

National Stock Exchange of India Circular

Department: Investigation	
Download Ref No: NSE/INVG/56171	Date: March 28, 2023
Circular Ref. No: 82/2023	

To All NSE Members

Sub: SEBI Order in the matter of Front Running by Banhem Securities Pvt. Ltd. and Ninja Securities Pvt. Ltd.

SEBI vide its order no. WTM/SM/IVD/ID17/25045/2022-23 dated March 28, 2023, has restrained the following entities from buying, selling, or dealing in the securities market or associating themselves with the securities market, either directly or indirectly, in any manner whatsoever until further Orders. Further, if the entities have any open position in any exchange traded derivative contracts, as on the date of the SEBI Order, they can close out /square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier.

Sl. No	Name of the Entity	PAN
1	Kaushal Chandarana	ABJPC5129L
2	Manish Mehta	AAEPM2096G
3	Banhem Stock Broking Private Limited	AACCB5251H
4	Ninja Securities Private Limited	AAACN2336B
5	Kashmira Mehta	AGSPM3714H
6	Sumatilal Mehta	AADPM0100C

The detailed order is available on SEBI website (<http://www.sebi.gov.in>).

Further, the consolidated list of such entities is available on the Exchange website <http://www.nseindia.com> home page at the below mentioned link:

<https://www.nseindia.com/regulations/member-sebi-debarred-entities>

National Stock Exchange of India

Members are advised to take note of the above and ensure compliance.

In case of any further queries, members are requested to contact the following officials:

Mr. Ojas Murudkar (Extension: 22378), Mr. Sandesh Sawant (Extension: 22383)
Direct No: 022-26598417/18 Fax: 022-26598195

**For and on behalf of
National Stock Exchange of India Limited**

**Sandesh Sawant
Senior Manager**

**ANNEXURE: SEBI Order in the matter of Front Running by Banhem Securities Pvt. Ltd. and
Ninja Securities Pvt. Ltd.**

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: S.K. MOHANTY, WHOLE TIME MEMBER
AD INTERIM EX PARTE ORDER

**Under Sections 11 (1), 11 (4), 11 (4A), 11B (1) and 11B (2) of the Securities and
Exchange Board of India Act, 1992**

In respect of:

Sl. No.	Name of the Entity	PAN
1.	Kaushal Chandarana	ABJPC5129L
2.	Manish Mehta	AAEPM2096G
3.	Banhem Stock Broking Private Limited	AACCB5251H
4.	Ninja Securities Private Limited	AAACN2336B
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**In the matter of Front Running by Banhem Securities Pvt. Ltd. and Ninja Securities
Pvt. Ltd.**

Background

1. The surveillance system in NSE generated certain alerts indicating that trades by certain suspected entities executed during the period between March 1, 2020 to June 30, 2021 appeared to be unusual trades not executed in the normal course of trading and were apparently in the nature of trades that were executed for front running the trades of Anvil Wealth Management Pvt. Ltd., a portfolio management service provider (hereinafter referred to as “**Anvil**” / “**Big Client**”). Based on the aforesaid alerts, Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) initiated investigation against those suspected entities to look into the possible violations of provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) and various regulations framed thereunder including SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP**”).

Regulations”) during the period March 1, 2020 to September 30, 2022 (hereinafter referred to as “**Investigation Period**”).

SEBI’s Investigation

2. The investigation conducted by SEBI against the suspected entities involved in the instant matter as listed out in the first page of this order, brought out the following *prima facie* observations:
 - 2.1. Anvil offers PMS services and has only 1 PMS namely ‘Long Only Equity Scheme’. This scheme had gross traded value of INR 3355.07 crores while investing into 131 distinct scrips during the Investigation Period.
 - 2.2. It was noted that during the investigation period Anvil had traded mostly through 5 Trading Members namely, KR Choksey Shares and Securities Pvt. Ltd., Anvil Share & Stock Broking Pvt. Ltd., Dam Capital Advisors Ltd. and Kotak Securities Ltd. Further, there were multiple Dealers of the aforesaid Trading Members (25 in nos.) through which Anvil was placing its orders. The fact that there were multiple Trading Members and large number of Dealers through which Anvil was placing its orders, it was suspected that the possibility of leakage of advance information if any, about the impending orders of Anvil could be greater at the end of the Big Client.
 - 2.3. During the course of investigation, it was noted that Ninja Securities Pvt. Ltd. (hereinafter referred to as “**Ninja**”) and Banhem Stock Broking Pvt. Ltd. (hereinafter referred to as “**Banhem**”) were observed to have traded in different securities ahead of the impending orders placed on behalf of Anvil. It was further noted that the common Director of Ninja and Banhem, Mr. Manish Mehta (hereinafter referred to as “**Manish**”) was connected with the Portfolio Manager of Anvil, Mr. Kaushal Chandarana (hereinafter referred to as “**Kaushal**”).
 - 2.4. It was also observed from the trading pattern of Ninja and Banhem that they were frequently placing orders ahead of the orders of Anvil in the equity segment. Subsequently, soon after the Big Client’s orders were placed, these two *Notices* squared off their earlier trade positions taken on the Exchange platform. In the process, substantial proceeds of profit were generated in the trading accounts of these two corporate *Notices*, by placing orders ahead of and in anticipation of the price movement of scrip in a certain direction taking into account the impending

large buy / sell orders of the Big Client. The aforesaid pattern of trades that were executed to front run the trades of the Big Client in the aforesaid manner from the trading accounts of Ninja and Banhem were done in similar manner on numerous occasions during the Investigation Period.

- 2.5. In the light of the aforesaid *prima facie* findings of the investigation, it was observed that a scheme was hatched by Kaushal and Manish wherein the former would pass on the information of the impending trade orders of the Big Client to the latter, who would then place orders from the trading accounts of his connected entities, Ninja and Banhem thereby front running the trades of Big Client. The said actions of the *Noticees* were apparently neither in conformity with the relevant securities laws nor were in conformity with the integrity of the securities market.

Consideration and Prima Facie Findings

3. I have carefully perused and considered the above narrated findings of SEBI's investigation and have also considered various materials and evidence available on record. On a perusal of the same, I find that essentially, the issue that *prima facie* requires to be addressed in the present matter is whether Kaushal and Manish, pursuant to a scheme designed by them, have *prima facie* 'front run' the impending orders of Anvil, the Big Client. To that extent, it will be relevant here to appreciate the definition and implication of the term 'front running'. In this respect, the Hon'ble Supreme Court of India while adjudicating the appeal in the matter of *SEBI vs. Shri Kanaiyalal Baldevbhai Patel and Ors.* (2017)15 SCC 1 had an occasion to consider the term 'front running' and observed as follows:

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

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

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

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

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

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

Nancy Folbre – In the world of financial trading, a front-runner is someone who gains an unfair advantage with inside information.

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

Front-running; for the purpose of this circular, front running means usage of non-public information to directly or indirectly, buy or sell securities or enter into options or futures contracts, in advance of a substantial order, on an impending transaction, in the same or related securities or futures or options contracts, in anticipation that when the information becomes public; the price of such securities or contracts may change."

4. From the above, it can be stated that the following two factors are to be considered important in order to classify a trading activity as front running trade:
 - 4.1. That there should be an information regarding an impending large order of an investor (Big Client) in a particular security that is not publicly available;
 - 4.2. That the order placed by the alleged front runner in the said security was placed (directly or indirectly) in advance of the large order (placed by the Big Client in the matter), while in possession of the aforesaid non-public information.
5. In the light of the aforesaid discussion, I note that in order to *prima facie* allege front running, following ingredients have to be satisfied:
 - 5.1. Access to the non-public information about the impending orders of the Big Client by the front runner.

5.2. Particulars and Pattern of trading followed by the front runner in consonance with the trades of the Big Client.

5.3. Additional corroborative evidence, if any.

Access to non-public information

6. As stated in the beginning, during the Investigation Period, the Big Client had traded through different trading members. The details of the Big Client's trades in terms of number of scrip days through its trading members out of which the number of scrip days on which front running was observed were as follows:

Table No. 1

March 2020 - September 2022				
Sl. No.	Trading Member Name	No of Scrip Days	No of Scrip Days where Front Running was Observed	% Front Running Concentration
1	Kotak Securities Ltd.	1	0	0%
2	KR Choksey Shares and Securities Pvt. Ltd.	1733	59	37%
3	Anvil Share & Stock Broking Pvt. Ltd.	943	63	39%
4	Dam Capital Advisors Ltd.	443	35	22%
5	Others	409	4	2%
	Total	3529	161	100%

It is observed from the aforesaid table that the trades of Anvil were spread amongst the three Trading Members, KR Choksey Shares and Securities Pvt. Ltd., Anvil Share and Stock Broking Pvt. Ltd. and Dam Capital Advisors Ltd. Although KR Choksey Shares and Securities Pvt. Ltd. had a larger allocation of trading by Anvil as compared to the other two, the trades of Anvil cannot be said to be concentrated with one particular Trading Member. Further, the alleged front run trades were also dispersed across the Trading Members.

Considering that the orders of Anvil were spread across multiple Trading Members and considering the volume and frequency of the front running trades that were *prima facie* executed around the impending orders of Anvil, on a preponderance of probability basis, one can upfront infer that the breach of non-public information about the impending orders of Anvil could not have happened at the end of those

empaneled Trading Members of Anvil through whom it was placing its orders in a dispersed manner and rather, such non-public information could have possibly been leaked out from a source prior to the said non-public information used to reach those empaneled Trading Members of Anvil.

7. To find out the veracity of the above inference, it becomes imperative to examine the trade order flow process followed in Anvil for trading in equity and derivative segment of the securities market so as to zero in on the possible source of leakage of the non-public information about the impending trade orders of Anvil, the Big Client. In this regard, Anvil vide its email dated June 28, 2022 has *inter alia* submitted as follows:

“Decision making process is based on inputs, ideas generated by analysis and Fund manager weighs his option accordingly. During the order in process only Fund manager Mr. Kaushal Chandarana is aware of the trades. He places the order with the empaneled broker/s for execution. The Fund Manager decides the trades. The Fund Manager places the trades by phone / messages to the brokers.”

With respect to the role of Investment Committee, Anvil vide its email dated February 20, 2023 has *inter alia* submitted as follows:

“Investment Committee is the platform which broadly undertakes following activities:

- a. Performance of the fund is discussed and analysed.*
- b. Trade decision taken in the prior month are ratified with Buy and Sell rationale.*
- c. New Ideas, trends and sector trends are discussed.*
- d. A business update regarding corpus flows is placed for records. The Investment Committee meets once in a month.”*

The Trading Member, Dam Capital Advisors Ltd. vide its email dated June 22, 2022 has *inter alia* submitted as follows:

“We become aware of the impending orders of the Anvil at the time of placing order by Mr. Kaushal Chandarana from 9820385213 and 67777878, which were placed for execution on the trading system on immediate basis.”

The Trading Member, Anvil Share and Stock Brokers Pvt. Ltd. vide its email dated February 17, 2023 has *inter alia* submitted as follows:

"We become aware of the impending orders of M/S. Anvil Wealth Management Pvt. Ltd. on real time basis. Mr. Kaushal Chandarana from M/S. Anvil Wealth Management Pvt. Ltd., gave the instructions to execute the orders on their accounts."

The CEO of Anvil, Mr. Dhiren Jhaveri has deposed on October 3, 2022 and has *inter alia* submitted as follows:

"Investment decision for PMS is being handled by fund manager, Kaushal Chandarana. There is investment committee in place wherein rationale for investment decisions is discussed & informed. There is no other committee to oversee investment decisions. Board takes quarterly review of performance of funds. For AIF, Eshit Sheth is responsible while Kaushal is solely responsible for PMS. In AIF, we have AUM of around 140 Cr while in PMS, AUM is approx. of 1500 Cr."

The Portfolio Manager of Anvil, Kaushal has deposed on November 14, 2022 and has *inter alia* submitted as follows:

"... I have 540 clients at March 31, 2021. My team has 7 senior analysts who are allocated certain sectors wherein they do research and provide me inputs..."

... I am solely responsible for all the investment decisions of buying and selling for the Anvil Wealth PMS. Idea Generation is by Analyst including me. Once idea is generated we review all the companies under portfolio and based on that we do portfolio allocation and the final decision is taken by me for the buying and selling. We intimate all the decisions on monthly basis through Investment Committee. There is no involvement of board in investment decision and board is intimated about investment and fund performance on monthly basis.

"...There are 2 members in IC—Eshit Seth, Kaushal Chandarana. Fund performance in particular month in comparison with benchmark index and discussion on cumulative return of funds and benchmark index. Scrips bought and exited during the month along with their rationale and any other client related query is discussed. Minutes of this meeting is submitted to board of directors and ratified by Mr Nilesh Maniar and Nimesh Doshi ..."

8. From the aforesaid discussion and depositions, it is noted that the Research Analysts employed with Anvil, used to do the research and provide inputs to the Fund

Manager, Kaushal. Upon receipt of the inputs from the Research Analysts, Kaushal used to take the decision to invest independent of any other inputs / advice from any other person or committee. The only requirement which Kaushal was required to follow was that post the investment decision taken by him, he was expected to notify the said investment decision to the Investment Committee of Anvil which did not happen immediately but as and when the Investment Committee convened its meeting which was on an average once in a month. It is noted from the minutes of the Investment Committee meetings dated September 3, 2020 and June 3, 2021 (picked up on a sample basis) which were Chaired by Kaushal and had in attendance only another Member viz., Mr. Eshit Sheth, that the purpose of the Investment Committee meetings was not to supervise the investment decision taken either by Kaushal or Mr. Eshit Sheth but to keep itself abreast with all the activities and developments that have taken place in-between two Investment Committee meetings, including movements in PMS Fund, client's portfolio for the preceding month, rationale for new investment made etc. Further, once the investment decision was taken by Kaushal, the execution of the said investment decision was also done by Kaushal. He only used to directly communicate with the empaneled Trading Members via phone calls or messages meaning thereby, there was no individual or intermediary involved for communicating such investment decisions between Kaushal and the Trading member.

9. In the light of the aforesaid, it can be reasonably inferred that Kaushal being the Portfolio Manager of the Big Client was responsible for taking the day-to-day investment decisions and was *inter alia*, responsible for the scrip selection for investment and portfolio creation for his clients. Further, he was also responsible for execution of trades. Based on the above, it is *prima facie* observed that on a given trading day it was the Portfolio Manager who decided the crucial aspects of an order on behalf of the Big Client and in the instant matter he was also the person who independently decided the timing and manner of execution of the order for the selected stock in the securities market. In the matters of front running, it is the timing of the placement of the impending orders on behalf of the Big Client which assumes importance as the size of the order of a Big Client like Anvil would be large enough to create an impact on the price movement of the specified scrip which can

be taken advantage of by a trader possessing advance knowledge of such impending orders of the Big Client. Hence, it is quintessential that the order of the alleged front runner is placed at least prior to the execution of last tranche of the order of the Big Client or else the whole purpose of executing the front running trades would be nugatory.

10. In the light of the aforesaid discussion, it is *prima facie* observed that it was the Portfolio Manager of the Big Client who had the discretion to decide as to when the orders of the Big Client would be placed. This, when coupled with the fact that the *prima facie* front running trades were executed from the trading accounts of the *Noticees* who are found to be indirectly connected to the Portfolio Manager i.e. Kaushal, (discussed in subsequent paragraphs), on a preponderance of probability basis, it can be *prima facie* inferred as follows: -

10.1. It was Kaushal who was undoubtedly privy to the orders / trade information of the Big Client i.e., when and what size of orders for buy / sell in a particular scrip, would be placed on behalf of the Big Client and which was not available in public domain.

10.2. It was only Kaushal who was in a position to pass on / leaked the confidential non-public information regarding the impending trade orders of the Big Client to individuals as per his wish, other than for whom it was intended for i.e., other than the empaneled Trading Members of Anvil.

11. The aforesaid inference is further corroborated from the following facts and circumstances: -

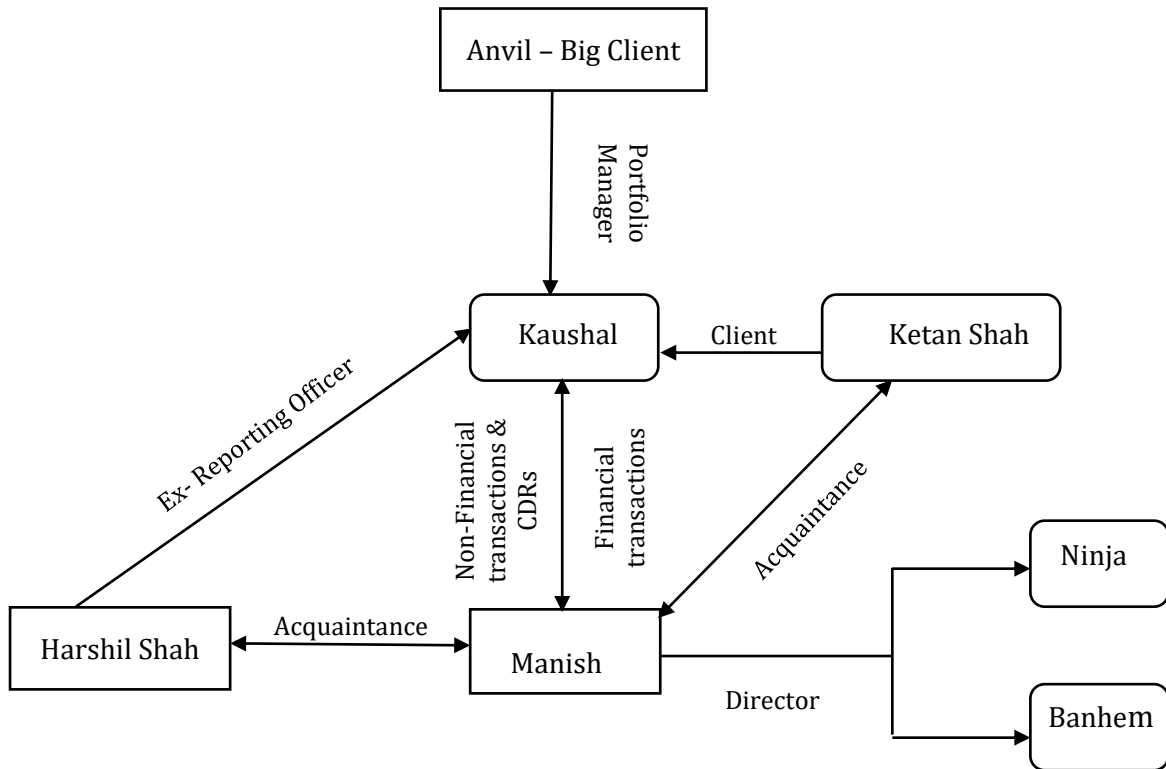
11.1. Private work environment – It is noted that substantial part of the Investigation Period falls during the period of Covid pandemic. As per the email dated February 20, 2023 of Anvil, it is noted that Anvil had given an option to its employees to work from home. The available records indicate that Kaushik during the Investigation Period was working from home during the period from March 2020 to August 2020 and post August 2020 onwards till September 2021, he was working from home as well as from office depending upon the exigencies of work. Further, it is noted from the aforesaid email submission of Anvil that though Kaushal used to administratively report to the Chief Executive Officer, he had no immediate physical supervision over his functioning as a fund manager of the Big Client. Moreover, he was given a separate

cubicle to discharge his official functions during office hours in the office premises apparently to enable him to maintain distance from his other colleagues so as to ensure privacy. From the above, it can be *prima facie* observed that Kaushal had no immediate physical supervision either at home or in the office, thereby giving him an opportunity to take advantage of his physical and social distance from his supervisors and work around his official duties.

- 11.2. Access to phone - From the trade flow process followed at Anvil, it is noted that not only Kaushal had the discretion to select stocks but also he had the discretion to time the execution of the trade orders of Anvil in those stocks selected by him. It is observed from the material available on record that there was no laid down policy in Anvil which barred the access to personal phone during work hours. Rather, Kaushal used to place the trade orders of Anvil through phone calls and messages. Therefore, not only Kaushal *prima facie* had abundant opportunity to pass on the non-public information about the impending trade orders of the Big Client because of his private working environment both at his office and at home, but also had the necessary means i.e. access to a phone to communicate the same to the outside world. I would hasten to add that it is not SEBI's case that Kaushal had *prima facie* communicated the non-public information **only** from his phone which he was carrying to his office or he has *prima facie* communicated the non-public information about the impending trade orders of the Big Client **only** from his office. The aforesaid undisputed facts have been brought on record to suggest that on a preponderance of probability basis, it can be *prima facie* stated that Kaushal had all the means to get in touch with the outside world and had all the opportunities to pass on any information to anyone he wishes to, while he was discharging his official duties as a Portfolio Manager of Anvil.
12. To summarise, on a preponderance of probability basis, it can be *prima facie*, strongly inferred that it was Kaushal who had passed on / leaked the confidential non-public information regarding the impending orders of the Big Client (Anvil) to individual other than for whom the said information was intended for i.e., other than the empaneled Trading members of Anvil, because of the following compelling circumstances: -

- 12.1. Kaushal certainly had access to the non-public information about the impending orders of the Big Client in his official capacity as the Portfolio Manager of the Big Client, Anvil.
- 12.2. Kaushal had the discretion as to when to place the orders of the Big Client on the Exchange platform i.e., timing of placement of orders of the Big Client was in the hands of Kaushal, thereby giving him opportunity / latitude to work around the impending orders of the Big Client.
- 12.3. The trade order flow process at Anvil shows that Kaushal neither had to consult anyone for his investment decision taken on behalf of Anvil nor he had to report to anyone about the manner of execution of trades done on behalf of Anvil.
- 12.4. The private work environment made available to Kaushal due to Covid-19 situation, resulted in the absence of any immediate physical supervision over him while he performed the job of a Portfolio Manager of Anvil, thereby giving Kaushal the opportunity to work around his official duties. This, coupled with the fact that he was *prima facie* having access to a phone while he is in his office and while he was placing the trade orders with the empaneled Trading Members as well, also gave him the necessary means to be in touch with the outside world to indulge in private dealings without the knowledge of his employer.
- 12.5. There existed indirect connection of the *Noticees* whose trading accounts were used to execute the *prima facie* front running trades in the instant matter, with Kaushal.
13. The next aspect that has to be examined in the matter is as to what kind of connection, both direct or indirect, existed amongst Kaushal, Manish, Banhem and Ninja who are *prima facie* involved in front running activities being dealt with in the present proceedings. The *inter se* connection amongst said *Noticees* who are allegedly involved in the present matter, are depicted pictorially, as under: -

Figure No. 1



14. From the above figure, it can be seen that Kaushal and Manish not only did have financial and non-financial transactions between them but also knew socially a few common individuals. Further, based on the call data records, as noted in the table below, it is noted that Kaushal and Manish were not only connected with each other but also were in frequent communication with each other.

Table No. 2

Sl. No.	Noticee (A)	Noticee (B)	A to B		B to A		Period
			No. of calls	Avg. duration in seconds	No. of calls	Avg. duration in Seconds	
1.	Kaushal (982XXXX213)	Manish (976XXXX999)	8	29	13	33	1/2/2021 to 30/6/2021
2.	Kaushal (982XXXX213)	Manish (702XXXX951)	1	7	2	30	1/2/2021 to 30/6/2021

15. From the above figure, it can be seen that each *Noticee* involved in the extant matter had a distinct role to play as part of a *prima facie* fraudulent scheme devised for front

running the impending trade orders of Anvil. Based on the said roles played by the *Noticees*, they can be broadly classified under two categories: -

- 15.1. Information Carrier - Kaushal being the Portfolio Manager of Anvil had absolute access to the non-public information about the impending trade orders of the Big Client, Anvil. Since he was in possession of the non-public information about the trade orders of the Big Client, he is *prima facie* classified as an Information Carrier (hereinafter referred to as 'IC').
- 15.2. Front Runners – These are the *Noticees* who were *prima facie* instrumental in the execution of the orders for the *prima facie* front running trades. Without the said *Noticees*, the communication of non-public information about the impending trade orders of Anvil by Kaushal (discussed in subsequent paragraphs) apparently to front run the trades of Anvil would not have translated into actual trading in those scrips based on the advance non-public information about Anvil's impending trade orders in those scrips. The said *Noticees* are Ninja, Banhem and Manish. It is observed from the material made available on record, that the *prima facie* front running trades during the investigation period were executed from the trading accounts of Ninja and Banhem where Manish was *prima facie* the Director in charge and responsible for the conduct of the business of Ninja and Banhem.
16. I have taken note of the *prima facie* connections as elucidated above amongst the various *Noticees* involved in the instant matter. I now proceed to examine the trading behaviour of the said connected *Noticees*. As noted in the preceding paragraphs, Kaushal who had absolute access to the non-public information regarding the impending trade orders of Anvil, had apparently communicated the same to Manish who in turn, executed those *prima facie* front running trades as identified during the investigation in the trading account of Ninja and Banhem. The said *prima facie* front running trades are now being examined below, broadly based on the following two criteria, viz.: -
 - 16.1. Access to non-public information about the impending trade orders of the Big Client by the registered owner of the trading accounts or by the individual under whose instructions orders were being placed in those trading accounts.
 - 16.2. Analysis of the patterns and peculiarities of the trades executed from the respective trading accounts to see as to whether the orders from the said trading

accounts were placed prior to the last tranche of the impending orders of the Big Client, apparently for the purpose of front running the trades of Anvil, the Big Client.

17. Now, coming to the first criterion of access to the non-public information of impending trade orders of Anvil, it has already been discussed in the preceding paragraphs that Kaushal had undoubtedly clear access to the non-public information regarding the impending trade orders of Anvil. Further, Kaushal also *prima facie* had the opportunity and means to stay in touch with the outside world while discharging his official duties as a Portfolio Manager of Anvil. The next sub-issue that needs to be addressed is who in the outside world was Kaushal in touch with, regarding the non-public information about the impending trade orders of Anvil.

18. Before proceeding to answer the aforesaid issue, I would like to note that in the cases like suspected front running activities, direct substantive evidence may not always be present since passing on of any non-public information (about the impending trade orders of the Big Client) would generally happen in a secret and most confidential manner with utmost privacy that may not have even a trace of evidence to be unearthed during an investigation. Hence, in the absence of a direct evidence, one has to infer the exchange / communication of such non-public information based on the immediate and proximate facts and circumstances surrounding the events. Here, I would like to refer to the observations of the Hon'ble Supreme Court of India in the matter of *SEBI vs. Kishore R Ajmera* (2016) 6 SCC 368, wherein the Hon'ble Court while dealing with the nature of evidence required to establish the alleged violation has held as follows:

"... It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what

inferential process that a reasonable/prudent man would adopt to arrive at a conclusion.”

19. In the backdrop of the above judicially held principle, I proceed to examine as to whether the investigation of SEBI has been successful in bringing out adequate corroborating evidence, sufficient enough to compel a *prima facie* inference that Kaushal had indeed and in all probabilities, passed on / communicated the non-public information regarding the impending trade orders of Anvil to Manish. It has already been noted in the preceding paragraphs that Kaushal and Manish have a very strong connection between them as they have both financial transactions (INR 1.43 crore at one go) and non-financial transactions between them and are also in frequent communication with each other. The aforesaid factors, when analysed with a host of other compelling factors such as - trading activities of Ninja and Banhem, the average gross traded value of the trades executed from the trading account of Ninja and Banhem during common scrip days' / contract days' with the scrip days' of Big Client, percentage of *prima facie* front run trades vis-à-vis *intra-day* trades in terms of gross traded value executed from the trading account of Ninja and Banhem and proceeds generated in the aforesaid trading account during the investigation period (discussed in subsequent paragraphs), on a preponderance of probability, it leads to an irresistible inference that the trades executed from the trading accounts of Ninja and Banhem had the undue advantage of access to the non-public information of the Big Client, Anvil. Consequently, it can be further, *prima facie* inferred that the peculiar pattern of trading activity as observed in the trading account of Ninja and Banhem around the time when the impending orders of Anvil were being placed, would not have been possible but for the *prima facie* communicating / passing on those non-public information regarding the impending trade orders of Anvil by none other than Kaushal to Manish.
20. The second criterion for establishing the trades executed in the above mentioned trading accounts as *prima facie* front running trades, is by examination of the pattern and peculiarities of the trades executed from the respective trading accounts of Ninja and Banhem to see as to whether the orders from those trading accounts were placed prior to the last tranche of the impending order of Anvil. In this regard, during the Investigation Period, it is seen that *prima facie* front running trades were

executed from the trading accounts of Ninja and Banhem majorly in the equity segment of the securities market at NSE. However, there are also a few instances of *prima facie* front running trades in the equity derivative segment of the securities market as well. It is noted from the records that out of 149 trades of Anvil which were apparently front run by Banhem and Ninja on NSE, 136 trades contributed greater than or equal to 3% of total traded quantity in the scrip on that day and also, 136 trades had order size of greater than or equal to 4,000 shares which in the instant case is considerable in volume. The same shows that orders of Anvil were of substantial quantities which had the potentiality to make an impact on the price movement of those particular scrips upon their placement. The gist of the trades which were executed at NSE from the said trading accounts of Ninja and Banhem depicting *prima facie* front running behavior on their part and have earned at least a positive square off of INR 1 or more, is presented below:

Table No. 3

Registered Owners of trading accounts (A)	Equity Segment				Derivative Segment			
	Calendar days traded (B)	No of instances (C)	Gross Traded Value (INR in lakh) (D)	Avg. per instance Gross Traded Value (INR in lakh) (E) = D/C	Calendar days traded (F)	No of instances (G)	Gross Traded Value (INR in lakh) (H)	Avg. per instance Gross Traded Value (INR in lakh) (I) = H/G
Ninja	104	128	21358.42	166.86	20	20	7027.60	351.38
Banhem	29	35	2444.08	69.83	-	-	-	-

21. It is observed that the orders which have been placed from the trading accounts of Ninja and Banhem, prior to the placement of the last tranche of the orders of Anvil, have been *prima facie* categorised as front running trades in the table above. These trades have typically exhibited either Buy-Buy-Sell trade pattern or Sell-Sell-Buy trade pattern around the time when the orders of Anvil were placed, in order to encash the advantage of market impact of those big orders if any, placed by Anvil by placing those orders just prior to Anvil's orders in the first leg of their trade, which have been explained below with the help of illustrative trades in a few scrips. In this regard, an order placement analysis for the trades executed from the above

mentioned trading accounts of Ninja and Banhem was undertaken on a sample basis for a few scrip days. The findings of the said analysis have been explained scrip-wise, below.

21.1. **Bharat Forge Ltd. – April 20, 2021 - Cash Segment**

On the aforesaid scrip day, trades were executed from the trading account of Ninja which was *prima facie* in Buy – Buy - Sell trade pattern and were *prima facie* executed to front run the trades of Anvil in the cash segment of the securities market in the scrip of Bharat Forge Ltd. The details of the same are given below: -

Table No. 4

Particulars	Buy/ Sell	Original Order Vol	Order Start Time	Order End Time	Match Vol %
Ninja	Buy	25,100	9:31:39	9:39:55	-
Anvil	Buy	3,25,000	9:40:23	10:16:22	-
Ninja	Sell	25,100	10:08:40	10:20:30	100

From the above table, it can be seen that Anvil had placed buy order for a quantity of 3,25,000 shares in the scrip of Bharat Forge Ltd. between 9:40:23 hours to 10:16:22 hours in the cash segment of the securities market on April 20, 2021. It is also seen that (apparent front running) buy order from the trading account of Ninja was placed in the scrip for 25,100 shares in the scrip of Bharat Forge Ltd. between 9:31:39 hours to 9:39:55 hours. Subsequently, sell order in the scrip was placed from the trading account of Ninja to square off the first leg of the trade (buy trade) by placing sell order between 10:08:40 hours to 10:20:30 hours which also matched with the Big Client order for 100% of the total shares sold by the *Noticee*. The aforesaid front running instance has resulted in a total profit of INR 2,13,481/- for the *Noticee*.

21.2. **Polyplex Corp Ltd. – May 5, 2021- Cash Segment**

On the aforesaid scrip day, it was also noticed that trades were executed from the trading account of Ninja by *prima facie* following a Sell-Sell-Buy trade pattern thereby *prima facie* front running the trades of Anvil in the cash segment of the

securities market, in the scrip of Polyplex Corp Ltd. The details of the same are given below: -

Table No. 5

Particulars	Buy/ Sell	Original Order Vol	Order Start Time	Order End Time	Match Vol %
Ninja	Sell	11,000	14:15:13	14:18:25	-
Anvil	Sell	96,399	14:17:50	15:13:52	-
Ninja	Buy	11,000	14:25:14	14:27:09	77

From the above table, it can be seen that Anvil had placed sell order for a quantity of 96,399 shares between 14:17:50 hours to 15:13:52 hours in the scrip of Polyplex Corp Ltd. in the equity segment of the securities market on May 5, 2021. The corresponding *prima facie* front running sell order from the trading account of Ninja was placed in the scrip between 14:15:13 hours to 14:18:25 hours for 11,000 shares. Subsequently, buy order in the scrip was placed from the aforesaid trading account to square off the first leg of the trade by placing buy order for 11,000 shares between 14:25:14 hours to 14:27:09 hours which matched with the Big Client order for 77% of the total quantity bought by the *Noticee*. The aforesaid front running instance resulted in a total profit of INR 3,31,539/- for the *Noticee*.

21.3. **Cosmo First Ltd. – July 14, 2020 - Cash Segment**

On the aforesaid scrip day, trades were executed from the trading account of Banhem, following a Buy – Buy - Sell trade pattern to *prima facie* front run the trade of Anvil in the cash segment of the securities market in the scrip of Cosmo First Ltd. The details of the same are given below: -

Table No. 6

Particulars	Buy/ Sell	Original Order Vol	Order Start Time	Order End Time	Match Vol %
Banhem	Buy	24185	9:32:58	12:31:04	-
Anvil	Buy	1,00,285	9:32:08	12:55:38	-
Banhem	Sell	27,209	9:40:58	13:30:40	78

From the above table, it can be seen that Anvil had placed sell order for a quantity of 1,00,285 shares in the scrip of Cosmo First Ltd. during the period between 9:32:08 hours to 12:55:38 hours in the cash segment of the securities market on July 14, 2020. The *prima facie* front running buy order from the trading account of Banhem was placed in the said scrip between 9:32:58 hours to 12:31:04 hours for 27,209 shares. Subsequently, sell order was placed in the scrip from the aforesaid trading account to square off the first leg of the trade by placing the buy order between 9:40:58 hours to 13:30:40 hours which matched with the Big Client order for 78% of the total shares bought by the *Noticee*. The aforesaid instance of front running resulted in a total profit of INR 1,93,092.49/- for the *Noticee*.

21.4. Atul Ltd. – August 28, 2020 – Cash Segment

On the aforesaid scrip day, trades were executed from the trading account of Banhem which *prima facie* followed a Sell-Sell-Buy trade pattern and have *prima facie* front run the trades of Anvil in the cash segment of the securities market in the scrip of Atul Ltd. The details of the same are given below: -

Table No. 7

Particulars	Buy/ Sell	Original Order Vol	Order Start Time	Order End Time	Match Vol %
Banhem	Sell	2,598	9:16:24	10:15:12	-
Anvil	Sell	16,655	9:18:28	10:25:41	-
Banhem	Buy	2,598	9:19:03	10:22:33	89

From the above table, it can be seen that Anvil had placed sell order for 16,655 shares in the scrip of Atul Ltd. between 9:18:28 hours to 10:25:41 hours in the cash segment of the securities market on August 28, 2022. The sell order from the trading account of Banhem *prima facie* to front run the trade of the Big Client was placed in the said scrip between 9:16:24 hours to 10:15:12 hours for 2,598 shares. Subsequently, buy order were placed in the said scrip from the aforesaid trading account to square off the first leg of the trade by placing buy order between 9:19:03

hours to 10:22:33 hours which matched with the Big Client order for 89% of the total quantity bought by the *Notices*.

22. Thus, from the aforesaid illustrations, it is *prima facie* established that the first legs of the *intra-day* trades, orders for which were placed just before the impending orders of Anvil, (the Big Client) were placed or the last tranche of the orders of Anvil was placed, are the trades executed from the trading account of Ninja and Banhem, apparently to 'front run' the orders of Anvil, the Big Client followed by squaring of such first leg of trades with a reverse trade either before the last tranche of or after the trade orders of the Big Client were placed on the system. The said trades have *prima facie* followed either a Buy-Buy-Sell pattern or a Sell-Sell-Buy pattern while front running the trades of Anvil.
23. To sum up the aforesaid illustrations and discussions, the *prima facie* front running trading activities carried out in the trading accounts of Ninja and Banhem lead to the following unassailable observations:
- 23.1. The individual (natural person) having access to the aforesaid trading accounts and who had placed the orders in the said trading accounts, evidently had the undue advantage of being privy to the non-public information with respect to the impending trade orders of Anvil.
- 23.2. The trading patterns followed in those trading accounts as illustrated above, are self-evident of the fact that the tranches of the orders of the first leg of *intra-day* trades from the aforesaid trading accounts (front running leg) have invariably been placed / executed just prior to the placement of the impending large trade orders of Anvil or just before the last tranche of the said large order was placed by Anvil while, the second leg of the *intra-day* trade (squaring off of trades) begins by placing orders either prior to the last tranche of the order of Anvil or immediately after it. In other words, the trades executed from the trading accounts of Ninja and Banhem, *prima facie* have followed either a Buy-Buy-Sell pattern or Sell-Sell-Buy pattern, as exhibited in preceding paragraphs, around the placement of orders of Anvil rendering such pattern of trades to be manifestly a front running strategy adopted by Ninja and Banhem.

24. The following evidence further corroborate the aforesaid *prima facie* finding that front running trades were executed from the trading account of Ninja and Banhem:

24.1. Pre-Investigation Trading Activity – In order to analyse the trade data of Ninja and Banhem and that of Anvil, it is pertinent to define a “Scrip Day”. A combination of a particular trade date/day and a particular share / scrip is considered as one Scrip Day. For instance, if a trader trades in 6 unique scrips in a single day, he is considered as having traded in 6 Scrip Days and if these trades were all intra-day trades, they are considered as 6 intra-day scrip days. In the light of the same, upon analysing the trading activities in the trading account of Ninja and Banhem, it is *prima facie* observed that during the Investigation Period there was a remarkable increase in the trading activities in aforesaid two trading accounts in the equity segment and / or derivative segment of the securities market. The following table captures the trading data for Ninja and Banhem prior to the Investigation Period vis-à-vis their trading activities during the Investigation Period at NSE:

Table No. 8

Front Runners	Pre - Investigation Period (September 2019- February 2020)						Investigation Period (March 2020 - September 2022)					
	Equity			Derivatives			Equity			Derivatives		
	Overall Gross Trade Value (in lakh)	Intra Day Scrip Days	Intraday profit (in lakh)	Gross Trade Value (in lakh)	Intra Day Scrip Days	Intraday profit (in lakh)	Overall Gross Trade Value (in lakh)	Intra Day Scrip Days	Intraday profit (in lakh)	Gross Trade Value (in lakh)	Intra Day Scrip Days	Intraday profit (in lakh)
Ninja	7775.39	242	7.87	-	-	-	133187.98	1441	310.42	176809.21	461	157.19
Banhem	2205.83	77	2.11	-	-	-	7700.16	270	33.37	-	-	-

It has been highlighted in the preceding paragraphs that *prima facie* front running trades have been executed in the trading accounts of Ninja and Banhem majorly in the cash segment of the securities market. From the aforesaid table, it is *prima facie* observed that there was an astronomical jump in the trading activities in terms of gross traded value in the cash segment of the securities market from the trading accounts of Ninja and Banhem during the Investigation Period as compared to the pre-Investigation Period. In the derivative segment of the securities market, it is seen from the trading account of Ninja that there was a sharp jump in derivatives trading during the Investigation Period as compared to the pre-Investigation Period. Further, there is also a substantial increase in the *intra-day* activities from the trading account of Ninja and Banhem in the cash segment of the securities

market during the Investigation Period as compared to the pre-Investigation Period. Such a sudden increase in the trading activities in the trading accounts of Ninja and Banhem in the cash segment and in the trading account of Ninja in the derivative segment of the securities market, coupled with the finding about the close connection that existed between their Director, Manish with Kaushal and the astronomical profits (for e.g. *intra-day* profits made in the trading account of Ninja during the Investigation Period was 3859% more than the profits earned by it during pre-Investigation Period) made in the trading accounts of Ninja and Banhem by executing *intra-day* trades during the Investigation Period, when seen along with the trades of Anvil executed on different days during the Investigation Period, especially in the cash segment of the securities market, further lends strength to the aforesaid *prima facie* finding that front running trades were executed from the trading account of Ninja and Banhem.

24.2. Common Scrip Days / Contract Days with the Big Client – In order to analyse the trade data of the derivatives segment, it is pertinent to define a “Contract Day”. A contract day has been considered as a day on which the client has traded in a combination of date, symbol (scrip), option type, strike price and expiry date. The following table presents a summary of the trading profiles of Ninja and Banhem during the Investigation Period:

Table No. 9: Trading profile of Ninja

	Equity Segment					Equity Derivative Segment				
	Calendar days	No of instances	Gross Traded Value (INR in lakh)	Average Gross Traded Value (INR in lakh)	Square off earned (INR in lakh)	Calendar days	No of instances	Gross Traded Value (INR in lakh)	Average Gross Traded Value (INR in lakh)	Square off earned (INR in lakh)
No of Scrip days/Contract days traded	643	21792	133187.98	6.11	438.98	509	3187	176809.21	55.48	249.07
Common Scrip days/Contract days with BC	257	348	30586.06 (22.96% of GTV)	87.89	220.83	105	167	14807.13 (8.37% of GTV)	88.67	45.18
No of Other Non-Common Scrip	643	21444	102601.92 (77.04% of GTV)	4.78	218.15	497	3020	162002.08 (91.63% of GTV)	53.64	203.89

	Equity Segment					Equity Derivative Segment				
	Calendar days	No of instances	Gross Traded Value (INR in lakh)	Average Gross Traded Value (INR in lakh)	Square off earned (INR in lakh)	Calendar days	No of instances	Gross Traded Value (INR in lakh)	Average Gross Traded Value (INR in lakh)	Square off earned (INR in lakh)
days/Contract days with BC										
No of Scrip days/Contract days wherein day trading has been carried out	501	1441	36863.72 (27.68% of GTV)	25.58	310.41	256	461	52225.59 (29.54% of GTV)	113.29	157.2
No of Scrip days/Contract days wherein day traded and commonly traded with BC	129	159	23825.25 (17.89% of GTV)	149.84	196.63	34	37	8546.42 (4.83% of GTV)	230.98	38.08
Instances where client earned a positive square off difference of INR 1 or more.	579	2511	63485.8 (47.67% of GTV)	25.28	471.98	324	725	95111.37 (53.79% of GTV)	131.19	286.35
No of Scrip days/Contract days wherein client has front run the trades of Big Client with a positive square off difference of INR 1 or more.	104	128	21358.42 (16.04% of GTV)	166.86	179.4	20	20	7027.60 (3.97% of GTV)	351.38	24.79

Table No. 10: Trading profile of Banhem

	Equity Segment				
	Calendar days	No of instances	Gross Traded Value (INR in lakh)	Average Gross Traded Value (INR in lakh)	Square off earned (INR in lakh)
No of Scrip days/Contract days traded	423	1478	7700.16	5.21	37.31
Common Scrip days/Contract days with BC	50	65	4051.22	62.33	28.57

	Equity Segment				
	Calendar days	No of instances	Gross Traded Value (INR in lakh)	Average Gross Traded Value (INR in lakh)	Square off earned (INR in lakh)
			(52.61% of GTV)		
No of other Non-Common Scrip days/Contract days with BC	417	1413	3648.94 (47.39% of GTV)	2.58	8.74
No of Scrip days/Contract days wherein day trading has been carried out	159	270	4274.36 (55.51% of GTV)	15.83	33.37
No of Scrip days/Contract days wherein day traded and commonly traded with Big Client	40	53	3650.62 (47.41% of GTV)	68.88	27.43
Instances where client earned a positive square off difference of Rs. 1 or more.	76	132	4653.45 (60.43% of GTV)	35.25	38.49
No of Scrip days/Contract days wherein client has front run the trades of Big Client with a positive square off difference of INR 1 or more.	29	35	2444.08 (31.74% of GTV)	69.83	18.00

From the aforesaid tables, it is observed with respect to the trades executed from the trading account of Ninja, that approximately 23% of trades in terms of gross traded value were executed on common contract days with Anvil in the equity segment of the market, while for the trades executed from the trading account of Banhem, 52.61% of trades in terms of gross traded value were executed on common contract days with Anvil in the equity segment of the market. To put it differently, the average gross traded value of trades executed from the trading accounts of Ninja on common contract days with Anvil in the equity segment of the market stood at INR 87.89 lakh which was an increase of 1738.7% from the gross traded value on the non-common contract days with Anvil. Similarly, for the trades executed from the trading account of Banhem on common contract days with Anvil in the equity segment of the market is INR 62.33 lakh which was an increase of 2315.8% from the gross traded value on the non-common contract days with Anvil. The aforesaid monumental increase in the average gross traded value during the Investigation Period, from both the aforesaid trading accounts, leads to a *prima facie* inference

that the confidence to take higher exposure in those particular underlying scrips on those common contract days was stemming from factors which were extraneous to the market fundamental of those underlying scrips / companies and such extraneous considerations / influence apparently enabled Manish to execute the said orders.

A similar trend is also observed in the *intra-day* trading activities executed from the aforesaid trading accounts during the Investigation Period in terms of average gross traded value of trades. The increase was 485.77% in the trading account of Ninja while it was 335.12% in the trading account of Banhem when *intra-day* trading activity on common contract days with Anvil is compared with overall total number of contract days on which *intra-day* trades have been executed from the aforesaid trading accounts.

The aforesaid finding about the common contract days also show a substantial number of overlaps in the contract days between the *prima facie* front runners and Anvil. In an universe of numerous securities / contracts being traded on Exchange platforms every day by thousands of market participants in each security / contract, it leads to a further compelling evidence which *prima facie* reveals that the trades from those apparently front running trading accounts are not only happening on a regular basis on the same common contract days as those of Anvil, but also orders are found to have been placed in those trading accounts, in the same specific securities around the same trading time during which the orders of Anvil have been placed, by following either a Buy-Buy-Sell pattern or a Sell-Sell-Buy pattern on a consistent basis. The aforesaid observations based on factual findings as tabulated and highlighted above, *prima facie* constrain me to observe that the said act of simultaneously placing of orders in the trading accounts of Ninja and Banhem mostly in the cash segment of the securities market in specific securities just around the time when Anvil was placing its large orders on those securities was committed by design, based on non-public information about the impending orders of Anvil and such trading pattern cannot happen just as a matter of mere coincidence.

24.3. Pattern of intra-day trades - It is observed from the pattern of *intra-day* trades executed from the trading accounts of Ninja during the Investigation Period that on the days when such trades were executed, around 58% of such trades in terms of

gross traded value were *prima facie* front run trades. Similarly, from the pattern of *intra-day* trades executed from the trading account of Banhem during the Investigation Period, it is observed that on the days when such trades were executed, 57% of such trades in terms gross traded value were *prima facie* front run trades. The aforesaid data not only shows a serious overlap in the *intra-day* trading activities executed from the trading account of Ninja and Banhem vis-à-vis Anvil but also speaks of a prominent and deliberate pattern of placing orders around the placement of the impending orders of Anvil on a regular systematic basis, which cannot be simply brushed aside as a mere coincidence.

24.4. Proceeds Generated – It is noted from the materials available on record that although the profit generating *prima facie* front running trades constituted 5% of the overall *intra-day* trades executed in the trading account of Ninja which made profit during the investigation period in the cash segment of the securities market, the profit generated by those front running trades constituted approximately 38% of the overall profit earned by Ninja from its *intra-day* trading activities. Similarly, out of the total number of *intra-day* trades executed from the trading account of Banhem during the investigation period in the cash segment of the securities market, the profit generating *prima facie* front running trades constituted 26.55% of the overall *intra-day* trades which made profit, however, the profit generated by those front running trades constituted approximately 46.76% of the overall profit earned by Banhem during the said period from its *intra-day* trading activities. Thus, one can witness a huge jump in the profit figures in respect of those apparently profit making *intra-day* trades which were executed *prima facie* to front run the trades of the Big Client from the trading account of Ninja and Banhem during the investigation period. In other words, it can be inferred with reasonable certainty that whenever trades were executed in the trading account of Ninja and Banhem not around the time when the Big Client was placing its orders, or in the absence of any impending orders of the Big Client in the cash segment of the securities market, those trades generated small profits or no profits.

24.5. Frequency of placement of orders – The details of the trading activities as seen from those *prima facie* front running trading accounts, some of which have been depicted through illustrations in the preceding paragraphs, clearly show that in each

such apparently front running trade, the order for first leg of the intra-day trades (the front running leg) was placed on a regular basis, just prior to the placement of the impending orders of Anvil or before the last tranche of the order of Anvil was placed. Similarly, the order for the second leg of the intra-day trade on numerous occasions was placed just prior to the last tranche of the order of Anvil was placed or immediately after the placement of the last tranche of the Anvil's order. The frequency with which such trades were executed just around the timing of placement of orders of Anvil on both buy side and sell side on various trading days, strongly indicate that the said orders were placed in those *prima facie* front running trading accounts by way of a pre-meditated design and cannot be ascribed to any coincidence.

25. A combined assessment of the aforesaid factual details, evidence and analysis thereof, coupled with the relationship / connection that *prima facie* existed amongst various *Noticees* who have played their respective roles in facilitating, the execution of the *prima facie* front running trades as discussed above at length, leads to an undeniable conclusion that those *prima facie* front running orders placed / trades executed from the trading accounts of Ninja and Banhem, predominantly in the cash segment of the securities market, would not have been placed, had Kaushal and Manish *prima facie* not been in possession of or privy to the non-public information about the impending trade orders of Anvil, the Big Client. It is also observed that the front running activities from the trading accounts of Ninja and Banhem, have *prima facie* generated wrongful gains in the hands of those two trading entities, as indicated in the table below: -

Table No. 11

S. No.	Noticee Name	Wrongful Gains (in INR)
1.	Ninja	2,04,83,412
2.	Banhem	18,63,438
Total for the aforesaid Noticees		2,23,46,850

*It includes 2 instance of front-running trades of Anvil at BSE and making gains of INR 64232

It includes 1 instance of front-running trades of Anvil at BSE and making gains of INR 62,950

26. In the light of the detailed discussions in the foregoing paragraphs, it can be *prima facie* held that the trades executed from the trading account of Ninja and Banhem,

orders for which were placed just before the impending trade orders of Anvil or prior to the last tranche of the order of Anvil, have *prima facie* 'front run' the orders of Anvil in the cash segment and / or in the derivative segment of the securities market. Further, such trades executed from the aforesaid trading accounts, have typically followed either a Buy-Buy-Sell pattern or Sell-Sell-Buy pattern, as described in detail in the preceding paragraphs, just around the timing of the orders that were placed on behalf of Anvil.

27. After having determined that the trades executed from the trading account of Ninja and Banhem, have *prima facie* 'front run' the trade orders of Anvil, the next issue that needs to be addressed is as to who all are responsible for the *prima facie* front running activities and what are the relevant provisions of SEBI Act, and the Regulations framed thereunder that have been violated by them.
28. Here, it will be relevant to reproduce the texts of Sections 12A (a), (b), (c) and (e) of SEBI Act and regulations 3 (a), 3 (b), 3 (c), 3(d), 4(1) and 4(2)(q) of PFUTP Regulations for ready reference, which read as follows:

SEBI ACT

12A. No person shall directly or indirectly—

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

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

(d) ...

(e) deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a

manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder;

PFUTP Regulations

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;*
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

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

...

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

29. In the present matter there are two inter-linked issues that need to be determined:

29.1. The first is the determination of *prima facie* violations of specific provisions of SEBI Act and PFUTP Regulations and who all are liable for the said violations.

29.2. The second is to determine the persons who are *prima facie* liable for the wrongful gains generated from the above discussed front running trades.

30. I now proceed to address the first issue. I have already held above that the trades executed through the trading accounts of Ninja and Banhem during the Investigation Period have been *prima facie* executed to 'front run' the impending trade orders of Anvil. While the trades have been apparently executed in a pre-mediated manner from the trading accounts of Ninja and Banhem, as noted in the foregoing paragraphs of this order, there are certain individuals, who have *prima facie* played crucial roles to successfully fructify the scheme of executing those *prima facie* front running trades in a pre-meditated and systematic manner by using the aforesaid trading accounts of Ninja and Banhem. At the outset, based on the facts, as noted above and the discussions in the preceding paragraphs, it is observed that there is an overwhelming finding that Kaushal, the Portfolio Manager of Anvil (Big Client), in an attempt to maintain anonymity and to avoid regulatory detection, had sought the active support of Manish to *prima facie* employ a scheme to take undue advantage of the impending trade orders of Anvil. The broad *modus operandi* of the scheme employed in the instant matter to 'front run' the trade orders of Anvil, is found to be as follows:

30.1. Due to Kaushal's official position in Anvil (as the Portfolio Manager) and the then prevailing hybrid working model available to him due to the pandemic situation with a private working environment at office to maintain distance as well as to ensure privacy, Kaushal sensed an opportunity to take advantage of the non-public information with respect to the impending orders of Anvil (which he himself was placing on behalf of Anvil), during the normal course of his work.

30.2. Kaushal had approached Manish to arrange some trading accounts in which (front running) orders could be placed on the basis of his communication.

30.3. Manish in turn has arranged the trading accounts of his own connected entities namely, Ninja and Banhem, where he along with his immediate family members was a Director and a majority shareholder.

30.4. Once such trading accounts were arranged, the next evident move was to place orders in the said arranged trading accounts of Ninja and Banhem by Manish in close co-ordination with Kaushal.

30.5. The orders were placed either in the Buy-Buy-Sell pattern or Sell-Sell-Buy pattern from the aforesaid arranged trading accounts around the time when the orders of Anvil were being placed so as to generate substantial wrongful gains.

31. From the above factual observations which have emerged out of various evidence / facts collected during investigations as extracted and cited earlier in this order and corroborated by multiple circumstantial evidence, it is *prima facie* evident that the *Noticees*, in particular Kaushal and Manish have acted swiftly and cleverly to make the scheme that they have conspired in collusion with each other to front run the trades of Anvil (Big Client) (and aided in implementation by the rest), a successful one. Under the circumstances, it will be apt here to note the findings of Hon'ble Securities Appellate Tribunal in the matter of *Hemant Sheth et.al. vs. SEBI and Other Connected Appeals* decided on March 4, 2020 wherein with respect to a scheme of manipulative and unfair trading, it was held as follows:

"In a scheme of manipulative and unfair trading it is not necessary that every participant should be indulging in every type of trading violation or even in the same / similar magnitude. Once they are found to be part of a group trying to manipulate the volume or price of the scrip they became party to the violation."

32. In the light of the aforesaid, it can be seen that both Kaushal and Manish have *prima facie*, not only employed a scheme to 'front run' the orders of Anvil but were also *prima facie*, involved in every step that led to the fruition of the scheme, from the beginning (access to non-public information) till the generation of *prima facie* wrongful gains. Equally pertinent to note that each of the other *Noticees* involved in the matter, namely Ninja and Banhem whose trading accounts were used to execute the *prima facie* front running trades have played a very vital role to see to it that the said fraudulent scheme sails through successfully.

33. Keeping in view of the aforesaid discussions, it can be now *prima facie* held that Kaushal and Manish are liable for executing the front running trades in the trading accounts of Ninja and Banhem, as unearthed during the investigation. At the same Ninja and Banhem have also played an equally vital part in the execution of the front running trades as their trading accounts enabled the execution of those front running trades.

34. Before proceeding further, I would like to examine the role of the Directors of Ninja and Banhem. It has to be acknowledged that all the acts which are executed in the name of an incorporated entity, are actually discharged by the natural persons who by their own minds and wisdom, are controlling the affairs and management of such artificial juristic person (company) in the capacity of its Directors. The company, being an artificial entity, cannot function on its own volition and will move only in such direction, as may be desired and dictated by the Directors who are controlling the overall functioning of the company. I note that the position of a 'Director' in a company comes along with various onerous responsibilities and compliances under law that are associated with such position, which have to be adhered to by such Director and in case of default, he / she has to face the consequences thereof. The Directors of a company are persons appointed to direct and supervise the management of the affairs of the company. They are expected to diligently perform their duties with honesty, fairness, skill and care in administering the affairs of the company. Such a duty requires the Directors to devote adequate time and attention to the affairs of the company so as to be able to take decisions that do not expose the company to unnecessary risks / actions by enforcement agencies. This implies a high degree of accountability and knowledge of the overall functioning of the company. Therefore, the Director cannot wriggle out from his / her liability arising out of any wrongdoing by the company.
35. With respect to the Directors of Ninja and Banhem, I note from the records that Manish, Mr. Sumatilal Mehta and Ms. Kashmira Mehta were their Directors during the relevant period when the *prima facie* front running trades were executed from the trading account of Ninja and Banhem. It has already been noted in the preceding paragraphs that Kaushal and Manish *prima facie* had employed a scheme to front run the trade orders of Anvil. Thus, Manish was well aware of the fact that the trades that were executed from the trading account of Ninja and Banhem were *prima facie* front running trades. Considering that Manish *prima facie* had the knowledge of the front running trades and as per his own admission, he was in charge of and responsible for the conduct of the business of Ninja and Banhem, he is *prima facie* liable for the act of Ninja and Banhem.

36. With respect to Mr. Sumatilal Mehta and Ms. Kashmira Mehta, I note that they have been Directors of Ninja and Banhem for a long period of time and hence have been closely associated with the management of both the companies. Here, it will be apt to refer to the order of Hon'ble Supreme Court of India in the matter of *Official Liquidator vs. P.A. Tendolkar*, [(1973) 1 SCC 602] wherein the Supreme Court held as follows: -

"It is certainly a question of fact, to be determined upon the evidence in each case, whether a Director, alleged to be liable for misfeasance, had acted reasonably as well as honestly and with due diligence, so that he could not be held liable for conniving at fraud and misappropriation which takes place. A Director may be shown to be so placed and to have been so closely and so long associated personally with the management of the Company that he will be deemed to be not merely cognizant of but liable for fraud in the conduct of the business of a Company even though no specific act of dishonesty is proved against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the affairs of the Company even superficially. If he does so he could be held liable for dereliction of duties undertaken by him and compelled to make good the losses incurred by the Company due to his neglect even if he is not shown to be guilty of participating in the commission of fraud. It is enough if his negligence is of such a character as to enable frauds to be committed and losses thereby incurred by the Company."

37. In the light of the findings of the Hon'ble Apex Court, I note that though Mr. Sumatilal Mehta and Ms. Kashmira Mehta were not in overall control of the day to day business of Ninja and Banhem, but being part of the management of those companies, they were under an obligation to exercise their duties with due and reasonable care, skill and diligence and were required to exercise their independent judgment, as mandated under Section 166 (3) of the Companies Act, 2013. They were not part of the management merely to lend their name or to maintain the quorum for Board meetings. Had they carried out their duties diligently without any neglect, they would have noticed a discernable and a sharp rise in the trading activities of both Ninja and Banhem as well as substantial increase in the gross traded volume of the trades executed from the aforesaid trading accounts for a sustained period of time. The said finding coupled with the undeniable fact that the said *prima facie* front

running trades were generating substantial amounts of profit leading to earning of a considerable amount of profits during the Investigation Period, would have certainly raised red flags for any prudent person if they had examined the affairs of Ninja and Banhem. However, *prima facie* Mr. Sumatilal Mehta and Ms. Kashmira Mehta have failed to exercise any independent judgment and deliberately chose to turn a blind eye to the operations in the trading account of Ninja and Banhem. Thus, their *prima facie* neglect of their duty to exercise due care, skill and diligence when they were lawfully responsible for the conduct of business of Ninja and Banhem, has enabled the successful implementation of the scheme of front running which has made them *prima facie* liable for the act of Ninja and Banhem.

38. It will be relevant here to refer to the Palmer's Company Law, 25th Edition (2010), Volume 2 at page 11097 wherein it the following has been stated:

"Market manipulation is normally regarded as the "unwarranted" interference in the operation of ordinary market forces of supply and demand and thus undermines the "integrity" and efficiency of the market."

39. Further, the Hon'ble Supreme Court of India in the matter of *N Narayanan vs. Adjudicating Officer, Sebi* decided on April 26, 2013, while dealing with the concept of market abuse in securities market, has held as follows:

"Prevention of market abuse and preservation of market integrity is the hallmark of Securities Law. Section 12A read with Regulations 3 and 4 of the Regulations 2003 essentially intended to preserve 'market integrity' and to prevent 'Market abuse'. The object of the SEBI Act is to protect the interest of investors in securities and to promote the development and to regulate the securities market, so as to promote orderly, healthy growth of securities market and to promote investors protection. Securities market is based on free and open access to information, the integrity of the market is predicated on the quality and the manner on which it is made available to market. 'Market abuse' impairs economic growth and erodes investor's confidence. Market abuse refers to the use of manipulative and deceptive devices, giving out incorrect or misleading information, so as to encourage investors to jump into conclusions, on wrong premises, which is known to be wrong to the abusers. The statutory provisions

mentioned earlier deal with the situations where a person, who deals in securities, takes advantage of the impact of an action, may be manipulative, on the anticipated impact on the market resulting in the “creation of artificiality’.”

40. In the instant matter, as already held by me above, the *Noticees* by employing a scheme have *prima facie* ‘front run’ the trades of Anvil. The said act of indulging in front running trades is *prima facie* fraudulent and manipulative in nature as per the provisions of regulation 4 (2) (q) of PFUTP Regulations. By engaging in such fraudulent and manipulative trades, not only the *Noticees* have interfered with the market forces of supply and demand of a particular scrip but have also artificially influenced the price and volume of those particular scrips and have in effect, *prima facie* distorted price discovery of those scrips. Such manipulative trade practices followed by the *Noticees* in the present matter, can be said to have the potential to mislead the investors as well as induce the investors at large, to deal in such securities (the market price of which has been manipulated) to their detriment. Thus, in light of the aforesaid decision of Hon’ble Supreme Court of India, it can be *prima facie* held that the actions of the *Noticees* have led to gross ‘market abuse’.

41. Moreover, the Hon’ble Supreme Court of India in the matter of *SEBI vs. Kanaiyalal BaldevBhai Patel* decided on September 20, 2017 while dealing with the definition of “fraud” as stipulated under Regulation 2(1)(c) of PFUTP Regulations have held as follows:

“The definition of ‘fraud’, which is an inclusive definition and, therefore, has to be understood to be broad and expansive, contemplates even an action or omission, as may be committed, even without any deceit if such act or omission has the effect of inducing another person to deal in securities. Certainly, the definition expands beyond what can be normally understood to be a ‘fraudulent act’ or a conduct amounting to ‘fraud’. The emphasis is on the act of inducement and the scrutiny must, therefore, be on the meaning that must be attributed to the word “induce”...”

42. An examination of the definition of fraud under the PFUTP Regulations envisages among other things, fraud by way of an “act” so as to have an “effect of inducement” on another person for dealing in securities. Further, regulation 3 (c) of PFUTP Regulations prohibits employment of any device, scheme or artifice for fraud. In the given situation, the *Noticees* by employing a *prima facie* scheme have sent distorted

signals with respect to the price and volume of the scrip and have thereby *prima facie* induced the investors to deal in the scrip. Thus, the *Noticees* have apparently defrauded the investors by their acts of executing fraudulent front running trades.

43. Regulation 4(1) of PFUTP Regulations refers to unfair trade practices in securities. It would be noteworthy to quote the observations of Hon'ble Supreme Court of India in the matter of *Securities and Exchange Board of India and Ors. vs. Shri Kanaiyalal Baldevbhai Patel and Ors.* decided on September 20, 2017 wherein it was held as follows:

"...Although unfair trade practice has not been defined under the regulation, various other legislations in India have defined the concept of unfair trade practice in different contexts. A clear cut generalized definition of the 'unfair trade practice' may not be possible to be culled out from the aforesaid definitions. Broadly trade practice is unfair if the conduct undermines the ethical standards and good faith dealings between parties engaged in business transactions. It is to be noted that unfair trade practices are not subject to a single definition; rather it requires adjudication on case to case basis. Whether an act or practice is unfair is to be determined by all the facts and circumstances surrounding the transaction. In the context of this regulation a trade practice may be unfair, if the conduct undermines the good faith dealings involved in the transaction. Moreover, the concept of 'unfairness' appears to be broader than and includes the concept of 'deception' or 'fraud'."

44. In the extant matter, the *Noticees* have engaged in the act of misusing the confidential non-public information of the Big Client to execute their front running trades which gave them *prima facie* an undue and unfair advantage over the general investors. Therefore, the said acts of the *Noticees* do not conform to the fair and transparent principles of transactions in the securities market and rather undermine the ethical standards of dealing in securities markets. Moreover, the orders executed by the front runners are not good faith dealings between the parties to the trade as the front runners are privy to the non-public information about the trades of the Big Client, which are not in the public domain and the front runners have acted under the influence of such non-public information while trading in the trading accounts of those conduit/mule trading account holders. Thus, the counter parties to the trades

of a front runner are always at a disadvantage due to the inherent information asymmetry in such trades and the deceitful behaviour of the front runner / absence of good faith dealings.

45. In view of the aforesaid, it can be *prima facie* held that Kaushal and Manish, by employing a *prima facie* fraudulent scheme to 'front run' the orders of Anvil, have not only acted in a fraudulent and unfair manner while executing those *prima facie* front running trades as identified during the investigation but also by their such acts have defrauded the general investors by distorting the price and volume of such scrips being front run by them. Such fraudulent acts of the aforesaid *Noticees* have led to gross market abuse by the *Noticees* as pointed out above and also have resulted in gross unfair trade practice on the part of the said *Noticees*. Under the circumstances, the Kaushal and Manish have *prima facie* violated Sections 12A (a), (b), (c) and (e) of SEBI Act and regulations 3 (a), 3 (b), 3 (c), 3(d), 4(1) and 4(2)(q) of PFUTP Regulations. Moreover, as observed by me earlier, Ninja, Banhem, Mr. Sumatilal Mehta and Ms. Kashmira Mehta, have also played an equally vital part in the execution of those *prima facie* front running trades as they enabled Kaushal and Manish to execute front running trades from the trading accounts of Ninja and Banhem, that led to the *prima facie* violation of Sections 12A (a), (b) and (c) of SEBI Act and regulations 3 (a), 3 (b), 3 (c), 3(d) and 4(1) of PFUTP Regulations.
46. The next issue which now merits discussion is who amongst the aforesaid *Noticees*, would be *prima facie* liable for the wrongful gains generated by the afore discussed front running trades. From the above discussion, I note that broadly there are two sets of people who were involved in the entire scheme to 'front run' the orders of the Big Client; the first set of people includes individuals who were *prima facie* the brains behind the scheme and had the knowledge of the front running trades while those trades were being executed viz., Kaushal and Manish and the second set of individuals comprises those who *prima facie* enabled the aforesaid two *Noticees* to execute the scheme by allowing them access to the trading accounts of Ninja and Banhem, viz., Mr. Sumatilal Mehta and Ms. Kashmira Mehta. Therefore, based on the available records and foregoing discussions and findings in this order, it is *prima facie* held that it is the first set of individuals, as mentioned above who have *prima facie* devised and employed the scheme to 'front run' the trades of Anvil hence, are

prima facie liable for the wrongful gains generated from those front running trades along with the Directors of the two corporate entities whose trading accounts were used for front running activities, to the extent, as mentioned in the table below, jointly and/or severally, wherever applicable. For the purpose of calculation of wrongful gains, number of scrip days where the *Noticees* have day traded and commonly traded with Anvil and have earned a positive square off of at least INR 1 or more, have been taken into consideration.

Table No. 12

Sl. No.	Trading Account	Liability of <i>Noticee</i>	Wrongful Gains (in INR)
1	Ninja Securities Pvt. Ltd.	Ninja Securities Pvt. Ltd., Mr. Kaushal Chandarana, Mr. Manish Mehta, Mr. Sumatilal Mehta and Ms. Kashmira Mehta	2,04,83,412
2	Banhem Stock Broking Pvt. Ltd.	Banhem Stock Broking Pvt. Ltd., Mr. Kaushal Chandarana, Mr. Manish Mehta, Mr. Sumatilal Mehta and Ms. Kashmira Mehta	18,63,438
Total			2,23,46,850

47. I note that Section 11 of SEBI Act confers a duty on the Board to protect the interests of investors in securities market and to promote the development of and to regulate the securities market. For achieving such an object, SEBI has been authorised to take such measures as it thinks fit. Thus, the power to take all measures as may be necessary to discharge its duty under the statute which is a reflection of the objective embedded into the preamble of SEBI Act, has been conferred on SEBI in its widest amplitude. Pursuant to the said objective, PFUTP Regulations have been formulated with the main objective of preventing fraudulent activities, which also seek to curb fraudulent and manipulative activities in the securities market in order to boost investors' confidence in the securities market and to provide an environment, conducive to increased participation and investment in the securities market that is so vital to the growth and development of the economy. Since the conduct of the aforementioned *Noticees*, do not *prima facie* appear to be in the interest of investors and the securities market, necessary action has to be taken against them immediately, else it may lead to loss of investors' trust in the securities market. The

trading activity of a front runner not only causes notional monetary loss to investors but also has the effect of interfering with the development of securities market, as investors tend to lose faith in the securities market. The same is detrimental to the development of the securities market and qualifies as an irreparable injury. The objective of SEBI as enshrined in the SEBI Act is not only the protection of investors but also to ensure orderly development of securities market.

48. Considering the facts and circumstances of this case and the grave fraudulent conduct as *prima facie* evident in this case, I am convinced that this is a fit case where, pending finalisation of the instant proceedings, effective and expeditious preventive and remedial action is required to be taken by way of ad interim ex – parte order to protect the interests of investors and to preserve the safety and integrity of the securities market. Such action needs to be taken urgently to prevent any further harm to investors. Further, as already exhaustively discussed in preceding paragraphs, there are ample *prima facie* evidences unearthed during the investigation which visibly demonstrate that the conduct of the *Noticees* while indulging in front running trades has been misleading and fraudulent in nature which has not only *prima facie* violated the integrity of the market but has also caused fraud on the investors thereby causing irreparable injury to the securities market. Furthermore, the wrongful gains which have been generated from such front running trades are intrinsically linked to the *prima facie* fraudulent conduct of the *Noticees*. Hence, the following factors compel me to invoke the provisions under Section 11(4) (d) of the SEBI Act to impound the proceeds of such *prima facie* wrongful gains made by the *Noticees* by indulging in such front running trades:

- 48.1. Kaushal has glaringly abused his employment as a Portfolio Manager with Anvil by taking pecuniary advantages of the non-public information about the impending orders of his employer, for his personal gains.
- 48.2. Kaushal has also conducted himself in an audacious and defiant manner, oblivious of minimum standards of ethics that need to be followed by a person who is dealing with the hard earned money of large number of clients (576) of Anvil.
- 48.3. As highlighted above, the *Noticees* have been able to earn large amounts of wrongful gains by their *prima facie* well-crafted manipulative scheme of front running the trades of the Big Client. In the process of executing the said scheme, they

have been deliberately placing orders over the period in a manner to execute their first leg of trades ahead of the orders of Anvil and the frequency of such trades did not continue for merely one or two stray incidents, but went on consistently with much more frequency in a manner to ensure that such front run trades generate large sums of gains to them. Interestingly, Kaushal is still employed with Anvil, where he is by virtue of his role as a fund manager, is always privy to non-public information of impending trade orders of Anvil and through his connected entities he may again deal in securities so as to front run the trades of his employer for accumulating ill-gotten gains, which is strictly prohibited under law.

48.4. As noted from the records, the *prima facie* front running activity was continuing at least till September 2022. Thus, it *prima facie* shows that the *Noticees* went on unabatedly front running the trades of Anvil and continued to make wrongful gains on a regular basis so much so that, earning of profits / income out of such unlawful acts on a regular basis had become a regular habit of the *Noticees* who were using these acts as a parallel source of income at the expense of general investors in the securities market especially the clients of Anvil.

49. At this stage, I refer and seek reliance on the order of the Hon'ble Securities Appellate Tribunal, passed in the matter of *Amalendu Mukherjee vs. SEBI* (Appeal (L) no. 169 of 2020), wherein the Hon'ble Tribunal has underscored the necessity of passing impounding orders and *inter alia* has held as follows:

"We are of the opinion that the WTM is empowered under the SEBI Act and the Regulations to pass an ex-parte order in order to protect the interests of securities market and the investors. If such impounding order is not passed, it may result in defeating the ultimate direction of disgorgement if any, as there would be chances of such monies being dissipated by the appellant. ..."

50. Before concluding I have to observe that over the years with the increasing income level and rising high net worth population in India, Portfolio Management Services have grown as one of the favourite and convenient way of investing in the securities market especially for large number of urban citizens. The popularity of the PMS industry in India can be gauged from the fact that it grew by about 14.5% last year and the assets under management of PMS stood at INR 26.9 trillion, as of December 2022. When an investor avails the services of a Portfolio Manager, it gives rise to the

expectation of better returns as he is assured of the fact that his money will be handled by a professional expert team comprising of Portfolio Manager, dealers, analysts etc. who will handle his money in their fiduciary capacity with due care, transparency and honesty. The job profile of the top officials of any Portfolio Management Services demands high standards of diligence, honesty and ethics as they are dealing with public monies of hundreds of investors. Keeping the aforesaid in view, I find that the way Kaushal has conducted himself as a Portfolio Manager of Anvil in conceiving a fraudulent scheme and executing the said scheme so meticulously over a sustained period in collusion with other unscrupulous entities, to front run the trades of his very own PMS where 576 clients have put in their trust and hard earned money and whose gross traded value has been as high as INR 3355.07 crore, it smacks of rampant dishonesty and unfairness on the part of Kaushal and his accomplices. At a time, when SEBI is extensively engaged in taking series of steps to maintain market integrity and to win investors' faith in the securities market, indulgence in such malicious acts of market manipulation and fraudulent trade practices as have been blatantly displayed by a senior official of a PMS like Kaushal, has caused serious breach of trust reposed by the investors/clients of Anvil and can potentially cause further erosion of the trust in PMS *per se* as a medium of investment in securities market. Hence, senior functionaries like Kaushal discharging sensitive job like that of a Portfolio Manager of a reputed PMS, when play mischief with the trades of the PMS in collusion with his associates as part of a well calculated scheme, the same deserves to be dealt with a firm hand.

51. Under the aforesaid circumstances and my observations, and also keeping in view the commission of the alleged violation of securities laws by the *Noticees* through their *prima facie* front running activities, which have led to unlawful enrichment of the *Noticees* consistently in a regular manner by way of executing front running trades in the manner discussed as above, I observe that it is a fit case to pass interim directions to insulate the securities market from the mischievous acts of the *Noticees* as well as to protect the wrongful gains from getting siphoned off beyond the regulatory reach. Accordingly, I, in exercise of the powers conferred upon me under Sections 11, 11 (4), 11B (1) read with Section 19 of the SEBI Act hereby by way of

the present *interim order* issue the following directions, which shall remain in force until further orders:

- 51.1. The *Notices* are restrained from buying, selling or dealing in the securities market or associating themselves with the securities market, either directly or indirectly, in any manner whatsoever until further orders. If the *Notices* have any open position in any exchange traded derivative contracts, as on the date of the order, they can close out /square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier. The *Notices* are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order.
- 51.2. An amount of INR 2,23,46,850 as mentioned in Table No. 12 above, being the estimated total wrongful gains earned from the *prima facie* front running activities is impounded, jointly and severally from the *Notices* as indicated in the said Table No. 12 on page no. 38.
- 51.3. The *Notices* as mentioned under Table No. 12 on page no. 38 above are directed to credit/deposit the aforesaid amount of wrongful gains into an interest bearing Escrow Account or Savings a/c with a lien marked in favour of SEBI created specifically for the purpose in a Nationalized Bank. The Escrow Account(s) and/or Savings Account(s) shall create a lien in favour of SEBI and the monies kept therein shall not be released without permission from SEBI. The credit/deposit of aforesaid unlawful gains in the Escrow Account(s) and/or Savings Account(s) shall be made within a period of 15 days from the date of the order.
- 51.4. Banks are directed that no debits shall be made, without permission of SEBI, out of the bank accounts held jointly or severally by the *Notices*, except for the purposes of transfer of funds to the Escrow Account(s) and/or Savings Account(s) to be created as directed above at paragraph no. 51.3. Further, the Depositories are also directed that no debit shall be made, without permission of SEBI, in the demat accounts held by the aforesaid persons. However, credits, if any, into the said bank accounts and demat accounts may be allowed. Banks and the Depositories are directed to ensure that all the aforesaid directions are strictly enforced. However, debits in the bank accounts may also be allowed in the event the amounts available in the said accounts are in excess of the amount directed to be impounded above at

paragraph no. 51.2. Banks are allowed to debit the accounts for the purpose of complying with this Order. In other words, once the impounded amount mentioned at paragraph no. 51.2 has been deposited by the *Noticees*, the freeze on their bank account(s) would be lifted.

51.5. The Registrar and Transfer Agents are directed to ensure that, they neither permit any transfer nor redemption of the securities, including Mutual Funds units, held by the *Noticees*.

51.6. The *Noticees* are directed not to dispose of or alienate any of their assets/properties/securities, till such time the amount of wrongful gains is credited to Escrow Account(s) and/or Savings Account(s) as directed at paragraph no. 51.2 above, except with the prior permission of SEBI.

51.7. The *Noticees* are further directed to provide a full inventory of all their assets whether movable or immovable, or any interest or investment or charge in any of such assets, including property, details of all their bank accounts, demat accounts, holdings of shares/securities if held in physical form and mutual fund investments and details of companies in which they hold substantial or controlling interest immediately but not later than 7 working days from the date of this Order.

52. The *prima facie* observations/findings contained in this Order are made on the basis of the materials available on record. In the light of the alleged violations of the provisions of the SEBI Act and PFUTP Regulations by the *Noticees* as stated in this order, this Order shall be treated as a show cause notice under Sections 11(1), 11(4), 11(4A), 11B (1), 11B (2) 11(5) and 27 of SEBI Act, read with SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005, calling upon all the *Noticees* to show cause, as to why certain directions including some as proposed below shall not be passed against them, as proposed hereunder:

52.1. Direction to disgorge an amount equivalent to the total wrongful gains made on account of alleged front running trades, along with interest, if any thereon;

52.2. Direction to restrain them from accessing the securities market and prohibiting them from buying, selling or otherwise dealing in securities for an appropriate period;

- 52.3. Direction to restrain them from associating themselves with the securities market, either directly or indirectly, in any manner and
- 52.4. Directions for imposition of penalty under Sections 11B (2), 11(4A) and 27 (Directors of Ninja and Manish: Manish [u/s 27(1) of SEBI Act] and Mr. Sumatilal Mehta and Ms. Kashmira Mehta [u/s 27(2) of SEBI Act]) read with Section 15HA of the SEBI Act as may be deemed appropriate under SEBI Act.
53. The *Notices* may file their reply with SEBI within 21 days from the date of receipt of this Order and avail an opportunity of personal hearing in the matter, if they so desire.
54. This Order is without prejudice to any other action that SEBI may initiate under the securities laws, as deemed appropriate, against the above mentioned persons/*Notices*.
55. This Order shall come into force with immediate effect and shall be in force till further Order.
56. A copy of this Order shall be forwarded to the Stock Exchanges, Depositories, Registrar and Share Transfer Agents and Banks to ensure necessary compliance.

-Sd-

DATE: March 28, 2023

PLACE: MUMBAI

S. K. MOHANTY

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA