period as mentioned in column [C] hereunder:

[A] Noticee No.	**[B] Period of restraint already undergone (approx.) in terms of the Interim Order**	**[C] Further period of restraint from the date of this Order**	**[D] Total period of restraint [B + C]**
Noticees 1 and 2	24 months	24 months	48 months (4 years)
Noticees 3 and 4	24 months	No further debarment	24 months (2 years)
Noticees 5 and 6	3 months	21 months	24 months (2 years)
Noticees 7 and 8	2 months	34 months	36 months (3 years)

151.2 If the Noticees have any open positions 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 this order. 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.

151.3 Noticees 1, 2 and 8 are restrained from associating themselves, in the capacity of a director or a Key Managerial Personnel, with any intermediaries registered with SEBI, or any listed company, for a period of two (2) years from the date of this Order.

151.4 The Noticees shall disgorge the amount of unlawful gains (as mentioned in the Table below) made by them on account of front running trades along with simple interest at the rate of 12% per annum, calculated from the end of the investigation period (i.e., May 31, 2022) till the date of deposit of these unlawful gains by the Noticees pursuant to the Interim Order. These amounts shall be remitted to the Investor Protection and Education Fund (IPEF) referred to in Section 11(5) of SEBI Act, within forty-five (45) days from the date of receipt of this Order, and the payment can be made through the designated payment link provided on the SEBI homepage (www.sebi.gov.in) under "*Click here to make payment to SEBI IPEF*". The Noticees are allowed to utilise the impounded amounts already deposited by them in compliance of the Interim Order towards compliance of this direction of disgorgement. Further, the Banks maintaining the escrow accounts opened by the respective Noticees are directed to refund the excess amounts, if any, remaining in such escrow accounts after payment of the disgorgement amount by the Noticees.

Sr. No.	**Noticee No.**	**Amount of unlawful gains (₹)**	**Entities jointly and severally liable for disgorging the wrongful gains**
1.	Noticee 2	4,82,125.00	Noticees 1 and 2
2.	Noticee 3	24,86,789.00	Noticees 1, 2 and 3
3.	Noticee 4	31,56,509.00	Noticees 1, 2 and 4
4.	Noticee 5	46,60,297.60	Noticees 5 and 6
5.	Noticee 7	21,29,930.15	Noticees 7 and 8
6.	Noticee 8	44,580.00	Noticee 8
TOTAL		**1,29,60,230.75**	

151.5 The following penalties are imposed on the Noticees under Section 11(4A) and 11B(2) of the SEBI Act read with Section 15HA and 15A(a) of the SEBI Act, 1992 and Rule 5 of the SEBI (Procedure for holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995:

Noticee No.	Noticee's Name	Penalty Amount (₹)	Provisions of the SEBI Act under which penalty is levied
1	ASHOK MAHESHWARI	25 lakh	Section 15HA
2	DARSHAN BAKUL SHAH	25 lakh	Section 15HA
3	KHUSBOO DARSHAN SHAH	15 lakh	Section 15HA
4	DARSHAN BAKUL SHAH (HUF)	15 lakh	Section 15HA
5	BENZER DEPARTMENT STORES PVT. LTD.	15 lakh	Section 15HA
6	MIHIR DHIRAJALAL SAVLA	15 lakh	Section 15HA
		1 lakh	Section 15A(a)
7	CHL STOCK CONCEPTS PVT. LTD.	20 lakh	Section 15HA
8	CHIRAG MAHENDRA SHAH	20 lakh	Section 15HA
		1 lakh	Section 15A(a)

151.6 The Noticees shall pay the respective penalties imposed on them within a period of forty-five (45) days from the date of receipt of this Order.

151.7 Noticees shall pay the monetary penalty by online payment through the designated payment link provided on the SEBI website at the path: www.sebi.gov.in/ENFORCEMENT→ Orders → Orders of Chairperson / Members → Click on PAY NOW. In case of any difficulties in payment of penalties, the Noticees may contact the support at portalhelp@sebi.gov.in.

151.8 Noticees shall forward details of the online payments made in compliance with the directions contained in this Order to the "The Division Chief, ISD, Securities and Exchange Board of India, SEBI Bhavan II, Plot No. C-7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai -400 051" and also to e-mail id: tad@sebi.gov.in in the format as given in following table:

Case Name	
Name of the Payee	
Date of Payment	
Amount Paid	
Transaction No.	
Bank details in which payment is made	
Payment is made for:	

152. This Order shall come into force with immediate effect.

153. A copy of this Order shall be forwarded to the Noticees, all recognized stock exchanges, depositories, banks and registrar and transfer agents for ensuring compliance with the above directions.

AMARJEET SINGH

Digitally signed by AMARJEET SINGH
Date: 2026.04.27 15:27:28 +05'30'

AMARJEET SINGH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

PLACE: MUMBAI