

SECURITIES AND EXCHANGE BOARD OF INDIA
FINAL ORDER

UNDER SECTION 11(1), 11(4), 11(4A), 11B(1) and 11B(2) THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995.

Noticee No.	Name	PAN
1	Mr. Shivprasad Pattiya	CSVPP4272J
2	Mr. Alkesh Narware	BQCPN5590D

(hereinafter collectively referred to as 'Noticees/ Operator Group')

Order in the matter of alleged illegal profiting by Mr. Shivprasad Pattiya and Mr. Alkesh Narware by trading in the stock options through group of accounts controlled by them

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") received an alert in 'Out of the Money' ("OTM") stock option contracts with high low price variations without corresponding movement in underlying scrip that certain group of entities had executed trades at prices away from fair prices and consistently made a positive square off difference. Further, NSE received various complaints from investors stating that they had shared their credentials with some WhatsApp group members for Algo/software trading with assurance of good profit and that subsequently, the trades were executed in their trading accounts which resulted in loss amounting to lakhs.
2. Based on the aforesaid alerts and complaints, SEBI conducted an investigation in the matter to look into the role of a group of entities led by Mr. Shivprasad

Order in the matter of alleged illegal profiting by Mr. Shivprasad Pattiya and Mr. Alkesh Narware by trading in the stock options through accounts of group of persons controlled by them

Pattiya (hereinafter referred to as “**Noticee No.1**”) and Mr. Alkesh Narware (hereinafter referred to as “**Noticee No.2**”) in the alleged misuse of online trading kits of investors, promising guaranteed returns from Algo/software-based trading and execution of fraudulent and manipulative trades in illiquid ‘Out of the Money’ (OTM) stock options, primarily aimed at transferring funds from unsuspecting investors/complainants to front entities, controlled or managed by the Noticees, in possible violations of provisions of the 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**”) for the period January 27, 2021 to February 01, 2022 (hereinafter referred to as “**Investigation Period/ IP**”). However, reference was made to outside the IP wherever required.

SHOW CAUSE NOTICE:

3. On the basis of findings of investigation, Show Cause Notice dated February 27, 2025 (hereinafter referred to as “**SCN**”) was issued to the Noticees. The crux of the allegation in the SCN is brought out below.
4. The alleged fraudulent scheme was operated by the Operator Group, namely Shivprasad Pattiya and Mr. Alkesh Narware. There was another group of persons referred to as the Caller Group. This group reached out to potential investors (who eventually are the complainants here) through WhatsApp messages and calls. The Caller Group concealed their real identities by using misleading or fake names. These communications by the caller group were designed to lure individuals with promises of guaranteed returns, purportedly through an “Algo-based” or “software-driven” trading strategy. Lured by the profits, the targeted investors (complainants) were persuaded to share their

confidential trading account credentials. The Operator Group had the complete operational control over these accounts.

5. In parallel, the Operator Group deployed a network of front entities' accounts to act as the counterparty for the trades. These front entities had no understanding of the trading. Statements made by one of the authorized person of M/s. Profitmart Securities Private Limited (hereinafter referred to as "**Profitmart**") and statements by other front entities (which are part of the annexures of the SCN), showed that the Operator Group were introducer for these trading accounts, and margin funding was traced back to the Operator Group indicating margins were arranged by the operator group. For instance, Mr. Rameshchandra Goswami (one of the Front Entity) received Rs.2,50,000/- from Mr. Piyush Dixit (Front Entity) and Noticee No.2 (Operator Group), which was then transferred to Profitmart's trading account for margin. Similarly, Mr Piyush Dixit did fraudulent trades with Mr. Jayesh Rashikbhai Prajapati (one of the Complainant) and received the pay-outs of Rs.5,00,000/- which included the settlement amount of Rs.4,30,650 i.e., the profit made through the above mentioned fraudulent trades. This Rs.5,00,000 was transferred to Noticee No.2 using cheque and the same was transferred to his Profitmart trading account for margin.
6. Several front entities in their statements confirmed that they had handed over the credentials of their accounts. These entities were daily labourers who did not know anything about the trading. They had lent their trading account to the operator group and received a commission of Rs.3,000/- to Rs.50,000/-. The Operator group had facilitated and opened trading accounts and bank accounts for these front entities (28 entities) with different trading members. The user id and password of the trading accounts were shared to the Operator group. Some even stated that they were approached by specific individuals, namely Mr. Shivprasad Pattiya and Mr. Alkesh Narware. These admissions, combined with

other circumstantial and documentary evidence, pointed to the allegation that Operator Group had control over the front entities' and Complainants' accounts.

7. Upon acquiring access to the complainants' accounts, the Operator Group transacted series of buy orders in deep out-of-the-money (OTM) stock options in the accounts of complainants. These were highly illiquid contracts, mostly close to expiry, and were placed at artificially inflated premium prices. The OTM options were so selected that it had no realistic probability of making profits. The other leg of the order was placed from the accounts of the Front Entities matching the price and quantity. The legs of orders got executed in a matter of minutes or often seconds indicating a high level of pre-arrangement. The quantity and price of both legs matched precisely. These contracts expired within a short period after the trades were placed. This resulted in a certain and complete loss of premium for the complainants. On the other hand, the corresponding sell positions taken by the front entities at artificially high premiums translated into equivalent profits.
8. The proceeds of the trades, i.e., the premium amounts, were credited to the bank accounts of the front entities. These funds were promptly withdrawn or rerouted, often through transfers, to accounts of other front entities for margin. The withdrawals were in cash while in other cases they were layered through multiple transfers between the front entities ultimately to benefit the operator group.
9. The entire scheme was centrally operated. There was linkage between members of the Operator Group, the Caller Group and the Front Entities, with the Operator Group being in control of the entire scheme. In an instance, same mobile device identified by a common IMEI number was used by both a member of the Caller group as well as one of the front entity. Further, there is

evidence to the effect that Noticee No.1 recharged the caller group mobile numbers through the retail shop viz., M/s Sai Krupa Mobile.

10. **Alleged violations:** Therefore, it was alleged that Noticee No.1 and 2 (Operator Group) have violated the provisions of Section 12A(a), (b) and (c) of the SEBI Act read with Regulation 3(a), (b), (c), (d) and Regulation 4(1) of the PFUTP Regulations.
11. For the abovementioned violations, the SCN called upon to show cause as to why suitable directions u/s 11B(1) and 11(4) r/w 11(1) of SEBI Act, 1992 including disgorgement of the wrongful gain jointly and severally and levying monetary penalty under section 11B(2) and 11(4A) read with section 15HA of the SEBI Act, 1992 should not be issued against them for the alleged violation referred hereinabove.

SERVICE OF SCN, REPLIES AND HEARING

12. The SCN was served on both the Noticees through SPAD and email. However, no reply was received from any of the Noticee. Thereafter, in the interest of principles of natural justice, both the Noticees were granted an opportunity of personal hearing on April 28, 2025 vide hearing notice dated April 17, 2025. Since no response was received from any of the Noticees, a second opportunity of hearing was provided to the Noticees on May 19, 2025 vide hearing notice dated May 02, 2025. Both the hearing notices were served on the Noticees through SPAD as well as through email dated April 17 and May 02, 2025. However, the Noticees neither submitted any reply to the SCN refuting the allegations made against them nor availed the opportunity of personal hearing before me.
13. In view of the above, I am of the view that principles of natural justice have been duly complied with, as SCN and hearing Notice were duly served upon

the Noticees and sufficient opportunity was also granted to the Noticees to reply to the SCN and appear for hearing.

14. It is noted that the Noticees have neither filed any reply nor has availed the opportunity of personal hearing despite service of notices upon them. In the facts and circumstances of this case, I am of the view that the Noticees have nothing to submit and in terms of Rule 4(7) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 the matter can be proceeded *ex-parte* on the basis of material available on record. In the absence of any response from the Noticees to the SCN, I presume that the Noticees have also admitted the charges levelled against it.
15. In this regard, I note that the Hon'ble Securities Appellate Tribunal (SAT) in the matter of **Classic Credit Ltd. vs. SEBI** (Appeal No. 68 of 2003 decided on December 08, 2006) has, inter alia, observed that, "*.....the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them*".
16. Further, the Hon'ble SAT in the matter of **Sanjay Kumar Tayal & Others vs SEBI** (Appeal No. 68 of 2013 decided on February 11, 2014), has also, inter alia, observed that: "*..... appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges leveled against them in the show cause notices...*"
17. Additionally, the same position was reiterated by the Hon'ble Securities Appellate Tribunal (SAT) in the matter of **Dave Harihar Kirtibhai vs SEBI** (Appeal No. 181 of 214 dated December 19, 2014), wherein the Hon'ble SAT observed as under:

“...further, it is being increasingly observed by the Tribunal that many persons/entities do not appear before SEBI (Respondent) to submit reply to SCN or, even worse, do not accept notices/letters of Respondent and when orders are passed ex-parte by Respondent, appear before Tribunal in appeal and claim non-receipt of notice and do not appear and/or submit reply to SCN but claim violation of principles of natural justice due to not being provided opportunity to reply to SCN or not provided personal hearing. This leads to unnecessary and avoidable loss of time and resources on part of all concerned and should be eschewed, to say the least. Hence, this case is being decided on basis of material before this Tribunal...”

18. In view of the above mentioned observations made by the Hon’ble SAT, I deem it appropriate to proceed against the Noticees *ex-parte*, based on the material available on record on merits, without prejudice that the allegations/charges deemed to have been admitted by the Noticees.

ISSUES FOR CONSIDERATION

- A. (1) *Whether the Operator Group, devised a scheme in which the Caller Group, controlled by them, contacted the complainants with promise of profit from algo-based trading and the front entities shared confidential trading credentials for commission, thereby gaining control over the trading accounts of Complainants and Front Entities and whether the Operator Group executed coordinated trades in illiquid, deep out-of-the-money stock options in the accounts of Complainants and Front Entities, resulting in losses to the Complainants and corresponding gains to the Front Entities?*
- (2) *Whether the profits were later taken by the Operator Group? If yes, whether the above scheme of the Operator Group, constitutes a violation of the provisions of Section 12A(a), (b) and (c) of the SEBI Act read with Regulation 3(a), (b), (c), (d) and Regulation 4(1) of the PFUTP Regulations?*

B. If the answer to the above issues is in affirmative, what directions, if any, including monetary penalty, is required to be imposed on the Noticees?

19. Before proceeding further, it is relevant to refer to relevant provisions of law which are reproduced hereunder: -

SEBI Act

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

12A. No person shall directly or indirectly –

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

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

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

PFUTP Regulations

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.

Explanation.– For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.

20. I shall now proceed to address the above issues in light of the facts of the case and material available on record.

A. (1) *Whether the Operator Group, devised a scheme in which the Caller Group, controlled by them, contacted the complainants with promise of profit from algo-based trading and the front entities shared confidential trading credentials for commission, thereby gaining control over the trading accounts of Complainants and Front Entities and whether the Operator Group executed coordinated trades in illiquid, deep out-of-the-money stock options in the accounts of Complainants and Front Entities, resulting in losses to the Complainants and corresponding gains to the Front Entities?*

(2) *Whether the profits were later taken by the Operator Group? If yes, whether the above scheme of the Operator Group, constitutes a violation of the provisions of Section 12A(a), (b) and (c) of the SEBI Act read with Regulation 3(a), (b), (c), (d) and Regulation 4(1) of the PFUTP Regulations?*

Caller Group

21. I note that a total of 54 complainants uniformly stated (which were annexed to the SCN) that they were contacted by individuals through WhatsApp calls and WhatsApp messages, wherein they were promised assured and substantial profits through algorithm-based or software-driven trading strategies. The mobile numbers (primarily WhatsApp numbers) used for this purpose were identified and are listed below.

Table 1

S. No.	MOBILE NO.	S. No.	MOBILE NO.	S. No.	MOBILE NO.
1	952XXXX954	9	724XXXX642	17	952XXXX686
2	952XXXX417	10	888XXXX485	18	859XXXX208
3	952XXXX516	11	952XXXX687	19	970XXXX570
4	881XXXX421	12	773XXXX276	20	929XXXX001
5	952XXXX815	13	790XXXX026	21	823XXXX508
6	724XXXX793	14	773XXXX176	22	882XXXX177
7	748XXXX366	15	809XXXX065	23	970XXXX816
8	809XXXX572	16	782XXXX751		

Analysis of Mobile Numbers used by Caller Group

22. The analysis of the CAF and CDR of the WhatsApp mobile numbers indicated that most of the CDRs have no records since these mobile numbers were activated through WhatsApp to connect with complainants.

Table 2

S.N	WHATSAPP NUMBERS	NAME AS PER CAF	ALTERNATE NUMBER IN CAF	NAME AS PER TRUECALLER SEARCH	ROAMING CIRCLE	ACTIVE IN WHATSAPP (As on 20.08.2024)	Subscriber Identity Module (SIM) KYC DATE	SIM DEACTIVATION DATE
1	952XXXX954	MR. JAYESH HURPUDE	961XXXX763	SHREYA SHREYA	MP	NO	25/10/2020	17/03/2022
2	952XXXX417	MS. SHIVANI PANWAR	882XXXX177	VIVEK BAJAJ ONLY PROFIT	MP	NO	30/10/2020	17/03/2022
3	952XXXX516	MR. JAYESH HURPUDE	961XXXX763	PROFIT ALGO	MP	NO	24/10/2020	17/03/2022
4	881XXXX421	MR. YOGESH NISHAD	626XXXX987	ANUSHKA TIWARI PHYSIOTHERAPY AKANSH SMART	MP	YES	28/03/2022	-
5	952XXXX815	MR. JAYESH HURPUDE	961XXXX763	RAVI AGRAWAL	MP	NO	25/10/2020	17/03/2022
6	724XXXX793	MR. IMLESH SARIYAN	935XXXX781	SANJAY BHALAVI	MP	YES	01/07/2021	01/04/2022
7	748XXXX366	MR. KUNJKUMAR KURREY	758XXXX164	PROFIT MART	MP	NO	24/05/2022	-
8	809XXXX572	-	-	ROSHNI FOREX	MUMBAI	NO	-	-
9	724XXXX642	MR. SANJU BHALAVI	935XXXX781	VIVEK JAIN SHARE	MP	NO	01/07/2021	29/10/2022
10	888XXXX485	MR. HANSRAJ PATWARI	-	PRADEEP	MP	NO	05/11/2018	01/04/2022
11	952XXXX687	MR. AVINASH BANARASI	831XXXX771	TRADE AUTO SHARE	MP	NO	30/10/2020	17/03/2022
12	773XXXX276	MR. LALBABU PANDIT	982XXXX297	RUBINA SHEIKH	MUMBAI	NO	07/09/2022	-
13	790XXXX026	MR. RAMESH KUMAR NISHAD	777XXXX115	RAVI MURUGAN	MP	NO	19/10/2022	-
14	773XXXX176	-	-	VINAY	MUMBAI	NO	-	-
15	809XXXX065	MR. ASIF PINZARA	-	FNO EXPRESS ADMIN	MUMBAI	NO	21/09/2021	-
16	782XXXX751	MR. MUKESH RAWAT	-	THANK U THANK U	MP	NO	23/11/2021	-
17	952XXXX686	NATHU SINGH RAMDEVI FOUNDATION	971XXXX820	M.P. RAMESH ENG. VIVEK MAHESWARI	MP	NO	28/11/2016	-
18	859XXXX208	Mr. ANURAG DHANANJAY TRIPATHI	913XXXX696	PANKAJ	MUMBAI	YES	06/11/2023	-
19	970XXXX570	-	-	SRUSTI GHATE	MUMBAI	YES	-	-
20	929XXXX001	-	-	SARIKA IDEA	MP	NO	-	-
21	823XXXX508	-	-	SAGAR PATIL BORKHEDA	MP	NO	-	-
22	882XXXX177	Mr MOHAN LAL PARIHAR	-	SHIVANI BAJAJ FINANCE	MP	NO	-	-
23	970XXXX816	-	-	SHARE RAVI	MP	NO	-	-

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23. I find from the further analysis that the identities linked to these mobile numbers were found to be either fictitious or unverifiable. There were several mismatches between the names recorded in the Customer Application Forms (CAF) and the names displayed on Truecaller. In some instances, the names of the individuals operating the WhatsApp numbers provided by the complainants were different from those mentioned in the CAF. The CAF and CDRs of these numbers revealed that most had a few or no call records indicating that numbers have been activated solely for the purpose of engaging with complainants via WhatsApp.
24. It is further noted that several pseudonyms were used as WhatsApp names or as reflected in Truecaller, for example "Profit Algo," "Profit Mart," "Trade Auto Share," "FNO Express Admin," and "Share Ravi." It is on record that many of the mobile numbers were later deactivated, with some being deactivated on the same day they were used. In certain cases, multiple SIM cards were found to be linked to the same individual as in the case of Mr. Jayesh Hurlpude, pointing to the fact that different digital identities were created and used to approach various complainants.

Identity of Caller Group

25. From the above, I find that the mobile numbers listed in **Table 1** were used by the Caller Group. The identities associated with these numbers, as per CAF records, were inconsistent with the names reflected on WhatsApp or Truecaller indicating the concealment of real identities of the individuals who contacted the complainants. The use of false or misleading names, combined with rapid deactivation of SIM cards and the reuse of identities by individuals like Mr. Jayesh Hurlpude, establishes that the Caller Group has been employed with the objective of contacting the individuals masking their identity

Complainants:

26. It is further noted from the 54 complaints that the complainants had received persistent calls and messages from Caller Group who approached them on the pretext of guaranteed profit through Algo trades or automated software trades. Accordingly, complainants shared their user id and password details of their online trading account, which had clear credit balances, with the caller group over WhatsApp chats (screenshots of such available WhatsApp chats, provided as part of the complaints, were annexed to the SCN). These complainants were registered with different trading members located across various regions.

Front Entities:

27. As regards the front entities mentioned in the SCN, the following individuals, whose names and PANs are listed in the table below, were used as the Front Entities.

Table 3

S. N.	PAN	NAME OF THE FRONT ENTITY	S. N.	PAN	NAME OF THE FRONT ENTITY	S. N.	PAN	NAME OF THE FRONT ENTITY
1	BWRPD5040F	MR. PIYUSH DIXIT	11	AUFPN5658J	MR. KAILASH NARWARE	21	GPRPP7241N	MR. RAJWARDAN PANDOLE
2	CMFPG9117H	MR. RAMESHCH ANDRA GOSWAMI	12	BVPPN9114F	MR. SONU NARE	22	GJUPP6653P	MR. NITESHKUMAR PATIL
3	CVPPD1045Q	MR. SOURABH DIXIT	13	BJUPR8984A	MR. RAVISHANKAR JHADE	23	BYIPT2594P	MR. RAMESHWAR TEKAM
4	BZDPJ9975L	MR. SOMDEV JHADE	14	CMJPN1298N	MR. NIKHIL NARWARE	24	GJMPS0744G	MR. SURYABHAN SAHU
5	BGJPC2301Q	MRS. KAMLA CHOUHAN	15	CMDPB8990B	MR. MUKESH BORBAN	25	FPMPP9720N	MR. BHAVESH PATIL
6	DEJPP6179B	MR. AMIT PATEL	16	DXBPD8709N	MR. BHARAT KUMAR DADORE	26	CEZPV1013D	MR. VIVEK BELE
7	DEIPG4338J	MR. ASHISH GOUD	17	DOWPG1974Q	MR. PURUSHOTTAM GURAV	27	CGPPV9305Q	MR. ROHIT VISHWKRMA
8	BXRPA1191B	MR. CHINTAR AMAHAK EY	18	CMWPC2101E	MR. SHRIRAM CHOUHAN	28	BBEPY5645P	MR. RAHUL YADAV

S. N.	PAN	NAME OF THE FRONT ENTITY	S. N.	PAN	NAME OF THE FRONT ENTITY	S. N.	PAN	NAME OF THE FRONT ENTITY
9	FOTPB4897A	MR. RAVI BORBAN	19	DLNPK9834F	MR. SHUBHAM KHANDAIT			
10	CLGPN1580B	MRS. PARINITI NARWAR E	20	CKMPJ8000P	MR. NITESH JHADE			

28. From the analysis of CAFs, it is observed that they were known to the Operator Group and they were from the places of Betul, Indore and nearby villages of Madhya Pradesh. Further, it is observed that these entities were daily labourers who did not know anything about the trading. As submitted by them, they had lent their bank account, trading account, SIM etc to the operator group for commission of Rs.3,000/- to Rs.50,000/- i.e. the operator group had full control over it. These Front Entities were the counterparties to the trades executed from the complainants' accounts, and it was into their accounts that the profits from the trades in form of premium were received.

29. I note that Noticee No. 1 and Noticee No. 2 are accordingly alleged to be part of the Operator Group. They are alleged to have operated the Caller Group, managed the trading in complainants' and front entities' trading accounts, and received the profits arising therefrom. The allegation is that these accounts were operated by the Operator Group as part of a coordinated arrangement in which trades were executed between the accounts of complainants and the front entities. The profits generated from such trades were received in the accounts of front entities which were under the control of the Operator Group.

30. In this regard, it is important to analyse the nature of evidence in support of the said allegation. As per the evidence mentioned in the show cause notice, there is a link between Operator Group and Caller Group/Front Entities.

Connection Between Operator Group, Caller Group and Front Entities

31. I find that one of the instances of the connection between the Operator Group, namely Mr. Shivprasad Pattiya and Mr. Alkesh Narware and both the Caller Group and the Front Entities emerges from the analysis of Call Data Records (CDRs). The mobile number, 748XXXX366, registered in the name of Mr. Kunjkumar Kurrey and reflected on Truecaller as "PROFIT MART," was used to communicate not only with a complainant (Mr. Narendrabhai), but also with the Operator Group as well as multiple Front Entities.
32. The CDRs clearly demonstrate repeated calls between the said mobile number i.e. 748XXXX366 and at least three numbers belonging to the Operator Group, as elaborated below:

Table 4

Called Number	Name (as per CAF)	No. of Calls	Total Duration (in sec)
903XXXX305	Mr. Shivprasad Pattiya	4	393
626XXXX895	Mr. Alkesh Narware	42	2,860
798XXXX398	Mr. Namdev Pattaiya (used by Shivprasad Pattiya)	1	16

33. Further, the same number i.e. 748XXXX366 also had calls with at least eight known numbers pertaining to various Front Entities whose accounts were used to execute trades, which are detailed as below:

Table 5

Numbers called	Name (as per CAF)	No. of Calls	Total Duration (in sec)
834XXXX045	Mr. Rameshchandra Goswami	2	112
773XXXX583	Mr. Rameshchandra Goswami	10	409
958XXXX755	Mr. Amit Patel	1	143

940XXXX096	Mr. Piyush Dixit	16	1,054
626XXXX460	Mr. Ashish Goud	12	1,141
706XXXX934	Mr. Chintaram Ahakey	9	459
877XXXX310	Mr. Sourabh Dixit	21	1,421
961XXXX827	Mr. Pankaj Mahadule (Linked with Mr. Somdev Jhade)	13	685

34. From the above, I note that the communication associated with mobile number 748XXXX366 clearly establish a direct and active link between the Operator Group, the Caller Group, and the Front Entities. The frequency, duration, and pattern of calls demonstrate that the Operator Group was in constant touch with the Front Entities, while the Caller Group maintained communication with the complainants.
35. Further, in one instance, the same mobile device, identified by a common IMEI number (86770703197500), was found to have been used by both a member of the Caller Group, Mr. Imlesh Sariyam (724XXXX793), as well as by one of the front entities, Mr. Chintaram Ahakey.
36. Additionally, mobile recharge details for Caller Group number 724XXXX642, as provided by the concerned Telecommunications Service Provider (TSP), shows that the said number had been recharged using cash at a retail outlet, M/s Sai Krupa Mobile, located in Madhya Pradesh. Moreover, the Google Pay account of the brother of Noticee No.1 reflected a payment of ₹250 to M/s Sai Kripa Tours and Travels with the narration "Wifi connector" from his linked SBI account. The brother stated before SEBI that Noticee No.1 might have used his Google Pay account to purchase a "wifi connector." From these facts, it can be reasonably inferred that Noticee No.1 was involved in recharging mobile numbers used by the Caller Group.

37. Apart from the above, I note that one of the front entity, Mr. Bhavish Patil, was arrested by the Gujarat Police and Noticee No.2 bailed him out of the police station. I note that Noticee No.2 also admitted the same in his statement dated June 25, 2024.

38. I also note that Mr. Gaurav Verma, an Authorized Person of M/s. Profitmart Securities Private Limited submitted vide email dated 21.08.2023 that 9 of the Front Entities were introduced by his friend Mr. Shivprasad Pattiya (Noticee No.1) for opening trading accounts.

39. Further, regarding calls and SMS made with the front entities during his statement recording on June 24, 2024, Noticee No.1 provided the following relationship with various front entities:

Table 6

S.N.	MOBILE NUMBER	Purpose of opening trading account	Relationship
1	940XXXX096 (MR. PIYUSH DIXIT)	Commission	Friend
2	626XXXX895 (MR. ALKESH NARWARE)	Commission	Mother's brother son
3	877XXXX310 (MR. SOURABH DIXIT)	Commission	Friend & Piyush Dixit brother
4	702XXXX541 (MR. SOURABH DIXIT)	Commission	Friend & Piyush Dixit brother
5	961XXXX827 (MR. PANKAJ MAHADULE)	Not able to recall	Don't Know
6	928XXXX497 (MRS. KAMLA CHOUHAN)	Commission	Father's sister
7	958XXXX755 (MR. AMIT PATEL)	Commission	Piyush Dixit's Friend
8	706XXXX934 (MR. CHINTARAM AHAKEY)	Commission	Alkesh Narware's Friend

S.N.	MOBILE NUMBER	Purpose of opening trading account	Relationship
9	882XXXX949 (MR. RAVI BORBAN)	Commission	Alkesh Narware's Friend
10	748XXXX680 (MR. PARINTI NARWARE)	Commission	Cousin's wife (Vijay Narware's Wife)
11	895XXXX546 (MR. SONU NARRE)	Commission	Alkesh Narware's Friend
12	963XXXX299 (MR. MUKESH BORBAN)	Commission	Alkesh Narware's Friend
13	917XXXX039 (MR. BHARAT KUMAR DADORE)	Commission	Alkesh Narware's Friend
14	882XXXX651 (MR. PURUSHOTTAM GURAV)	Commission	Alkesh Narware's Friend
15	977XXXX028 (MR. SHUBHAM KHANDAIT)	Commission	Cosuin's sisters Son (Reshma - Kailash Khandait)
16	772XXXX871 (MR. SHUBHAM KHANDAIT)	Commission	Cosuin's sisters Son (Reshma - Kailash Khandait)
17	708XXXX242 (MR. RAMESHWAR TEKAM)	Commission	Alkesh Narware's Friend
18	748XXXX366 (MR. KUNJKUMAR KURREY)	Not able to recall	Alkesh Narware's Friend

Similarly, Noticee No.2, in his statement dated June 25, 2024, also admitted to knowing many of the Front Entities.

40. The aforesaid facts clearly establish a connection and relationship between the Operator Group, Front Entities and the Caller Group. This relationship, as one of the evidences, confirms that the Operator Group controlled the caller group for obtaining access to complainants' accounts and front entities and accordingly had control over their respective trading accounts.

Fraudulent trades involving accounts of Front Entities and Complainants

41. The other allegation is that sell orders were placed from the accounts of the Front Entities at unusually high premiums, well away from the LTP. These orders remained pending. Then pursuant to waiting a few seconds or minutes, buy orders were placed from the complainants' trading accounts, which were under the control of the operator group, at matching price with same quantities as that of the sellers which immediately got matched with the pending sell orders. The transactions were selected in the out of money options in a way that it will surely result in the loss to the complaints accounts.
42. In order to test this allegation, I proceed to examine a few illustrative instances of the trades.

Fraudulent Trade Execution Involving Mr. Chintaram Ahakey (Front Entity)

43. An illustrative example of the trades of Mr. Chintaram Ahakey, being one of the Front Entities, is relevant here. Mr. Ahakey's trading account is with M/s Zerodha Limited which has been opened on 03.07.2021. As per KYC records, his address is listed as S/o Sohmat Ahakey, Kopra, Dehgud, Betul, Atner, Madhya Pradesh-460 110. His registered mobile number is 706XXXXX934, and his email ID is shown as chinXXXXXXXXXX3@gmail.com. From his statement dated 05.07.2024, I find that Mr. Ahakey is an agricultural labourer under the MNREGA scheme and has no understanding of share trading or derivatives. I further find from his statement that he was approached by Mr. Alkesh Narware (from the Operator Group), who facilitated the opening of his trading and bank accounts. I also find from the statement that Mr. Ahakey handed over his trading credentials, ATM card, blank signed cheques, and even his mobile SIM (8435235785) to Mr. Narware, in exchange for a commission of ₹ 5,000.
44. Now, I proceed to examine the trade pattern in Mr. Chintaram Ahakey's Account

45. I note that between 14.07.2021 and 11.08.2021, a total of 47 buy contracts and 60 sell contracts in 29 different stock options were executed from Mr. Chintaram Ahakey's trading account. An illustrative instance of an individual trade which occurred on **05.08.2021** is analysed below. On this date, a sell order was placed at 09:20:50 AM for 1,12,000 quantity in an illiquid option contract (**PNBOPTSTKPE28(26-08-2021)**) with a limit price of ₹ 2.90. At the time, the Last Traded Price (LTP) was only ₹ 0.35, indicating that the order was placed at a significantly higher premium of ₹ 2.90, which is 828.57 percentage higher than the LTP. I have already found that Mr. Ahakey has handed over his trading credentials to Mr. Narware, one of the members of the operator group. This sell order remained unmatched until a corresponding buy order was placed 35 seconds later at 09:21:25 AM from the trading account of Mr. Nitin Kulkarni, who is a complainant. The buy order matched exactly in terms of quantity and price, indicating premeditated order placement to effect a trade. I have already found that the trading credentials were under the control of the operator group. This contract was Out-of-the-Money (OTM) at expiry, ensuring a full loss of premium to the complainant and corresponding profit to Mr. Ahakey.

Trade and Settlement Details

46. The trade between Mr. Chintaram Ahakey and Mr. Nitin Kulkarni resulted in a transaction value of ₹ 3,24,800, with both the buy and sell order being executed at ₹ 2.90 for a quantity of 1,12,000 stock options of **PNBOPTSTKPE28(26-08-2021)**. The trade got settled on the expiry date i.e., 26.08.2021, when the option contract expired Out-of-the-Money, indicating it had no intrinsic value. As a result, in the account of Mr. Chintaram Ahakey the entire premium of ₹ 3,24,800 went as profit, while Mr. Nitin Kulkarni incurred a corresponding loss of the same amount. It is relevant to note that the trading and the banking accounts were under the control of the Operator group. This transaction illustrates the coordinated design of the trade by which the credit balance from the complainant's account was effectively

transferred to a front entity controlled by the Operator Group through an orchestrated illiquid option trade.

Trades of Mr. Chintaram Ahakey's Account with other 6 Complainants:

47. Now I proceed to examine the trades of Mr. Chintaram Ahakey's account with other 6 Complainants. It was observed in 22 sell contracts, high premium ranging between Rs.0.35 and Rs.2.95 was paid by six complainants' i.e., Nitin Kulkarni, Pradeep K Patil, Yogita Bhagwatkar, Yogesh Premjibhai Makwana, Rameshwari Meghnadsinh Zala and Narendrabhai Karia for near month contract where the strike price was far away from the spot price OTM to the **tune of Rs.7.80 to Rs.100.10**. These orders were placed at high premiums for deep OTM contracts where the difference between the spot price and strike price is high. These contracts expired at the end of the contract period since the call or put option rights were not exercised due to it being OTM. It is observed that these trades were executed with the intent of buyers/complainants losing their premium and front entity making profit in form of the premium. It is relevant to note here the control of the accounts were with the Operator group. It was observed that in the account of Mr. Chintaram Ahakey, a profit of Rs.31,37,471 was made. The trade summary is given below:

Table 7 (Amount in Rs)

NAME OF THE BUYER (COMPLAINANT)	INSTRUMENT	STRIKE PRICE	EXPIRY DATE	TRADE DATE	NO. OF DAYS (EXPIRY-TRADE DATE)	UNDERLYING CLOSING PRICE IN EQUITY SEGMENT AS ON TRADE DATE	STRIKE PRICE - CLOSING PRICE ON TRADE DATE	SETTLEMENT PRICE	STRIKE PRICE - SETTLEMENT PRICE	CONTRACT POSITION AT EXPIRY	TRADE PRICE (PREMIUM)	TQ	TV/ LOSS MADE BY COMPLAINANT
NITIN KULKARNI	BHEL	87	26/08/2021	06/08/2021	20	57.55	29.45	52	35	OTM	2.9	1,05,000	3,04,500
	IOC	131	26/08/2021	06/08/2021	20	105.9	25.1	105.6	25.4	OTM	2.9	84,500	2,45,050
	IOC	72	26/08/2021	05/08/2021	21	103.95	-31.95	105.6	-33.6	OTM	2.9	91,000	2,63,900
	PNB	28	26/08/2021	05/08/2021	21	38.85	-10.85	35.8	-7.8	OTM	2.9	1,12,000	3,24,800
	RECLTD	90	26/08/2021	05/08/2021	21	155.1	-65.1	144.1	-54.1	OTM	2.9	78,000	2,26,200
	TATAPOWER	75	26/08/2021	05/08/2021	21	134.55	-59.55	125.65	-50.65	OTM	2.95	94,500	2,78,775

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NAME OF THE BUYER (COMPLAINANT)	INSTRUMENT	STRIKE PRICE	EXPIRY DATE	TRADE DATE	NO. OF DAYS (EXPIRY-TRADE DATE)	UNDERLYING CLOSING PRICE IN EQUITY SEGMENT AS ON TRADE DATE	STRIKE PRICE - CLOSING PRICE ON TRADE DATE	SETTLEMENT PRICE	STRIKE PRICE - SETTLEMENT PRICE	CONTRACT POSITION AT EXPIRY	TRADE PRICE (PREMIUM)	TQ	TV/ LOSS MADE BY COMPLAINANT
NITIN KULKARNI												5,65,000	16,43,225
PRADEEP K PATIL	IOC	81	26/08/2021	02/08/2021	24	105.85	-24.85	105.6	-24.6	OTM	2.9	71,500	2,07,350
	NTPC	86	26/08/2021	03/08/2021	23	117.65	-31.65	112.75	-26.75	OTM	2.9	74,100	2,14,890
	PNB	29	26/08/2021	02/08/2021	24	40.7	-11.7	35.8	-6.8	OTM	1.95	1,28,000	2,49,600
PRADEEP K PATIL												2,73,600	6,71,840
MR YOGITA BHAGWATKAR	COALINDIA	115	26/08/2021	04/08/2021	22	144.70	-29.70	137.30	-22.30	OTM	2.70	71,400	1,92,780
YOGITA BHAGWATKAR												71,400	1,92,780
MR YOGESH PREMJI BHAI MAKWANA	PETRONET	170	29/07/2021	16/07/2021	13	221.65	-51.65	214.90	-44.90	OTM	2.95	30,000	88,500
	AMBUJACEM	315	29/07/2021	16/07/2021	13	383.05	-68.05	408.75	-93.75	OTM	0.70	12,000	8,400
	POWERGRID	267.5	29/07/2021	16/07/2021	13	233.85	33.65	167.40	100.10	OTM	1.90	12,000	22,800
	POWERGRID	262.5	29/07/2021	16/07/2021	13	233.85	28.65	167.40	95.10	OTM	1.75	4,000	7,000
	AMBUJACEM	310	29/07/2021	16/07/2021	13	383.05	-73.05	408.75	-98.75	OTM	1.70	12,000	20,400
YOGESH PREMJI BHAI MAKWANA												70,000	1,47,100
RAMESHWARI MEGHNADSINH ZALA	POWERGRID	207.5	26/08/2021	03/08/2021	23	174.45	33.05	173.10	34.40	OTM	2.95	15,999	47,197
	POWERGRID	212.5	26/08/2021	03/08/2021	23	174.45	38.05	173.10	39.40	OTM	2.35	21,332	50,130
	ONGC	145	26/08/2021	03/08/2021	23	117.90	27.10	115.55	29.45	OTM	0.35	38,500	13,475
	CANBK	190	26/08/2021	04/08/2021	22	156.80	33.20	152.85	37.15	OTM	0.50	32,400	16,200
	L&TFH	72.5	26/08/2021	04/08/2021	22		72.50		72.50	OTM	1.00	53,544	53,544
RAMESHWARI MEGHNADSINH ZALA												1,61,775	1,80,546
NARENDRA BHAI KARIA	NATIONALUM	54	26/08/2021	02/08/2021	24	94.45	-40.45	78.80	-24.80	OTM	2.10	1,02,000	2,14,200
	TATAMOTORS	210	26/08/2021	02/08/2021	24	296.85	-86.85	284.32	-74.32	OTM	2.80	31,350	87,780
NARENDRA BHAI KARIA												1,33,350	3,01,980
MR. CHINTARAM AHAKEY												12,75,125	31,37,471

48. It is observed that Mr. Chintaram Ahakey received Rs.8,00,000/- from Mr. Ashish Goud CUB A/c. 500101010650278 on 07.07.2021 to 08.07.2021 and the same was transferred to Zerodha trading account for the purpose of margin. This further indicates that the account controlled by the Operator Group is used for payment of the margin from the front entity account.

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Fund Movement and Pay-outs from Mr. Ahakey's Bank Account

49. I note that a pay-out of ₹ 32,35,000 was credited to Mr. Chintaram Ahakey's IDFC Bank account (A/c No. 10061523527) between 02.08.2021 and 06.08.2021. This included a settlement amount of ₹ 31,37,471 earned from the fraudulent trades. It is important to recall the finding that the control of the bank accounts is with the Operator group. I note the subsequent fund flows:
- a) ₹ 7,00,000 was withdrawn through ATMs between 03.08.2021 and 10.08.2021;
 - b) ₹ 5,00,000 was withdrawn via self-cheque on 10.08.2021;
 - c) ₹ 13,49,900 was transferred to Mr. Ahakey's other accounts (HDFC A/c No. 50100427249417 and AUSFB A/c No. 2111229832495247) and later withdrawn in cash using ATMs and cheques.
 - d) Additionally, ₹ 4,50,000 was transferred to Mr. Ravi Borban's IDFC account (50100408466288) for margin purposes, and ₹ 6,50,000 was credited back to M/s Zerodha's account on 21.07.2021 as margin.
50. These movements establish that the profits from the fraudulent trades were not only withdrawn in cash but also distributed to other Front Entities.

Call Data Record (CDR) Linkages with Operator Group

51. Call Data Record (CDR) analysis of the mobile numbers 843XXXX785 and 706XXXX934, both linked to Mr. Chintaram Ahakey, further establishes that Operator Group was in touch with him. Between 25.06.2021 and 20.07.2021, 27 calls (total 1,304 seconds) were made to 626XXXX895, the number registered to Mr. Alkesh Narware. Additionally, from 23.02.2021 to 20.04.2022, 59 calls (total 7,731 seconds) were made from 706XXXX934 to 798XXXX398, a number used by Mr. Namdev Pattiya but linked to the front entity account of Mr. Rameshchandra Goswami. Moreover, the same mobile was in contact with 626XXXX895, Mr. Narware's number for 827 calls, totaling 68,418 seconds. These call patterns

confirm that the Operator Group was in touch with Mr. Ahakey, further corroborating the control over the trades execution.

Conclusion on Fraudulent Trade Mechanism

52. From the detailed analysis, it is observed that the Operator Group, operating through the Caller Group, procured trading credentials from complainants and placed buy orders in illiquid, near-expiry stock option contracts. Simultaneously, corresponding sell orders were placed from trading accounts of Front Entities such as Mr. Chintaram Ahakey. These trades were structured to match in quantity and price, ensuring the transfer of premium from the complainant's account to the Front Entity. Since the contracts expired Out-of-the-Money, the complainants lost the entire premium while the account of Front Entities retained the amount as profit. The funds thus earned were either withdrawn in cash or transferred to the accounts of other Front Entities. This orchestrated pattern of credential capture, coordinated trade placement, and fund usage, establishes the role of the Operator Group in the execution of the schematic trades.

(Space below kept empty)

Similar illustrative instances

Table 8 (Amount in Rs)

Sl. No.	Contract	Strike Price	Expiry Date	Trade Date	Trade Quantity	Trade Price	Trade Value/ Loss made by complainant	Trade Date Time	Buy Client Name	Buy Order Date Time	Buy Order Orig Vol	Buy Order Limit Price	Sell Client Name	Sell Order Date Time	Sell Order Orig Vol	Sell Order Limit Price	Sell LTP
1	FEDERALBNK	74	28-Oct-21	22-Oct-21	70000	1.35	94500	13:38:00	Swapnil Harish Shintre	22/10/2021 13:38	70000	1.35	Ravishankar .	22/10/2021 13:37	70000	1.35	0.25
2	IDFCFIRSTB	36	30-Dec-21	23-Dec-21	142500	2.95	420375	09:57:00	R Praveenkumar	23/12/2021 09:57	142500	2.95	Nitesh Kumar Patil	23/12/2021 09:53	142500	2.95	0.8
3	RECLTD	97.5	30-Sep-21	23-Sep-21	102000	2.75	280500	10:34:54	Mahesh Rajan	23/09/2021 10:34	102000	2.75	Pariniti Narware	23/09/2021 10:28	102000	2.75	0.95
4	COALINDIA	100	25-Nov-21	17-Nov-21	96600	2.95	284970	10:24:27	Birendra Kumar	17/11/2021 10:24	96600	2.95	Mukesh Borban	17/11/2021 10:23	96600	2.95	2
5	IDFCFIRSTB	26	25-Mar-21	17-Mar-21	57000	2.9	165300	10:35:43	Jayesh Rashikbhai Prajapati	17/03/2021 10:35	57000	2.9	Piyush Dixit	17/03/2021 10:32	57000	2.9	0.35
6	TATAPOWER	53	29-Apr-21	19-Apr-21	94500	2.6	245700	12:11:03	Girish Chadha	19/04/2021 12:11	94500	2.6	Alkesh . Narware	19/04/2021 12:10	94500	2.6	0.6
7	IOC	93	28-Oct-21	13-Oct-21	104000	2.95	306800	09:26:00	Surender Maruthi	13/10/2021 09:26	104000	2.95	Sonu Narre	13/10/2021 09:24	104000	2.95	1.2
8	RECLTD	97.5	26-Aug-21	11-Aug-21	96000	2.9	278400	09:24:07	Naveen Kumar Tummala	11/08/2021 09:24	96000	2.9	Ravi Borban	11/08/2021 09:23	96000	2.9	0.9
9	IOC	154	27-Jan-22	11-Jan-22	130000	2.95	383500	09:50:13	Sonal Gupta	11/01/2022 09:50	130000	2.95	Bhavesh Patil	11/01/2022 09:47	130000	2.95	0.9

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From the similar instances mentioned in Table 8 above, following is observed:

Illustrative Trade 1 – Mr. Swapnil Harish Shintre (Complainant) and Mr. Ravishankar (Front Entity)

53. I note in another instance there was similar strategy involving Mr. Swapnil Harish Shintre as the buyer and Mr. Ravishankar as the seller. On 22.10.2021, a transaction was executed in illiquid stock option contract that was to expire on 28.10.2021. The sell order was placed at 13:37:00 in the front entity's account and just within a minute the buy order was placed from complainant's account at 13:38:00 for a quantity of 70,000 at a limit price of ₹ 1.35 per unit. At the time of order entry and modification, the Last Traded Price (LTP) of the option contract was merely ₹ 0.25 indicating the order was placed at a steep premium of ₹ 1.10 over the prevailing market price. Further, the option was deeply Out-of-the-Money i.e. away from the current market price of the underlying stock. The trade value amounted to ₹ 94,500. Upon expiry of the contract on 28.10.2021, the option had no intrinsic value. Consequently, the entire premium of ₹ 94,500 was lost from the account of Mr. Shintre (buyer), while Mr. Ravishankar (seller) account gained the said amount.

Illustrative Trade 2 – Mr. R. Praveenkumar (Complainant) and Mr. Nitesh Kumar Patil (Front Entity)

54. A further example of coordinated and manipulative trading behavior is evident in the transaction between Mr. R. Praveenkumar (buyer) and Mr. Nitesh Kumar Patil (seller). On 23.12.2021, an illiquid stock option contract which was to expire on 30.12.2021 was traded between the two accounts. The trade was executed for a quantity of 1,42,500 at a limit price of ₹ 2.95, with both buy and sell orders matching at 09:57:00. At the time of execution, the Last Traded Price (LTP) of the option was only ₹ 0.80, which indicates that the trade was executed at a significant

premium of ₹ 2.15 over the market rate. I note the seller's order was placed at 09:53:32, nearly 3 minutes before the buy order which subsequently was placed at 09:57:00. The volume matched exactly and both orders carried the same price, pointing coordination between the two accounts.

55. The total transaction value was ₹ 4,20,375. The option ultimately expired Out-of-the-Money (OTM) on 30.12.2021, resulting in the buyer account losing the full premium while the seller account retained the entire amount. The high premium paid despite the option's deep OTM status, along with precise quantity matching and tightly timed order entry, clearly points that the sellers and buyers accounts were working in coordination.

Illustrative Trade 3 – Mr. Mahesh Rajan (Complainant) and Ms. Pariniti Narware (Front Entity)

56. This instance further demonstrates the orchestrated nature of the trades executed between complainant accounts and the entities of front entities. On 23.09.2021, Mr. Mahesh Rajan (buyer) and Ms. Pariniti Narware (seller) entered into a transaction in an illiquid stock option contract that was due to expire on 30.09.2021. The buy and sell orders matched at 10:34:54 for a quantity of 1,02,000 units at a limit price of ₹ 2.75.
57. At the time of order placement, the Last Traded Price (LTP) of the option stood at ₹ 0.95, indicating that the order was placed at a steep premium of ₹ 1.80. The seller's order was placed at 10:28:34, over six minutes before the buyer's order was placed with the exact same quantity and price.
58. The total trade value was ₹ 2,80,500. On expiry, the option was being Out-of-the-Money (OTM), resulted in a complete loss to the account of Mr. Mahesh Rajan and a corresponding gain to the account of Ms. Pariniti Narware. The excessive

premium, perfect price and quantity match, and significant lead time between the sell and buy orders point to a pre-designed arrangement.

Illustrative Trade 4 – Mr. Birendra Kumar (Complainant) and Mr. Mukesh Borban (Front Entity)

59. A further illustration of pre-arranged and manipulative trading behavior is found in the transaction between Mr. Birendra Kumar as buyer and Mr. Mukesh Borban as seller. On 17.11.2021, a trade was executed in an illiquid option contract scheduled to expire on 25.11.2021. The buy and sell orders were placed and matched at 10:24:27 for a quantity of 96,600 units at a limit price of ₹ 2.95 per unit.
60. At the time of order placement, the Last Traded Price was ₹ 2.00, which means the sell order was placed at a premium of ₹ 0.95 over the market. The seller's order was entered just 1 minute and 26 seconds before the buyer's order, and both orders matched precisely in terms of price and quantity. The total transaction value amounted to ₹ 2,84,970. Upon expiry, the option contract was Out-of-the-Money resulting in a complete financial loss to the account of the buyer, Mr. Birendra Kumar, and a corresponding gain of the entire premium to the account of Mr. Mukesh Borban.

Illustrative Trade 5 – Mr. Jayesh Rashikbhai Prajapati (Complainant) and Mr. Piyush Dixit (Front Entity)

61. The transaction between Mr. Jayesh Rashikbhai Prajapati (buyer) and Mr. Piyush Dixit (seller) on 17.03.2021 points to yet another instance of co-ordinated trading. The trade was executed in an illiquid stock option contract which was to expire on 25.03.2021. Both the buy and sell orders matched at 10:35:43 for a quantity of 57,000, with the limit price on both sides being ₹ 2.90. At the time of order placement, the Last Traded Price (LTP) was just ₹ 0.35 indicating the premium being ₹ 2.55 above the prevailing market rate. The seller's order was placed at

10:32:48, three minutes before the matching buy order. I note the precision in price and quantity between the orders adds to the evidence of coordinated trade execution.

62. The total transaction value was ₹ 1,65,300 upon expiry, causing loss in the account of the complainant, Mr. Prajapati, while resulting in gain in the account of Mr. Piyush Dixit, the front entity. The pricing, precise match in quantity, and the timing gap indicate that the trade was pre-arranged under the guise of legitimate trading.

Illustrative Trade 6 - Mr. Girish Chadha (Complainant) and Mr. Alkesh Narware (Operator Group)

63. A further example of coordinated and premeditated trade execution is evident in the transaction between Mr. Girish Chadha as buyer and Mr. Alkesh Narware as seller, who is part of the identified Operator Group. On 19.04.2021, a trade was executed in an illiquid option contract expiring on 29.04.2021. Both buy and sell orders matched at 12:11:03 for a quantity of 94,500 units at a price of ₹ 2.60. At the time of order placement, the Last Traded Price was only ₹ 0.60, indicating that the buyer paid a premium of ₹ 2.00 over the prevailing market price. The seller's order was placed at 12:10:05, exactly 58 seconds prior to the buyer's order. The orders matched perfectly in terms of price and quantity. The total trade value was ₹ 2,45,700. Upon expiry, this led to a total loss in the account of Mr. Girish Chadha and a corresponding gain for Mr. Alkesh Narware. In this case Mr. Narware who is part of the Operator Group was directly taking part in the coordinated trading.

Illustrative Trade 7 - Mr. Surender Maruthi (Complainant) and Mr. Sonu Narre (Front Entity)

64. The transaction executed in the account of Mr. Surender Maruthi, as buyer and in the account of Mr. Sonu Narre, as seller on 13.10.2021 further confirms the use of

pre-arranged trades to divert funds from complainants to the accounts of front entities. The illiquid option contract involved in this trade was set to expire on 28.10.2021. The buy and sell orders were executed at 09:26:00 for a quantity of 1,04,000 units, with both side quoting a price of ₹ 2.95 while the Last Traded Price stood at ₹ 1.20, placing order at a premium of ₹ 1.75 above the prevailing market price. The seller's order was entered at 09:24:48, seventy-two seconds before the buy order was placed. The exact match in quantity and price reinforces the finding of coordinated trade placement. The trade value amounted to ₹ 3,06,800. The option contract expired on 28.10.2021, which resulted in Mr. Maruthi account losing the entire amount paid as premium, while Mr. Sonu Narre's account retained the full value.

Illustrative Trade 8 – Mr. Naveen Kumar Tummala (Complainant) and Mr. Ravi Borban (Front Entity)

65. A further clear instance of coordinated trade execution is observed in the transaction between Mr. Naveen Kumar Tummala (buyer account) and Mr. Ravi Borban (seller account) on 11.08.2021. Both the buy and sell orders were matched at 09:24:07 for a quantity of 96,000 units at a uniform limit price of ₹2.90. At the time of order entry, the Last Traded Price (LTP) of the contract was only ₹0.90, indicating that the premium was over the prevailing market price by ₹2.00. The seller's order was entered at 09:23:20, approximately 47 seconds before the buy order was placed. The marching in price and quantity, along with the short time gap, indicates pre-coordination between the buyer and seller accounts. The trade value was ₹2,78,400. The contract expired on 26.08.2021. Consequently, Mr. Tummala account incurred a full loss of the premium paid, while Mr. Ravi Borban's account, a front entity, retained the entire amount. The inflated premium, deeply OTM nature of the contract, and precisely timed order placement the trades were part of a scheme to transfer funds from the complainant to the account of controlled front entity.

Illustrative Trade 9– Ms. Sonal Gupta (Complainant) and Mr. Bhavesh Patil (Front Entity)

66. The final illustrative instance further reinforces the pattern of pre-arranged trading in the accounts of complainants and front entities. On 11.01.2022, in the account of Ms. Sonal Gupta who is a buyer and Mr. Bhavesh Patil who is a seller trade in the illiquid stock option contract happened which was to expire on 27.01.2022. The orders matched at 09:50:13 for a quantity of 1,30,000 units, with both sides quoting an identical limit price of ₹ 2.95. At the time of execution, the Last Traded Price was just ₹ 0.90, pointing that the trade was executed at a sharply inflated premium of ₹ 2.05. The seller's order was placed at 09:47:49, 2 minutes and 24 seconds before the buyer's order. The perfect quantity match and price match further establish the premeditated nature of the trade.
67. The total transaction value was ₹ 3,83,500. The option expired Out-of-the-Money (OTM) on 27.01.2022, rendering it worthless to the buyer account and resulting in a complete loss to the account of Ms. Sonal Gupta. The account of Mr. Bhavesh Patil, the seller, who was acting as a front entity, retained the entire premium amount.

Trade Pattern

68. It is observed from the detailed examination of the trading activity that sell orders were placed in the trading accounts of various Front Entities. Orders were systematically priced at a high premium in specific call or put option contracts. These trades were executed with the clear objective of transferring credit balances from the trading accounts of complainants to those of the Front Entities. The premium paid from the accounts of complainants, acting as counterparties to these trades, became the gain to the accounts of Front Entities. Further, SCN has brought out all the instances wherein the portion of the pay-out was transferred to other Front Entities to be used as margin amount by them.

69. The nature of the contracts and the manner of execution clearly points that it is an outcome of a pre-designed fraudulent strategy. All trades were executed in stock option contracts, specifically in call or put options with near-month expiries, and in contracts that were deep Out-of-the-Money, significantly far from the prevailing spot price. This rendered the contracts inherently illiquid. The above can be clearly seen in the following table:

Table 9 (Amount in Rs)

Sl. No.	Contract	Strike Price	Underlying Closing Price In Equity Segment As On Trade Date	Diff between Underlying Closing Price In Equity Segment and Strike Price	%age decrease of Strike Price from Underlying Closing Price
1	FEDERALBNK	74	103.9	-29.9	28.78
2	IDFCFIRSTB	36	47.7	-11.7	24.53
3	RECLTD	97.5	155.4	-57.9	37.26
4	COALINDIA	100	156.1	-56.1	35.94
5	IDFCFIRSTB	26	60.9	-34.9	57.31
6	TATAPOWER	53	93.8	-40.8	43.50
7	IOC	93	131.25	-38.25	29.14
8	RECLTD	97.5	148.65	-51.15	34.41
9	IOC	154	118.6	35.4	-29.85

It can be seen that for the selected sample of 9 trades, the percentage difference of Strike Price and the Underlying Closing Price in equity segment as on trade date, ranges between (-)29.85% to 57.31%.

70. Furthermore, the sell orders placed from the accounts of Front Entities were consistently at a premium significantly higher than the Last Traded Price. The trades were non-algorithmic in nature and were executed manually through online platforms, such as web browsers or mobile trading applications of the respective trading members. I note the following distinct and repeated pattern was followed:

In Step 1, passive sell orders at unusually high premiums well away from the LTP were placed in the accounts of the Front Entities. These orders remained pending. In Step 2, after few seconds or minutes, buy orders were placed from the complainants' trading accounts at matching price and quantity which immediately got matched with the pending sell orders. In Step 3, the resultant premium amounts were debited from the complainants' accounts and, on a T+1 basis, credited to the Front Entities as pay-outs. The complainants account suffered a complete loss of the premium paid, while the account of Front Entities, under the control of the Operator Group, retained the entire premium as profit.

71. The difference between the sell price and the sell LTP for the sampled 9 trades is observed as below:

Table 10

Sl. No.	Contract	Trade Date	Sell Client Name	Sell Order Date Time	Sell Order Orig Vol	Sell Order Limit Price	Sell LTP prior to Order Mod	%age increase of Sell order price from Sell LTP
1	FEDERALBNK	22-Oct-21	Ravishankar .	22/10/2021 13:37	70000	1.35	0.25	440.00
2	IDFCFIRSTB	23-Dec-21	Nitesh Kumar Patil	23/12/2021 09:53	142500	2.95	0.8	268.75
3	RECLTD	23-Sep-21	Pariniti Narware	23/09/2021 10:28	102000	2.75	0.95	189.47
4	COALINDIA	17-Nov-21	Mukesh Borban	17/11/2021 10:23	96600	2.95	2	47.50
5	IDFCFIRSTB	17-Mar-21	Piyush Dixit	17/03/2021 10:32	57000	2.9	0.35	728.57
6	TATAPOWER	19-Apr-21	Alkesh . Narware	19/04/2021 12:10	94500	2.6	0.6	333.33
7	IOC	13-Oct-21	Sonu Narre	13/10/2021 09:24	104000	2.95	1.2	145.83
8	RECLTD	11-Aug-21	Ravi Borban	11/08/2021 09:23	96000	2.9	0.9	222.22
9	IOC	11-Jan-22	Bhavesh Patil	11/01/2022 09:47	130000	2.95	0.9	227.78

As can be seen from the above table, in the sampled 9 trades, the sell order was placed way over the LTP and the percentage increase over the LTP was in the range of 47.50% to 440%.

Further, when the same was analyzed for all the trades involved in the fraudulent scheme, in one case, the percentage increase of the sell price of the Front Entity (Mr. Somdev Jhade) over LTP was found to be as high as 1350% and still the order got matched with the buy order of one of the Complainant (Mr. Ajay B).

This clearly indicates that the trades were not genuine and were orchestrated as part of the overall fraudulent scheme.

72. I note that during the investigation period from January 27, 2021 to February 01, 2022, trading activity involving 54 complainants and 28 identified Front Entities were analyzed. In all instances, each of the complainants paid high premiums to purchase illiquid OTM options, which ultimately expired worthless. These trades resulted in losses for the complainants and equivalent gains for the respective Front Entities, who received these premiums as profits.

73. These complainants were registered with different trading members located across various regions, and no geographical or broker-specific pattern was observed. This indicates that the scheme was not confined to any single trading platform but was widely spread and uniformly implemented across multiple intermediaries, further establishing that the trading was centrally planned and executed by the Operator Group.

74. Based on the complaints, trading pattern of OTM trades executed in the trading accounts of the complainants and front entities and the loss incurred by the complainants, it is found that the profit was received in the trading accounts of

front entities which was controlled by the Operator group. The same is further substantiated by the statements of front entities. It is observed from the front entities statements and the trading pattern, that Mr. Alkesh Narware and Mr. Shivprasad Pattiya are the main persons who had instructed and opened the trading accounts of the front entities. They also controlled the caller group who procured the credentials from the complainants. Accordingly, they controlled both complainant's and front entities' trading accounts where trades were placed and the profit was received in the bank account of the front entities which was again controlled by them.

Role of the operator group

75. Upon careful analysis of the statements of complainants and front entities, call data records (CDRs), KYC documents, trading logs, linkage of device, and banking transactions, a systematic pattern is observed. This pattern establishes that the trades in illiquid options contracts were the result of a centrally directed scheme executed by the Operator Group. The following sequence of events, supported by evidence, leaves no doubt that the Operator Group was the controlling mind and coordinating force behind the entire fraud:

A. The scheme commenced with inducement by the Caller Group: The first leg of the scheme involved inducing gullible investors to share their trading credentials under the false pretext of guaranteed profits through Algo/software-based trading. This is established by several materials and circumstances as discussed above. The complainants have deposed that they were contacted via WhatsApp calls and messages by individuals, promising assured returns. **Screenshots of such messages and call logs further substantiate the communication.** The identities of the callers, when verified against Truecaller records, did not match the names recorded in the Customer Acquisition Forms, establishing deliberate attempt to conceal true identities.

B. The credentials of the complainants were under the control of the Operator

Group: The Caller Group's role was to secure credentials of the complainants and the Operator Group had control over them. The link between the two groups is backed by evidence. Call Data Records show communication between member associated with the Caller Group and those used by the Operator Group and Front Entities. The connection goes further. In one instance the same IMEI number was used by a Caller Group member and a Front Entity, pointing to shared device. Added to this, as already explained above, there is material to indicate that Noticee No. 1 recharged the phones of the Caller Group through a retail outlet in Madhya Pradesh. In short, the Caller Group was not acting independently, it was under the control of the operator group.

C. The Operator Group created and controlled Front Entities:

The next component of the scheme involved creating counter-parties who would profit from the complainants' losses. The Operator Group achieved this by finding individuals as Front Entities and setting up trading and bank accounts in their names. Various statements and evidences show that Noticee No. 1 and Noticee No. 2 acted as introducers for these accounts, reflecting their active involvement in onboarding these individuals. Even Noticee No. 1 and 2 admitted during their respective statement recording that most of the Front Entities were known to them. Statements from Front Entities corroborate that they were approached by Mr. Shivprasad Pattiya and Mr. Alkesh Narware, promised nominal commissions, and latter trading credentials, signed cheques, and ATM cards were surrendered to the Noticees. These are hallmarks of control. Moreover, the funding of margins in these accounts came from Mr. Alkesh Narware, directly tying the Operator Group to the margin requirements for the trading activity. Thus, while the accounts bore

the names of Front Entities, the minds and hands behind the trades were those of the Operator Group.

D. Coordinated trades were placed to ensure loss to Complainants and gain to

Front Entities: Once in control of both sides i.e., complainant accounts and Front Entity accounts is established, the Operator Group executed pre-planned trades designed to siphon funds from the former to the latter. Trade logs show buy orders placed from complainant accounts and matching sell orders placed from Front Entities, all in deep out-of-the-money options contracts. The timing of these orders were frequently within seconds to minutes. The prices were significantly above prevailing market rates, and the contracts had no realistic chance of profitability given the spot prices at the time of trade. The date of expiry of the contracts proves that options expired worthless, inflicting complete loss on the complainants while the equivalent amount appeared as profit in the Front Entities' accounts. This pattern was repeated multiple times, across multiple complainants and Front Entities, with precision. They further point to the centrally designed scheme.

E. Profits were withdrawn or transferred under the control of Operator

Group: The Operator Group's control extended beyond trade placement. Bank statements of Front Entities reveal that once profits were credited, the funds were withdrawn in cash or routed to other accounts of the Front Entities for margin amount of another fraudulent trades. Noticee No.1 in his statement dated June 24, 2024 admitted to receiving funds from the Front Entities. Further, Noticee No.2 in his statement dated June 25, 2024 confessed to withdrawing the funds and passing them on to Noticee No.1. In several instances, Front Entities have admitted that they handed over all the bank kits along with ATM and cheques to members of the Operator Group. These admissions, coupled with banking transaction records, makes it clear that the Operator Group did not just book profits, it took possession of them too.

F. The Front Entities had no role or knowledge of the trades: The Front Entities were not active participants but passive instruments. They have consistently stated that they had no understanding of or involvement in the trades executed in their names.

It is observed that 28 front entities opened 28 trading accounts with different trading members under the instructions of the operator group. The operator group lured the front entities with commissions to open the trading accounts. It is also observed that 9 front entities viz. Mr. Somdev Jhade, Mrs. Kamla Chouhan, Mr. Sourabh Dixit, Mr. Piyush Dixit, Mr. Rameshchandra Goswami, Mr. Ashish Goud, Mr. Ravi Borban, Mr. Chintaramahaakey and Mrs. Pariniti Narware opened accounts with M/s. Profitmart Securities Private Limited through authorised person, Mr. Gaurav Verma who vide mail dated 21.08.2023, submitted that these 9 entities were introduced by Mr. Shivprasad Pattiya. Mr. Dipanshu Narware and Mr. Shivprasad Pattiya during the deposition, stated that remaining 19 front entities' trading accounts were opened under the instruction of Noticee No.1 and 2. It is further observed from statement of front entities and operator group that front entities shared all their bank account kits with operator group. Based on statements made by the Noticees & front entities, trading patterns, Bank Statements and CDRs, it is clear that these 28 entities were controlled by the operator group and their trading accounts were used by the operator group for the aforesaid fraudulent trades.

These facts establish that the trades were made in the names of the Front Entities but not by them.

G. Centralized communication and infrastructure: The command-and-control structure of the scheme is further visible from the CDR analysis. There were 673 calls for 59,767 seconds between Mr. Shivprasad and Mr. Alkesh alone during 01.01.2021 to 17.03.2022. Numerous other calls also link the Operator Group to both the Caller Group and the Front Entities. The use of a shared IMEI number and mobile phone recharge records also indicate that central device and communication needs were managed by the Operator Group, further establishing the schematic operation with centralized oversight.

Profit made by Operator Group:

76. The details of loss made by complainants and profit made in the accounts of front entities/operator group is as follows:

Table 11

S.N.	NAME OF THE FRONT ENTITY	NAME OF THE COUNTERPARTY/ COMPLAINANTS	TOTAL PROFIT MADE BY OPERATOR GROUP (A) (in Rs.)	AMOUNT BLOCKED BY NSE/COURT/POLICE DIRECTIONS IN FRONT ENTITY'S TRADING ACCOUNT (Out of amount in (A)) (in Rs.)
1	MR SOURABH DIXIT	MR. TEJPAL SINGH	14,16,400	-
		MR AJAYKUMAR PRAVINBHAI PATEL	5,90,690	-
		MR SHOWKAT AZIZ ZARGAR	2,01,780	-
		MR VIKASH ANAND	1,51,200	-
		MR SHARAD SIKARIA	6,36,665	-
2	MR ASHISH GOUD	MR. TEJPAL SINGH	5,58,090	-
		MR VIJAYA SEKHAR CHETTI	1,87,340	-
3	MR. SURYABHAN SAHU	MR. AKSHAY KUMAR BANGALORE VIJAYKUMAR	18,71,745	-
4	MR. CHINTARAM AHAKEY	MR. NITIN KULKARNI	16,43,225	-
		MR YOGITA BHAGWATKAR	1,92,780	-

S.N.	NAME OF THE FRONT ENTITY	NAME OF THE COUNTERPARTY/ COMPLAINANTS	TOTAL PROFIT MADE BY OPERATOR GROUP (A) (in Rs.)	AMOUNT BLOCKED BY NSE/COURT/POLICE DIRECTIONS IN FRONT ENTITY'S TRADING ACCOUNT (Out of amount in (A)) (in Rs.)
		MR YOGESH PREMJBHAI MAKWANA	1,47,100	-
		MR RAMESHWARI MEGHNADSINH ZALA	1,80,546	-
		MR NARENDRABHAI KARIA	3,01,980	-
		MR PRADEEP K PATIL	6,71,840	-
5	MR. BHAVESH PATIL	MRS. SONAL GUPTA	15,02,945	-
6	MR MR. ALKESH NARWARE ("OPERATOR GROUP")	MR. GIRISH CHADHA	14,21,045	-
7	MR SOMDEV JHADE	PRAKASHKUMAR BHIKHABHAI PATEL	2,28,300	-
		MR. AJAY B	13,70,584	-
8	MR. RAMESHWAR TEKAM	MR. ANIL DHANJI PATEL	12,32,500	-
9	MRS. KAMLA CHOUHAN	M/S. VIPUL GUPTA AND SONS HUF	11,71,898	-
		MR VINIT RAJENDRA CHOPDA	5,18,400	-
		MRS DATTATREYA SARMA ANUPINDI	12,53,610	-
10	MR. BHARAT KUMAR DADORE	MR BALBIR KUMAR MUNJAL	6,66,644	-
		MR CHANDRA PRAKASH JAIN	7,38,225	-
		MR. MANALI AMOD GONDHALEKAR	11,20,110	-
11	MR. SHRIRAM CHOUHAN	MR. MANALI AMOD GONDHALEKAR	20,26,433	17,41,573
12	MR. NITESH JHADE	MR MATHA RAJU	8,33,390	-
		MRS SHAH AVNI VIREN	8,76,740	-
		MRS RESHMA MEHULBHAI PATEL	6,50,475	-
13	MR. RAMESHCH	MRS PARVIN AIZAZUDDIN SAIYED	7,86,750	-

Order in the matter of alleged illegal profiting by Mr. Shivprasad Pattiya and Mr. Alkesh Narware by trading in the stock options through accounts of group of persons controlled by them

S.N.	NAME OF THE FRONT ENTITY	NAME OF THE COUNTERPARTY/ COMPLAINANTS	TOTAL PROFIT MADE BY OPERATOR GROUP (A) (in Rs.)	AMOUNT BLOCKED BY NSE/COURT/POLICE DIRECTIONS IN FRONT ENTITY'S TRADING ACCOUNT (Out of amount in (A)) (in Rs.)
	ANDRA GOSWAMI	MRS QURAI SHABIBI B SAIYED	7,72,330	-
		MR SHASHI GAURAV KUMAR	6,39,760	-
		MR ASHOK GUPTA	7,82,470	-
14	MR. SHUBHAM KHANDAIT	MR VENKATESAN SATHISHKUMAR	3,71,700	-
		MR SATYA SAI SRINIVAS VINJAMURI	7,67,185	-
15	MR. RAJWARDHAN PANDOLE	MR PRASANN NABHIRAJ DESAI	5,00,500	-
		MR. A RAM	15,77,660	-
16	MR. KAILASH NARWARE	MRS REKHA PANDEY	24,33,097	17,86,980
17	MR. SONU NARRE	MR SENTHILVELAN VANITHA	26,10,938	24,48,938
		MR SURENDER MARUTHI	5,88,380	-
18	MR. AMIT PATEL	MR MADHAVA TRINADH KATRU	7,82,944	-
		MR SURESH PATIL	5,74,680	-
19	MR. MUKESH BORBAN	MR BIRENDRA KUMAR	5,39,850	-
20	MR. ROHIT VISHWKRMA	MR VINAYAK NAGAPPA GOKARN	24,09,525	18,88,054
21	MR. NITESHKUMAR PATIL	MR IQBAL ABDULGANI KASMANI	5,09,560	-
		MR R PRAVEENKUMAR	6,17,140	-
22	MR. NIKHIL NARWARE	MR VAIBHAV H MORE	5,05,400	-
23	MR. PIYUSH DIXIT	MR JAYESH RASHIKBHAI PRAJAPATI	4,30,650	-
24	MR. PARINITI NARWARE	MR MAHESH RAJAN	4,28,700	-
25	MR. PURUSHOTTAM GURAV	MR AJAY GUPTA	26,15,194	22,01,119
26	MR. RAVI BORBAN	MR RAJEEVSHAMRAOMALUNJKAR	2,99,450	-
		MR ASHOKKUMAR RAMASAMY	2,07,480	-

Order in the matter of alleged illegal profiting by Mr. Shivprasad Pattiya and Mr. Alkesh Narware by trading in the stock options through accounts of group of persons controlled by them

S.N.	NAME OF THE FRONT ENTITY	NAME OF THE COUNTERPARTY/ COMPLAINANTS	TOTAL PROFIT MADE BY OPERATOR GROUP (A) (in Rs.)	AMOUNT BLOCKED BY NSE/COURT/POLICE DIRECTIONS IN FRONT ENTITY'S TRADING ACCOUNT (Out of amount in (A)) (in Rs.)
		MR SHAILESH MADHUKAR SHETTIWAR	2,01,780	-
		MR RAMESHWARI MEGHNADSINH ZALA	1,01,365	-
		MR NAVEEN KUMAR TUMMALA	3,90,900	-
27	MR. RAVISHANKAR JHADE	MRS SWAPNIL HARISH SHINTRE	1,12,500	-
28	MR. RAHUL YADAV	MR JAGJIT SINGH (excluding Rs.4,67,590 that was received by complainant through court order)	13,91,428	13,91,428
TOTAL			4,83,11,996	1,14,58,092

77. I note from the above table that there are 6 instances where the money has been blocked under the direction of Police/NSE pursuant to the complaints. The said amount has been considered by the SCN as part of the unlawful gain. Noticees has not disputed this by making any contrary submissions. In view of this those amounts are also considered as part of the unlawful gain. Accordingly, I find that the operator group made a profit of Rs.4,83,11,996. I further note that out of Rs.4,83,11,996, as on the date of the completion of the investigation, Rs.1,14,58,092 was blocked under directions of Police/NSE pursuant to the complaints.

Conclusion

78. The progression of events and each step supported by evidence, establishes that the Operator Group orchestrated the entire scheme. They engineered the inducement, acquired credentials, created and controlled counterparties, coordinated trades and extracted unlawful gains. Each piece of evidence, while

significant in isolation, becomes inescapable when considered in combination. There was design, direction, and deliberate execution leading to the finding that the Operator Group was the architect of the scheme.

79. In view of the above analysis, I find that the Front Entities had opened the trading accounts under the instructions of the Operator Group and these trading accounts and bank accounts were under the control of the Operator Group. The caller group had identified prospective investors (complainants) which had credit balance in their ledger and obtained their credentials in the name of Algo/ software trades and the same were also under the control of the operator group. The trades executed through the mobile in the accounts of the complainants and the front entities were also under the control of the Operator Group. Since all the trades executed in the front entities trading accounts were OTM contracts, which was matched by the complainant's trades, the profit was received in the trading accounts of the front entities which was again under the control of the operator group.
80. In view of the above, it is irrefutably established that the entire fraudulent scheme is attributable solely and squarely to the Noticees (Operator Group) and they were the controlling minds and beneficiaries of the fraudulent arrangement.
81. The above acts of the Noticee amounts to manipulative, deceptive device and artifice to defraud while dealing in securities and by virtue of this they have played fraud not only on the entities who were under their control but also affected the integrity of the market by exploiting the stock exchange trading platform to perpetuate this fraud. Their activities are prohibited under Section 12A(a), (b) and (c) of the SEBI Act read with Regulation 3(a), (b), (c), (d) and Regulation 4(1) of the PFUTP Regulations.

82. Accordingly, I hold that Noticee No.1 and 2 have violated the provisions of Section 12A(a), (b) and (c) of the SEBI Act read with Regulation 3(a), (b), (c), (d) and Regulation 4(1) of the PFUTP Regulations.

83. In view of the violations as aforesaid, the Noticees are also liable for a penalty under Section 15HA of the SEBI Act.

Issue B. If the answer to the above issues is in affirmative, what directions, if any, including monetary penalty, is required to be imposed on the Noticees?

84. I note that the allegations levelled against the Noticees are undoubtedly established above. As detailed in the preceding paras, Noticees' actions have caused substantial financial harm to the investors, undermined the sanctity of market integrity, and violated the foundational principles of fairness and transparency governing securities markets. The gravity of the misconduct warrants strong regulatory action, including restraining the Noticees from accessing the securities market, disgorgement of unlawful gains, and levying of penalty under Section 15HA of the SEBI Act.

85. As regards the appropriate direction under the SEBI Act, I note that the Black's Law Dictionary defines 'disgorgement' as, "*disgorgement is the act of giving up something, such as illegally obtained profits, on demand or by legal compulsion*". Further, regarding the nature of the direction of disgorgement, Hon'ble Securities Appellate Tribunal (SAT) has held in *Dushyant N. Dalal v/s SEBI* 2010 SCC Online SAT 328, "*disgorgement is not a penal action but only an equitable remedy*".

86. With regard to the liability to disgorge the unlawful gains when the same has changed hands in due course of time, the order of the Hon'ble SAT in *Gagan Rastogi and Anr vs. SEBI* (Appeal No. 91 of 2015 decided on 12.07.2019) needs to be referred wherein it was held as under,

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

87. Section 15HA of the SEBI Act provides for penalty which shall not be less than Rs.5 Lakh but which may extend to Rs.25 Crore or 3 times the amount of profits made out of such practices, whichever is higher. While determining the quantum of penalty under the SEBI Act, it is important to consider the factors stipulated in section 15J of the SEBI Act which are as follows: -

- a. the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
- b. the amount of loss caused to an investor or group of investors as a result of the default;
- c. the repetitive nature of the default

88. It is explained in the previous part of the order, specifically at para 77 above, that the Noticees made an unfair advantage of Rs.4,83,11,996 from the aforementioned fraudulent scheme which is liable to be disgorged. The same tantamount, in the facts and circumstances of the case, loss to the group of investors including the complainants. There is no material on record on the aspect of repetitive nature of default. Accordingly, these factors are taken into consideration for arriving at the amount of penalty.

DIRECTIONS

89. In view of the above, I, in exercise of powers conferred on me in terms of Section 11(1), 11(4), 11(4A), 11B(1) and 11B(2) of the SEBI Act, 1992, and Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, do hereby pass the following directions, in the interest of investors and market integrity:

- a. Noticees are directed to disgorge, jointly and severally, a sum of **Rs.4,83,11,996** (Rupees Four Crore Eighty Three Lakhs Eleven Thousand Nine Hundred and Ninety Six only) along with simple interest @ 12% per annum from February 01, 2022 (last date of investigation period) within 45 days from the date of this order;
- b. Noticees are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities (including units of mutual funds), directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of **Three (3) Years**, from the date of this order;
- c. Noticee No.1 and 2 are hereby imposed with penalty of **Rs.25,00,000/- (Rupees Twenty Five Lakhs Only) each** under Section 15HA of the SEBI Act, 1992.
- d. Noticees are prohibited from selling their assets, properties including mutual funds/shares/securities held by them in demat and physical form except for the purpose of effecting disgorgement as directed in point (a) above. Further, the concerned Depositories and RTAs shall in coordination with the banks are directed to ensure that the pay-outs and redemption/sale proceeds are debited from the bank accounts of the Noticees only for the purpose of compliance of this order.

- e. The Noticees shall remit / pay the said amount of penalty, within a period of forty-five (45) days from the date of receipt of this order, through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of EDs/CGMs -> PAY NOW. In case of any difficulty in online payment of penalty, the Noticee(s) may contact the support at portalhelp@sebi.gov.in.
- f. The Noticee(s) shall forward details of the online payment made in compliance with the directions contained in this Order to the Division Chief, IVD-ID-2, SEBI, SEBI Bhavan II, Plot no. C -7, "G" Block, Bandra Kurla Complex, Bandra(E), Mumbai-400 051" and also to e -mail id: tad@sebi.gov.in in the format as given in table:

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

- g. The obligation of the Noticees, restrained/ prohibited by this Order, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange(s), as existing on the date of this Order, are allowed to be discharged irrespective of the restraint/prohibition imposed by this Order. Further, all open positions, if any, of such Noticee(s)

in the F&O segment of the recognised stock exchange(s) are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.

90. This order shall come into force with immediate effect.

91. A copy of this order shall be sent to the Noticees, all the recognized Stock Exchanges, Depositories, Banks and Registrar, Transfer Agents of Mutual Funds to ensure that the directions given above are strictly complied with.

Date: June 20, 2025

Place: Mumbai

**N MURUGAN
QUASI-JUDICIAL AUTHORITY
SECURITIES AND EXCHANGE BOARD OF INDIA**