

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

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

IN THE MATTER OF FRONT–RUNNING BY MANISH CHATURVEDI & OTHERS.

NOTICEES		PAN
1.	MANISH CHATURVEDI	AGSPC0944K
2.	LAXMI CHATURVEDI	AACPC3302M
3.	MANOHAR CHATURVEDI	AACPC3301J
4.	VIRAJ MERCANTILE PVT. LIMITED	AADCV3852H
5.	ABHINANDAN RANKA	ATXPR8358Q
6.	JOSH TRADING PVT. LIMITED	AACCJ4233H
7.	PINKY AUTO FINANCE LIMITED	AABCP1168J
8.	E–ALLY CONSULTING INDIA PVT. LIMITED	AABCE5603P
9.	SANDEEP MALOO	AFCPM7905F
10.	SHREE JAISAL ELECTRONICS AND INDUSTRIES LIMITED	AACCS5723P
11.	NEETA MALOO	AFWPM2867G
12.	BHAVESH GADHAVI	AMMPG4969Q
13.	MADHU CHANDA	ADGPC2308E
14.	ANANDILAL CHANDA	AACPC9029K
15.	ANANDILAL CHANDA HUF	AACHC8681B
16.	PRAVEEN KUMAR JAIN	AADPJ5102D

SYNOPSIS OF THE ORDER		PAGE NOS.
1.	BACKGROUND.	2–5
2.	<i>Ad INTERIM EX PARTE IMPOUNDING ORDER</i> DATED JULY 31, 2015.	5–7
3.	SHOW CAUSE NOTICES DATED FEBRUARY 9, 2017.	7–9
4.	HEARING AND REPLIES/SUBMISSIONS OF THE NOTICEES.	10–27
5.	CONSIDERATION OF ISSUES AND FINDINGS. A. PROCEEDINGS AGAINST SHAREKHAN AND NOTICEE NOS. 1–3, 7 AND 12. B. FINDINGS ON THE PRELIMINARY OBJECTIONS RAISED BY THE NOTICEES: 1. DELAY IN THE PROCEEDINGS. 2. SPECIFICITY OF VIOLATIONS ALLEGED IN THE SCNs. 3. SUFFICIENCY OF DOCUMENTS. 4. REQUEST FOR CROSS EXAMINATION BY NOTICEE NOS. 13–15 I.E. MADHU CHANDA, ANANDILAL CHANDA AND ANANDILAL CHANDA HUF. C. SPECIFIC FINDINGS ON MERIT: 1. ALLEGED VIOLATION OF SECTIONS 12A(a), (b) AND (c) OF THE SEBI ACT AND REGULATIONS 3(a), (b), (c), (d) READ WITH REGULATIONS 4(1) OF THE PFUTP REGULATIONS 2003 BY NOTICEE NOS. 1–15. 2. ALLEGED VIOLATION OF SECTIONS 12A(a), (b) AND (c) OF THE SEBI ACT AND REGULATIONS 3(a), (b), (c), (d) READ WITH REGULATION 4(1) AND REGULATIONS 4(2)(a) AND (q) OF THE PFUTP REGULATIONS 2003 BY NOTICEE No. 16. 3. NON CO–OPERATION AND FURNISHING OF FALSE INFORMATION BY NOTICEE No. 3 I.E. MANISH CHATURVEDI. D. CONCLUSION	27–29 29–30 30–31 31–36 36 36–67 67–69 69–70 70–71
6.	DISGORGEMENT OF WRONGFUL GAINS/LOSS AVOIDED.	71–72
7.	ORDER.	72–74

BACKGROUND –

1.1 Securities and Exchange Board of India (“SEBI”) had received two Reports dated October 11, 2010 and January 31, 2011, respectively, from the National Stock Exchange of India Limited (“NSE”) indicating alleged suspected front–running trading activity by certain entities of trades of the *Sterling Group* during the period January 1, 2010 to December 15, 2010. Thereafter, SEBI received further three Reports dated May 31, 2010, October 29, 2010 and March 14, 2011, respectively, from NSE, on suspected front–running trading activity by Laxmi Chaturvedi and Bhavesh Gadhavi (who were allegedly connected to each other), of trades of the *Sterling Group* during the period May 31, 2010 to March 14, 2011. Upon an analysis of the aforementioned Reports, SEBI conducted an investigation in the matter for the period from March 1, 2009 to March 31, 2011 (“Investigation period”).

1.2 The investigation conducted by the SEBI *inter alia* revealed the following:

- I. During the Investigation period, the front–runners had front–run entities of the *Sterling Group*. Further, the clients of M/s Sharekhan Limited were front–run by Anandilal Chanda through his own account, his HUF account and M/s Sharekhan Limited’s proprietary account. While doing so, the aforementioned entities had traded heavily on those days where the *Sterling Group* had also traded as opposed to trading in smaller volumes on other days. At the relevant time, the *Sterling Group* (whose trades were front–run) comprised of the following entities:

TABLE I – <i>STERLING GROUP</i> ENTITIES	
Sr. No.	NAME
1.	ABHI AMBI FINANCIAL SERVICES LIMITED (“ ABHI AMBI ”)
2.	STERLING FUTURES & HOLIDAYS LIMITED (“ STERLING FUTURES ”)
3.	RATHA INFRASTRUCTURE PVT. LIMITED (“ RATHA INFRASTRUCTURE ”)
4.	BAGHMAR FINLEASE PVT. LIMITED (“ BAGHMAR FINLEASE ”)
5.	SHANMUGA HOME MAKERS PVT. LIMITED (“ SHANMUGA HOME MAKERS ”)
6.	SIVA TRADE CONSULTANCY PVT. LIMITED (“ SIVA TRADE CONSULTANCY ”)
7.	SARAVANA ENTERPRISES (“ SARAVANA ”)
8.	SHANMUGA REAL ESTATE & PROMOTERS PVT. LIMITED (“ SHANMUGA ”)
9.	V.S. NET LIMITED
10.	SIVA PROJECTS ENGINEERING & ENTERPRISES LIMITED (“ SIVA PROJECTS ”)

II. The entities that allegedly front-run the trades of the *Sterling Group* and its clients were as under:

TABLE II – ENTITIES WHO ALLEGEDLY FRONT– RUN THE TRADES OF <i>STERLING GROUP</i> ENTITIES	
Sr. No.	NAME
1.	LAXMI CHATURVEDI (“ NOTICEE 2 ”)
2.	VIRAJ MERCANTILE PVT. LIMITED (“ VIRAJ MERCANTILE/ NOTICEE 4 ”)
3.	JOSH TRADING PVT. LIMITED (“ JOSH TRADING/ NOTICEE 6 ”)
4.	PINKY AUTO FINANCE LIMITED (“ PINKY AUTO/PAFL/ NOTICEE 7 ”)
5.	E – ALLY CONSULTING INDIA PVT. LIMITED (“ E – ALLY/ NOTICEE 8 ”)
6.	SHREE JAISAL ELECTRONICS & INDUSTRIES LIMITED (“ SHREE JAISAL/ NOTICEE NO. 10 ”)
7.	BHAVESH GADHAVI (“ NOTICEE NO. 12 ”)
ENTITIES WHO ALLEGEDLY FRONT–RUN THE TRADES OF THE CLIENTS OF SHAREKHAN	
8.	M/S SHAREKHAN LIMITED (PROPRIETARY ACCOUNT) (“ SHAREKHAN ”)
9.	ANANDILAL CHANDA (“ NOTICEE NO. 14 ”)
10.	ANANDILAL CHANDA HUF (“ NOTICEE NO. 15 ”)

III. The following persons were alleged to have facilitated the above suspected entities in the front-running trading activity:

TABLE III – ENTITIES WHO ALLEGEDLY FACILITATED THE SUSPECTED ENTITIES	
Sr. No.	NAME
1.	MANISH MANORHARLAL CHATURVEDI (“ MANISH CHATURVEDI/ NOTICEE NO. 1 ”)
2.	MANOHARLAL BHAIYALAL CHATURVEDI (“ MANOHARLAL CHATURVEDI/ NOTICEE 3 ”)
3.	ABHINANDAN RANKA (“ NOTICEE 5 ”)
4.	SANDEEP MALOO (“ NOTICEE 9 ”)
5.	NEETA MALOO (“ NOTICEE NO. 11 ”)
6.	SHAREKHAN
7.	MADHU CHANDA (“ NOTICEE NO. 13 ”)
8.	ANANDILAL CHANDA
9.	PRAVEEN KUMAR JAIN (“ PRAVEEN JAIN/ NOTICEE NO. 16 ”)

- IV. The above mentioned suspected entities along with the entities who facilitated their trading activity were connected as under:

TABLE IV – BASIS OF CONNECTION		
Sr. No.	NAME	BACKGROUND
1.	Laxmi Chaturvedi	Manish Chaturvedi's mother. She had received money from Praveen Jain and front-running trading activity was observed in her trading account.
2.	(i) Viraj Mercantile, (ii) Josh Trading, (iii) Pinky Auto Finance, (iv) E-Ally and (v) Shree Jaisal	These entities had received money from Praveen Jain and front-running trading activity was observed in all their trading accounts.
3.	Bhavesh Gadhavi	Received money from Praveen Jain's Companies/other Companies in the diamond trade and front-running trading activity was observed in his trading account.
4.	Praveen Jain	Had financial transactions with all the above mentioned 7 front-runners (entities mentioned at sr. no. 1–3 of Table IV) and had facilitated banking transactions for the front-runners through several entities, which claimed to be involved in the business of diamond trading, etc. Also resided in the same building as Manish Chaturvedi during the Investigation period.
5.	Manish Chaturvedi	In his statement to the Investigating Authority, SEBI ("IA"), Manish had submitted that he was employed with the <i>Sterling Group</i> from November 3, 2008 to November 8, 2011 and was responsible for research and suggesting scrips for investment/trading to the management of the <i>Sterling Group</i> . Manish Chaturvedi was also placing orders with the stock brokers on behalf of the <i>Sterling Group</i> .
6.	Manoharlal Chaturvedi	Manish Chaturvedi's father. He was authorized to trade in the trading account of his wife, Laxmi Chaturvedi.
7.	Abhinandan Ranka	Director of Josh Trading and Pinky Auto Finance and was authorized to trade in the trading account of the said entities. Cousin of Praveen Jain.
8.	Sandeep Maloo	Chartered Accountant by profession. He was authorised to trade in the trading account of E-Ally and Pinky Auto Finance.
9.	Neeta Maloo	Sandeep Maloo's wife, who was authorised to trade in the trading account of Shree Jaisal.
10.	Sharekhan	A majority of the front-running trading activity was carried out by the above mentioned front-runners (entities mentioned at sr. no. 1–3 of Table IV) through the stock broker, Sharekhan. In addition, Sharekhan (through its proprietary account) also front-run its clients based on its knowledge of their trades.
11.	Madhu Chanda	An employee of Sharekhan who had handled the trading accounts of the above mentioned 7 front-runners (entities mentioned at sr. no. 1–3 of Table IV).
12.	Anandilal Chanda	Madhu Chanda's husband. He was observed to have carried out front-running trading activity in his own trading account, Anandilal Chanda HUF's trading account and also the proprietary account of Sharekhan.

- V. A summary of total trading activity of the front-runners (excluding Sharekhan proprietary account) during the Investigation period is provided below:

TABLE V: CLIENT-WISE TOTAL TRADING ACTIVITY OF THE FRONT-RUNNERS		
Sr. No.	PARTICULARS	VALUE
1.	Total number of scrip days traded by the front-runners	4,001
2.	Number of scrip days of sr. no. 1 above, common with <i>Sterling Group</i>	833
3.	Total profit on scrip days common with <i>Sterling Group</i>	₹8,72,00,568
4.	Total profits on other scrip days (i.e. not common with <i>Sterling Group</i>)	₹38,82,609
5.	% of Number of Shares day traded on common scrip days to number of shares day traded during the Investigation period	84.68
6.	% of Matching with the <i>Sterling Group</i> compared to total number of share day traded by the front-runners on common scrip days	85.95
7.	% of no. of trades matching with <i>Sterling Group</i> with same order price to total no. of trades matched (including +/- ₹0.05 in case of Anandilal Chandal/ his HUF)	85.24
8.	% of average number of shares per trade with <i>Sterling Group</i> to average number of shares per trade with others	2,424.14
9.	% of average value per trade with <i>Sterling Group</i> to average value trade with others	2,941.26
10.	% of average turnover on scrip days common with <i>Sterling Group</i> to average turnover on other scrip days	3,465.75
11.	% of average Profit on scrip days common with <i>Sterling Group</i> to average profits on other scrip days	8,541.53

- i. The nine front-runners (as identified at Table II) had traded in a total of 4001 scrip days of which trading on 833 such scrip days by them were common with the trading done by the *Sterling Group*. Incidentally, the profit earned by the front-runners was significantly higher on the said 833 scrip days (₹8.72 Crore) as opposed to the profit of ₹39 Lakh made on the remaining 3168 scrip days.
- ii. Out of the total trading days during the Investigation period, the percentage number of shares traded by the front-runners was overwhelmingly high i.e. 84.68% on days when the *Sterling Group* had traded. Further, of the shares day traded on the scrip day common with the *Sterling Group*, 85.95% of the number of shares day traded matched with that of the *Sterling Group*.
- iii. Out of the total number of trades matched with the *Sterling Group*, 85.24% of number of trades matched was ordered at the same price by the front-runners as that of the *Sterling Group* (including orders with a difference of +/- ₹0.05 only in the case of Anandilal and Anandilal Chanda HUF).

AD INTERIM EX PARTE IMPOUNDING ORDER DATED JULY 31, 2015:

- 2.1 Upon a consideration of the Investigation Report, vide an *Ad Interim Ex Parte Impounding Order* dated July 31, 2015 ("**Impounding Order**"), SEBI *prima facie* found that trades in the accounts of (i) Laxmi Chaturvedi, (ii) Viraj Mercantile, (iii) Josh Trading, (iv) Pinky Auto, (v) E-Ally, (vi) Shree Jaisal and (vii) Bhavesh Gadhavi ("**front-runners**" or "**clients of Sharekhan**" and

individually by their respective defined names) were in the nature of front–running the orders/trades of the *Sterling Group* and that the subsequent orders placed in said accounts matched almost completely with the orders placed by the *Sterling Group*. The front–runners carried out their front–running activity predominantly through the stock broker, Sharekhan and their accounts at Sharekhan were handled by Madhu Chanda, the branch/ relationship manager. Further, the trades of Sharekhan and Anandilal Chanda (husband of Madhu Chanda who had allegedly indulged in front–running through his own account, Anandilal Chanda HUF’s account and that of the proprietary account of Sharekhan) were ahead of trades of the aforesaid 7 clients of Sharekhan i.e. the front–runners. Considering the aforementioned, vide the *Impounding Order*, SEBI had directed as under:

“28. In view of the foregoing, in order to protect the interest of the investors and the integrity of the securities market, I, in exercise of the powers conferred upon me by virtue of Section 19 read with Sections 11(1), 11(4)(d) and 11B of the SEBI Act, 1992, hereby –

a. Impound the unlawful gains of a sum of ₹13,53,92,184 (alleged gain of ₹8,41,51,217 + interest of ₹5,12,40,967) jointly and severally from persons/entities tabulated below:

Sr. No.	NAME
1.	MANISH CHATURVEDI
2.	LAXMI CHATURVEDI
3.	MANOHAR CHATURVEDI
4.	VIRAJ MERCANTILE
5.	JOSH TRADING
6.	ABHINANDAN RANKA
7.	PINKY AUTO
8.	E-ALLY
9.	SANDEEP MALOO
10.	SHREE JAISAL ELECTRONICS
11.	NEETA MALOO
12.	BHAVESH GADHAVI

b. Impound the unlawful gains of a sum of ₹65,15,298 (alleged gain of ₹40,28,480 + interest of ₹24,86,819) jointly and severally from persons tabulated below:

Sr. No.	NAME
1.	MADHU CHANDA
2.	ANANDILAL CHANDA
3.	ANANDILAL CHANDA HUF

c. Impound the unlawful gains of a sum of ₹50,93,894 (alleged gain of ₹30,83,807 + interest of ₹20,10,087) from Sharekhan.

29. *The Banks and Depositories are directed that no debit shall be made, without permission of SEBI, in respect of the bank accounts and demat accounts, held jointly or severally, by all the entities tabulated in Paragraph 28(a) and (b) above. The Banks and the Depositories are directed to ensure that all the above directions are strictly enforced.*
30. *The persons/entities tabulated in Paragraph 28(a) and (b) above are also directed not to dispose of or alienate any of their assets/properties/securities, till such time the amounts mentioned in paragraph 28(a) and (b) are credited to an escrow account {“Escrow Account in Compliance with SEBI Order dated July 31, 2015 – A/c (in the name of the respective persons/entities)”} created specifically for the purpose in a Nationalized Bank. ... After the said monies are deposited in the escrow account, SEBI shall communicate to the Banks and Depositories to defreeze the accounts.*
...
33. *This Order is without prejudice to the right of SEBI to take any other action that may be initiated against the 16 persons/entities covered under this Order, in accordance with law. The persons/entities against whom this Order has been passed may file their replies to SEBI within 21 days from the date of receipt of this order, if they so desire. They may also indicate in their replies whether they wish to avail an opportunity of personal hearing in the matter.”*

2.2 However, till date, none of the aforementioned Noticees/individuals mentioned at paragraph 28(a) and (b) of the *Impounding Order* (excluding Sharekhan), have ensured compliance with the *Impounding Order*.

SHOW CAUSE NOTICES DATED FEBRUARY 9, 2017:

- 3.1 Pursuant to the *Impounding Order*, SEBI had issued three sets of Show Cause Notices (“**SCN**”):
 - A. SCN dated February 9, 2017 (EFD/DRA-1/SM/VJ/SCN/3221/1, 3224/1, 3225/1, 3226/1, 3241/5–12/2017) to Noticee nos. 1–12 (“**First SCN**”);
 - B. SCN dated February 9, 2017 (EFD/DRA-1/SM/VJ/SCN/3235/1/2017) to Sharekhan and Noticee nos. 13–15 (“**Second SCN**”);
 - C. SCN dated February 9, 2017 (EFD/DRA-1/SM/VJ/SCN/3219/1/2017) to Noticee no. 16 (“**Third SCN**”).

3.2 The SCNs *inter alia* alleged the violation by the Noticees of the following provisions of law:

- I. **Sections 12A(a), (b) and (c) of the SEBI Act and Regulations 3(a), (b), (c), (d) read with Regulations 4(1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (“PFUTP Regulations 2003”):** It was alleged that the trades of the *Sterling Group* were front-run in 7 different trading accounts i.e. accounts of Noticee nos. 2, 4, 6, 7, 8, 10 and 12 (Laxmi Chaturvedi, Viraj Mercantile, Josh Trading, Pinky Auto Finance, E-Ally, Shree Jaisal and Bhavesh Gadhavi) and such front-runners had made unfair gains. It was further alleged that the front-running activity by the front-runners was a result of facilitation by Noticee nos. 1, 3, 5, 9 and 11 (Manish Chaturvedi, Manohar Chaturvedi, Abhinandan Ranka, Sandeep Maloo and Neeta Maloo).
- II. It was further alleged that the clients of Sharekhan were front-run by Sharekhan (in its proprietary account), Anandilal Chanda (Noticee no. 14) and Anandilal Chanda HUF (Noticee no. 15) and that Madhu Chanda (Noticee no. 13) used/passed the information of orders placed by Manish Chaturvedi to her husband, Anandilal Chanda and had also facilitated (a) Manish Chaturvedi in front-running the trades of the *Sterling Group* and (b) Sharekhan, Anandilal Chanda and Anandilal Chanda HUF to front-run the clients of Sharekhan.
- III. It was also alleged that Anandilal Chanda had, in connivance with Madhu Chanda, obtained confidential information about orders placed by clients of Sharekhan and had front-run the trades of Sharekhan’s clients in his own account, HUF account and proprietary account of Sharekhan.
- IV. As a result, the aforementioned entities/ Noticee nos. 1–15 were alleged to have violated the provisions of the SEBI Act and the PFUTP Regulations 2003, cited in the beginning of this paragraph.
- V. **Sections 12A(a), (b) and (c) of the SEBI Act and Regulations 3(a), (b), (c), (d) read with Regulation 4(1), Regulations 4(2)(a) and (q) of the PFUTP Regulations 2003:** It was alleged that Praveen Jain provided multiple trading accounts for front-running and was therefore a part of the fraudulent scheme of front-running by Manish Chaturvedi. As a result, Praveen Jain/Noticee no. 16 was alleged to have violated the provisions of the SEBI Act and the PFUTP Regulations 2003, cited in the beginning of this paragraph.

- VI. **Sections 12A(a), (b) and (c) of the SEBI Act and Regulations 3(a), (b), (c), (d) read with Regulations 4(1) and 4(2)(q) of the PFUTP Regulations 2003, Clause A(3), A(4) and Clause B(3) of the Code of Conduct under Schedule II read with Regulation 9 of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (“Stock Brokers Regulations 1992”):** It was alleged that Sharekhan used confidential information about orders placed by clients and front-run them through its proprietary trading account thereby making personal gains, facilitated the front-runners to carry out the front-running trading activity disregarding the alerts received and allowed improper use of information of confidential nature of clients by the dealers. As a result, Sharekhan was alleged to have violated the provisions of the SEBI Act and the PFUTP Regulations 2003 and the Stock Brokers Regulations 1992, cited at the beginning of this paragraph.
- VII. **Wrongful gain/avoidance of loss:** Noticee nos. 1–15 and Sharekhan had allegedly made unlawful gains with regard to their front-running trading activity for which disgorgement proceedings for recovery of wrongful/unlawful gains were envisaged against them.
- VIII. **Non co-operation and furnishing of false information:** Manish Chaturvedi allegedly tried to mislead the investigation by providing false information on numerous occasions regarding his involvement in decisions relating to financial transactions in his mother’s account including those in securities market), not having mobile bills of numbers used by him, being unaware of trading by the *Sterling Group* through HSBC, not placing orders on behalf of *Sterling Group*.
- 3.3 In view of the aforementioned, Noticee nos. 1–16 and Sharekhan were directed to show cause as to why suitable directions under Sections 11(4)(b) and 11B of the SEBI Act including disgorgement of ill-gotten gains (not applicable for Noticee no. 16) should not be issued against them for the violations alleged in the SCN.

HEARING:

- 4.1 Subsequent to the issuance of the SCNs, an opportunity of inspection of documents and personal hearing/opportunity to file written submissions was granted to Noticee nos. 1–16 on various occasions and such dates along with details of appearances/responses are listed out hereunder:
- i. **October 23, 2017:** An opportunity of inspection was granted to Noticee nos. 13–15 and Sharekhan. The aforementioned Noticees and Sharekhan had appeared on that date. Accordingly, SEBI had provided the following documents, viz. *Investigation Report and Annexures therein, CD containing trade log, audio recordings from HSBC Invest Direct and JM Financials Ltd. and scanned copies of 20 volumes of files bearing the nos. 195–1–11 to 195–19–11, 68–5–11* to Noticee nos. 4–6 and Noticee nos. 8–11 (vide letters dated October 23, 2017), Noticee nos. 13–15 (vide letters dated October 31, 2017) and Noticee no. 16 (vide letter dated October 25, 2017).
 - ii. **October 17, 2018:** An opportunity of personal hearing was granted to Noticee nos. 1–15 on October 17, 2018. Noticee nos. 4–6 and 8–11 were represented by Advocate Jitesh Maheshwari while Noticee nos. 13–15 were represented by Vikas Bengani during the personal hearing. Noticee nos. 1 – 3 and Noticee no. 7 had failed to appear for the personal hearing. However, Noticee nos. 1–3 (vide letters dated September 20, 2018) along with Sharekhan (vide letter dated September 21, 2018) had informed SEBI that they had filed settlement applications in terms of the SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 ("**Settlement Regulations 2014**") and had requested that SEBI may defer/keep in abeyance the proceedings against them till such time the applications were disposed of by SEBI.
 - iii. **July 3, 2019:** The personal hearing which was earlier scheduled for Noticee no. 16 on January 24, 2019 was rescheduled to June 6, 2019 and thereafter, was again rescheduled to July 3, 2019. Noticee no. 16 appeared for the personal hearing on July 3, 2019, through his authorised representative i.e. Advocate Rishika Harish and Advocate Akshaya Bhansali. The authorised representatives for the Noticee reiterated the submissions contained in the Noticee's reply dated July 11, 2018 (which is reproduced in the subsequent paragraphs of this Order). The Noticee was directed to submit additional written submissions by July 10, 2019 and to also provide (a) details of bank accounts and fund movements from such

accounts linked to the trading accounts used by Manish Chaturvedi and (b) the source of funds for the payments made by the Noticee in cash/cheque to Manish Chaturvedi.

- iv. **August 22, 2019:** The personal hearing was scheduled for Noticee nos. 1–3 on August 22, 2019. On that date, the aforementioned Noticees had failed to appear for the hearing.
- v. **August 26, 2019:** A further opportunity to file additional written submissions was granted to Noticee nos. 4–15 vide SEBI letter dated August 26, 2019. However, no further additional written submissions were received from them.
- vi. **September 16, 2019:** Vide a letter dated August 26, 2019, SEBI granted Noticee nos. 1, 2 and 3 an opportunity for inspection of documents on September 5, 2019 and thereafter, an opportunity of personal hearing on September 16, 2019, whereby the said Noticees were requested to appear for the inspection/hearing personally or through their authorised representative(s). Vide a letter dated September 4, 2019, Noticee no. 1 had informed SEBI of his unavailability to attend the inspection of documents on account of an illness and had instead requested SEBI to provide all the documents sought (vide their letter dated March 2, 2017) by him and his parents Noticee nos. 2 and 3. Noticee no. 1 had further informed SEBI that he would be filing his reply post receipt of the documents. No such request was received from or on behalf of Noticee nos. 2 and 3. Vide a letter dated September 20, 2019, SEBI had provided the following documents, viz. *CD containing trade log, audio recordings from HSBC Invest Direct and JM Financials Ltd., mobile bills of Manish Chaturvedi and scanned copies of 21 volume of files bearing the nos. 195–1–11 to 195–19–11, 68–5–11 and Annexure B of the First SCN – Mobile Bills of Manish Chaturvedi* to Noticee nos. 1, 2 and 3. SEBI had also informed the aforementioned Noticees that all the files had been checked before sharing with them and the same were found to be functional. SEBI had also informed the aforementioned Noticees that the investigation had not relied upon statements of any person while issuing the SCN against them.
- vii. **October 1, 2019:** Another opportunity of personal hearing was granted to Noticee nos. 1, 2 and 3 on September 26, 2019; however, the same was rescheduled to October 1, 2019. On that date, the aforementioned Noticees had failed to appear for the hearing. Opportunity of hearing was thus closed.

- viii. **August 25, 2020:** The personal hearing was scheduled for Noticee nos. 13–15 on August 25, 2020. Noticee nos. 13 (Madhu Chanda), 14 (Anandilal Chanda) and 15 (Anandilal Chanda HUF) were represented by Advocate Vikas Bengani through video conferencing. The Noticees reiterated the submissions contained in their e-mail dated August 24, 2020, wherein they had sought adjournment *inter alia* on the ground that they were unable to fully access the documents forwarded to them, by SEBI, in May 2020. The Noticees also disputed the contents of the SCN *inter alia* submitting that Anandilal Chanda was merely a client of Sharekhan and not a dealer of that Broker and further, the user id of Anandilal Chanda's account was misused by Sharekhan. After hearing the Noticees, it was directed that the hearing stood concluded and further, time till September 10, 2020, be granted to the Noticees to file written submissions on merits, in the matter. Subsequently, vide an e-mail dated September 10, 2020, the aforementioned Noticees submitted their replies to the Second SCN.

REPLIES/SUBMISSIONS OF THE NOTICEES:

- 4.2 No reply to the SCN was received from Noticee nos. 1–3, 7 and 12.
- 4.3 **Noticee no. 4:** Vide replies dated (a) December 11, 2017 and (b) October 24, 2018 – Viraj Mercantile *inter alia* submitted as under:
- (i) *The only allegation against the Company is that the several trades of Sterling Group were allegedly front-run in the Company's account and that this front-running has allegedly resulted in loss to other investors or has deprived the investors from earning profits.*
 - (ii) *We are a Company incorporated under the Companies Act, 1956 on January 25, 2006. Our Director – Abhinandan Ranka, was approached by his cousin, Praveen Jain, who requested us to provide a trading account to him which was to be used by one of his friends for some trading purpose.*
- 4.4 **Noticee no. 5:** Vide replies dated (a) December 11, 2017 and (b) October 24, 2018 – Abhinandan Ranka *inter alia* submitted as under:
- (i) *I am currently working as a diamond trader.*

- (ii) *With regard to the instructions given to stock broker for allowing Praveen to trade in E-ally, Shree Jaisal and Pinky Auto, it is humbly submitted that I was approached by my cousin, Praveen Jain, to provide him with some trading account in the companies as he wanted to provide the same to his friend for trading. I provided Praveen Jain with demat/trading account of Josh Trading and Viraj Mercantile (I was a Director in both Companies). Praveen had opened the trading accounts of Viraj Mercantile and Josh Trading and my role was limited to signing the papers whenever he told me. Praveen had given his number to the stock broker in the KYC forms and informed the stock broker that the trades will be carried out through him. Therefore, it is not the case that I informed to Stock Broker, formally or informally, to trade from the accounts of these companies. The case is that the trading accounts of these companies were opened only by Praveen and he only told the Stock Broker that he will be giving instructions for trades. At no point of time did I give any instructions, either formally or informally, to allow Praveen to trade in the trading accounts of the companies.*
- (iii) *The money in the trading account for investment in shares was provided by Praveen Jain and the profits earned/pay out received was also transferred to Praveen Jain. Praveen used to provide these funds from various entities related/connected/controlled by him. Similarly, the funds were also transferred by me through the Companies to various entities related/connected /controlled by him. The details of payments given to the broker and source thereof and details of payments received from the broker and utilization thereof, made by different entities related to Praveen Jain in Viraj Mercantile and Josh Trading is submitted to SEBI as part of the Annexures to the instant reply. As evident from the reply given by Praveen Jain dated December 7, 2017, there is no benefit received by me or the Companies and further, he has himself admitted that the profits/pay out received was transferred to him by the entities, which he further transferred to Manish Chaturvedi.*
- (iv) *I was not aware that the trades in Viraj Mercantile and Josh Trading were executed by Manish Chaturvedi till after the initiation of the SEBI Investigation. Vide its letter dated October 31, 2017, SEBI has provided me with the copies of all documents collected by it during the course of investigation including a copy of the Investigation Report. SEBI has made a detailed investigation of the call records; nowhere is it shown that Manish and I were in contact with each other or that he was sharing any information about impending trades to me through telephone. The SCN has further not shown that I was trading in the accounts of Viraj Mercantile or Josh Trading; rather, my role is limited to lending such accounts to Praveen Jain without having any knowledge of them being used by Manish Chaturvedi.*

- (v) *With regard to the trades undertaken in the account of Viraj and Josh during the relevant period, it is submitted that the Ledgers of the Trading Account for the relevant period is hereby attached.*

4.5 **Noticee no. 6:** Vide replies dated (a) December 11, 2017 and (b) October 24, 2018 – Josh Trading *inter alia* submitted as under:

- (i) *The only allegation against the Company is that the several trades of Sterling Group were allegedly front-run in the Company's account and that this front-running has allegedly resulted in loss to other investors or has deprived the investors from earning profits.*
- (ii) *We are a Company incorporated under the Companies Act, 1956. Our Director – Abhinandan Ranka, was approached by his cousin, Praveen Jain, who requested us to provide trading account to him which was to be used by one of his friends for some trading purpose.*

4.6 **Noticee no. 8:** Vide replies dated (a) December 11, 2017 (b) October 24, 2018 and oral submissions made during the hearing held on October 17, 2018, E-Ally Consulting *inter alia* submitted as under:

- (i) *The only allegation against the Company is that the several trades of Sterling Group were allegedly front-run in the Company's account and that this front-running has allegedly resulted in loss to other investors or has deprived the investors from earning profits.*
- (ii) *We are a Company incorporated under the Companies Act, 1956 on January 25, 2006. Sandeep Maloo, the husband of our Director – Neeta Maloo, was approached by Praveen Jain, who was an old friend of his. We had several financial transactions with Praveen Jain in the past. Praveen Jain requested us to provide/open trading account to him which was to be used by one of his friends for some trading purpose. Since we did not have a trading and demat account, Praveen Jain requested us to open demat trading account on August 28, 2009 in HEM Securities Limited. Praveen Jain further approached us to open a trading account with Sharekhan on August 4, 2010 for the same reason.*

4.7 **Noticee no. 9:** Vide replies dated (a) December 11, 2017 (b) October 24, 2018 and oral submissions made during the hearing held on October 17, 2018 – Sandeep Maloo *inter alia* submitted as under:

- (i) *I was approached by my old friend, Praveen Jain, to provide him some trading account in the companies as he wanted to provide the same to his friend for trading. I provided Praveen Jain with demat/trading accounts of E – Ally Consulting with HEM Securities August 28, 2009 and Sharekhan on August 4, 2010; Shree Jaisal in Sharekhan on October 6, 2010 and Pinky Auto with Sharekhan on April 29, 2010.*
- (ii) *The money in the trading account for investment in the shares was provided by Praveen Jain and the profits earned/pay out received was also transferred to him. The details of payments given to the broker and source thereof and details of payments received from broker and utilization thereof made by different entities related to Praveen Jain in E – Ally Consulting, Shree Jaisal and Pinky Auto are hereby attached.*
- (iii) *I am currently a Director in E-Ally Consulting which is involved in the business of consultation. It has also recently undertaken the projects of Waste Water Treatment and Management. I am also a Director in Mangal Global Marbles Private Limited which is engaged in the business of granite cutting and has its own plant for the same. It also undertakes the business of trading in marble and stones. I am actively involved in the management of both the companies.*
- (iv) *With regard to the instructions given to stock broker for allowing Praveen to trade in E-ally, Shree Jaisal and Pinky Auto, it is humbly submitted that Praveen approached me to open the trading accounts of E-ally, Shree Jaisal and Pinky Auto and as he was my friend and he pushed too hard, I agreed for the same. It is Praveen only who opened my account with the Stock Broker and my role was limited to signing the papers wherever he told me to. Praveen gave his number to the Stock Broker in the KYC forms and informed the Stock Broker that the trades will be carried out through him. Therefore, it is not the case that I informed to Stock Broker, formally or informally, to trade from the accounts of these companies. The case is that the trading accounts of these companies were opened only by Praveen and he only told the Stock Broker that he will be giving instructions for trades. Therefore, at no point of time I gave any instructions, either formally or informally, to allow Praveen to trade in the trading accounts of the companies.*
- (v) *With regard to the trades undertaken in the account of Shree Jaisal during the relevant period, it is submitted that the Ledgers of the Trading Account for the relevant period is hereby*

attached. It is further submitted that as currently I am not associated with the Pinky Auto, it will not be possible for me to submit the ledgers of the trading account of the same.

- (vi) *It is submitted that reliance is also placed on the observations of the SAT in **National Securities Depository Ltd. vs. SEBI** (Appeal No. 147 of 2006 dated November 22, 2007) and **Karvy Stock Broking Ltd. vs. SEBI** (Appeal No. 6 of 2007 dated May 02, 2008).*

4.8 **Noticee no. 10:** Vide replies dated (a) December 11, 2017 (b) October 24, 2018 and oral submissions made during the hearing held on October 17, 2018, Shree Jaisal *inter alia* submitted as under:

- (i) *The only allegation against the Company is that the several trades of Sterling Group were allegedly front-run in the Company's account and that this front-running has allegedly resulted in loss to other investors or has deprived the investors from earning profits.*
- (ii) *We are a Company incorporated under the Companies Act, 1956 on September 7, 1981. Sandeep Maloo, the husband of our Director – Neeta Maloo, was approached by Praveen Jain, who was an old friend of his. We had several financial transactions with Praveen Jain in the past. Praveen Jain requested us to provide/open trading account to him which was to be used by one of his friends for some trading purpose. Since we did not have a trading and demat account, Praveen Jain requested us to open demat trading account on October 6, 2010.*

4.9 **Noticee no. 11:** Vide replies dated (a) December 11, 2017 (b) October 24, 2018 and oral submissions made during the hearing held on October 17, 2018 – Neeta Maloo *inter alia* submitted as under:

- (i) *My husband, Sandeep Maloo was approached by Praveen Jain, to open/provide him some trading account in the companies as he wanted to provide the same to his friend for trading. My husband provided Praveen Jain with demat/trading account of E – Ally with Hem Securities on August 28, 2009 and Sharekhan on August 4, 2010 and further, provided him with demat/trading account of Shree Jaisal in Sharekhan on October 6, 2010. My husband also provided him with demat/trading account of Pinky Auto with Sharekhan on April 29, 2010.*

4.10 **Noticee nos. 13, 14 and 15:** Vide replies dated (a) November 25, 2017 (b) April 5, 2018, (c) June 15, 2018, (d) September 12, 2018, (e) November 29, 2018, (f) August 8, 2018 and (g)

September 10, 2020 – Madhu Chanda, Anandilal Chanda and Anandilal Chanda HUF *inter alia* submitted as under:

- (i) *Manish Chaturvedi was directly or indirectly placing orders with Sharekhan in several scrips from time to time and my (Madhu Chanda) limited interaction over telephone with him was pursuant to instructions from my superiors who directed me to execute his orders. Hence, reference to purported phone conversations to infer any involvement in wrong doing on my part is absolutely incorrect and further, I (Madhu Chanda) have personally not effected a single trade. As regards Anandilal Chanda in his individual or HUF capacity, he has been involved with the stock market since 1986 as a trader in the ring and his trades are based on his own assessment.*
- (ii) *As regards the comparison of the trades of Anandilal Chanda with E-Ally and Josh Trading, we submit that without giving the trade log of the aforementioned two companies and other clients of Sharekhan or Sterling Group, this allegation is bereft of any details and particulars. The trades of Anandilal are independent trades and he is not a dealer with Sharekhan. His NCFM ID has been misused in the present case for which a complaint has been lodged at SEBI on August 19, 2016 (SCORES registration no. SEBI/MH16/0003964/1). Further, the concept of front–running does not apply to either Madhu Chanda (as she had not effected any trades) or Anandilal Chanda and Anandilal Chanda HUF since their trades are independent trades based on the movement in the market and not on any specific information based on trades of clients of Sharekhan. There is absolutely no evidence on record that I passed on any information to any third party and/or Anandilal Chanda.*
- (iii) *As an employee of Sharekhan, I (Madhu Chanda) have had my lawful entitlements such as gratuity, etc. being withheld by Sharekhan and I have been threatened to make statements which would serve the purpose of the said Stock Broker. I have filed complaints with the police on May 8, 2016 and August 25, 2016, which were provided to SEBI during the personal hearing. There is no evidence whatsoever either as regards the contents of the phone calls or from the nature of the trades which has been placed on record that infer any wrong doing, etc.*
- (iv) *We submit that we also seek cross–examination of all parties, whose statements have been recorded by SEBI in the present investigation since the same appears to have been used for issuance of the Second SCN.*
- (v) *In a very shocking and surprising move, SEBI vide letter dated May 18, 2020 provided us with a pen drive. In the said letter, it is stated that two files namely 'Mail Box of Ms. Madhu with Sharekhan (33.4 GB)' and Trade and Order Log (NSE) are provided in the Pen Drive. After*

receipt of the said letter, we immediately tried to open the file i.e. 'Mail Box of Ms. Madhu with Sharekhan (33.4 GB)' in my Laptop but failed to open. We had also taken the help of the IT professionals but they also could not help me in opening the files. The same was duly informed to SEBI via several emails. Our lawyer also failed to open the said files after repeated attempts. We and our authorised representative both requested SEBI officials several times that we are unable to open the said file but no help was provided. On the contrary, SEBI officials were pressurizing us to attend personal hearing before SEBI. We and our authorised representative clearly informed SEBI officials that during this Covid-Pandemic situation, we cannot step outside as Madhu Chanda is a patient of Asthma and my husband Anandilal Chanda (one of the Noticee) is suffering from spinal cord issue. Our doctors strictly advised us not to go out of home till the normalcy return. Despite all these, we were given date of final hearing on August 25, 2020 before your good self. On the day of hearing, after receipt of phone calls from your officials, our authorised representative wrote the following email: "With reference to the captioned matter, I am concerned for my clients Madhu Chanda, Anandilal Chanda and Anandi Lal Chanda HUF (Noticees). In the captioned matter, the Noticees have been issued Notice of hearing to appear before the Hon'ble Whole Time Member on August 25, 2020. Earlier also notices of hearing were issued but on requests of the Noticees the matter had been adjourned. On the instruction received from the clients today, I am ready to appear before SEBI at the time of scheduled hearing. Please note that as regards the mail box provided by SEBI to the Noticees, the Noticee could not open certain files yet. Since the new material provided by the SEBI is yet to be analyzed, I am not in a position to make additional submissions on merits." On August 25, 2020 at the time of scheduled hearing, our authorised representative appeared before your good self and submitted the following:

- The Noticee could not open the file 'mail box of Madhu with Sharekhan (33.4 GB)' as provided by the SEBI.
- The Trade and Order Log was provided in text format and not in excel format. We are unable to understand the data in text format.
- I have no instructions to make submissions on merit.
- The Noticees have not been provided documents as gathered during the Investigation. The Noticees have no other source to gather the information and details.
- Regarding, the question of 'Dealer of Anandilal Chanda in Sharekhan', it was denied that Anandilal Chanda was Dealer in Sharekhan. It was also submitted that Anandilal Chanda's NCFM ID was illegally misused by Sharekhan and a Complaint in this regard has been made with SEBI in 2016. However, SEBI could not resolve his Complaint.

- *It was also reminded to your good self that during the course of personal hearing in 2018, on the query made by the Competent Authority, SEBI to SEBI officials, the lady officer from SEBI side clearly replied that SEBI doesn't have 'Madhu Chanda mail box with Share Khan' (33.4 GB) despite being shown clearly in the Investigation Report that SEBI collected the same during the Investigation and relied some mail conversation in the SCN. It was also submitted that the said mail box of mine with Sharekhan is a vital document to prove my innocence.*
 - *We, through our authorised representative, were asked to submit reply till September 10, 2020. Further, we were asked to submit police complaint, if any, has been filed regarding misuse of Anandilal Chanda's NCFM ID. In this regard it is submitted that Anandilal Chanda has filed several Complaints before NSE and SEBI regarding misuse of his NCFM ID but his Complaints are still unresolved.*
 - *Since the files provided in pen drive vide letter dated May 18, 2020 could not be opened despite taking help of 5 IT Professionals, we earnestly request SEBI to provide the same in proper format. Further, it is requested that SEBI may provide us the Trade and Order Logs files in Excel format.*
- (vi) *It is to be noted that the files provided earlier relating to trade and order log data having glaring discrepancies. For example, an excel file was provided i.e. CM_TRDLOG_DEALER PAN 2. In this file if we assort data in column of 'Buy Dealer User Id' by selecting Dealer User Id 23,107, two Dealers name appears i.e. 'Anandilal V. Chanda and Anil Kumar C J.' Before the name of Anil Kumar C J, address is shown as 26 / 430, Laxmi Building, 1st Floor, Vanrose Road and Thiruvananthapuram. We don't know any Anil Kumar C. J. and surprised to know that he was shown as a Dealer who had executed the trades. We are ready to explain the discrepancies in the Trade Log data to SEBI officials at a mutually decided time.*
- (vii) *I (Madhu Chanda) further submit that for the first time my husband knew that his NCFM ID has been misused by Sharekhan was when a person named Praful called my Husband and asked him to renew his NCFM ID that was going to expire in a month time. At that time, I immediately mailed to Shankar Vallaya, Director, Sharekhan (heading Compliance) and asked him to stop misusing my husband's NCFM ID with immediate basis. It can be verified from my mail box data.*
- (viii) *It is alleged in the SCN that I (Madhu Chanda) had facilitated Manish Chaturvedi in front-running the trades of Sterling Group. In this regard it is submitted that Manish Chaturvedi was introduced to me by Sharekhan's management and it was informed me that he is a Gold Medalist Chartered Accountant who does his own research and suggest scrips in the Securities*

Market. It is further submitted that Sharekhan's management gave clear instructions to all the department such as compliance, risk and back office for smooth execution of the trades by Manish Chaturvedi and group. It is an admitted fact that I had never talked with Manish Chaturvedi after trading hours. SEBI had not produced any documents to strengthen the allegation that I had facilitated Manish Chaturvedi in front-running the trades of Sterling Group. Not an iota of evidence has been shared except Call Details. I performed my duty as an employee by receiving the calls from Manish Chaturvedi and taking his instructions for placing of Orders and execution of trades in the accounts belonging to him. I had followed the instructions of Sharekhan's management. Manish Chaturvedi always shared his research and tips on securities and vice versa. It was duty to share research report of Sharekhan with its clients and know their opinion about market and advise them for investments. Manish Chaturvedi was not only calling me but also called several other dealers of Sharekhan on land line phones to place his Orders. I, in my mind, was having an image of Manish Chaturvedi that he was a man from securities market and does his own research and trades accordingly. Manish Chaturvedi had never informed me or gave any hint that he was employed with Sterling Group. Even though if it assumed that I was aware about his employment, it is not established that he gave me tips to front run the Sterling Group. Thus, the allegation against me of facilitating Manish Chaturvedi in front-running the trades of Sterling Group is vague and therefore liable to drop.

- (ix) I (Madhu Chanda) was in Sharekhan from 2004 and was compelled to leave the job in 2014. I have an unblemished career as an employee till 2013–2014. I was handling 840 clients under my group and there were 300–340 clients who were active and use to trade on daily basis. Sharekhan gave me its best clients to handle because of my dealing skills and service to clients in all segment of the market.
- (x) During my (Madhu Chanda) employment, I reported to my superiors at M/s. Sharekhan, who were Tarun Shah (CEO), Jaideep Arora (Director), Mr. Ashok Mital (Commodity Head), Devang Kamdar (Cluster Head), Shankar Vellaya, etc. All these superiors, had been in employment of M/s. Sharekhan prior to my joining and supervised different operations of different departments. The entire strength of employees at each branch was in the range of 12 to 13 persons. In the city of Mumbai, there were branches in excess of 20 at different locations with different branch heads. The dealers at each of the branches, like myself, were bound by instructions of superiors.
- (xi) It is an admitted fact that Sharekhan allowed Manish Chaturvedi and his cronies to trade till I (Madhu Chanda) left the job in 2014. I personally requested Sharekhan's management not to

allow trades of these types of clients due to which an image of institution blemishes. However, no heed was given to my request. On the contrary, it was their view to continue these clients as they might be helpful in SEBI's investigation and proceeding.

- (xii) It is further submitted that SEBI has not provided any evidence of dealership of Anandilal Chanda. On the basis of information provided by the Sharekhan, it is alleged that I (Anandilal Chanda) was their Dealer. I deny that Anandilal Chanda was Dealer in Sharekhan and had traded in Prop Account of Sharekhan. If any trades is shown in his NCFM ID, then it was surely misuse of his ID, against which several complaints have been made. It is very shocking and surprising that SEBI had never called Anandilal Chanda for investigation.*
- (xiii) It is further submitted that my (Madhu Chanda) statement recorded by SEBI was under coercion and 1 out of 2 occasions, a person from Sharekhan was sitting beside me when my statement was recorded by SEBI Officials. It is beyond my comprehension that when the investigation was conducted in Mumbai, why I had been called to Delhi for making statement before the officer of the SEBI. I was under tremendous pressure from Sharekhan and I gave statement according to them. I was not allowed to give statement freely. Even after I left my employment, Sharekhan's goons threatened my life. I made two police complaints and copies of the same are already provided to SEBI at the time of personal hearing in 2018.*
- (xiv) In the entire SCN, it is not alleged that I (Madhu Chanda) or Anandilal Chanda front run the Sterling Group but the allegation made against Anandilal Chanda and HUF that they front run the front runners. I am doubtful that it can be an allegation.*
- (xv) I (Madhu Chanda) had never passed on any information of client's trades to anyone including my husband Anandilal Chanda. Of course, I and dealers under me pass on investment ideas and tips of securities with clients under me and with my husband and it is normal market practice. I always advised my client to invest in liquid and fundamentally sound companies.*
- (xvi) Since we have not been provided complete trade and order logs data in proper format and further it was not explained to me about how the figures of alleged wrongful gains were arrived at by SEBI, we are not in a position to give reply on that.*
- (xvii) We have read the statements of various entities recorded by SEBI, however, did not find a single word against me (Madhu Chanda). If these statements have been relied then no allegation would have been made against me. It may be one of the reason that SEBI is not relying on these statements.*
- (xviii) My (Madhu Chanda) account in HDFC Bank bearing No. 02121000013470 and SBI Bank Account number 30684888651 has been frozen pursuant to the directions of SEBI since 2015. This account which would have been my primary source of my livelihood on account of being*

disabled from having a permanent employment has been completely disconnected only on account of the present investigation. Effectively, even without being involved in any wrong doing, I have suffered for more than 4 years.

- (xix) We further say and submit that there is an inordinate delay and latches in the present proceeding which highly prejudice me. My (Madhu Chanda) career has been destroyed by passing Ex-Parte Order against me. Due to that nobody is ready to give me a job and I have to depend on my daughter for day to day expenses. Recently, the Hon'ble Supreme Court of India and the Hon'ble Tribunal took a tough stand against inordinate delay and latches in quasi-judicial proceedings. In the Appeals filed by Mr. Ashok Shivlal Rupani & Ors., the Hon'ble Tribunal vide its Order dated August 22, 2019 set aside the Order of the SEBI and allowed the Appeal (Appeal Nos. 417 and 440 of 2018). Further, **Civil Appeal No. 8444 –8445 of 2019 Securities and Exchange Board of India vs. Ashok Shivlal Rupani & Anr**, etc. filed by the SEBI against the aforesaid Order has been dismissed by the Hon'ble Supreme Court of India vide its Order dated November 15, 2019, thus affirming the decision of the Hon'ble Tribunal. In the Appeals filed by various entities including Ashlesh Gunvantbhai Shah & Ors, the Hon'ble Tribunal vide its Order dated January 31, 2020 set aside SEBI's Order and allowed the Appeal (Appeal Nos. 169, 171, 172, 231, 264, 266 and 277-281 of 2019). The Hon'ble Tribunal's Order specifically deals with the allegation of violations of PFUTP Regulations 2003. My case is no different from the case dealt in the aforesaid Orders. The alleged trades belong to the year 2009–11. SEBI took almost 7 years to issue me the SCN. In this scenario, we urge SEBI to drop the allegations made against us in the SCN.

4.11 **Noticee no. 16:** Vide replies dated (a) July 11, 2018 and (b) July 22, 2019 – Praveen Jain *inter alia* submitted as under:

- (i) The only allegation against me is that I have by, providing multiple trading accounts for front–running, was part of the fraudulent scheme of front–running by Manish Chaturvedi and the front–runners. I am in the business of diamond trading since 20 years and I am also a Director in 12 Companies having DIN no. 00523513.
- (ii) Front–running was done by Manish Chaturvedi during the period from March 1, 2009–March 31, 2011, who was neighbour for a period of more than 5 years.
- (iii) In paragraph 11 of the Third SCN, it is stated that I was observed to be connected to the front – runners through financial transactions. With regard to this, it is submitted that the same is a matter of record and so I don't have anything to comment on the same.

- (iv) *In paragraph 12, 13, 14 and 15 of the Third SCN, it is stated that I provided trading accounts to Manish Chaturvedi and the amounts of profit earned in such account was transferred by me to Manish by cash/cheque after deducting commission and expenses. With regard to this, it is submitted that it had already been admitted by me that the accounts allegedly used for front – running were arranged by me for Manish Chaturvedi and I was getting a mere commission of 1 paisa (for every ₹100 trade) in those accounts. He had approached me for providing him several trading accounts for the purpose of carrying out transactions in the securities market and I had provided him with six trading accounts (Viraj Mercantile, Josh Trading, Pinky Auto, E-Ally Consulting, Shree Jaisal and Bhavesh Gadhavi) for a commission of 1 paisa (for every ₹100 trade). The trading accounts of the entities which were provided by me to Manish Chaturvedi were that of my friends and relatives or the entities where they had control over the decisions of trading and owing to the personal relations, the accounts were permitted to be used by me. These accounts were provided to Manish Chaturvedi on a bona fide belief that the accounts were to be utilised for genuine transactions. I was not aware about the trades of Manish Chaturvedi or the alleged front–running as Manish used to directly call the broker for placing the Order in the trading accounts provided by me. After providing these accounts to Manish Chaturvedi, my role was only to give the profits earned in those accounts to him whenever he used to ask. Whenever Manish Chaturvedi wanted money, he would give the details of trades to me and I would thereafter make the payment in cash/cheque after verifying the trades.*
- (v) *The brokerage charged by the broker is based on the volume of the trades executed in the accounts–higher the volume, lesser is the brokerage charged for the trades. The volume generated by Manish Chaturvedi by trading in the account resulted in the actual owners of the accounts having the leverage to bargain lesser brokerage from the brokers for the trades executed by them in their accounts. Therefore, the money saved in the brokerage for the trades executed by the actual owners was the motivation and the benefit available to them which resulted in them easily lending the accounts to be traded in by Manish Chaturvedi. The aforementioned benefit were explained to me by the front–running entities when we were discussing the terms of passing the accounts to Manish Chaturvedi.*
- (vi) *The trading accounts of the six entities, viz. Noticee nos. 4, 6, 7, 8, 10 and 12, were not opened specifically to be provided to Manish Chaturvedi for trading and the actual owners of the accounts used to execute trades in their accounts. As regards the settlement of dues with the actual owners, I or the Companies in which I was a Director or had control, had ordinary business transactions with the front–running entities and the pay–out received in the bank*

accounts of the entities was settled along our business transactions dues. Further, the payment made to Manish either by way of cash or through bank transfer was settled with these entities along with ordinary business dues. Since there was substantial monetary transactions with these entities, I would not be able to particularly segregate as to which part of the transaction pertains to the money received in normal course of business and which part pertains to the pay-out due from these entities, which I had paid to Manish Chaturvedi on their behalf. The bank accounts linked with the front-running trading accounts were that of the front entities and I had no control over the operations of the said bank accounts.

- (vii) With regard to the query as to whether the front-running entities received any information about the trades executed by Manish Chaturvedi in the trading account so lent to him, it is submitted that such entities did receive the trade related information for the trades executed by him on the registered mobile number and emails. It is important to clarify that with regard to the observations in the Third SCN that my email and phone number was mentioned in two of the trading accounts which were lent to Manish Chaturvedi, in this regard it is submitted that I had introduced the front-running entities to the broker at the time of opening of trading accounts and it seems that the broker has erroneously mentioned my details for communications in the KYC as the details of the owners were not available to fulfil their mandatory requirement – the aforementioned is however, an educated guess and I cannot specifically point out as to why my contact details were mentioned in the KYC of the front-running entities.
- (viii) As admitted in my statement, I used to cross-tally only those accounts where the actual owners also used to execute the trades so as to reach a conclusion as to which trades were executed by the actual owners and which trades were executed by Manish Chaturvedi, which will earn me the commission. In view of the same, the information was not received by me constantly to keep track of but was only provided to me when it was specifically sought by me to make payments to Manish Chaturvedi as per his demand and such information made available to me was post-facto information as I had no knowledge of trades of Manish Chaturvedi. The payment to Manish Chaturvedi were made on the information of trades provided by him.
- (ix) I place reliance on the judgment of the Supreme Court in **Hanumant vs. State of Madhya Pradesh** (AIR 1952 SC 343 – “It is settled law that an admission made by a person whether amounting to a confession or not cannot be split up and part of it used against him. An admission must be used either as a whole or not at all. If the statement of the accused is used as whole, it completely demolishes the prosecution case and, if it is not used at all, then there remains no material on the record from which any inference could be drawn that the letter was not written on the date it bears.”) and the SEBI Order in the matter of **Anand Deep Katare**

(Order dated September, 24, 2014 – “I find that no conclusive evidence has been brought on record to prove that the Noticee being the fund manager of DBS Chola had passed on the information of the trading strategy of DBS Chola to R.K. Upadhyay and V.K. Upadhyay. It is pertinent to mention here that apart from the telephonic records, details which have been discussed in the preceding paragraphs, no evidence has been brought on record. It is observed that no phone calls appear to have been made by the Noticee from his mobile phone, and considering other facts and circumstances of the case such as the impugned telephone calls were made from a common telephone which was also available to other persons sharing the room, it is difficult to come to any conclusion regarding the role of the Noticee in the manipulation. In this context, it is noted that R.K. Upadhyay also denied having received any information from the Noticee besides having attended some common meetings with the Noticee) to substantiate the submissions inter alia regarding usage of confessional statements and liability of employees in unfair trade practice of front–running.”

- (x) *With regard to the issue of disgorgement of the alleged ill–gotten gain made by me, it is submitted that I have not made any kind of profit from such front–running activity except the commission of 1 paisa for every trade of Rs. 100. It is also submitted that the front–running if any, in the present case, has been done by Manish Chaturvedi and that the ill–gotten gain made, if any, can only be attributed to him as he was the sole beneficiary of such front–running.*

4.12 Individually, Noticee nos. 4–6 and Noticee nos. 8–11 also made the following common submissions:

- (i) *The SCN nowhere makes out any specific case against me/Company and in (no) manner provides an opportunity or details of any allegations that has to be met. The SCN is general and vague in nature and does not meet the mandatory requirement of a valid SCN as laid down by the Hon’ble Supreme Court in **Gorkha Security Services vs. Govt. (NCT of Delhi) (2014) 9 SCC 105** – “The fundamental purpose behind the serving of Show Cause Notice is to make the Noticee understand the precise case set up against him which he has to meet. This would require the statement of imputations detailing out the alleged breaches and defaults he has committed, so that he gets an opportunity to rebut the same. Another requirement, according to us, is the nature of action which is proposed to be taken for such a breach. That should also be stated so that the Noticee is able to point out that proposed action is not warranted in the given case, even if the defaults/ breaches complained of are not satisfactorily explained...”*
(This submission was also made by Noticee no. 16).

- (ii) *The most important condition to prove the offence of front–running is that the person provided with the information must deal in security on the basis of the tip. However, in the present case, we have not dealt in securities so the charges must be dropped on this ground itself. Our conduct does not fall within the ambit of the definition of ‘front–running’ as provided by the Supreme Court in the matter of **SEBI vs. Kanhaiyalal Baldevbhai Patel** (Civil Appeal No. 2595 of 2013 dated September 20, 2017) wherein it was held: “It comprises of at least three forms of conduct: They are: (1) trading by third parties who are tipped on an impending block trade (“tippee” trading); (2) transactions in which the owner or purchaser of the block trade himself engages in the offsetting futures or options transaction as a means of “hedging” against price fluctuations caused by the block transaction (“self-front-running”); and (3) transactions where a intermediary with knowledge of an impending customer block order trades ahead of that order for the intermediary’s own profit (“trading ahead”) ...” It is submitted that (a) we have not done tippee trading i.e. traded in the scrip after getting tipped on an impending block trade; (b) we have not done self–front–running i.e. engaged in offsetting futures or options transactions as a means of ‘hedging’ against price fluctuations caused by block transactions in which I am owner or purchaser of the block trade and (c) we have not engaged in trading ahead i.e. we are not an intermediary and have not done transactions with the knowledge of impending customer block order trades. Hence, we cannot be held liable for the alleged violations of SEBI Act and PFTUP Regulations 2003 as our conduct of providing accounts to Praveen Jain does not amount to front–running. (This submission was also made by Noticee no. 16).*
- (iii) *On the term ‘induce another person’, the Hon’ble Supreme Court in **SEBI vs. Kanhaiyalal Baldevbhai Patel** had observed that: “A person can be said to have induced another person to act in a particular way or not to act in a particular way if on the basis of facts and statements made by the first person, the second person commits an act or omits to perform any particular act.” It is submitted that the ‘inducement of a person to deal in securities’ is a pre–requisite for charging ‘fraud’ under the PFUTP Regulations 2003 and in the present case, as per the above mentioned judgment, I/the Company had not induced any other person to trade in securities. Further, in the case of **DLF Limited vs. SEBI (Appeal No. 331 of 2014, decided on March 13, 2015)**, it has been held: “We have minutely looked into Sections 12(a), (b) and (c) of the SEBI Act along with Regulations 3(a), (b), (c), (d); 4(1), 4(2)(f) and (k) of PFUTP Regulations as well as the definition of fraud. First of all we note that a person could be held guilty of fraud only if he has done an act or omission with a view to induce another person to deal in securities. The Respondent has not been able to attribute any such conduct to the Appellant anywhere in the Impugned Order. ...” The aforesaid explanations make it quite clear that we have not*

violated any provisions of the PFUTP Regulations and therefore, the directions and findings of the SCN must be quashed and set aside with immediate effect. (This submission was also made by Noticee no. 16).

- (iv) *With regard to the issue of disgorgement of the alleged ill-gotten gains made by us, it is submitted that we had not made any kind of profit from such front-running and all the profits/pay out ultimately earned was given to Praveen Jain (who further submitted that he had earned only commission from the trades and had not made any kind of profit and since the trades were done by Manish Chaturvedi, ill-gotten gain made should be attributed to him). The Noticees had also placed reliance on the Hon'ble SAT Orders in the matter of **National Securities Depository Limited vs. SEBI (Appeal No. 147 of 2006 – Order dated November 22, 2007: and Karvy Stock Broking Limited vs. SEBI (Appeal No. 6 of 2007 – Order dated May 2, 2008.***

CONSIDERATION OF ISSUES AND FINDINGS:

- 5.1 From the material available on record, I note that Noticee nos. 1–3 and Sharekhan had earlier filed settlement applications in terms of the Settlement Regulations, 2014 (since repealed and replaced with the SEBI (Settlement Proceedings) Regulations, 2018 with effect from January 1, 2019 ("**Settlement Regulations 2019**"). It is noted that as regards the settlement applications filed by Sharekhan in respect of proceedings initiated vide the Second SCN (refer to paragraph 3.1.B) and also adjudication proceedings, SEBI vide a Settlement Order dated April 23, 2019 read with Addendum to the Settlement Order dated June 4, 2019, had ordered that the aforesaid proceedings stand settled upon receipt of payment from Sharekhan of ₹2.93 Crore towards settlement charges. SEBI also directed that the amount deposited by Sharekhan in accordance with the *Impounding Order* (refer to paragraph 2.1) shall be transferred to the SEBI Investor Protection and Education Fund. The settlement applications filed by Noticee nos. 1–3 were however, rejected by SEBI.

5.2 I have considered the Investigation Report, the *Impounding Order*, the SCNs along with the replies/submissions made by the Noticees and all the relevant material on record. I note that Noticee nos. 1–3, 7 and 12 have not filed any reply to the SCN or made any submissions for consideration during the course of these proceedings; further, the aforementioned Noticees had failed to appear for the personal hearing before me. From the material available on record, the following is noted:

DETAILS REGARDING SERVICE OF SCN AND HEARING NOTICES		
NOTICEE NOS. 1–3 MANISH CHATURVEDI LAXMI CHATURVEDI MANOHAR CHATURVEDI	THE FIRST SCN ISSUED TO THE NOTICEES THROUGH SPEED POST AT THEIR LAST KNOWN ADDRESS, VIZ. 1903 – A, SHANTI KAMAL, OPP. VOLTAS HOUSE, DR. B. A. ROAD, CHINCHPOKLI (E), MUMBAI – 400012 WAS RETURNED UNDELIVERED. THEREAFTER, THE FIRST SCN WAS SERVED THROUGH AFFIXTURE AT THE AFOREMENTIONED ADDRESS ON JULY 6, 2017.	THE HEARING NOTICE FOR THE HEARING SCHEDULED ON OCTOBER 17, 2018, WAS SERVED ON THE NOTICEES THROUGH AFFIXTURE AT THEIR LAST KNOWN ADDRESS ON AUGUST 30, 2018. THE HEARING NOTICES FOR THE HEARING SCHEDULED ON AUGUST 22, 2019 AND OCTOBER 1, 2019, WERE SERVED ON THE NOTICEES THROUGH AFFIXTURE AT THEIR LAST KNOWN ADDRESS ON AUGUST 7, 2019 AND SEPTEMBER 26, 2019, RESPECTIVELY.
NOTICEE NO. 7 PINKY AUTO FINANCE LIMITED	THE FIRST SCN WAS ISSUED TO THE NOTICEE THROUGH SPEED POST AT ITS LAST KNOWN ADDRESS, VIZ. D – 51, SUBHASH MARG, C – SCHEME, JAIPUR, RAJASTHAN – 326023 BUT RETURNED UNDELIVERED. THEREAFTER, THE FIRST SCN WAS SERVED THROUGH AFFIXTURE AT THE AFOREMENTIONED ADDRESS ON MAY 30, 2017.	THE HEARING NOTICE FOR THE HEARING SCHEDULED ON OCTOBER 17, 2018 WAS SERVED ON THE NOTICEE THROUGH NEWSPAPER PUBLICATION ON SEPTEMBER 25, 2018.
NOTICEE NO. 12 BHAVESH GADHAVI	THE FIRST SCN WAS ISSUED TO THE NOTICEE THROUGH SPEED POST AT HIS LAST KNOWN ADDRESS, VIZ. 31, HIMALAYA CO-OP HOUSING SOCIETY, 3 RD FLOOR, SAHAR ROAD, ANDHERI (E), MUMBAI – 400069 BUT RETURNED UNDELIVERED. THEREAFTER, THE FIRST SCN WAS SERVED THROUGH AFFIXTURE AT THE AFOREMENTIONED ADDRESS.	THE HEARING NOTICE FOR THE HEARING SCHEDULED ON OCTOBER 17, 2018 WAS SERVED ON THE NOTICEE AT HIS LAST KNOWN ADDRESS.

5.3 As observed from the Table above, the First SCN and notices for personal hearing were duly served on Noticee nos. 1–3, 7 and 12 through speed post with acknowledgment due and/or affixture at their last known address. However, the Noticees have either failed to respond to the SCN or appear for the personal hearing granted to them either by themselves or through authorised representative(s). Further, no explanation has been given by any of them as to why the opportunity of hearing could not be availed before SEBI through their authorised representative(s) despite being advised by SEBI to do so. I therefore, am of the considered view that the aforementioned Noticees have been provided with sufficient time to submit a reply to the SCN and also adequate opportunities to present their submissions before SEBI and defend themselves against the allegations contained in the First SCN read with the *Impounding Order*,

which are sought to be adjudicated upon in the instant proceedings. Keeping the aforesaid in mind, the instant proceedings against Noticee nos. 1–3, 7 and 12 are undertaken *ex parte* on the basis of material available on record.

FINDINGS ON THE PRELIMINARY OBJECTIONS RAISED BY THE NOTICEES –

- 5.4 **DELAY IN THE PROCEEDINGS:** Noticee no. 13 has contended that there is an inordinate delay in the present proceeding which is highly prejudicial to her. Further, she has contended that the alleged trades referred to in the Second SCN had occurred in 2009–11 and SEBI took almost 7 years to issue the said SCN. The Noticee has relied on the Order of the Hon'ble Supreme Court in ***Civil Appeal No. 8444 –8445 of 2019 Securities and Exchange Board of India vs. Ashok Shivlal Rupani & Another*** to substantiate her submission. From the material available on record, I note that the investigation for the instant proceedings was taken up as a formal investigation by SEBI–Northern Regional Office (vide Order dated November 5, 2012). Thereafter, the matter was transferred to SEBI–Head Office in August 2013 for further investigation. The investigation involved an analysis of 5 examination reports forwarded by NSE concerning trades by Noticee nos. 2, 4, 7, 8 and 12 and subsequently, based on further examination of major counterparties of the *Sterling Group*, was extended to include trades by Noticee nos. 3, 6, 14, 15 and proprietary trading by Sharekhan. In this context, the following activities were involved: (a) examination of trades of various entities including that of the Noticees, (b) collecting data from various sources such as exchanges, depositories, banks, brokers, Noticees, etc. (c) analysis of the large data collected, (d) seeking responses from the Noticees and other suspected entities, etc. Accordingly, the investigation was completed as against Noticee nos. 1–15 and Sharekhan on March 16, 2015. After completion of the investigation, the Impounding Order was issued on July 31, 2015. Subsequently, the investigation against Noticee no. 16 was completed on March 30, 2016. Thereafter, 3 separate SCNs were issued on February 9, 2017 to Noticee nos. 1–16 and Sharekhan. Opportunities for inspection of documents were granted in October 2017. The first date of hearing in the instant proceedings was given to Noticee nos. 1–15 on October 17, 2018. However, Noticee nos. 1–3 (vide letters dated September 20, 2018) and Sharekhan (vide letter dated September 21, 2018) had informed SEBI that they had filed settlement applications in terms of the Settlement Regulations 2014 and had requested that SEBI may defer/keep in abeyance the proceedings against them till such time the applications were disposed of by SEBI. SEBI vide a Settlement Order dated April 23, 2019 read with Addendum to the Settlement Order dated June 4, 2019, had settled the matter against Sharekhan. However, the settlement applications of Noticee nos.

1, 2 and 3 were rejected by SEBI in 2019. During the intervening period, since considerable time had lapsed since the previous hearing in the matter, a further opportunity to file additional written submissions was granted to Noticee nos. 4–15 vide SEBI letter dated August 26, 2019. Thereafter, an opportunity of hearing was granted to Noticee nos. 13, 14 and 15 on August 25, 2020. Further, opportunities of hearing were granted to Noticee nos. 1, 2 and 3 on September 16, 2019 and October 1, 2019.

- 5.5 Having regard to the chronology narrated in the preceding paragraphs, I note that there is no delay that would vitiate the entire proceedings per se. Therefore, in the absence of any prejudice, the proceedings cannot be quashed simply on the ground of delay in launching the same.
- 5.6 Without prejudice to the above sequence of events in the matter, I note that the reliance placed on the decision of the Hon'ble Supreme Court and SAT in **Ashok Shivlal Rupani case** is misplaced as the facts in both these cases are not comparable. I note that in the aforementioned case, the violation adjudicated therein pertained to failure to file necessary disclosures under Regulation 13(4) and 13(5) of the SEBI (Prohibition of Insider Trading Regulations, 1992 and Regulation 30(4) of SEBI (Listing and Disclosures Requirements) Regulations, 2015 read with Clause 36 of the Listing Agreement. The instant proceedings however, involve adjudication of alleged violations of the SEBI Act and PFTUP Regulations 2003. Moreover, the Noticees has been show caused for serious front–running charges, from which the Noticee cannot try to wriggle out by citing the said legal position.
- 5.7 **SPECIFICITY OF VIOLATIONS ALLEGED IN THE SCNs:** Noticee nos. 4–6, 8–11 and Noticee no. 16 have submitted that the SCN must contain the exact nature of the measures/actions that SEBI proposes to take, failing which, any Order passed would be violative of the principles of natural justice and would be rendered invalid. In this regard, reliance has been placed on the judgment of the Hon'ble Supreme Court in **Gorkha Security Services vs. Govt. of NCT of Delhi & Ors. (2014) 9 SCC 105**. On a perusal of the said judgment, I find that the same is factually distinguishable and not applicable to the present proceedings for the reason that in Gorkha Security case, the matter pertained to blacklisting of a contractor by a government agency for breaching the terms of the contract, which resulted in depriving the contractor from entering into any public contracts with government, thereby violating the fundamental rights of equality of opportunity in the matter of public contract of such person. In the instant proceedings, the SCNs have however, been issued for breach of provisions of securities law, which confer discretion

upon SEBI to take such measures as it thinks fit in the interest of investors and securities market. In this regard, it is further noted that the SCNs issued to the Noticees have clearly spelt out the provisions under which the desired preventive/remedial measures, etc. if found necessary, would be issued and also clearly indicate the specific nature of violations that have been alleged against the respective Noticees in terms of different provisions of SEBI Act and the PFUTP Regulations 2003. Therefore, it is observed that specific allegations were unambiguously conveyed to the Noticees and further, opportunities were given to all of them for tendering their responses thereto. It is, therefore, incumbent on the part of the Noticees to explain their position with support of relevant evidence in response to various allegations made against them in the SCN. Only after examining and considering the explanation offered by the Noticees to the allegations levelled under the SCN, it would be possible for the Competent Authority to determine as to what directions are required to be issued against the Noticees, depending on the role of the Noticees in the alleged violations and the impact of the alleged violations on the securities markets. It is to be noted here that the provision of Sections 11 and 11B of the SEBI Act vest in the quasi-judicial authority plenary power to issue wide ranging directions as it may deem fit, in the interest of securities market which cannot be anticipated before-hand without considering the explanations of the Noticees. Therefore, it is incorrect to contend that the SCN should specify the exact nature of direction that may be issued to the Noticees before taking into the consideration the explanation and evidence that may be produced by the Noticees to prove their innocence.

- 5.8 **SUFFICIENCY OF DOCUMENTS:** As noted from the preceding paragraphs, Noticee nos. 13–15 have raised objections regarding the information/documents not provided by SEBI and have further, submitted that SEBI had called upon them to file a reply in the matter with incomplete and insufficient documents/information (refer to paragraph 4.10). Specifically, Noticee no. 13 had, vide an e-mail dated May 27, 2020, in relation to the information provided by SEBI vide letter dated May 18, 2020 i.e. electronic data of her mailbox of 33.5 GB data and also the trade and order logs, submitted that as she was not tech savvy, she would only collect the data from SEBI after the lifting of lockdown restrictions as her area was having numerous cases of Covid–19 infections. Further, in her submissions dated September 10, 2020, Noticee no. 13 had submitted that she was unable to access the information provided to her vide the aforementioned SEBI letter as she could not open the 33.5 GB data of her mailbox despite employing the help of five IT professionals and also could not understand the trade and order log data in text format.

5.9 The contention of insufficiency of documents has been considered carefully keeping in mind the importance of making available the relevant documents to the Noticees while conducting the instant proceedings. In this context, I have taken note of the documents already given to the Noticees. The documents annexed to the Second SCN and relevant to the proceedings against Noticee nos. 13, 14 and 15 included (a) the itemised mobile bills of Manish Chaturvedi, who was observed to be frequently communicating with Madhu Chanda during the market hours, (b) trade details of Anandilal, HUF and Sharekhan's proprietary account and (c) copies of relevant e-mails relied upon by SEBI (to substantiate the allegation that Sharekhan had allowed its clients/front-runners to trade in the same manner despite alerts/ warnings (from the internal team/ NSE) with regard to trading in their accounts) including:

- i. E-mail dated September 2, 2009, from Sharekhan's internal compliance team to Madhu Chanda seeking explanation for trading pattern in the account of Laxmi Chaturvedi since she was executing single trades of huge volume in scrips like Suzlon, Jet, etc.
- ii. E-mail dated May 13, 2010, from Sharekhan's internal compliance team to Madhu Chanda informing her that NSE had observed Laxmi Chaturvedi and Bhavesh Gadhavi to be trading in a manner such that the trades were matching with the same clients of some other broker (i.e. front-running) and asking Madhu Chanda to stop such trading activity.
- iii. E-mail dated September 16, 2010, from the Vice President, Compliance of Sharekhan to Madhu stating that several complaints from NSE and SEBI had been received for trading by her clients PAFL, Laxmi Chaturvedi and Bhavesh Gadhavi and the trades always matched the same counter party. Further, he also added that *"One of the clients Bhavesh Gadhavi had sent us an explanation that he does not know the counter party but we know for sure that this is not correct as has been confirmed by the exchange"*. Madhu Chanda was informed that Sharekhan was facing an enquiry from NSE and accordingly, she was asked to explain the trades of her clients and to also obtain an explanation from them. Further, Madhu Chanda was also requested not to undertake any trading activity till then.

5.10 Further, in the Second SCN, SEBI while alleging that Sharekhan was observed to be providing special privileges/ accommodations/ benefits to the front-runners like recommending funding for unapproved stock (as categorized by Sharekhan), obtaining authority letter on a later date, vetting of submissions to be filed by the clients with SEBI, etc. had placed reliance on the following e-mails:

- i. An internal e-mail dated December 10, 2010, stating that the orders were wrongly executed in the account of Laxmi Chaturvedi instead of E-Ally and an internal e-mail dated March 15, 2011 stating that E-Ally and Laxmi Chaturvedi had approached for a collective funding in Usher Agro for ₹5 Crore. Investigation concluded that the orders in both the accounts were placed by one person.
- ii. For trading done in the account of Laxmi Chaturvedi, an e-mail dated September 27, 2011, was sent by Madhu Chanda instructing a subordinate to obtain authorization from the client with the date as June 8, 2009. From this, the investigation concluded that Sharekhan did not obtain proper authorization from the client before execution of trades in the client's account and subsequently obtained an authorization with the date as June 8, 2009.
- iii. In an internal e-mail dated September 20, 2012, it was observed that scanned copy of the letter issued by SEBI to Manish Chaturvedi dated September 17, 2012 and a scanned copy of his draft response to SEBI's letter was shared with Madhu Chanda. In the draft response to the said letter to SEBI, Manish Chaturvedi had stated that the orders in his account were being placed by his father, Manohar Chaturvedi.
- iv. A soft copy in the word format of the draft submission of Manish Chaturvedi to SEBI dated September 21, 2012, was then shared by Madhu Chanda with her seniors at Sharekhan (including a Director, a Vice President-Compliance and Compliance team) vide e-mail dated September 24, 2012. In response to this e-mail, the compliance team pointed out to Madhu Chanda that Manish Chaturvedi in his draft reply to SEBI had mentioned that his father was placing orders but Madhu Chanda had confirmed to the compliance team that Manish himself was placing order in his account. Vide e-mail dated September 27, 2012, Madhu Chanda replied to this mail stating that a revised reply will be received from the client in 15 minutes. In Manish Chaturvedi's final submission to SEBI, the response by him was that the orders were placed by him i.e. after incorporating the change as suggested by the e-mail of Madhu.

- 5.11 As per the allegations contained in the Second SCN, Noticee no. 13 i.e. Madhu Chanda, is alleged to have used/ passed the information of orders placed by Manish Chaturvedi to her husband, Anandilal Chanda and had facilitated Manish Chaturvedi in front-running the trades of the *Sterling Group* and also facilitated Sharekhan, Anandilal Chanda and Anandilal Chanda HUF to front-run the clients of Sharekhan. In her submissions, Noticee no. 13 has contended that her mailbox of 33.5 GB data is vital to prove her innocence. Further, Noticee no. 13 has also contended that the aforementioned mailbox data will also assist in verifying the misuse of Anandilal Chanda's NCFM ID by Sharekhan in view of her e-mail to Shankar Vallaya, Director Compliance, Sharekhan. This submission of Noticee No.13 needs to be summarily dismissed, in view of the emails relied upon in the Second SCN, which clearly brings out her knowledge of the trades in the accounts of Noticees no. 2, 4, 6, 7, 8, 10 and 12. Further, from the material available on record, it is noted that vide a letter dated May 18, 2020, SEBI had provided Noticee no. 13 with information pertaining to her mailbox of 33.5 GB data in a pen drive. At the first instance, vide an e-mail dated May 27, 2020, Noticee no. 13 had submitted that the electronic data concerning her e-mails of 33.5 GB had not been provided by SEBI but rather incomplete data of only 11.5 GB was given to her. Thereafter, SEBI vide an e-mail dated May 27, 2020, had immediately informed the Noticee that her mailbox of 33.5 GB data had been provided in a compressed format thereby reducing the size of such mailbox to 11.5 GB and had further requested the Noticee to extract the files for perusing the same. I further note that the mailbox of 33.5 GB data was provided to the Noticee in the format obtained by SEBI from Sharekhan. In any case, Madhu Chanda's mailbox as obtained from Sharekhan, which is now sought by her, is no longer a matter in dispute in these proceedings, as the same was only relevant with respect to the proceedings against Sharekhan, which eventually got settled. In other words, the contents of the mailbox of Noticee No.13 has not led to any specific allegation relating to the core front-running activities alleged against her and Noticee nos. 14 and 15, in the Second SCN. I am thus of the considered view that the submissions of the Noticee have only been made with an intention to derail and delay the proceedings on the grounds of procedural infirmity.
- 5.12 In her submissions, Noticee no. 13 has contended that during the course of personal hearing, the lady officer from SEBI had replied that SEBI did not have '*Madhu Chanda's mail box with Share Khan*' (33.4 GB). I note that while a reference was made to Noticee no. 13's mailbox in the Investigation report and the Second SCN, it is reiterated that the mailbox, as such, was not relied upon in the Second SCN but rather what was relied upon were a few e-mails, that were extracted from the said mailbox and copies of such e-mails were annexed along with Second

SCN as 'Annexure C' therein. In this context, I note that the Hon'ble SAT in the matter of **Shruti Vora vs. SEBI (Appeal No. 28 of 2020 – Order dated February 12, 2020)**, had also observed: *"In our view, on a reading of the Act and the Rules we find that there is no duty cast upon the AO to disclose or provide all the documents in his possession especially when such documents are not being relied upon."* However, having regard to the request made by Noticee no. 13, the mailbox of 33.5 GB data as obtained from Sharekhan during the investigation, was nonetheless provided to her vide SEBI letter dated May 18, 2020, which the Noticee now contends to be inaccessible.

5.13 From the material available on record, it is also noted that vide a letter dated October 23, 2017, the trade and order logs received by SEBI from the exchange (see also paragraph 4.1 i.) were provided by SEBI to Noticee nos. 13, 14 and 15. However, when certain errors were pointed out by the Noticees, the trade and order logs as received by SEBI from the exchange (in text format) was provided afresh in a pen drive vide SEBI letter dated May 18, 2020. Vide the e-mail dated May 27, 2020, the aforementioned Noticees had submitted that the trade and order log was provided in a text format and not in excel sheet. Pursuant to the aforesaid, contrary to the Noticee's submissions, SEBI vide an e-mail dated May 27, 2020, had guided the Noticees with information regarding the method of conversion of the trade and order log data from text into excel format. Having regard to the aforementioned, I am not inclined to accept the plea taken by the Noticee that such information concerning trade and order log data could not be accessed by her along with Noticee nos. 14 and 15 simply on the ground that the same was not provided in a proper format. The aforementioned contention is not believable and is apparently being advanced to diffuse the strong evidence available with SEBI in the form of e-mails, itemised mobile bills and call records. This ground has been taken as a defence merely to cover up aspects which otherwise cannot be defended, if one were to proceed on the merits of the allegations.

5.14 Having regard to the preceding paragraphs, I note that all relevant and available documents/information obtained by SEBI and which were relied upon in the Second SCN, have been provided to the aforementioned Noticees for ensuring a suitable defence for them. In addition, all documents/information collected by SEBI during the investigation including documents/information pertaining to the First SCN were also provided to Noticee nos. 13, 14 and 15 vide SEBI letter dated October 23, 2017. Further, it is reiterated that Noticee no. 13's mailbox of 33.5 GB data and also the trade and order log data (as received by SEBI from the exchange in text

format) were shared with the Noticees subsequently vide a letter dated May 18, 2020. Therefore, in my considered view, the contention of insufficiency of documents, no longer survives.

- 5.15 **REQUEST FOR CROSS EXAMINATION BY NOTICEE NOS. 13–15 I.E. MADHU CHANDA, ANANDILAL CHANDA AND ANANDILAL CHANDA HUF:** In their replies/submissions, Noticee nos. 13–15 have requested for an opportunity to cross-examine *“all parties, whose statements have been recorded by SEBI in the present investigation since the same appears to have been used for issuance of the Second SCN”* although the request for cross-examination was not urged as a substantive objection during the personal hearing. From the nature of evidence mentioned in the Investigation Report and which also forms the basis of the allegations contained in the Second SCN, it is observed that SEBI had relied upon itemised mobile bills of Madhu Chanda and Manish Chaturvedi, trade and order log, KYC documents and Madhu Chanda’s e-mails and statements recorded on oath. In this case, I find that the investigation had overwhelmingly placed reliance on the e-mails, itemised mobile bills, order and trade logs, limited bank account statements, etc. even though, the statements of certain other Noticees were recorded as a part of the inquiry. The recorded statements have not led the investigation to any specific allegation with respect to the main charge of front-running, and therefore, in my view do not carry any evidentiary value, much less than even being corroborative. Having regard to the aforementioned fact, I find no merit in the request for cross-examination made by Noticees nos. 13–15.

SPECIFIC FINDINGS ON MERIT:

- 6.1 I have considered the Investigation Report, the *Impounding Order*, the SCN along with the replies/submissions made by the Noticees and all the relevant material on record. As stated at paragraph 5.3, I note that Noticee nos. 1–3, 7 and 12 have either not filed any reply to the SCN or made any submissions for consideration during the course of these proceedings. Further, the aforementioned Noticees had failed to appear for the personal hearing before me either by themselves or through authorised representative(s). Even though they remained *ex parte*, I have perused the documents available on record while evaluating the case against them.

6.2 I shall now proceed to take up for adjudication the following charges as reproduced from the SCNs:

A. **Alleged violation of Sections 12A(a), (b) and (c) of the SEBI Act and Regulations 3(a), (b), (c), (d) read with Regulations 4(1) of the PFUTP Regulations 2003 by Noticee nos. 1–15:**

6.3 Before examining the issues, it is necessary to refer to the relevant provisions of law which the Noticees (including Noticee no. 16 i.e. Regulations 4(2)(a) and (q) of the PFUTP Regulations 2003, in addition to the provisions quoted above) are alleged to have violated as per the SCNs served on them. They are reproduced hereunder:

Provisions of SEBI Act:

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

12A. No person shall directly or indirectly—

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

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

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

Provisions of PFUTP Regulations 2003:

“Definitions 2. (1) In these regulations, unless the context otherwise requires,—

(a)...

(b) dealing in securities” includes an act of buying, selling or subscribing pursuant to any issue of any security or agreeing to buy, sell or subscribe to any issue of any security or otherwise transacting in any way in any security by any person as principal, agent or intermediary referred to in Section 12 of the Act.

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

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

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

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

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

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

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

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

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

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

Nothing contained in this clause shall apply to any general comments made in good faith in regard to— (a) the economic policy of the government; (b) the economic situation of the country; (c) trends in the securities market; (d) any other matter of a like nature, whether such comments are made in public or in private;

Regulation 3. Prohibition of certain dealings in securities

No person shall directly or indirectly –

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

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

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

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

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

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

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

(a) *Indulging in an act which creates false or misleading appearance of trading in the securities market; ...*

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

FRONT–RUNNING IN THE TRADING ACCOUNTS OF NOTICEE NOS. 2, 4, 6, 7, 8, 10 AND 12

6.4 The SCN alleges that the trades of the *Sterling Group* were front–run in 7 different trading accounts i.e. of Noticee nos. 2, 4, 6, 7, 8, 10 and 12 (Laxmi Chaturvedi, Viraj Mercantile, Josh Trading, Pinky Auto Finance, E–Ally, Shree Jaisal and Bhavesh Gadhavi) and unfair gains had accrued to such accounts. It was further alleged that the front–running activity in the accounts of Noticee nos. 2, 4, 6, 7, 8, 10 and 12 were carried out by Noticee no. 1 (Manish Chaturvedi) through Noticee nos. 3, 5, 9 and 11 (Manohar Chaturvedi, Abhinandan Ranka, Sandeep Maloo and Neeta Maloo), who were connected to him through Praveen Jain. As a result, the aforementioned entities were alleged to have violated the aforementioned provisions of Sections 12A(a), (b) and (c) of the SEBI Act and Regulations 3(a), (b), (c), (d) read with Regulations 4(1) of the PFUTP Regulations 2003.

6.5 In their contentions, Noticee nos. 4, 5, 6, 8, 9, 10 and 11 have submitted that: *“The most important condition to prove the offence of front–running is that the person provided with the information must deal in security on the basis of the tip. However, in the present case, we have not dealt in securities so the charges must be dropped on this ground itself. Hence, we cannot be held liable for the alleged violations of SEBI Act and PFTUP Regulations 2003 as our conduct of providing accounts to Praveen Jain does not amount to front–running.”*

6.6 For determining the violations alleged in the First SCN, it is important firstly to ascertain whether Noticee nos. 2, 4, 6, 7, 8, 10 and 12 (Laxmi Chaturvedi, Viraj Mercantile, Josh Trading, Pinky Auto Finance, E–Ally, Shree Jaisal and Bhavesh Gadhavi) were known/connected to Manish Chaturvedi. In this context, I note that the Investigation Report/SCN had detailed the connections

between the Noticees based on the analysis of KYC documents, financial transactions, etc. (see also Table IV) as under:

TABLE VI –BASIS OF CONNECTION			
NAME OF THE FRONTRUNNER	INFORMATION OF ORDERS OF <i>STERLING GROUP</i> WAS IN POSSESSION OF	PERSON PLACING THE ORDERS IN THE CLIENT ACCOUNT	CONNECTION WITH MANISH WITH THE FRONT–RUNNER
Laxmi	Manish Chaturvedi (Based on circumstantial evidence and audio recordings)	Manish Chaturvedi (Based on circumstantial evidence)	Manish's Mother
Bhaves			Common mobile number as per KYC submitted by Sharekhan of Manish's mother (Laxmi - A/c. opened on June 08, 2009) and Bhaves (A/c. opened on June 11, 2009) and also had financial transactions with Praveen who stays in the same building as Manish.
E-Ally			Has multiple financial transactions with companies of Praveen and as per KYC submitted by Sharekhan, common E-mail id with Praveen, who resides in the same building as Manish. Further, E-Ally and Laxmi (Manish's Mother) collectively sought margin funding facility from Sharekhan for trading in Usher Agro.
Viraj			Shareholder and director of the two companies was Abhinandan, who is cousin of Praveen who resides in the same building as Manish. Praveen's Company also invested a sum of ₹ 40 Lakhs on March 30, 2011 in each company.
Josh Trading			
Pinky Auto Finance			Had multiple financial transactions with companies of Praveen and as per KYC submitted by Sharekhan, common E-mail id with Praveen, who resides in the same building as Manish.
Shree Jaisal			Had multiple financial transactions with companies of Praveen, who resides in the same building as Manish.

From the above Table, it appears that all the Noticees mentioned therein (except Laxmi Chaturvedi) were connected to Manish Chaturvedi through Praveen Jain, who stays in the same building as Manish Chaturvedi. Laxmi Chaturvedi is the mother of Manish Chaturvedi.

6.7 It is noted that the trades of the *Sterling Group* were made through their brokers i.e. JM Financial Services Limited (“**JMFL**”) and HSBC InvestDirect Securities (India) Limited (“**HSBC**”). On the other hand, trading in the accounts of Noticee nos. 2, 4, 6, 7, 8, 10, 12, 14 and 15 were placed through Sharekhan, Arihant Capital Markets and IndiaNivesh Securities Pvt. Limited.

6.8 On the basis of analysis of call records, e-mails and voice recordings obtained by SEBI along with the trading pattern in respect of orders placed for the *Sterling Group* [through JMFL and HSBC], the following *modus operandi* was observed:

- i. Manish Chaturvedi used to suggest scrips and the trade price to the management and seek approval for placing orders with brokers on behalf of *Sterling Group*.
- ii. As an employee of the *Sterling Group*, Manish was in possession of information such as trade type (buy/ sell), scrip, order time (including date), price and quantity of the client of the *Sterling*

Group. The stock brokers for the *Sterling Group* i.e. JMFL (vide letters to SEBI dated December 2, 2013 and August 8, 2014) and HSBC (vide letters to SEBI dated November 27, 2013 and August 7, 2014), had also identified Manish Chaturvedi as the person who was placing orders in the trading accounts of the *Sterling Group*.

- iii. Before placing orders in the accounts of the *Sterling Group*, Manish Chaturvedi on the basis of the information available with him, used to place several orders through various accounts that were used for front–running in smaller quantities by calling up dealers.
- iv. This is evident from the fact that after execution of trades for a certain quantity, the dealer used to call up Manish Chaturvedi and inform him about the execution status (or) Manish Chaturvedi used to call up the dealer to check the status of order execution in the accounts of Noticee nos. 2, 4, 6, 7, 8, 10 and 12.
- v. Upon the start of the call between the dealer and Manish Chaturvedi after execution of certain quantity, a rush for executing more trades was observed in most cases. This is based on the fact that the orders were being placed at a better price and for higher quantities from the start of the call.
- vi. During the continuation of the call/immediately thereafter, the position was exactly/ almost exactly squared. In the meantime, Manish Chaturvedi used to place orders in the accounts of the *Sterling Group* companies, viz. Abhi Ambi, Sterling Futures, Ratha Infrastructure, Baghmar Finlease, Shanmuga Home Makers, Siva Trade Consultancy, Saravana, Shanmuga, V.S. Net Limited and Siva Projects. In most of the cases, the order price in the accounts of Noticee nos. 2, 4, 6, 7, 8, 10 and 12 was far away from the market but the same as the price offered by the *Sterling Group* and therefore, most of the orders in the accounts of Noticee nos. 2, 4, 6, 7, 8, 10 and 12 got executed only upon the entry of orders by the *Sterling Group*. Further, the orders placed by Manish Chaturvedi for *Sterling Group*, which were being front-run, were generally in the nature of ‘*immediate*’ or ‘*cancel orders*’ i.e. the unexecuted order quantity was deleted after matching with orders in the accounts of Noticee nos. 2, 4, 6, 7, 8, 10 and 12.

6.9 It is noted that Manish Chaturvedi had traded heavily in the accounts of Noticee nos. 2, 4, 6, 7, 8, 10 and 12 on those scrip days which were common with the *Sterling Group vis-a-vis* trading in small volumes on other scrip days. For example, from the sample analysis of the trading in the accounts of Noticee nos. 2 and 8 in respect of scrip days where (a) audio recordings of relevant orders placed in the account of the *Sterling Group* was available and (b) conference or simultaneous calls were observed between Manish Chaturvedi and the brokers of *Sterling Group*/ Manish Chaturvedi and Madhu Chanda, the following is observed:

I. **Trades of Noticee nos. 2 and 8 i.e. Laxmi Chaturvedi and E-Ally ahead of Abhi Ambi (a *Sterling Group* entity) in Idea Cellular (“Idea”) on November 18, 2010, on NSE:**

A. On November 18, 2010, Laxmi Chaturvedi had day traded a total of 5,54,407 shares (5,54,229 shares matched with the *Sterling Group*) in five tranches and had earned a profit of ₹2,59,135. E-Ally day had day traded a total of 3,03,000 shares in 1 tranche matching 100% with *Sterling Group* and had earned a profit of ₹89,247. Both Laxmi Chaturvedi and E-Ally were observed to be short-selling and later squaring off their position on the aforesaid scrip day.

TABLE VII – TRADES OF LAXMI CHATURVEDI ON 18.11.2010

SR. No.	CLIENT	A	B	C	D	E	% MATCHED WITH STERLING GROUP
		SHORT SELL TRADE TIME (HOURS)	BUY TRADE TIME (HOURS)	SELL QUANTITY	BUY QUANTITY	PROFIT (₹)	
1.	LAXMI CHATURVEDI	09:15:13-09:24:31	09:24:37-09:24:48	1,08,719	1,05,178	91,152	99.91
2.	LAXMI CHATURVEDI	09:27:59-09:36:26	09:38:31-09:38:42	81,575	85,116		
3.	LAXMI CHATURVEDI	12:36:55-12:58:50	13:02:15-13:02:32	2,48,037	2,50,000	1,06,818	100.00
4.	LAXMI CHATURVEDI	13:12:32-13:19:39	13:19:44-13:19:46	30,338	30,345	9,453	100.00
5.	LAXMI CHATURVEDI	13:40:45-13:46:26	13:46:43-13:46:50	83,768	83,768	51,122	100.00
TOTAL				5,52,437	5,54,407	2,59,135	99.98

TABLE VIII – TRADES OF E-ALLY ON 18.11.2010

SR. No.	CLIENT	A	B	C	D	E	% MATCHED WITH STERLING GROUP
		SHORT SELL TRADE TIME (HOURS)	BUY TRADE TIME (HOURS)	SELL QUANTITY	BUY QUANTITY	PROFIT (₹)	
1.	E-ALLY	12:59:04-13:01:45	13:02:15-13:02:32	3,03,000	3,03,000	89,247	100.00%

- B. The relevant order and trade details of the tranche highlighted above at Sr. no. 3 of Table VII and Sr. no. 1 of Table VIII are analysed below in light of trades of Abhi Ambi (a *Sterling Group* entity) and along with the synchronization of relevant calls between Manish Chaturvedi–Madhu Chanda and Manish Chaturvedi–JMFL (as per voice recordings made available by JMFL) as under:

TABLE IX – SHORT SELL TRADES OF LAXMI AND E–ALLY ON 18.11.2010				
	TOTAL SELL QUANTITY	AVG. SELL PRICE (₹)	TURNOVER (₹)	
	5,51,037	69.96	3,85,48,240	
	SELL ORDER TIME	SELL ORDER PRICE (₹)	SELL TRADE TIME	SELL TRADE PRICE (₹)
FROM	12:36:47	69.65	12:36:55	69.65
TO	13:01:45	70.20	13:01:45	70.20

TABLE X – BUY TRADES OF LAXMI AND E–ALLY AND SELL TRADES OF ABHI AMBI ON 18.11.2010								
	LAXMI CHATURVEDI AND E–ALLY				ABHI AMBI			
	TOTAL BUY QUANTITY	AVG. BUY PRICE (₹)	TURNOVER (₹)		TOTAL SELL QUANTITY	AVG. SELL PRICE (₹)	TURNOVER (₹)	
	5,53,000	69.60	3,84,88,800		7,64,919	69.63	5,32,57,509	
	A	B	C	D	E	F	G	H
	BUY ORDER TIME	BUY ORDER PRICE (₹)	BUY TRADE TIME	BUY TRADE PRICE (₹)	SELL ORDER TIME	SELL ORDER PRICE (₹)	SELL TRADE TIME	SELL TRADE PRICE (₹)
FROM	13:01:55	69.60	13:02:15	69.60	13:02:15	69.60	13:02:15	70.10
TO	13:02:08	69.60	13:02:32	69.60	13:02:32	69.60	13:02:45	69.60

- i. At 12:33:08, Manish Chaturvedi (9967051632) had called Madhu Chanda. The duration of the aforementioned call was 33 minutes and the call was ended at 13:03:08. During the duration of the above mentioned call between Manish Chaturvedi and Madhu Chanda, a total of 66 sell orders were placed in Laxmi Chaturvedi's account from 12:36:47–12:58:50 resulting in 2,48,037 shares being sold in Laxmi Chaturvedi's account (see column C of Table VII).
- ii. In the intervening period, Manish Chaturvedi (9967051632) had called JMFL (044-42255603) at 12:56:58 while the call placed to Madhu Chanda was online. The duration of the aforementioned call was 3:53 minutes. Manish Chaturvedi had enquired with JMFL dealer about number of shares of Idea available in Abhi Ambi account and thereafter, had put the call on hold.
- iii. During the duration of the above mentioned calls between (a) Manish Chaturvedi and Madhu Chanda and (b) Manish Chaturvedi and JMFL, a total of 27 sell orders were

placed in E-Ally's account from 12:59:04-13:01:45 resulting in 3,03,000 shares being sold in E-Ally's account (see column C of Table VIII).

- iv. At 13:01:09, JMFL had called Manish Chaturvedi (9790967968) while the call by Manish Chaturvedi (9967051632) to Madhu Chanda was online. The duration of the aforementioned call was 2:13 minutes. During the duration of the aforementioned call between Manish Chaturvedi and JMFL, Manish Chaturvedi was heard to be talking in the background asking the other person to sell 50,000 and a sell order was observed in E-Ally's account for the same quantity.
- v. About 20 seconds prior to the order placed in Abhi Ambi's account at ₹69.60 (see column F of Table X), Manish Chaturvedi was heard to have mentioned "69.60" in the background which is the time when the buy orders were placed in the account of Laxmi Chaturvedi for 2,50,000 shares at 13:01:55 (see column D of Table VII and column A of Table X) and in close proximity to the time when buy orders were placed in the account of E-Ally for 3,00,000 and 3,000 shares at 13:01:57 and 13:02:08, respectively (see column D of Table VIII and column A of Table X).
- vi. Thereafter, two sell orders of Abhi Ambi were placed at 13:02:15 and 13:02:32 (see column E of Table X) and 72.30% of the quantity sold was matched with the buy orders of Laxmi Chaturvedi and E-Ally (100% of shares bought by front-runners i.e. buy quantity of 5,53,000 shares – see Total Buy Quantity at Table X and also column D of Tables VII and VIII).

- C. From the aforementioned summary of trading in the accounts of Laxmi Chaturvedi and E-Ally, it is clear that the trading activity of Manish Chaturvedi was based on information of impending orders of the *Sterling Group*. Further, as per details of calls made by Manish Chaturvedi to Madhu Chanda near the order timings in the account of Laxmi Chaturvedi and E-Ally and the voice heard in the background in the recording provided by JMFL corroborated with the trade data in the account of E-Ally, it is clear that Manish Chaturvedi was front-running the *Sterling Group* in the instant case through the accounts of Noticee nos. 2 and 8 on the basis of information in his possession.

II. Trades of Noticee no. 2 i.e. Laxmi Chaturvedi ahead of Abhi Ambi (a Sterling Group entity) in Idea on November 19, 2010, on NSE:

- A. On November 19, 2010, Laxmi Chaturvedi had day traded a total of 15,98,972 shares (15,86,464 matched with the *Sterling Group*) in five tranches and had earned a profit of ₹11,91,427. Laxmi Chaturvedi was observed to be short-selling and later squaring off her position on the aforesaid scrip day.

TABLE XI – TRADES OF LAXMI CHATURVEDI ON 19.11.2010

SR. No.	CLIENT	A	B	C	D	E	% MATCHED WITH STERLING GROUP
		SHORT SELL TRADE TIME (HOURS)	BUY TRADE TIME (HOURS)	SELL QUANTITY	BUY QUANTITY	PROFIT (₹)	
1.	LAXMI CHATURVEDI	09:16:10-09:38:24	09:38:56-09:39:18	5,52,478	5,52,000	5,41,198	99.89
2.	LAXMI CHATURVEDI	10:08:06-10:25:35	10:26:01-10:26:06	92,336	92,336	60,537	100.00
3.	LAXMI CHATURVEDI	10:39:56-11:32:35	11:33:06-11:33:18	4,47,478	3,79,876	1,99,882	99.20
4.	LAXMI CHATURVEDI	11:35:24-11:53:16	11:52:11-11:52:22	54,398	1,20,000		
5.	LAXMI CHATURVEDI	12:10:45-12:16:47	12:17:14-12:17:26	98.86	4,52,000	3,89,153	100.00%
TOTAL				15,98,972	15,96,212	11,90,770	99.39

- B. The relevant order and trade details of the tranche highlighted above at Sr. no. 2 of Table XI are analysed below in light of trades of Abhi Ambi and along with the synchronization of relevant calls between Manish Chaturvedi–Madhu Chanda and Manish Chaturvedi–JMFL (as per voice recordings made available by JMFL) as under:

TABLE XII – SHORT SELL TRADES OF LAXMI CHATURVEDI ON 19.11.2010

	TOTAL SELL QUANTITY	AVG. SELL PRICE (₹)	TURNOVER (₹)	
	92,336	70.76	65,33,291	
	SELL ORDER TIME	SELL ORDER PRICE (₹)	SELL TRADE TIME	SELL TRADE PRICE (₹)
FROM	10:07:49	70.00	10:08:06	70.15
TO	10:25:35	71.05	10:25:35	71.05

TABLE XIII – BUY TRADES OF LAXMI CHATURVEDI AND SELL TRADES OF ABHI AMBI ON 19.11.2010

	LAXMI CHATURVEDI				ABHI AMBI			
	TOTAL BUY QUANTITY	AVG. BUY PRICE (₹)	TURNOVER (₹)		TOTAL SELL QUANTITY	AVG. SELL PRICE (₹)	TURNOVER (₹)	
	92,336	70.10	64,72,754		1,10,925	70.10	77,75,920	
	A	B	C	D	E	F	G	H
	BUY ORDER TIME	BUY ORDER PRICE (₹)	BUY TRADE TIME	BUY TRADE PRICE (₹)	SELL ORDER TIME	SELL ORDER PRICE (₹)	SELL TRADE TIME	SELL TRADE PRICE (₹)
FROM	10:25:52	70.10	10:26:01	70.10	10:26:01	70.10	10:26:01	70.10
TO	10:26:06	70.10	10:26:06	70.10	10:26:01	70.10	10:26:07	70.15

- vii. At 10:07:22, Manish Chaturvedi (9967051632) had called Madhu Chanda. The duration of the aforementioned call was 33 minutes and the call was ended at 10:25:35. During the duration of the above mentioned call between Manish Chaturvedi and Madhu Chanda, sell orders were placed in Laxmi Chaturvedi's account from 10:07:50-10:25:35 resulting in 92,336 shares being sold in Laxmi Chaturvedi's account (see column C of Table XI).
- viii. Thereafter, Manish Chaturvedi (9967051632) had called JMFL (044-42255603) at 10:25:31 for trades of Abhi Ambi. The duration of the aforementioned call was 4:11 minutes. Manish Chaturvedi had placed a sell order with JMFL for 1,50,000 shares at 10:26:01 (see column E of Table XIII).
- ix. In the intervening period, at 10:26:36, Manish Chaturvedi (9967051632) had once again called Madhu Chanda and had ended the call at 10:26:36. As stated earlier, placement of sell orders in Laxmi Chaturvedi's account was stopped and buy orders were placed from 10:25:52 to 10:26:06 for 92,336 shares (see column D of Table XI and column A of Table XIII).
- x. Out of the sell order for 1,50,000 shares placed with JMFL, a total of 1,10,925 shares were sold in Abhi Ambi's account (of which 92,336 shares i.e. 83.24% matched with trades of Laxmi Chaturvedi, which in turn was 100% of shares bought by Laxmi Chaturvedi in this tranche). Thereafter, the balance unexecuted order quantity of 39,075 shares in Abhi Ambi's account was cancelled.
- xi. Upon a consideration of the preceding paragraphs, it is observed that Manish Chaturvedi had placed orders with JMFL on behalf of Abhi Ambi and therefore he was aware of all six parameters of impending transaction required for front-running i.e. name of the scrip (Idea), trade type (sell), quantity (1,50,000) shares, rate (₹70.10), time as (10:26:01 Hrs) and the exchange (NSE). Therefore, it is clear that Manish Chaturvedi was in possession of the impending sale of shares by the *Sterling Group* and had front-run the *Sterling Group* through the accounts of Noticee no. 2 on the basis of information in his possession.

From the material available on record, it is also noted that given that there were a large number of common scrip days, matching of majority of trades with the *Sterling Group* on a consistent basis. Accordingly, the analysis for one scrip day for each front–runner account belonging to Noticee nos. 4, 6, 7, 10 and 12 was also made as under:

6.10 Trades of Noticee no. 4 i.e. Viraj Mercantile ahead of Ratha Infrastructure (a *Sterling Group* entity) in K SOIL (NSE) on December 13, 2010:

- A. A summary of Viraj Mercantile's total trades in KSOIL (NSE) on December 13, 2010, in 3 Tranches is tabulated below:

TABLE XIV – VIRAJ MERCANTILE'S TRADE IN KSOIL			
NO. OF SHARES DAY TRADED	MATCHED WITH <i>STERLING GROUP</i>	PROFIT IN ₹	% OF MARKET VOLUME (BUYER AND SELLER)
23,92,237 (2585 BUY AND 483 SELL TRADES)	20,06,134 (83.86%) (115 SELL TRADES OF VIRAJ)	10,95,507	12.60%

- B. The trades of Viraj Mercantile on December 13, 2010 (in one of the 3 Tranches) are analysed in light of trades of Ratha Infrastructure as under:

TABLE XV – BUY TRADES OF VIRAJ MERCANTILE ON 13.12.2010				
	TOTAL BUY QTY	AVG. BUY PRICE (₹)	TURNOVER (₹)	
	8,02,000	40.03	3,21,04,688	
	BUY ORDER TIME	BUY ORDER PRICE (₹)	BUY TRADE TIME	BUY TRADE PRICE (₹)
FROM	09:24:26	39.55	09:24:30	39.55
TO	09:33:51	40.50	09:33:51	40.50

TABLE XVI – SELL TRADES OF VIRAJ MERCANTILE AND BUY TRADES OF RATHA INFRASTRUCTURE ON 13.12.2010								
	VIRAJ MERCANTILE				RATHA INFRASTRUCTURE			
	TOTAL SELL QUANTITY	AVG. SELL PRICE (₹)	TURNOVER (₹)		TOTAL BUY QUANTITY	AVG. BUY PRICE (₹)	TURNOVER (₹)	
	8,02,000	40.45	3,24,40,900		11,00,000	40.52	4,45,71,287	
	A	B	C	D	E	F	G	H
	SELL ORDER TIME	SELL ORDER PRICE (₹)	SELL TRADE TIME	SELL TRADE PRICE (₹)	BUY ORDER TIME	BUY ORDER PRICE (₹)	BUY TRADE TIME	BUY TRADE PRICE (₹)
FROM	09:34:16	40.45	09:34:21	40.40	09:34:46	40.45	09:34:46	40.35
TO	09:34:52	40.45	09:35:54	40.45	09:35:54	41.00	09:38:55	41.00

- i. Buy orders were being placed in Viraj Mercantile's account from 09:24:26 to 09:33:51 for a total of 8,02,000 shares (Average order quantity of 22,278 shares) translated into 758 trades (Average trade quantity of 1,058 shares) (see Table XV).

- ii. At 09:34:16, a sell order was placed in Viraj Mercantile's account for 6,45,000 shares which was followed by another sell order at 09:34:52 for 1,57,000 shares at the same order price of ₹40.45 (see Table XVI).
- iii. Three buy orders for a total buy quantity of 11,00,000 shares were placed by Ratha Infrastructure at (a) 09:34:46 for 3,00,000 shares, (b) 09:35:33 for 4,00,000 shares and (c) 09:35:54 for 4,00,000 shares. All the three orders were placed at ₹40.45 i.e. the same price at which sell orders were placed in Viraj Mercantile's account 30 seconds prior to the start of buy orders being placed by Ratha Infrastructure. The LTP at the time of buy order placed by Ratha Infrastructure was ₹ 40.40, ₹ 40.30 and ₹ 40.35 respectively.
- iv. The total number of shares sold by Viraj in the first tranche were 8,00,000 in 137 trades, out of which 7,22,753 (i.e. 90.34%) shares got matched with Ratha Infrastructure in 21 trades (average of 34,417 shares per trade) while the balance 77,247 shares got matched in 116 trades with other clients (average of 666 shares per trade). At the end of this tranche, the net position of Viraj Mercantile was squared off exactly.
- v. Though Madhu dialled Manish Chaturvedi on 9987261632 for 9 times near the timing of orders/ trades of Viraj Mercantile for 21 minutes, no trades were observed in Manish Chaturvedi's account on that date. Also from Madhu Chanda's itemised mobile bills, it was observed that during the market hours no calls were placed to other numbers other than the 9 calls to Manish Chaturvedi on 9987261632 and 2 calls to 9967031632 (both numbers belonging to Manish). Therefore, it can be inferred that Manish Chaturvedi spoke to Madhu for front-running the trades of the *Sterling Group* through Viraj Mercantile's account. Further, as detailed at paragraph 6.11. B. (i) and (ii), while buy orders placed in Viraj Mercantile's account were placed for smaller number of shares, the sell orders of large quantities clearly indicates that the trades in the account were carried out on the basis of prior information of trades of Ratha Infrastructure.

6.11 Trades of Noticee no. 6 i.e. Josh Trading ahead of Ratha Infrastructure in K SOIL (NSE) on February 10, 2011:

- A. A summary of Josh Trading's total trades in KSOIL (NSE) on February 10, 2011, is tabulated below:

TABLE XVII – JOSH TRADING TRADES IN KSOIL			
NO. OF SHARES DAY TRADED	MATCHED WITH <i>STERLING GROUP</i>	PROFIT IN ₹	% OF MARKET VOLUME (BUYER AND SELLER)
6,27,122 (1708 BUY AND 157 SELL TRADES)	5,69,502 (90.81%) (93 SELL TRADES OF JOSH)	9,49,379	15.49%

- B. The trades of Josh Trading on February 10, 2011 (in one tranche) are analysed in light of trades of Ratha Infrastructure (a *Sterling Group* entity) as under:

TABLE XVIII – BUY TRADES OF JOSH TRADING ON 10.02.2011				
	TOTAL BUY QTY	AVG. BUY PRICE (₹)	TURNOVER (₹)	
	6,27,122	32.46	2,03,58,502	
	BUY ORDER TIME	BUY ORDER PRICE (₹)	BUY TRADE TIME	BUY TRADE PRICE (₹)
FROM	12:56:05	31.50	12:56:08	31.50
TO	14:32:35	32.85	14:32:38	32.85

TABLE XIX – SELL TRADES OF JOSH TRADING AND BUY TRADES OF RATHA INFRASTRUCTURE ON 10.02.2011								
	JOSH TRADING				RATHA INFRASTRUCTURE			
	TOTAL SELL QUANTITY	AVG. SELL PRICE (₹)	TURNOVER (₹)		TOTAL BUY QUANTITY	AVG. BUY PRICE (₹)	TURNOVER (₹)	
	6,27,122	33.98	2,13,07,880		7,67,148	33.99	2,60,71,861	
	A	B	C	D	E	F	G	H
	SELL ORDER TIME	SELL ORDER PRICE (₹)	SELL TRADE TIME	SELL TRADE PRICE (₹)	BUY ORDER TIME	BUY ORDER PRICE (₹)	BUY TRADE TIME	BUY TRADE PRICE (₹)
FROM	15:12:06	33.75	15:12:06	33.75	15:12:29	34.00	15:12:29	33.75
TO	15:14:28	34.00	15:15:37	34.10	15:15:37	34.00	15:16:28	34.00

- i. Buy orders were placed in Josh Trading account from 12:56:05 to 14:32:35 for a total purchase of 6,27,122 shares at ₹32.46 shares (Average order quantity of 22,278 shares) translated into 1,708 trades (Average trade quantity of 367 shares) (see Table XVIII).
- ii. Thereafter, two sell orders were placed in Josh Trading's account (a) at 15:12:06 for 25,000 shares and (b) at 15:12:13 for 35,000 shares at ₹33.75. Between 15:12:24 and 15:13:31, a total of ten sell orders for 6,90,000 shares were placed at ₹34.00. At 15:12:24 i.e. when the sell order was placed at ₹34.00, the LTP was ₹ 33.75. A final sell order was placed by Josh Trading at 15:14:28 Hrs for 5,301 shares at ₹34.00. In

all, thirteen sell orders were placed for 7,55,301 shares at an average of 58,100 shares per sell order (see Table XIX) (only the amount of 6,27,122 shares have been taken into account at Table XIX).

- iii. Josh Trading entered its first sell order 23 seconds prior to the start of buy order by Ratha Infrastructure i.e. 15:12:29 and the time gap between the next sell order of Josh Trading i.e. at 15:12:24 for 1,00,000 shares and the first buy order of Ratha Infrastructure was only 5 seconds. Four buy orders of Ratha Infrastructure for 2,00,000 shares each were placed between 15:12:29 and 15:15:37 at ₹34.00 (LTP ₹33.70, ₹33.85, ₹33.85 and ₹33.75 respectively).
- iv. In 13 sell orders placed by Josh Trading, it was observed that in four orders of Josh Trading, all trades matched with Ratha Infrastructure. Further, in 11 of the 13 orders, trade quantity matched with the *Sterling Group* was 86% and above.
- v. From the above trading pattern, it is clear that Josh Trading was also front-running the trades of the *Sterling Group* and had earned ₹9,49,379 on February 10, 2011.

6.12 Trades of Noticee no. 7 i.e. Pinky Auto ahead of Sterling Futures (a *Sterling Group* entity) in Idea (NSE) on May 12, 2010:

A. A summary of Pinky Auto's total trades in Idea (NSE) on May 12, 2010 is tabulated below:

TABLE XX – PINKY AUTO'S TRADES IN IDEA			
NO. OF SHARES DAY TRADED	MATCHED WITH <i>STERLING GROUP</i>	PROFIT IN ₹	% OF MARKET VOLUME (BUYER AND SELLER)
18,22,838 (3261 BUY AND 120 SELL TRADES)	17,83,385 (97.84%) (37 SELL TRADES OF PINKY AUTO)	6,13,742	17.47%

- B. The trades of Pinky Auto on May 12, 2010 (in one tranche) are analysed in light of trades of Sterling Futures (a *Sterling Group* entity) as under:

TABLE XXI – BUY TRADES OF PINKY AUTO ON 12.05.2010				
	TOTAL BUY QTY	AVG. BUY PRICE (₹)	TURNOVER (₹)	
	5,00,149	57.67	2,88,44,884	
	BUY ORDER TIME	BUY ORDER PRICE (₹)	BUY TRADE TIME	BUY TRADE PRICE (₹)
FROM	09:04:56	57.30	09:04:57	57.30
TO	09:25:26	58.50	09:25:26	58.00

TABLE XXII – SELL TRADES OF PINKY AUTO AND BUY TRADES OF RATHA INFRASTRUCTURE ON 10.02.2011								
	PINKY AUTO				RATHA INFRASTRUCTURE			
	TOTAL SELL QUANTITY	AVG. SELL PRICE (₹)	TURNOVER (₹)		TOTAL BUY QUANTITY	AVG. BUY PRICE (₹)	TURNOVER (₹)	
	3,59,993	58.00	2,08,79,594		7,00,000	57.96	4,05,72,204	
	A	B	C	D	E	F	G	H
	SELL ORDER TIME	SELL ORDER PRICE (₹)	SELL TRADE TIME	SELL TRADE PRICE (₹)	BUY ORDER TIME	BUY ORDER PRICE (₹)	BUY TRADE TIME	BUY TRADE PRICE (₹)
FROM	09:25:45	58.00	09:26:50	58.00	09:26:50	58.00	09:26:50	57.70
TO	09:25:45	58.00	09:29:53	58.00	09:29:53	58.00	09:29:53	58.00

- i. As per the itemised mobile bills, Manish Chaturvedi placed a call to Madhu at 09:04:34 following which multiple buy orders were placed in Pinky Auto's account from 09:04:56 to 09:23:01 for an aggregate quantity of 3,10,000 shares (average of 3,974 shares per order). Thereafter, Madhu Chanda had placed a call to Manish Chaturvedi at 09:23:28 for 3 airtime pulses i.e. the call ended between 09:25:28 and 09:26:27. It was observed that upon start of the call, buy orders of higher quantities were being placed at higher price in Pinky Auto's accounts. In 13 buy orders between 09:23:51 Hrs and 09:25:26, a total of 2,00,000 shares were placed (average of 15,385 shares per order) (see Table XXI). Correspondingly, a single sell order for 5,00,000 shares was placed in Pinky Auto's account at 09:25:45 with sell order price of ₹58.00 when the LTP was ₹57.85.
- ii. Sterling Futures had placed three buy orders at (a) 09:26:50 for 2,00,000 shares (b) 09:29:13 for 4,00,000 shares and (c) 09:29:53 for 1,00,000 shares. All the three orders were placed at ₹58.00 i.e. the same order price as that of the sell order price in Pinky Auto's account when LTP was ₹57.80, ₹57.65 and ₹57.85 respectively. A total of 3,35,936 shares had priority to order placed by Pinky Auto at the time of the three orders entered by Sterling Futures.

- iii. It was also observed that the sell order placed in Pinky Auto's account was placed 65 seconds prior to the start of buy order entry by Sterling Futures which started execution only upon buy order entry by Sterling Futures.
- iv. Total number of shares sold by Pinky Auto in the first tranche was 3,59,993 in 10 trades. Of the above, 3,59,103 (i.e. 99.75%) shares got matched with Sterling Futures in just 8 trades (average of 44,888 shares per trade) and the balance 890 shares got executed with others in two trades (average of 445 shares) (see Table XXII).
- v. Though several calls were observed between Madhu Chanda and Manish Chaturvedi near the timing of orders/ trades of Pinky Auto, no trades were observed in Manish Chaturvedi's account on that date. Further, from Madhu Chanda's itemised mobile bills, it was observed that during the market hours no call/ SMS were placed to any number other than calls to Manish Chaturvedi (19 calls on 9967051632 and 1 call on 9967031632 at 09:02:37 Hrs). Therefore, it can be inferred that Manish Chaturvedi communicated with Madhu for front-running the trades of the *Sterling Group* through Pinky Auto's account. Manish Chaturvedi also placed several calls to *Sterling Group* and its employees who were punching orders on behalf of the group. Further, the fact that the order price in Pinky Auto's account was away from LTP but at the same price as that of Sterling Futures with a small gap in order time leads to an inference that the trades in Pinky Auto's account were on the basis of prior information of trades of Sterling Futures.

6.13 Trades of Noticee no. 8 i.e. E-Ally ahead of Ratha Infrastructure in KSOIL (NSE) on December 10, 2010:

- A. A summary of E-Ally's total trades in KSOIL (NSE) on December 10, 2010, is tabulated below:

TABLE XXIII: E-ALLY'S TRADES IN KSOIL			
NO. OF SHARES DAY TRADED	MATCHED WITH <i>STERLING GROUP</i>	PROFIT IN ₹	% OF MARKET VOLUME (BUYER AND SELLER)
29,77,779 (4111 BUY AND 735 SELL TRADES)	22,80,680* (76.59%) (140 SELL TRADES OF E-ALLY)	14,41,202	13.39%

- B. The trades of E-Ally on December 10, 2010 (in one tranche) are analysed in light of trades of Ratha Infrastructure (a *Sterling Group* entity) as under:

TABLE XXIV – BUY TRADES OF E-ALLY ON 10.12.2010				
	TOTAL BUY QTY	AVG. BUY PRICE (₹)	TURNOVER (₹)	
	2,50,816	32.40	81,26,387	
	BUY ORDER TIME	BUY ORDER PRICE (₹)	BUY TRADE TIME	BUY TRADE PRICE (₹)
FROM	10:17:04	32.20	10:17:11	32.20
TO	10:34:34	32.85	10:35:12	32.85

TABLE XXV – SELL TRADES OF E – ALLY AND BUY TRADES OF RATHA INFRASTRUCTURE ON 10.12.2010								
	E – ALLY				RATHA INFRASTRUCTURE			
	TOTAL SELL QUANTITY	AVG. SELL PRICE (₹)	TURNOVER (₹)		TOTAL BUY QUANTITY	AVG. BUY PRICE (₹)	TURNOVER (₹)	
	2,50,000	32.85	82,12,500		5,25,000	32.84	1,72,39,740	
	A	B	C	D	E	F	G	H
	SELL ORDER TIME	SELL ORDER PRICE (₹)	SELL TRADE TIME	SELL TRADE PRICE (₹)	BUY ORDER TIME	BUY ORDER PRICE (₹)	BUY TRADE TIME	BUY TRADE PRICE (₹)
FROM	10:35:36	32.85	10:35:53	32.85	10:35:53	32.85	10:35:53	32.80
TO	10:35:36	32.85	10:37:55	32.85	10:37:55	32.85	10:44:21	32.85

- i. As per the itemised mobile bills, Madhu had called Manish Chaturvedi at 10:24:59 and 10:28:29 for 1 and 2 airtime pulse(s), respectively. Buy orders were placed in E-Ally's account from 10:17:04 to 10:34:34 resulting in 2,50,816 being bought (436 trades with average order quantity ranging between 50 and 29,000 shares) (see Table XXIII).
- ii. A single sell order for 2,50,000 shares was placed in E-Ally's account at 10:35:36 with sell order price of ₹32.85 when the LTP was ₹32.80.

- iii. Ratha Infrastructure started placing buy orders at 10:35:53 for 5,25,000 shares in 12 orders with buy order price same as that of the sell order price of E-Ally i.e. ₹32.85. The LTP at the time of aforesaid orders of Ratha was in the range of ₹32.75 to ₹32.85. The sell order in E-Ally's account was placed just 17 seconds prior to Ratha Infrastructure's buy orders.
- iv. The total number shares sold by E-Ally in the first tranche was 2,50,000 in 50 trades. Out of the above, 2,44,617 shares (i.e. 97.85%) got matched with buy orders of Ratha Infrastructure in just 20 trades.
- v. Madhu Chanda had dialled Manish Chaturvedi on 9987261632 for 27 times near the timing of trades of E-Ally and was charged for 81 minutes (airtime pulse) during the market hours. However, no trades were observed in Manish Chaturvedi's account on that date. Also from Madhu Chanda's itemised mobile bills, it was observed that during market hours only two calls and two SMSs were placed to other numbers other than the 27 calls to Manish Chaturvedi on 9987261632 and 4 calls to 9967031632. Therefore, it can be inferred that Manish Chaturvedi had spoken to Madhu for front-running the trades of the *Sterling Group* through E-Ally's account. Further, from the above trading pattern, it is clear that E-Ally was also front-running the trades of the *Sterling Group* and had earned a profit of ₹14,41,202 on December 10, 2010.

6.14 Trades of Noticee no. 10 i.e. Shree Jaisal ahead of Ratha Infrastructure in KSOIL (NSE) on December 15, 2010:

- A. A summary of Shree Jaisal's total trades in KSOIL (NSE) on December 15, 2010, is tabulated below:

TABLE XXVI: SHREE JAISAL'S TRADES IN KSOIL			
NO. OF SHARES DAY TRADED	MATCHED WITH <i>STERLING GROUP</i>	PROFIT IN ₹	% OF MARKET VOLUME (BUYER AND SELLER)
3,85,089 (480 BUY AND 45 SELL TRADES)	2,73,441 (71.01%) (9 SELL TRADES OF JAISAL)	2,12,213	1.33%

- B. The trades of Shree Jaisal on December 15, 2010 (in one tranche) are analysed in light of trades of Ratha Infrastructure (a *Sterling Group* entity) as under:

TABLE XXVII – BUY TRADES OF E – ALLY ON 15.12.2010				
	TOTAL BUY QTY	AVG. BUY PRICE (₹)	TURNOVER (₹)	
	3,85,089	49.10	1,89,07,456	
	BUY ORDER TIME	BUY ORDER PRICE (₹)	BUY TRADE TIME	BUY TRADE PRICE (₹)
FROM	12:57:11	48.65	12:57:11	48.65
TO	13:06:08	49.50	13:06:08	49.40

TABLE XXVIII – SELL TRADES OF SHREE JAISAL AND BUY TRADES OF RATHA INFRASTRUCTURE ON 15.12.2010								
	SHREE JAISAL				RATHA INFRASTRUCTURE			
	TOTAL SELL QUANTITY	AVG. SELL PRICE (₹)	TURNOVER (₹)		TOTAL BUY QUANTITY	AVG. BUY PRICE (₹)	TURNOVER (₹)	
	3,85,000	49.65	1,91,15,250		6,00,000	49.64	2,97,81,213	
	A	B	C	D	E	F	G	H
	SELL ORDER TIME	SELL ORDER PRICE (₹)	SELL TRADE TIME	SELL TRADE PRICE (₹)	BUY ORDER TIME	BUY ORDER PRICE (₹)	BUY TRADE TIME	BUY TRADE PRICE (₹)
FROM	13:06:49	49.65	13:07:28	49.65	13:07:28	49.65	13:07:28	49.55
TO	13:06:49	49.65	13:08:18	49.65	13:08:18	49.65	13:08:18	49.65

- i. Buy orders were being placed in Shree Jaisal's account from 12:57:11 till 13:06:08 translating into 3,85,089 shares (after ignoring those orders where no trades took place, the average number of shares bought in Shree Jaisal's account was 802 shares per trade) (see Table XXVII).
- ii. Thereafter, at 13:06:49, a single sell order was placed in Shree Jaisal's account for 3,85,000 shares at ₹49.65 when the LTP was ₹49.40 (in comparison to the average number of shares ordered in Shree Jaisal's account i.e. 8,020 shares). The single large sell order placed in Shree Jaisal's account at 13:06:49 was just 39 seconds prior to the start of buy orders placed by Ratha Infrastructure (see Table XXVIII).
- iii. Ratha Infrastructure placed three buy orders at ₹49.65 for 2,00,000 shares each at (a) 13:07:28, (b) 13:07:41 and (c) 13:08:18 when the LTP was ₹49.55, ₹49.55 and ₹49.60, respectively. It was noted that since the sell order price demanded by Shree Jaisal was higher than the market price and exactly the same as offered by Ratha Infrastructure, the sell order of Shree Jaisal came to be executed only after the buy order entry of Ratha Infrastructure and got completed upon the last order entered by Ratha Infrastructure.

- iv. The total number of shares sold by Shree Jaisal was 3,85,000, out of which 2,73,352 shares (i.e. 71.00%) got matched with Ratha Infrastructure. The balance shares i.e. 1,11,648 shares got executed with other buyers in the market in 36 trades at an average of 3,101 shares per trade as against the average of 34,169 shares sold to Ratha Infrastructure per trade.
- v. From the above trading pattern, it is clear that Shree Jaisal was also front-running the trades of the *Sterling Group* and had earned a profit of ₹2,12,213 on December 15, 2010.

6.15 Trades of Noticee no. 12 i.e. Bhavesh Gadhavi ahead of Abhi Ambi in Idea (NSE) on April 9, 2010:

- C. A summary of Bhavesh Gadhavi's total trades (in 6 tranches) in Idea (NSE) on April 9, 2010, is tabulated below:

TABLE XXIX: BHAVESH GADHAVI'S TRADES IN IDEA			
NO. OF SHARES DAY TRADED	MATCHED WITH <i>STERLING GROUP</i>	PROFIT IN ₹	% OF MARKET VOLUME (BUYER AND SELLER)
19,41,419 (3142 BUY AND 133 SELL TRADES)	18,96,247 (97.67%) (48 SELL TRADES OF BHAVESH)	7,58,085	36.07%

- D. The trades of Bhavesh Gadhavi on April 9, 2010 (in one tranche) are analysed in light of trades of Abhi Ambi (a *Sterling Group* entity) as under:

TABLE XXX – BUY TRADES OF BHAVESH GADHAVI ON 9.04.2010				
	TOTAL BUY QTY	AVG. BUY PRICE (₹)	TURNOVER (₹)	
	5,91,337	67.82	40,107,067	
	BUY ORDER TIME	BUY ORDER PRICE (₹)	BUY TRADE TIME	BUY TRADE PRICE (₹)
FROM	09:09:34	67.25	09:09:34	67.25
TO	09:59:29	68.60	10:00:16	68.60

TABLE XXXI – SELL TRADES OF BHAVESH GADHAVI AND BUY TRADES OF ABHI AMBI ON 9.04.2010								
	BHAVESH GADHAVI				ABHI AMBI			
	TOTAL SELL QUANTITY	AVG. SELL PRICE (₹)	TURNOVER (₹)		TOTAL BUY QUANTITY	AVG. BUY PRICE (₹)	TURNOVER (₹)	
	5,85,420	68.30	3,99,83,763		11,00,000	68.28	7,51,11,133	
	A	B	C	D	E	F	G	H
	SELL ORDER TIME	SELL ORDER PRICE (₹)	SELL TRADE TIME	SELL TRADE PRICE (₹)	BUY ORDER TIME	BUY ORDER PRICE (₹)	BUY TRADE TIME	BUY TRADE PRICE (₹)
FROM	10:00:17	67.90	10:00:38	67.90	10:00:45	68.00	10:00:45	68.00
TO	10:02:41	68.30	10:02:42	68.35	10:02:11	68.30	10:02:41	68.30

- i. As per the itemised mobile bills, Manish Chaturvedi had called Madhu Chanda at 09:09:20 for 1:38 minutes. Thereafter, buy orders for 4,92,350 shares were placed in Bhavesh Gadhavi's account from 09:09:34 to 09:57:12.
- ii. A subsequent call was placed by Madhu Chanda to Manish Chaturvedi at 09:57:39 for 1 airtime pulse i.e. the call ended between 09:57:40 and 09:58:38. Upon start of the call, buy orders of higher quantities were being placed at higher order price in Bhavesh Gadhavi's account from 09:57:52 to 09:59:29 resulting in a total of 1,00,000 shares (average of 6,250 shares per order). The price range for 16 buy orders prior to the call was in the range of ₹67.55 - ₹67.70 and from the start of the call was ₹67.75 - ₹68.00.
- iii. Immediately another call was made by Madhu to Manish Chaturvedi at 09:59:36 and thereafter, sell orders for a total of 5,90,001 shares were placed from 10:00:17 to 10:02:41 with average sell order price of ₹68.30. It was also observed that the sell order placement in Bhavesh Gadhavi's account started 28 seconds prior to buy order entry by Abhi Ambi.
- iv. Between 10:00:45 and 10:02:11, 4 buy orders were placed by Abhi Ambi for a total of 11,00,000 shares at ₹68.30. All the orders were placed at the same order price as that of the sell order price in Bhavesh Gadhavi's Account i.e. ₹68.30. The LTP at the time of order entry by Abhi Ambi was ₹67.95, ₹68.05, ₹68.25 and ₹68.15.
- v. Total number of shares sold from Bhavesh Gadhavi's account in one tranche was 5,85,420 shares of which, 5,56,248 (95.02%) shares got matched with Abhi Ambi.
- vi. Though several calls were observed between Manish Chaturvedi and Madhu Chanda near the timing of orders/ trades of Bhavesh Gadhavi, no trades were observed in Manish Chaturvedi's account on that date. Also from Madhu Chanda's itemised mobile bills, it was observed that during the market hours no call/ SMS was placed to any number other than one call to an unknown number and 32 calls to Manish Chaturvedi on 9967051632, 9987261632 and 9790967968. Therefore, it can be inferred that Manish Chaturvedi communicated with Madhu Chanda for front-running

the trades of the *Sterling Group* through Bhavesh Gadhavi's account. Further, the fact that the order price in Bhavesh Gadhavi's account was away from LTP but at the same price as that of Abhi Ambi with a small gap in order time makes it evident that the trades in Bhavesh Gadhavi's account were based on definite information of Abhi Ambi's orders.

- 6.16 Upon a consideration of the preceding paragraphs including details concerning phone calls between Manish Chaturvedi and Madhu Chanda, matching of trades with the *Sterling Group* and the significant difference between the average value/ quantity of trades of the front-runners that matched with the *Sterling Group* vis-à-vis the others, it is clearly evident that the trades of the *Sterling Group* were front-run in 7 different accounts viz., i.e. of Noticee nos. 2, 4, 6, 7, 8, 10 and 12 (Laxmi Chaturvedi, Viraj Mercantile, Josh Trading, Pinky Auto Finance, E-Ally, Shree Jaisal and Bhavesh Gadhavi). As per the First SCN, it is alleged that the front-running activity by the aforesaid Noticees was a result of facilitation by Noticee nos. 1, 3, 5, 9, 11, 13 and 14 (Manish Chaturvedi, Manohar Chaturvedi, Abhinandan Ranka, Sandeep Maloo, Neeta Maloo, Madhu Chanda and Anandilal). In this context, I note that although the trading in the accounts of Noticee nos. 2, 4, 6, 7, 8, 10 and 12, were carried out at the instructions of Manish Chaturvedi, the remaining Noticees had nonetheless facilitated the front-running activity admittedly by lending their accounts to Manish Chaturvedi either through their direct relationship with him i.e. Laxmi Chaturvedi or through their relationship with Praveen Jain who in turn passed on those accounts to Manish Chaturvedi i.e. Viraj Mercantile, Josh Trading, Pinky Auto Finance, E-Ally, Shree Jaisal and Bhavesh Gadhavi (the allegations in the Third SCN are discussed in detail at paragraph 6.30). Due to the trading based on prior information of trades of *Sterling Group*, the front-runners have resulted in loss to other investors/ deprived the investors from profits. Further, I also find that Madhu Chanda had facilitated Manish Chaturvedi in front-running the trades of the *Sterling Group*.

FRONT-RUNNING IN THE TRADING ACCOUNTS OF NOTICEE NOS. 14 AND 15

- 6.17 As per the Second SCN, it was alleged that the clients of Sharekhan were front-run by Sharekhan (in its proprietary account), Anandilal Chanda (Noticee no. 14) and Anandilal Chanda HUF (Noticee no. 15) and that Madhu Chanda (Noticee no. 13) used/passed the information of orders placed by Manish Chaturvedi to her husband, Anandilal Chanda and had also facilitated (a) Manish Chaturvedi in front-running the trades of the *Sterling Group* and (b) Sharekhan, Anandilal

Chanda and Anandilal Chanda HUF to front-run the clients of Sharekhan. It was also alleged that Anandilal Chanda had, in connivance with Madhu Chanda, obtained confidential information about orders placed by clients of Sharekhan and had front-run the trades of Sharekhan's clients in his own account, HUF account and proprietary account of Sharekhan.

6.18 In their submissions, Noticee nos. 13, 14 and 15 have denied the allegations *inter alia* contending that Noticee no. 13 was only placing the orders given by Manish Chaturvedi and had no knowledge of the trades of the *Sterling Group* being front-run and further, that the NCFM ID of Anandilal Chanda was wrongly misused by Sharekhan to front-run the trades of the *Sterling Group*.

6.19 For determining the violations alleged in the Second SCN, it is important firstly to ascertain whether Noticee nos. 14 and 15 (Anandilal Chanda and Anandilal Chanda HUF) were known/connected to Manish Chaturvedi. In this context, I note that the Investigation Report/SCN had detailed the connections between the Noticees based on the analysis of KYC documents, financial transactions, etc. (see also Table IV) as under:

TABLE XXXII –BASIS OF CONNECTION				
NAME OF THE FRONTRUNNER	INFORMATION OF ORDERS OF <i>STERLING GROUP</i> WAS IN POSSESSION OF	PERSON PLACING THE ORDERS IN THE CLIENT ACCOUNT	FLOW OF PROFIT	CONNECTION WITH MANISH WITH THE FRONT-RUNNER
Anandilal Chanda	Madhu Chanda	Anandilal/ Madhu Chanda	Retained by the entity	Husband and HUF of dealer Madhu Chanda who was receiving orders from Manish and entering the orders in the accounts of 7 front-runners above in the order book of exchange.
Anandilal Chanda HUF				

6.20 As detailed in the preceding paragraphs, Manish Chaturvedi had interacted mainly with Madhu Chanda at the time orders were placed in the trading accounts of Noticee nos. 2, 4, 7, 8, 12, etc. From the material available on record, it is noted that Madhu Chanda was working as a dealer of Sharekhan at the Lower Parel branch. Madhu Chanda in turn, is married to Anandilal Chanda. Anandilal Chanda is also the Karta of Anandilal Chanda HUF in which Madhu Chanda is also a member.

6.21 In their submissions, Noticee nos. 13 and 14 had sought documentary evidence from SEBI evidencing the fact that Madhu Chanda and Anandilal Chanda were sitting at the same branch i.e. Lower Parel since as per their submissions, while Madhu Chanda was functioning from the

branch at Lower Parel, Anandilal Chanda was seated at the Goregaon (East) Branch of Sharekhan. In this context, it is noted from the material on record that the trade log as provided by BSE Limited ("**BSE**") (which was provided to Noticee nos. 13 and 14 vide SEBI letter dated December 20, 2017) has the IP address which showed that both Anandilal Chanda and Madhu Chanda were at the same location. I further note that apart from the assertion that Noticee no. 14 was at a different location from Noticee no. 13, the Noticees have not produced any evidence to substantiate such assertion. Having regard to the aforementioned, I am inclined to believe the information obtained by SEBI from BSE.

6.22 As regards the contention that Noticee no. 14 was not a dealer for Sharekhan, I note that the police complaint filed by Madhu Chanda was in February 2016 purportedly after discovering the fact that her husband's NCFM ID had been misused by Sharekhan. Incidentally, Madhu Chanda had been employed with Sharekhan since 2004 and had ceased to be an employee in 2014. I note that SEBI had initiated investigation in the matter in the year 2012 and thereafter, upon completion of the investigation, had issued an Impounding Order in July 2015 *inter alia* against Noticee no. 13 and 14. I am of the view that the complaints made by Noticee nos. 13 and 14 were only an afterthought in light of the actions initiated by SEBI and in order to escape any liability in respect of the proceedings initiated against Noticee no. 14. Further, there is no explanation of the factual circumstances as to how the NCFM ID of Anandilal Chanda happened to get misused by Sharekhan.

6.23 On the basis of analysis of the trading pattern in respect of orders placed for clients of Sharekhan, the following *modus operandi* was observed:

- i. Madhu Chanda and Anandilal Chanda were located in the same branch of Sharekhan. Upon observing the trading and order placement pattern in various accounts of Noticee nos. 2, 4, 6, 7, 8, 10 and 12, Anandilal Chanda placed orders in his own account, Anandilal Chanda HUF's account and the proprietary account of Sharekhan and front-run the clients of Sharekhan.
- ii. However, the orders placed to square off the existing position in the accounts of Anandilal Chanda, his HUF and in the proprietary account of Sharekhan were being placed before the orders in the accounts of Noticee nos. 2, 4, 6, 7, 8, 10 and 12 and/or at a price better than that of the orders in the accounts of Noticee nos. 2, 4, 6, 7, 8, 10 and 12. Due to the aforesaid strategy, trades in these accounts executed before the trades in the accounts of

Noticee nos. 2, 4, 6, 7, 8, 10 and 12. This also resulted in orders of clients of Sharekhan remaining unexecuted which had to be later deleted by the clients.

6.24 As noted from the Investigation report, the analysis of total number of scrip days traded by Anandilal Chanda, number of scrip days common with Sterling group, quantum of trading and profits on scrip days common with that of the Sterling group, etc. is tabulated below:

Sr. No	PARTICULARS	ANANDILAL	CHANDA HUF	TOTAL
1	TOTAL NO. OF SCRIP DAYS TRADED BY THE DEALERS	1,460	471	1,707
2	NO. OF SCRIP DAYS OUT OF 1 ABOVE, COMMON WITH STERLING GROUP	472	339	603
3	TOTAL PROFIT ON SCRIP DAYS COMMON WITH STERLING GROUP (IN ₹)#	17,23,929	22,05,398	39,29,327
4	TOTAL PROFITS ON OTHER SCRIP DAYS (I.E., NOT COMMON WITH STERLING GROUP)	82,266	15,823	98,089
5	% OF NO. OF SHARES DAY TRADED ON COMMON DAYS TO TOTAL NO. OF SHARES DAY TRADED DURING THE INVESTIGATION PERIOD	85.63	97.11	92.83
6	% OF MATCHING WITH THE <i>STERLING GROUP</i> COMPARED TO TOTAL NO. OF SHARE DAY TRADED BY THE FRONT-RUNNERS ON COMMON DAYS	70.30	57.47	61.88
7	% OF NO. OF TRADES MATCHING WITH <i>STERLING GROUP</i> WITH SAME ORDER PRICE/ ORDER PRICE DIFFERENCE OF ₹ 0.05 TO TOTAL NO. OF TRADES MATCHED	61.63	78.65	75.38
8	% OF AVERAGE NO. OF SHARES PER TRADES WITH <i>STERLING GROUP</i> TO AVERAGE NO. OF SHARES PER TRADE WITH OTHERS	1,174.49	524.40	651.72
9	% OF AVERAGE VALUE OF TRADES WITH <i>STERLING GROUP</i> TO AVERAGE VALUE OF TRADE WITH OTHERS	1174.35	491.00	628.98
10	% OF AVERAGE TURNOVER ON SCRIP DAYS COMMON WITH <i>STERLING GROUP</i> TO AVERAGE TURNOVER ON OTHER SCRIP DAYS	1091.82	1418.06	2066.13
11	% OF AVERAGE PROFIT ON SCRIP DAYS COMMON WITH <i>STERLING GROUP</i> TO AVERAGE PROFITS ON OTHER SCRIP DAYS	4386.44	5427.14	7334.11
# WITHOUT CONSIDERING LOSSES INCURRED				
NOTE: PROFITS HAVE BEEN CALCULATED AS THE DIFFERENCE IN WEIGHTED AVERAGE BUY AND SELL PRICE MULTIPLIED BY THE NUMBER OF SHARES DAY TRADED ON RESPECTIVE SCRIP DAYS.				

From the aforementioned table, the following observations are drawn:

- Noticee nos. 14 and 15 had traded on 1,707 scrip days of which 603 scrip days are common with that of the *Sterling Group*. However, the amount of profit earned on common scrip days amounts to ₹39,29,327 (which is calculated in the *Impounding Order* without considering losses as ₹40,28,480) as against a profit of ₹98,089 on the other scrip days.
- It was observed that the 92.83% of number of shares day traded during the Investigation period were on scrip days common with the *Sterling Group*.
- Further, of the shares day traded on the scrip days common with the *Sterling Group*, 61.88% of the number of shares day traded matched with *Sterling Group*.

- iv. As per the *modus operandi* adopted by Noticee nos. 14 and 15, in majority of the orders, the order price in the accounts of clients of Sharekhan was same as that of the *Sterling Group* and the order price of dealers of Sharekhan were same as that of the clients of Sharekhan or with a difference of ₹0.05 (better by one tick). Out of the total number of trades matched with the *Sterling Group*, 75.38% of number of trades executed by the dealers was ordered at the same price or a price difference of ₹0.05 as that of the *Sterling Group*.
- v. The huge variation in the average number of shares and value per trade with the *Sterling Group* (same counter-party as that of the clients of Sharekhan) as against the others in the market indicates that the orders placed by Noticee nos. 14 and 15 were placed based on orders of clients of Sharekhan.
- vi. The value of trades/ number of shares traded and the average amount of profit earned by the front-runners on the scrip days common with the *Sterling Group* and the clients of Sharekhan is much higher than that on other scrip days.

6.25 From the investigation report, it is also noted that given that there were a large number of common scrip days, matching of majority of trades with the *Sterling Group* on a consistent basis, analysis for one scrip day for each front-runner/Noticee nos. 14 and 15 was also made as under:

I. **Trades of Anandilal Chanda in KSOIL (NSE) on December 15, 2010:**

A. A summary of the total trades of Anandilal in KSOIL (NSE) on December 15, 2010 is tabulated below:

TABLE XXXIII – ANANDILAL’S TRADES IN KSOIL		
NO. OF SHARES DAY TRADED	MATCHED WITH <i>STERLING GROUP</i>	PROFIT IN ₹
61,000 (86 BUY AND 23 SELL TRADES)	44,948 (73.69%) (3 SELL TRADES OF ANANDILAL)	32,888

B. The trades of Anandilal Chanda on December 15, 2010 are analysed in light of trades of E-Ally (client of Sharekhan and entity who had front-run the trades of *Sterling Group* entities) as under:

TABLE XXXIV – BUY TRADES OF ANANDILAL CHANDA ON 15.12.2010				
	TOTAL BUY QTY	AVG. BUY PRICE (₹)	TURNOVER (₹)	
	15,000	44.90	6,73,500	
	BUY ORDER TIME	BUY ORDER PRICE (₹)	BUY TRADE TIME	BUY TRADE PRICE (₹)
FROM	11:17:19	44.90	11:17:40	44.90
TO	11:17:19	44.90	11:17:41	44.90

TABLE XXXV – BUY TRADES OF E-ALLY ON 15.12.2010				
TOTAL BUY QTY	TOTAL BUY QTY	AVG. BUY PRICE (₹)	TURNOVER (₹)	
	1,90,307	44.88	85,40,416	
	BUY ORDER TIME	BUY ORDER PRICE (₹)	BUY TRADE TIME	BUY TRADE PRICE (₹)
FROM	11:11:36	44.50	11:12:00	44.50
TO	11:18:45	45.50	11:18:50	45.50

TABLE XXXVI – SELL TRADES OF ANANDILAL CHANDA AND E-ALLY ON 15.12.2010								
	ANANDILAL CHANDA				E-ALLY			
	TOTAL SELL QTY	AVG. SELL PRICE (₹)	TURNOVER (₹)		TOTAL SELL QTY	AVG. SELL PRICE (₹)	TURNOVER (₹)	
	15,000	45.65	6,84,750		1,90,307	45.70	86,96,999	
	A	B	C	D	E	F	G	H
	SELL ORDER TIME	SELL ORDER PRICE (₹)	SELL TRADE TIME	SELL TRADE PRICE (₹)	SELL ORDER TIME	SELL ORDER PRICE (₹)	SELL TRADE TIME	SELL TRADE PRICE (₹)
FROM	11:19:52	45.65	11:20:08	45.65	11:19:10	45.60	11:19:11	45.60
TO	11:19:52	45.65	11:20:25	45.65	11:21:30	45.70	11:21:30	45.70

- i. A buy order was placed at 11:17:19 for 15,000 shares in Anandilal's account and the same got executed in 11 trades at an average of 1,364 shares per trade. After execution of the above buy order, no buy/ sell order was placed for next 2 minutes. It was noted that E-Ally was placing buy orders through Sharekhan from 11:11:36 Hrs and continued till 11:18:45 and placed a sell order at 11:19:10 for 1,90,000 shares at ₹45.70.
- ii. At 11:19:52, a sell order was placed in Anandilal Chanda's account for 15,000 shares at ₹45.65 when the LTP was ₹45.45. Although, Anandilal Chanda had entered the sell order 42 seconds after E-Ally, trade of Anandilal executed before trades of E-Ally since the sell order price of Anandilal was ₹45.65 and that of E-Ally was ₹45.70.
- iii. The total number of shares sold in Anandilal's account in one tranche was 15,000, of which 6,948 (i.e. 46.32%) shares in single trade matched with Ratha Infrastructure (Sterling Group entity i.e. the same entity which was front-run by E-Ally through Sharekhan). Similar observations were made for subsequent tranches.

II. Trades of Anandilal Chanda HUF – KSOIL (NSE) on December 15, 2010:

A. A summary of trades of Anandilal Chanda HUF in KSOIL (NSE) on December 15, 2010 is tabulated below:

TABLE XXXVII – ANANDILAL CHANDA HUF'S TRADES IN KSOIL		
NO. OF SHARES DAY TRADED	MATCHED WITH <i>STERLING GROUP</i>	PROFIT IN ₹
202,556 (604 BUY AND 111 SELL TRADES)	1,56,067 (77.05%) – 43 SELL TRADES BY ANANDILAL CHANDA HUF	98,579

B. The trades of Anandilal Chanda HUF on December 15, 2010 are analysed in light of trades of Josh Trading (client of Sharekhan and entity who had front-run the trades of *Sterling Group* entities) as under:

TABLE XXXVIII – BUY TRADES OF ANANDILAL CHANDA HUF ON 15.12.2010				
	TOTAL BUY QTY	AVG. BUY PRICE (₹)	TURNOVER (₹)	
	30,000	41.94	12,58,164	
	BUY ORDER TIME	BUY ORDER PRICE (₹)	BUY TRADE TIME	BUY TRADE PRICE (₹)
FROM	09:32:19	41.60	09:32:19	41.60
TO	10:01:13	42.05	10:01:21	42.05

TABLE XXXIX – BUY TRADES OF JOSH TRADING ON 15.12.2010				
	TOTAL BUY QTY	TOTAL BUY QTY	TURNOVER (₹)	
	1,19,603	41.84	50,04,771	
	BUY ORDER TIME	BUY ORDER PRICE (₹)	BUY TRADE TIME	BUY TRADE PRICE (₹)
FROM	09:29:07	41.55	09:34:11	41.60
TO	10:02:18	42.15	10:02:18	42.15

TABLE XXXX – SELL TRADES OF ANANDILAL CHANDA HUF AND JOSH TRADING ON 15.12.2010								
	ANANDILAL CHANDA HUF				JOSH TRADING			
	TOTAL SELL QTY	AVG. SELL PRICE (₹)	TURNOVER (₹)		TOTAL SELL QTY	AVG. SELL PRICE (₹)	TURNOVER (₹)	
	30,000	42.25	12,67,500		1,19,603	42.30	50,59,207	
	A	B	C	D	E	F	G	H
	SELL ORDER TIME	SELL ORDER PRICE (₹)	SELL TRADE TIME	SELL TRADE PRICE (₹)	SELL ORDER TIME	SELL ORDER PRICE (₹)	SELL TRADE TIME	SELL TRADE PRICE (₹)
FROM	10:03:07	42.25	10:03:07	42.25	10:03:08	42.30	10:03:09	42.30
TO	10:03:07	42.25	10:03:08	42.25	10:03:08	42.30	10:03:46	42.30

- i. Buy orders were being placed in Anandilal Chanda HUF account from 09:32:19 to 10:01:13 Hrs. Since Madhu and Anandilal, both were dealers at Sharekhan and are husband and wife, inference for the trade pattern can be drawn from the itemised mobile bills of Madhu Chanda. A call was placed by Madhu to Manish Chaturvedi at 09:29:05 Hrs and the call ended between 09:58:05 and 09:59:04. In 19 buy orders,

total of 31,800 shares were ordered. Of the above, 30,000 shares got executed in 86 trades i.e. an average of 349 shares per Anandilal Chanda HUF's buy trade.

- ii. Josh Trading was observed to be continuously placing buy orders through Sharekhan from 09:29:07 till 10:02:18 before entering a sell order at 10:03:07 at ₹42.30.
- iii. A call was placed by Madhu to Manish Chaturvedi at 09:59:05 and the call ended between 10:08:05 and 10:09:04. At 10:03:07, single sell order for 30,000 shares was placed in Anandilal Chanda HUF's account with sell order price of ₹42.25 after the entry of sell order in the account of Josh.
- iv. The sell order in Anandilal Chanda HUF account was placed just 1 second before sell order placed by Josh Trading. Accordingly, Anandilal Chanda HUF's trade got executed before the trade of Josh Trading.
- v. The total number of shares sold by Anandilal Chanda HUF in the first tranche was 30,000 in 10 trades of which 29,967 shares (i.e. 99.89%) in 9 trades matched with Ratha Infrastructure i.e. the same entity which was front-run by Josh Trading through Sharekhan. Similar observations were made for subsequent tranches.

6.26 Upon a consideration of the preceding paragraphs including details concerning phone calls between Manish Chaturvedi and Madhu, matching of trades executed in the accounts of Noticee nos. 2, 4, 6, 7, 8, 10 and 12 with trades of the *Sterling Group* and the significant difference between the average value/ quantity of trades of the front-runners that matched with the *Sterling Group* vis-à-vis the others, it can be inferred that the clients of Sharekhan were attempted to be invisibly front-run by Anandilal Chanda (Noticee no. 14) and Anandilal Chanda HUF (Noticee no. 15). Further, I am also of the considered view that the trades of Noticee nos. 14 and 15 had occurred on account of information obtained by Noticee no. 14 from Madhu Chanda. In other words, Madhu Chanda had facilitated Anandilal Chanda and Anandilal Chanda HUF to front-run the clients of Sharekhan.

6.27 Sections 12A(a)–(c) of the SEBI Act read with Regulations 3(a), (b), (c) and (d) of the PFUTP Regulations, 2003 inter alia prohibit employment of any manipulative/deceptive device, scheme or artifice to defraud in connection with dealing in securities; engaging in any act, practice, course

of business which operates or would operate as fraud or deceit upon any person in connection with dealing in securities. Regulation 4(1) of the PFUTP Regulations, 2003, provides for prohibition on indulging in fraudulent or unfair trade practices in securities. The aforementioned actions of the aforementioned Noticees as detailed in the preceding paragraphs clearly resulted in 'fraud' under the PFUTP Regulations 2003, being committed, which in turn affected the interests of investors in the securities market.

6.28 Front-running gets established in this case from the synchronization between the call timings and the trade timings on the one hand and the trade quantity which is almost matching with the actual trades of the big clients (*Sterling Group*) or the clients of Sharekhan, etc. It is also seen that the trade price is pre-decided and it is not moving in tandem with the market price. There is a trail of front-running activity that the investigation has unravelled in different stages –

- (a) Placing of orders by Manish Chaturvedi (on the basis of the information available with him) through various accounts that were used for front-running before orders were placed by him in the accounts of the *Sterling Group*.
- (b) In most of the cases, the order price in the accounts that were used for front-running was far away from the market but the same as the price offered by the *Sterling Group* and therefore, most of the orders in the accounts that were used for front-running got executed only upon the entry of orders by the *Sterling Group*. Further, the orders placed by Manish Chaturvedi for *Sterling Group* which were being front-run were generally in the nature of 'Immediate' or 'Cancel orders' i.e. the unexecuted order quantity was deleted after matching with orders of the front-runners.
- (c) Upon observing the trading and order placement pattern in various accounts of Noticee nos. 2, 4, 6, 7, 8, 10 and 12, Anandilal Chanda placed orders in his own account, Anandilal Chanda HUF's account and the proprietary account of Sharekhan and front-run the clients of Sharekhan. Such orders were placed before the orders in the accounts that were used for front-running i.e. accounts of Noticee nos. 2, 4, 6, 7, 8, 10 and 12 and/or at a price better than that of the orders in the aforesaid accounts resulting in trades in the accounts of Anandilal Chanda, Anandilal Chanda HUF, etc. getting executed before the trades in the accounts of Noticee nos. 2, 4, 6, 7, 8, 10 and 12.

Accordingly, upon a consideration of the paragraphs 6.4–6.26, I find that Noticee nos. 1–15 had violated Sections 12A(a), (b) and (c) of the SEBI Act and Regulations 3(a), (b), (c), (d) read with Regulation 4(1) of the PFUTP Regulations 2003.

6.29 Alleged violation of Sections 12A(a), (b) and (c) of the SEBI Act and Regulations 3(a), (b), (c), (d) read with Regulations 4(1) and 4(2)(a) and (q) of the PFUTP Regulations 2003 by Noticee No. 16 i.e. Praveen Kumar Jain.

- I. As per the Third SCN, Praveen Jain is alleged to have provided multiple trading accounts for front–running, and was therefore, a part of the fraudulent scheme of front–running by Manish Chaturvedi and the front–runners.
- II. In his replies/submissions, Praveen Jain admitted to having provided Manish Chaturvedi (his neighbour of 5 years) with six trading accounts (Viraj Mercantile, Josh Trading, Pinky Auto, E–Ally Consulting, Shree Jaisal and Bhavesh Gadhavi) for a commission of 1 paisa (for every ₹100 trade). From the material available on record, it is observed that the activity in the aforementioned accounts lent by Praveen Jain were carried out sequentially i.e. (i) in the account of Viraj Mercantile and (ii) Josh Trading: from December 7, 2010 to March 29, 2011, (iii) in the account of Pinky Auto: from May 7, 2010 to July 30, 2010, (iv) in the account of E–Ally Consulting: from August 3, 2010 to February 17, 2011 (except one day of trading on May 17, 2010), (v) in the account of Bhavesh Gadhavi: from July 16, 2009 to April 30, 2010 and in the account of (vi) Shree Jaisal: from October 2010 to February 2011.
- III. Further, Praveen Jain admitted that the aforementioned accounts were that of his friends and relatives, etc. the accounts were permitted to be used by him. Praveen Jain also admitted that after providing the aforementioned 6 accounts to Manish Chaturvedi, he would give the profits earned in those accounts to him in cash/cheque whenever he requested for the same to be paid after deducting commission and expenses.

- IV. Further, I note that the Investigation Report/SCN had detailed the connections between Praveen Jain and the following Noticees based on the analysis of KYC documents, financial transactions [numerous bank transfers were observed between companies related to/controlled by Praveen Jain (viz. Nakshatra Business Pvt. Ltd. Sumukh Commercial Pvt. Ltd., Easy Mercantile Pvt. Ltd., Casper Enterprises Pvt. Ltd. and Olive Overseas Pvt. Ltd.) with all the Noticees mentioned at paragraph 1.2 (excluding Anandilal Chanda, Anandilal Chanda HUF and Sharekhan Proprietary Account)], etc. (see also Table IV) as under:

TABLE XXXXII		
NAME OF THE ENTITY		BASIS OF CONNECTION
PRAVEEN JAIN	PAFL AND E ALLY	PRAVEEN'S MOBILE NUMBER WAS PROVIDED IN PAFL'S KYC TO SHAREKHAN – "9322655953" AND PRAVEEN'S EMAIL WAS PROVIDED IN E ALLY'S KYC TO SHAREKHAN – "PRAVEENJAIN2000@GMAIL.COM"
	ABHINANDAN RANKA	ABHINANDAN IS PRAVEEN'S COUSIN [SON OF BROTHER OF PRAVEEN'S MOTHER]
	VIRAJ AND JOSH	PRAVEEN HAS INVESTED A SUM OF ₹ 40 LAKH EACH ON MARCH 30, 2011 FROM NAKSHATRA BUSINESS PRIVATE LIMITED IN WHICH PRAVEEN IS A DIRECTOR SINCE FEBRUARY 19, 2010.
	SANDEEP	PRAVEEN KUMAR AND SANDEEP MALOO HAVE BOTH STATED TO KNOW EACH OTHER FOR A LONG TIME [COLLEGE FRIENDS] AND ALSO HAVE SIGNIFICANT FINANCIAL TRANSACTIONS THROUGH THEIR COMPANIES WHICH WERE STATED TO BE IN THE NATURE OF LOANS.
	PAFL, JAISAL AND E ALLY	MANY TRANSACTIONS WITH LARGE VALUE WERE MADE WITH PAFL, E-ALLY AND JAISAL THROUGH VARIOUS COMPANIES CONTROLLED/ MANAGED BY PRAVEEN/ HIS CLOSE RELATIVES. PRAVEEN'S COMPANIES CONSIDERED FOR THIS PURPOSE INCLUDES CASPER, NAKSHATRA, OLIVE OVERSEAS ETC.
	MANOHAR CHATURVEDI	THROUGH CASPER ENTERPRISES PRIVATE LIMITED PAID A SUM OF ₹ 2,10,000 AS RENT DURING THE FY 2011-12

- V. Praveen Jain also had financial transactions with Laxmi Chaturvedi through Nakshatra Business Pvt. Ltd., a company in which he was a Director. Praveen Jain was also residing in the same building where Manish Chaturvedi and his parents, Laxmi Chaturvedi and Manohar Chaturvedi resided.

- VI. In addition to the aforementioned, from the material available on record, it is also noted that:

- i. In his statement before the investigating authority, SEBI, Praveen Jain had denied knowing Bhavesh Gadhavi. However, it was observed that out of the gross amount of bank transactions up to March 31, 2011 in Bhavesh Gadhavi's and Krishna Trading Associates (a proprietary concern in the name of Bhavesh Gadhavi) accounts, i.e. ₹68.41 Crores, an amount of ₹50.80 Crores was transacted with entities who had banking transactions with Praveen's Company.

- ii. However, it is noted that when Praveen Jain was summoned by SEBI during the investigation to provide the details relating to the bank transactions, he had failed to provide the same as a result of which, the flow of profits could not be ascertained and the investigation was adversely impacted.

VII. Having regard to the aforementioned, I am of the considered view that Praveen Jain had indeed facilitated the fraudulent scheme of front–running by Manish Chaturvedi and the front–runners in violation of the provisions of the Sections 12A(a), (b) and (c) of the SEBI Act and Regulations 3(a), (b), (c), (d) read with Regulation 4(1) and Regulations 4(2)(a) and (q) of the PFUTP Regulations 2003.

6.30 NON CO–OPERATION AND FURNISHING OF FALSE INFORMATION BY NOTICEE NO. 1 I.E. MANISH CHATURVEDI.

- I. As per the First SCN, Manish Chaturvedi is alleged to have misled the investigation by providing false information on numerous occasions regarding being involved/informed in decision about financial transactions (including those in securities market) in his mother's account, not having mobile bills of numbers used by him, being unaware of trading by the *Sterling Group* through HSBC, not placing orders on behalf of *Sterling Group*, details of which are reproduced from the Investigation report as under:

TABLE XXXXIII		
SR. NO.	SUBMISSIONS MADE BY MANISH CHATURVEDI	REMARKS
1.	Mobile bills are unavailable.	Bills were found in the inbox of his Gmail account.
2.	Unaware/no involvement in financial dealing of my mother.	The inbox of his Gmail account revealed he was receiving contract notes from stock brokers, income tax communications and correspondence with Chartered Accountants w.r.t. his mother's accounts.
3.	Rarely used to place orders on behalf of <i>Sterling Group</i> and unaware if <i>Sterling Group</i> had a trading account with HSBC.	Voice recordings providing by HSBC clearly indicate that he was placing most of the orders.
4.	Ended my tenure with Siva Group in February 2011.	As per submissions by <i>Sterling Group</i> , his services were terminated from November 8, 2011.
5.	Role was limited to prepare a note on what orders have been placed by J. Bhaskar and Krishnakumar S. on behalf of the <i>Sterling Group</i> .	It was observed from the recordings provided by JMFL that on a majority of occasions, Manish Chaturvedi used to place orders and updates were taken by J. Bhaskar.

- II. In the instant proceedings, it is reiterated that Manish Chaturvedi was given several opportunities to appear before SEBI for a personal hearing. However, time and again vide several correspondences including letters dated September 4, 2019 and September 29, 2019, expressed his inability to attend the personal hearing on account of a knee injury he had suffered on April

29, 2017. I further note that the aforementioned Noticee has also not attempted to appear for a personal hearing before SEBI through an authorised representative(s) despite being advised by SEBI to do so; further, no explanation has been given by him as to why the opportunity of hearing could not be availed before SEBI through his authorised representative(s). I therefore, am of the considered view that the charge of non-cooperation and of furnishing false information alleged against the Noticee, which hampered the investigation process, stands validated.

Conclusion:

6.31 As noted from the preceding paragraphs, Manish Chaturvedi was employed with the *Sterling Group* from November 3, 2008 to November 8, 2011 and was not only involved in researching/suggesting scrips for investments by that *Group* but also used to place orders for the *Sterling Group* through JMFL and HSBC, etc. Manish Chaturvedi had utilized the information pertaining to the impending trades of the *Sterling Group* to his benefit by devising a fraudulent scheme with the aid of his friend, Praveen Jain, who admittedly arranged for trading accounts of Noticee nos. 4, 6, 7, 8, 10 and 12, to be used by Manish. Besides trading in the accounts so arranged, Manish Chaturvedi also utilised the account of his mother, Laxmi Chaturvedi, to place orders to front-run the impending orders of the *Sterling Group*. According to Praveen Jain, Noticee nos. 4, 6, 7, 8, 10 and 12 had allowed their trading accounts to be used as per the advice by Manish Chaturvedi in lieu of commission, lesser brokerages, etc. from the profits accruing through the front-running activity of Manish Chaturvedi. Lending of trading accounts for operation by others and not for their genuine transactions also tantamount to 'fraud' for the purposes of PFUTP Regulations and depending on the facts and circumstances of each case, the liability of such account lenders needs to be looked at in that light.

6.32 Madhu Chanda, a long standing employee and dealer of Sharekhan, had facilitated the front-running activity of Manish Chaturvedi as he was observed to be frequently communicating with her during market hours and the orders placed in the trading accounts of some of the aforementioned Noticees were also in synchronization with the call timings between them. As stated in the preceding paragraphs, Madhu Chanda was working at the Lower Parel branch of Sharekhan and is married to Anandilal Chanda. Anandilal Chanda is also the Karta of Anandilal Chanda HUF in which Madhu Chanda is also a member. Further, it is reiterated that the trade log as provided by BSE has the IP address which showed that both Anandilal Chanda and Madhu Chanda were at the same location. Madhu Chanda had used/passed the information of orders

placed by Manish Chaturvedi to her husband. Anandilal Chanda with the strength of such 'information' passed on by Madhu Chanda, used the accounts of Anandilal Chanda HUF and his own account to front-run the clients of Sharekhan, as revealed from the attendant circumstances, discussed in the preceding paragraphs. Further, by entering into such trades in a fraudulent manner, Manish Chaturvedi, Anandilal Chanda and Anandilal Chanda HUF had defrauded investors in the securities market and had obtained profits for themselves. Thus, in the fitness of things that entities indulging in front-running activity are not allowed to participate in the market and unjustly enrich themselves at the cost of investors. Accordingly, I find this to be a fit case for issuance of suitable directions in the interest of securities market.

DISGORGEMENT OF WRONGFUL GAINS/LOSS AVOIDED:

- 7.1 As per the *Impounding Order* read with the SCNs, Noticee nos. 1–15 had allegedly made unlawful gains with regard to their front-running trading activity for which a direction for disgorgement for recovery of wrongful/unlawful gains was envisaged against them. As per the *Impounding Order*, an interest at 12% simple interest per annum from the date on which such profits were earned, was levied while calculating the total amount that was impounded therein. Accordingly, the amounts of unlawful gains and interest accruing in the accounts of Noticee nos. 2, 4, 6, 7, 8, 10, 12, 14 and 15 as on the date of this Order are provided below in two separate Tables:

TABLE XXXXIV – UNLAWFUL GAINS ACCRUING IN THE ACCOUNTS OF NOTICEE NOS. 2, 4, 6, 7, 8, 10 AND 12.		
NAME OF THE ENTITY	AMOUNT OF PROFIT (IN ₹)	INTEREST TILL DECEMBER 18, 2020* (IN ₹)
LAXMI CHATURVEDI	3,94,37,785	5,03,48,427
VIRAJ MERCANTILE	68,38,600	81,69,223
JOSH TRADING	62,29,972	73,56,973
PINKY AUTO	56,57,075	71,66,379
E-ALLY	1,35,82,034	1,63,72,783
SHREE JAISAL	7,97,105	9,60,217
BHAVESH	1,16,08,648	1,53,13,958
GRAND TOTAL	8,41,51,219	10,56,87,960
PROFITS HAVE BEEN CALCULATED AS THE DIFFERENCE IN WEIGHTED AVERAGE BUY AND SELL PRICE MULTIPLIED BY THE NUMBER OF SHARES DAY TRADED ON RESPECTIVE SCRIP DAY WITHOUT CONSIDERING LOSSES.		
*INTEREST HAS BEEN CALCULATED FROM THE DATE OF TRANSACTION TO DECEMBER 15, 2020.		

TABLE XXXXV – UNLAWFUL GAINS ACCRUING IN THE ACCOUNTS OF NOTICEE NOS. 14 AND 15		
NAME OF THE ENTITY	AMOUNT OF PROFIT (IN ₹)	INTEREST TILL DECEMBER 18, 2020* (IN ₹)
ANANDILAL CHANDA	17,85,952	23,30,553
ANANDILAL HUF	22,42,528	27,62,748
GRAND TOTAL	40,28,480	50,93,301
PROFITS HAVE BEEN CALCULATED AS THE DIFFERENCE IN WEIGHTED AVERAGE BUY AND SELL PRICE MULTIPLIED BY THE NUMBER OF SHARES DAY TRADED ON RESPECTIVE SCRIP DAY WITHOUT CONSIDERING LOSSES.		
*INTEREST HAS BEEN CALCULATED FROM THE DATE OF TRANSACTION TO DECEMBER 15, 2020		

7.2 In their submissions, Noticee nos. 4–6 and 8–11 and 16 have contended that with regard to the issue of disgorgement of the alleged ill–gotten gains made by Noticee nos. 4, 6, 8 and 10 (as alleged in the SCN), they have not made any kind of profit from such front–running and all the profits/pay out ultimately earned were given to Noticee no. 16 i.e. Praveen Jain (who further submitted that he had earned only commission from the trades and had not made any kind of profit and since the trades were done by Manish Chaturvedi, ill–gotten gain made should be attributed to him), who in turn admittedly transferred such profits to Manish Chaturvedi (including those obtained in the accounts of Noticee no. 12).

7.3 I am of the considered view that a direction for disgorgement of unlawful gains when considered in light of the findings contained at paragraph 6.4–6.32, would lie against Noticee nos. 1, 2 and 3 [on account of the trading done by Manish Chaturvedi using the accounts of Noticee nos. 2, 4, 6, 7, 8, 10 and 12 and his relationship with Noticee no. 2 and 3]] and Noticee nos. 13, 14 and 15 (on account of the trading done by Anandilal Chanda and Anandilal Chanda HUF and his relationship with Noticee no. 13).

ORDER:

8. I, in exercise of the powers conferred on me under Sections 11(1), 11(4) and Section 11B of the SEBI Act read with Regulation 11 of the PFUTP Regulations, 2003, hereby direct as under:

8.1 Manish Chaturvedi shall not access the securities market or buy, sell or otherwise deal in the securities market, either directly or indirectly for a period of **7 years** from the date of this Order.

- 8.2 Madhu Chanda, Anandilal Chanda, Anandilal Chanda HUF and Praveen Jain shall not access the securities market or buy, sell or otherwise deal in the securities market, either directly or indirectly for a period of **6 years** from the date of this Order.
- 8.3 Laxmi Chaturvedi, Manohar Chaturvedi, Viraj Mercantile Pvt. Limited, Abhinandan Ranka, Josh Trading Pvt. Limited, Pinky Auto Finance Limited, E-Ally Consulting India Pvt. Limited, Sandeep Maloo, Shree Jaisal and Industries Limited, Neeta Maloo and Bhavesh Gadhavi shall not access the securities market or buy, sell or otherwise deal in the securities market, either directly or indirectly for a period of **5 years** from the date of this Order.
- 8.4 Manish Chaturvedi, Laxmi Chaturvedi, Manohar Chaturvedi shall jointly and severally, disgorge an amount of **₹18,98,39,179** (*gains of ₹8,41,51,217 + interest of ₹10,56,87,960*) within 45 days from the date of service of this order. In case of failure to do so, interest at the rate of 12% per annum shall be applicable from the expiry of the said 45 days till the date of actual payment.
- 8.5 Madhu Chanda, Anandilal Chanda and Anandilal Chanda HUF shall jointly and severally, disgorge an amount of **₹91,21,781** (*gains of ₹40,28,480 + interest of ₹50,93,301*) within 45 days from the date of service of this order. In case of failure to do so, interest at the rate of 12% per annum shall be applicable from the expiry of the said 45 days till the date of actual payment.
- 8.6 During the period of restraint, Noticee nos. 4–12 and 16 shall not liquidate their existing holding of securities including the units of mutual funds.
- 8.7 Noticee nos. 1–3 and 13–15 shall comply with the directions at paragraphs 8.4 and 8.5 hereinabove either by way of demand draft drawn in favour of “Securities and Exchange Board of India”, payable at Mumbai or by e-payment* to SEBI account as detailed below:

BANK	BRANCH	RTGS CODE	BENEFICIARY NAME	BENEFICIARY ACCOUNT NO.
BANK OF INDIA	BANDRA KURLA BRANCH	BKID 0000122	SEBI	012210210000008

**Noticees who are making e-payment are advised to forward the details and confirmation of the payments so made to the Enforcement Department of SEBI for their records as per the format provided in Annexure A of Press Release No. 131/2016 dated August 9, 2016, which is reproduced as under:*

1. CASE NAME:	
2. NAME OF THE PAYEE:	
3. DATE OF PAYMENT:	

4. AMOUNT PAID:	
5. TRANSACTION NO:	
6. BANK DETAILS IN WHICH PAYMENT IS MADE:	
7. PAYMENT IS MADE FOR: (LIKE PENALTIES/ DISGORGEMENT/RECOVERY/SETTLEMENT AMOUNT AND LEGAL CHARGES ALONG WITH ORDER DETAILS:	

8.8 The Banks shall not allow debits from the bank accounts (joint or otherwise) of Noticee nos. 1–3 and 13–15, except for the purposes of compliance with the directions at paragraphs 8.4 and 8.5 of this Order.

8.9 The Depositories shall not allow debits from the demat accounts (joint or otherwise) of Noticee nos. 1–3 and 13–15, except for the purposes of compliance with the directions at paragraphs 8.4 and 8.5 of this Order. However, credits, if any, into the accounts of the aforementioned Noticees may be allowed.

8.10 In case Noticee nos. 1–3 and 13–15 fail to disgorge as directed hereinabove, SEBI shall initiate recovery process under Section 28A of the SEBI Act.

8.11 The directions contained in the Impounding Order dated July 31, 2015 against Noticee nos. 4–12 shall stand vacated from this day and accordingly, the SCNs dated February 9, 2017 issued to them stand disposed of.

8.12 This Order shall come into force with immediate effect.

8.13 A copy of this Order shall be served upon all the Noticees, Stock Exchanges, Banks, Depositories, Registrar and Transfer Agents for necessary action and compliance with the above directions.

Place: Mumbai
Date: December 18, 2020

G. MAHALINGAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA