BEFORE THE SECURITIES APPELLATE TRIBUNAL MUMBAI

Date of Hearing : 25.04.2023
Date of Decision : 30.10.2023

Appeal No. 335 of 2021

1. Madhu Chanda
2. Anandilal Chanda
3. Anandilal Chanda HUF

D3, 201, Tapovandeep,
Pathanwadi, Malad, Mumbai – 400097. ….. Appellants

Versus

Securities & Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051. … Respondent

Mr. V. M. Singh, Advocate with Mr. Sukrut Mhatre, Advocate for the Appellants.

Mr. Mustafa Doctor, Senior Advocate with Ms. Nidhi Singh, Ms. Deepti Mohan, Ms. Purvi Jain, Ms. Hubab Sayyed, Mr. Raghav Taneja, Advocates i/b Vidhii Partners for the Respondent.

With
Appeal No. 403 of 2021

Praveen Kumar Jain
504, Pawan Indraprastha Complex,
Satyanagar, Sai Baba Mandir Road,
Borivali West, Mumbai - 400092. ….. Appellant

Versus

Securities & Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051. … Respondent

Mr. Pulkit Sharma, Advocate with Ms. Akshaya Bhansali, Mr. Suyash Bhandari, Mr. Pulkit Lodha, Advocates and Ms. Nirali Mehta, Practicing Company Secretary for the Appellant.

Mr. Mustafa Doctor, Senior Advocate with Ms. Nidhi Singh, Ms. Deepti Mohan, Ms. Purvi Jain, Ms. Hubab Sayyed, Mr. Raghav Taneja, Advocates i/b Vidhii Partners for the Respondent.

With
Appeal No. 404 of 2021

Praveen Kumar Jain
504, Pawan Indraprastha Complex,
Satyanagar, Sai Baba Mandir Road,
Borivali West, Mumbai - 400092. ….. Appellant

Versus

Securities & Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051. … Respondent

Mr. Pulkit Sharma, Advocate with Ms. Akshaya Bhansali, Mr. Pulkit Lodha, Advocates and Ms. Nirali Mehta, Practicing Company Secretary i/b Mindspright Legal for the Appellant.

Mr. Mustafa Doctor, Senior Advocate with Ms. Nidhi Singh, Ms. Deepti Mohan, Ms. Purvi Jain, Ms. Hubab Sayyed, Mr. Raghav Taneja, Advocates i/b Vidhii Partners for the Respondent.

With
Appeal No. 448 of 2021

1. E-Ally Consulting India Pvt. Ltd.
   1701/1702, Lotus Corporate Park,
   A- Wing, Western Express Highway,
   Goregaon (East), Mumbai – 400 063.

2. Mr. Sandeep Maloo
   A-701, Vindhiachal Appartment,
   22, Mount Mary Hill Road, Bandstand,
   Bandra (W), Mumbai – 400 050.

3. Shree Jaisal Electronics & Industries Ltd.
   D-51, Subhash Marg, C- Scheme,
   Jaipur, Rajasthan- 326 023.

4. Ms. Neeta Maloo
   A-701, Vindhiachal Appartment,
   22, Mount Mary Hill Road, Bandstand,
   Bandra (W), Mumbai – 400 050. ….. Appellants

Versus

Securities & Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051. … Respondent

Mr. Gaurav Joshi, Senior Advocate with Ms. Rishika Harish, Ms. Akshaya Bhansali, Mr. Suyash Bhandari, Mr. Pulkit Lodha, Advocates and Ms. Nirali Mehta, Practicing Company Secretary i/b Mindspright Legal for the Appellants.

Mr. Sumit Rai, Advocate with Ms. Nidhi Singh, Ms. Deepti Mohan, Ms. Purvi Jain, Ms. Hubab Sayyed, Mr. Raghav Taneja, Advocates i/b. Vidhii Partners for the Respondent.

With
Appeal No. 449 of 2021

1. Viraj Mercantile Pvt. Ltd.
   Shop No. 27, Kamla BMC Market,
   Padma Nagar Road, Chikuwadi,
   Boliwali West, Mumbai - 400092.

2. Abhinandan Ranka
   C-810, Veena Sitar CHS Limited, Near
   HDFC Bank, Mahavir Nagar,
   Kandivali West, Mumbai – 400067.

3. Josh Trading Private Limited
   Shop No. 27, Kamla BMC Market,
   Padma Nagar Road, Chikuwadi,
   Boliwali West, Mumbai – 400092. ….. Appellants

Versus

Securities & Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051. … Respondent

Ms. Rishika Harish, Advocate with Ms. Akshaya Bhansali, Mr. Suyash Bhandari, Mr. Pulkit Lodha, Advocates and Ms. Nirali Mehta, Practicing Company Secretary for the Appellants.

Mr. Sumit Rai, Advocate with Ms. Nidhi Singh, Ms. Deepti Mohan, Ms. Purvi Jain, Ms. Hubab Sayyed, Mr. Raghav Taneja, Advocates i/b. Vidhii Partners for the Respondent.

With
Misc. Application No. 66 of 2022
And
Appeal No. 12 of 2022

1. Laxmi Chaturvedi
2. Manohar Chaturvedi
3. Manish Chaturvedi

1903-A, Shanti Kamal, Opp. Voltas House,
Dr. B. A. Road, Chinchpokli East,
Mumbai – 400 012. ….. Appellants

Versus

Securities & Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051. … Respondent

Mr. Vidur Mohan, Advocate with Mr. Vaibhav Gaggar, Ms. Shefali Munde, Advocates for the Appellants.

Mr. Mustafa Doctor, Senior Advocate with Ms. Nidhi Singh, Ms. Deepti Mohan, Ms. Purvi Jain, Ms. Hubab Sayyed, Mr. Raghav Taneja, Advocates i/b. Vidhii Partner for the Respondent.

With
Appeal No. 35 of 2022

1. E-Ally Consulting India Pvt. Ltd.
   1701/1702, Lotus Corporate Park,
   A- Wing, Western Express Highway,
   Goregaon (East), Mumbai – 400 063.

2. Mr. Sandeep Maloo
   A-701, Vindhiachal Appartment,
   22, Mount Mary Hill Road, Bandstand,
   Bandra (W), Mumbai – 400 050.

3. Shree Jaisal Electronics & Industries Ltd.
   D-51, Subhash Marg, C- Scheme,
   Jaipur, Rajasthan- 326 023.

4. Mrs. Neeta Maloo
   A-701, Vindhiachal Appartment,
   22, Mount Mary Hill Road, Bandstand,
   Bandra (W), Mumbai – 400 050. ….. Appellants

Versus

Securities & Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051. … Respondent

Mr. Gaurav Joshi, Senior Advocate with Ms. Rishika Harish, Ms. Akshaya Bhansali, Mr. Suyash Bhandari, Mr. Pulkit Lodha, Advocates and Ms. Nirali Mehta, Practicing Company Secretary for the Appellant.

Mr. Sumit Rai, Advocate with Ms. Nidhi Singh, Ms. Deepti Mohan, Ms. Purvi Jain, Ms. Hubab Sayyed, Mr. Raghav Taneja, Advocates i/b. Vidhii Partners for the Respondent.

With
Misc. Application No. 56 of 2022
And
Appeal No. 68 of 2022

1. Viraj Mercantile Pvt. Ltd.
   Shop No. 27, Kamla BMC Market,
   Padma Nagar Road, Chikuwadi,
   Boliwali West, Mumbai - 400092.

2. Abhinandan Ranka
   C-810, Veena Sitar CHS Limited, Near
   HDFC Bank, Mahavir Nagar,
   Kandivali West, Mumbai – 400067.

3. Josh Trading Private Limited
   Shop No. 27, Kamla BMC Market,
   Padma Nagar Road, Chikuwadi,
   Boliwali West, Mumbai – 400092. ….. Appellants

Versus

Securities & Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G Block,

Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051. … Respondent

Ms. Rishika Harish, Advocate with Ms. Akshaya Bhansali, Mr. Suyash Bhandari, Mr. Pulkit Lodha, Advocates and Ms. Nirali Mehta, Practicing Company Secretary for the Appellants.

Mr. Sumit Rai, Advocate with Ms. Nidhi Singh, Ms. Deepti Mohan, Ms. Purvi Jain, Ms. Hubab Sayyed, Mr. Raghav Taneja, Advocates i/b. Vidhii Partners for the Respondent.

With
Misc. Application No. 1302 of 2022
And
Appeal No. 450 of 2022

Madhu Chanda
D3, 201, Tapovandeep,
Pathanwadi, Malad, Mumbai – 400097. ….. Appellant

Versus

Securities & Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051. … Respondent

Mr. V. M. Singh, Advocate with Mr. Sukrut Mhatre, Advocate for the Appellant.

Mr. Sumit Rai, Advocate with Ms. Nidhi Singh, Ms. Deepti Mohan, Ms. Purvi Jain, Ms. Hubab Sayyed, Mr. Raghav Taneja, Advocates i/b. Vidhii Partners for the Respondent.

With
Misc. Application No. 1303 of 2022
And
Appeal No. 451 of 2022

1. Anandilal Chanda
2. Anandilal Chanda HUF

D3, 201, Tapovandeep,
Pathanwadi, Malad, Mumbai – 400097. ….. Appellants

Versus

Securities & Exchange Board of India

SEBI Bhavan, Plot No. C-4A, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051. … Respondent

Mr. V. M. Singh, Advocate with Mr. Sukrut Mhatre, Advocate for the Appellants.

Mr. Sumit Rai, Advocate with Ms. Nidhi Singh, Ms. Deepti Mohan, Ms. Purvi Jain, Ms. Hubab Sayyed, Mr. Raghav Taneja, Advocates i/b. Vidhii Partners for the Respondent.

CORAM : Justice Tarun Agarwala, Presiding Officer
Ms. Meera Swarup, Technical Member

Per : Justice Tarun Agarwala, Presiding Officer

1. Ten appeals have been filed by 14 noticees against a common order dated December 18, 2020 passed by the Whole Time Member (hereinafter referred to as 'WTM') of Securities and Exchange Board of India (hereinafter referred to as 'SEBI') against 16 noticees and separate orders of various dates have been passed by the Adjudicating Officer (hereinafter referred to as 'AO') against the appellants. Since all the appeals emanated from a common issue, the same are being clubbed and are being decided together.

2. Appeal No. 12 of 2022 has been filed by Manish Chaturvedi noticee nos. 1, Laxmi Chaturvedi noticee nos. 2 and Manohar Chaturvedi noticee nos. 3 against the order of the WTM dated

October 18, 2022 wherein noticee nos. 1 Manish Chaturvedi has been debarred for a period of seven years and Laxmi Chaturvedi and Manohar Chaturvedi noticee nos. 2 and 3 have been debarred for five years. Further, these three appellants have been directed to disgorge a sum of Rs. 18,98,39,179/- including interest jointly and severally.

3. Appeal No. 449 of 2021 has been filed by Viraj Mercantile Pvt. Ltd. noticee nos. 4 (hereinafter referred to as 'Viraj Mercantile'), Abhinandan Ranka noticee nos. 5 (hereinafter referred to as 'Abhinandan'), Josh Trading Pvt. Ltd. noticee nos. 6 (hereinafter referred to as 'Josh Trading') against the order of the WTM dated December 18, 2020 wherein they have been debarred for a period of five years. Similarly, appeal nos. 448 of 2021 has been filed by E-Ally Consulting India Pvt. Ltd. noticee nos. 8 (hereinafter referred to as 'E-Ally Consulting'), Sandeep Maloo noticee nos. 9 (hereinafter referred to as 'Sandeep'), Shree Jaisal Electronics and Industries Ltd. noticee nos. 10 (hereinafter referred to as 'Shree Jaisal Electronics') and Neeta Maloo noticee nos. 11 (hereinafter referred to as 'Neeta') against the order of the WTM dated October 18, 2020 wherein these appellants have been debarred for a period of five years. Appeal No. 335 of 2021 has been filed by Madhu Chanda noticee nos. 13,

Anandilal Chanda noticee nos. 14 and Anandilal Chanda HUF noticee nos. 15 against the order of the WTM dated December 18, 2020 wherein they have been debarred for a period of six years and further have been directed to disgorge a sum of Rs. 91,21,781/- inclusive of interest to be paid jointly and severally by these appellants. Another appeal nos. 403 of 2021 has been filed by Praveen Kumar Jain noticee nos. 16 against the order of the WTM dated December 18, 2020 wherein the said appellant has been debarred for a period of six years.

4. The AO has passed separate orders against these appellants. Appeal nos. 404 of 2021 has been filed by Praveen Kumar Jain against the order of the AO dated February 15, 2021 wherein a penalty of Rs. 35 lakh has been imposed. Appeal nos. 440 of 2022 and 451 of 2022 have been filed by Madhu Chanda, Anandilal Chanda and Anandilal Chanda HUF against the order of the AO dated May 31, 2022 wherein a penalty of Rs. 25 lakh has been imposed upon these appellants to be paid jointly and severally. Appeal nos. 35 of 2022 has been filed by E-Ally Consulting, Sandeep, Shree Jaisal Electronics and Neeta against the order of the AO dated September 30, 2021 wherein penalties of Rs. 3 lakh has

been imposed upon E-Ally Consulting and Shree Jaisal Electronics and Rs. 2 lakh each on Sandeep and Neeta. Similarly, Appeal Nos. 68 of 2022 has been filed by Vijay Mercantile, Abhinandan and Josh Trading against the order dated September 30, 2021 passed by the AO wherein these appellants have been imposed a penalty of Rs. 3 lakh each.

5. The facts leading to the filing of the present appeals is, that five different reports were received by SEBI from National Stock Exchange of India Ltd. (hereinafter referred to as 'NSE') indicating suspected front running trading activity by certain entities in the trades of Sterling group during the period January 1, 2010 to December 15, 2010. Based on these reports, SEBI conducted an investigation which revealed that front runners had front-run entities of the Sterling group. Further, the clients of the M/s. Sharekhan Limited (hereinafter referred to as 'Sharekhan') were front-run by Anandilal Chanda through his own account, his HUF account and Sharekhan's proprietary account. These entities had traded heavily on those days where the Sterling group has also traded. The Sterling group comprised of the following entities :-

TABLE I – STERLING GROUP ENTITIES	
SR. NO.	***NAME***
1.	*ABHI AMBI FINANCIAL SERVICES LIMITED ("ABHI AMBI")*
2.	*STERLING FUTURES & HOLIDAYS LIMITED ("STERLING FUTURES")*
3.	*RATHA INFRASTRUCTURE PVT. LIMITED ("RATHA INFRASTURCTURE")*
4.	*BAGHMAR FINLEASE PVT. LIMITED ("BAGHMAR FINLEASE")*
5.	*SHANMUGA HOME MAKERS PVT. LIMITED ("SHANMUGA HOME MAKERS")*
6.	*SIVA TRADE CONSULTANCY PVT. LIMITED ("SIVA TRADE CONSULTANCY")*
7.	*SARAVANA ENTERPRISES ("SARAVANA")*
8.	*SHANMUGA REAL ESTATE & PROMOTERS PVT. LIMITED ("SHANMUGA")*
9.	*V. S. NET LIMITED*
10.	*SIVA PROJECTS ENGINEERING & ENTERPRISES LIMITED ("SIVA PROJECTS")*

6. The investigation further found that the appellant Manish Chaturvedi was the key person who perpetrated the front running activity with the aid and assistance of other noticees including his parents (Laxmi Chaturvedi and Manohar Chaturvedi). Manish Chaturvedi was admittedly employed with the Sterling group from 03.11.2008 to 08.11.201I and was responsible for research and suggesting scrips for investment / trading to the management of the Sterling group. Manish Chaturvedi was also placing orders with the stock brokers on behalf of the Sterling group. The trades of the

Sterling group were made through their brokers i.e., JM Financial Services Limited ("JMFL") and HSBC Invest Direct Securities (India) Limited ("HSBC"), who in their letters to the respondent had also identified Manish Chaturvedi as the person who was placing orders in the trading accounts of the Sterling group. Further, voice recordings providing by JMFL and HSBC to the respondent clearly indicated that Manish Chaturvedi was placing orders on behalf of the Sterling group.

7. SEBI after considering the investigation report passed an ex-parte ad-interim impounding order dated July 31, 2015, *prima-facie,* finding that the Manish Chaturvedi was involved in front running activity and, consequently, Manish Chaturvedi and 11 other noticees to impound unlawful gains amounting to Rs. 13,53,92,184/- to be paid jointly and severally. In addition, impounding order was also passed against Madhu Chanda and two other noticees directing them to impound Rs. 65,15,298/-.

8. Thereafter, three show cause notices dated February 9, 2017 were issued. The show cause notices alleged that the trades of the Sterling group were front-run in 7 different trading accounts i.e. accounts of noticee nos. 2, 4, 6, 7, 8, 10 and 12 (Laxmi Chaturvedi,

Viraj Mercantile, Josh Trading, Pinky Auto Finance, E-Ally, Shree Jaisal Electronics and Bhavesh Gadhavi) and such front-runners had made unfair gains. It was further alleged that the front-running activity by the front-runners was a result of facilitation by noticee nos. 1, 3, 5, 9 and 11 (Manish Chaturvedi, Manohar Chaturvedi, Abhinandan Ranka, Sandeep Maloo and Neeta Maloo).

9. It was further alleged that the clients of Sharekhan were front-run by Sharekhan (in its proprietary account), Anandilal Chanda (Noticee nos. 14) and Anandilal Chanda HUF (Noticee nos. 15) and that Madhu Chanda (Noticee nos. 13) used / passed the information of orders placed by Manish Chaturvedi to her husband, Anandilal Chanda and had also facilitated (a) Manish Chaturvedi in front-running the trades of the Sterling group and (b) Sharekhan, Anandilal Chanda and Anandilal Chanda HUF to front-run the clients of Sharekhan.

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

11. As a result, the aforementioned entities / noticees nos. 1-15 were alleged to have violated the provisions of the SEBI Act and the PFUTP Regulations, 2003.

12. It was alleged that Praveen Jain provided multiple trading accounts for front-running and was, therefore, a part of the fraudulent scheme of front-running by Manish Charurvedi. As a result, Praveen Jain / Noticee nos. 16 was alleged to have violated the provisions of the SEBI Act and the PFUTP Regulations, 2003 cited in the beginning of this paragraph.

13. The WTM and AO after considering the material evidence on record, found the appellants guilty of front running activities. Accordingly, direction of debarment and disgorgement was passed by WTM and penalty was imposed by AO.

14. The authorities found that trades of the Sterling group were front-run in 7 different trading accounts of appellant Laxmi Chaturvedi, appellant Viraj Mercantile, appellant Josh Trading, Pinky Auto Finance Ltd. (hereinafter referred to as 'Pinky Auto Finance'), appellant E-Ally Consulting, appellant Shree Jaisal Electronics and Bhavesh Gadhavi and unfair gains accrued to these

accounts. All of the aforesaid 7 trading accounts were maintained with Sharekhan.

15. The authorities found that the appellant Praveen Jain, who resided in the same building as Manish Chaturvedi during the investigation period, admittedly, arranged for the trading accounts of the aforesaid front runners (who were his friends / relatives) to be used for the front running activity. Praveen Jain had fund transactions with all the 7 front runners and had facilitated banking transactions for the front runners through several entities, which claimed to be involved in the business of diamond trading, etc. Abhinandan Ranka, who is the cousin of Praveen Jain was the director of Josh Trading and Pinky Auto Finance who was authorised to trade in the trading accounts of the said entities. Sandeep Maloo, who was an old friend of Praveen Jain, was authorized to trade in trading accounts of E-Ally and Pinky Auto Finance. Neeta Maloo, wife of Sandeep Maloo was authorised to trade in the trading account of Shree Jaisal. Manohar Chaturvedi (father of Manish Chaturvedi) was authorized to trade in the trading account of Laxmi Chaturvedi (mother of Manish Chaturvedi).

16. It was found that the appellant Madhu Chanda, was a long-standing employee and a dealer at Sharekhan and was handling the trading accounts of the front runners i.e. the aforesaid 7 entities. Madhu Chanda had facilitated the front-running activity of Manish Chaturvedi in the trades of the, Sterling group as Manish Chaturvedi and Madhu Chanda were observed to be frequently communicating during market hours and the orders placed in the trading accounts of some of the aforesaid 7 entities were also in synchronization with the call timings between them.

17. The authorities found that Madhu Chanda had used / passed the confidential information of orders placed by Manish Chaturvedi in the trading accounts of the aforesaid 7 entities to her husband, Anandilal Chanda. With the strength of such "information" passed on by Madhu Chanda, Anandilal Chanda carried out trading activity to front run the clients of Sharekhan i.e., the aforesaid 7 entities (Noticee Nos. 2, 4, 6, 7, 8, l0 and 12) in his own account, in the account of Anandilal Chanda HUF and in the proprietary account of Sharekhan.

18. The proceedings initiated against Sharekhan vide the 2nd show cause notice dated February 9, 2017 as well as adjudicating

proceedings against Sharekhan were settled and disposed of vide a settlement order dated April 23, 2019 read with addendum to the settlement order dated June 4, 2019 passed by the respondent whereby Sharekhan has deposited the entire ill-gotten gain and settlement amount in accordance with the aforesaid settlement order.

19. The role and connection of the appellants have been set out in detail at paras II, III, IV and VI of the WTM order. This connection has not been disputed by any of the appellants. Further, the appellants viz. Praveen Kumar Jain, E-Ally Consulting, Sandeep Maloo, Shree Jaisal Electronics, Neeta Maloo, Viraj Mercantile, Abhinandan Ranka and Josh Trading have even admitted their respective role in the scheme of front running in the course of oral arguments before this Tribunal.

20. We have heard Mr. Gaurav Joshi, the learned senior counsel with Mr. V. M. Singh and Mr. Pulkit Sharma, the learned counsel with Mr. Sukrut Mhatre, Ms. Rishika Harish, Ms. Akshaya Bhansali, Mr. Suyash Bhandari, Mr. Pulkit Lodha, the learned counsel and Ms. Nirali Mehta, Practicing Company Secretary for the appellants and Mr. Mustafa Doctor, the learned senior counsel with Mr. Sumit Rai, Ms. Nidhi Singh, Ms. Deepti Mohan, Ms. Purvi Jain,

Ms. Hubab Sayyed, Mr. Raghav Taneja, the learned counsel for the respondent.

21. We find that Manish Chaturvedi by virtue of his role and position in the Sterling group, Manish Chaturvedi was in possession of vital information such as trade type (buy / sell), scrip, order date and time, price and quantity of the orders of the Sterling group. The *modus operandi* adopted by Manish Chaturvedi in front running the trades of the Sterling group was to place several orders through one or more of the trading accounts of the aforesaid 7 entities i.e. Noticee Nos. 2, 4, 6, 7, 8, l0 and 12 that were used for front-running in smaller quantities. The trading accounts of the said 7 entities were held with Sharekhan and were handled by Madhu Chanda (Noticee No. l3). Manish Chaturvedi used to carry out the trading activity of front running the Sterling group by calling up the dealer i.e. Madhu Chanda who facilitated the front running activity.

22. We also find that the front runners had traded in a total of 4001 scrip days of which trading on 833 such scrip days by them were common with the trading done by the Sterling group. Not only this, the profit earned by the front runners was significantly higher

on the said 833 common scrip days (Rs. 8.72 Crore) as opposed to the profit of Rs. 39 lakh made on the remaining 3168 scrip days.

23. We also find that the percentage number of shares traded by the front runners was overwhelmingly high i.e. 84.68% on days when the Sterling group had traded. Further, of the shares day traded on the scrip day common with the Sterling group, 85.95% of the number of shares day traded matched with that of the Sterling group.

24. We also find that out of the total number of trades of the front runners matched with the Sterling group, 85.24% of number of trades matched was ordered at the same price by the front runners as that of the Sterling group. We find that the very nature front running refers to an extremely precise trading activity which is impossible to achieve unless the front runner had access to the non-public information about the impending orders of the Big Client (in this case the, Sterling group). For this reason, matching of common scrip days, common percentage of shares, precise matching of price by the front runner with the Big Client, earning significant amounts of profits on common scrip days with the Big Client when compared to non-common scrip days are all extremely strong indicators that

the front runners were placing its orders ahead of and in tandem with the large orders of the Big Client in order to make gains for themselves. Thus, due to the trading based on prior information of trades of the Sterling group, the front runners and the entities who facilitated them gained unlawfully and caused loss to other investors / deprived the investors from profits.

25. We also find that the calls made between Manish Chaturvedi and Madhu Chanda (the dealer at Sharekhan) in respect of the trades executed in the trading accounts of the front runners (i.e. the noticee nos. 2, 4, 6, 7, 8, 10 and l2), shows synchronization of the trade timing as well as trade quantity by the front runners with that of the Sterling group.

26. The said modus operandi as well as the synchronization of trade timing and trade quantity between the trades of the front runners *vis-a-vis* the Sterling group has neither been denied nor contested by any of the appellants before this Tribunal. We, therefore, hold that the fraudulent scheme of front running was clearly established in the present case.

27. We find that a sample analysis of the trades placed in the accounts of each of the front runners *vis-a-vis* the trades in the account of the respective Sterling group entity has been carried out meticulously in the WTM order as well as the respective AO orders which clearly establish the manner in which the front running trades were carried out.

28. For the sake of brevity, the analysis of the trades of noticee nos. 2 i.e. Laxmi Chaturvedi and noticee nos. 8 i.e. E-Ally ahead of Abhi Ambi (a Sterling group entity) in the scrip of Idea Cellular ("Idea") on 18.11.2020, on NSE is as under :-

(i) On 18.11.2010, Laxmi Chaturvedi had day traded a total of 5,54,407 shares (5,54,229 shares matched with the Sterling group) in five tranches and had earned a profit of Rs. 2,59,135/-. E-Ally had day traded a total of 3,03,000 shares in 1 tranche matching 100% with Sterling group and had earned a profit of Rs. 89,247/-. Both Laxmi Chaturvedi and E-Ally were observed to be short-selling and later squaring off their position on the aforesaid scrip day.

(ii) Table VII shows trades of Laxmi Chaturvedi on November 18, 2010 and Table VIII shows trades of E-Ally on November 18, 2010 of the WTM order and the same are reproduced hereunder :-

TABLE VII – TRADES OF LAXMI CHATURVEDI ON 18.11.2010							
		A	B	C	D	E	
SR. NO.	**CLIENT**	**SHORT SELL TRADE TIME (HOURS)**	**BUY TRADE TIME (HOURS)**	**SELL QUNATITY**	**BUY QUANTITY**	**PROFIT (Rs.)**	**% MATCHED WITH STERLING GROUP**
1.	Laxmi Chaturvedi	09:15:13-09:24:31	09:24:37-09:24:48	1,08,719	1,05,178	91,152	99.91
2.	Laxmi Chaturvedi	09:27:59-09:36:26	09:38:31-09:38:42	81,575	85,116		
3.	**Laxmi Chaturvedi**	**12:36:55-12:58:50**	**13:02:15-13:02:32**	**2,48,037**	**2,50,000**	**1,06,818**	**100.00**
4.	Laxmi Chaturvedi	13:12:32-13:19:39	13:19:44-13:19:46	30,338	30,345	9,453	100.00
5.	Laxmi Chaturvedi	13:40:45-13:46:26	13:46:43-13:46:50	83,768	83,768	51,122	100.00
TOTAL				**5,52,437**	**5,54,407**	**2,59,135**	**99.98**

TABLE VIII – TRADES OF E-ALLY ON 18.11.2010							
		A	B	C	D	E	
SR. NO.	**CLIENT**	**SHORT SELL TRADE TIME (HOURS)**	**BUY TRADE TIME (HOURS)**	**SELL QUNATITY**	**BUY QUANTITY**	**PROFIT (Rs.)**	**% MATCHED WITH STERLING GROUP**
1.	E-ALLY	12:59:04-13:01:45	13:02:15-13:02:32	3,03,000	3,03,000	89,247	100.00%

(iii) The relevant order and trade details of the tranche highlighted above at sr. no. 3 of the above Table VII

(Laxmi Chaturvedi) and sr. no. l of Table VIII (E-Ally) are analysed below in light of trades of Abhi Ambi (a Sterling group entity) and alongwith the synchronization of relevant calls between Manish Chaturvedi - Madhu Chanda and Manish Chaturvedi - JMFL (as per voice recordings made available by JMFL) are at Table IX and Table X respectively of the WTM order and the same is reproduced as under :-

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

TABLE X – BUY TRADES OF LAXMI AND E-ALLY AND SELL TRADES OF ABHI AMBI ON 18.11.2010								
	LAXMI CHATURVEDI AND E-ALLY				ABHI AMBI			
	TOTAL BUY QUANTITY	**AVG. BUY PRICE (Rs.)**	**TURNOVER (Rs.)**		**TOTAL SELL QUANTIY**	**AVG. SELL PRICE (Rs.)**	**TURNOVER (Rs.)**	
	5,53,000	69.60	3,84,88,800		7,64,919	69.63	5,32,57,509	
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
	BUY	**BUY**	**BUY**	**BUY**	**SELL**	**SELL**	**SELL**	**SELL**

	ORDER TIME	ORDER PRICE (Rs.)	TRADE TIME	TRADE PRICE (Rs.)	ORDER TIME	ORDER PRICE	TRADE TIME	TRADE PRICE (Rs.)
FROM	13:01:55	69.60	13:02:15	69.60	13:02:15	69.60	13:02:15	70.10
TO	13:02:08	69.60	13:02:32	69.60	13:02:32	69.60	13:02:45	69.60

(iv) At 12:33:08, Manish Chaturvedi (9967051632) had called Madhu Chanda. The duration of the aforementioned call was 33 minutes and the call was ended at 13:03:08. During the duration of the above mentioned call between Manish Chaturvedi and Madhu Chanda, a total of 66 sell orders were placed in Laxmi Chaturvedi's account from 12:36:47 - 12:58:50 resulting in 2,48,037 shares being sold in Laxmi Chaturvedi's account (see column C of Table VII above).

(v) In the intervening period, Manish Chaturvedi (9967051632) had called JMFL (044-42255603) at 12:56:58 while the call placed to Madhu Chanda was online. The duration of the aforementioned call was 3:53 minutes. Manish Chaturvedi had enquired with JMFL dealer about number of shares of Idea available

in Abhi Ambi account and, thereafter, had put the call on hold.

(vi) During the duration of the above mentioned calls between (a) Manish Chaturvedi and Madhu Chanda and (b) Manish Chaturvedi and JMFL, a total of 27 sell orders were placed in E Ally's account from 12:59:04 - 13:01:45 resulting in 3,03,000 shares being sold in E-Ally's account (see column C of Table VIII above).

(vii) At 13:01:09, JMFL had called Manish Chaturvedi (9790967968) while the call by Manish Chaturvedi (9967051632) to Madhu Chanda was online. The duration of the aforementioned call was 2:13 minutes. During the duration of the aforementioned call between Manish Chaturvedi and JMFL, Manish Chaturvedi was heard to be talking in the background asking the other person to sell 50,000 and a sell order was observed in E-Ally's account for the same quantity.

(viii) About 20 seconds prior to the order placed in Abhi Ambi's account at Rs. 69.60 (see column F of Table X

above), Manish Chaturvedi was heard to have mentioned “69.60” in the background which is the time when the buy orders were placed in the account of Laxmi Chaturvedi for 2,50,000 shares at 13:01:55 (see column D of Table VII and column A of Table X above) and in close proximity to the time when buy orders were placed in the account of E-Ally for 3,00,000 and 3,000 shares at l3:01:57 and 13:02:08, respectively (see column D of Table VIII and column A of Table X above).

(ix) Thereafter, the two sell orders of Abhi Ambi were placed at 13:02:15 and 13:02:32 (see column E of Table X) and 72.30% of the quantity sold was matched with the buy orders of Laxmi Chaturvedi and E-Ally (100% of shares bought by front-runners i.e. buy quantity of 5,53,000 shares (see Total Buy Quantity at Table X and also column D of Tables VII and VIII above).

29. It is clear from the above trading pattern in the trading accounts of Laxmi Chaturvedi and E-Ally that it could not have

been possible unless such trading activity was based on information about the impending orders of the Sterling group. From the details of calls made by Manish Chaturvedi to Madhu Chanda near the order timings in the account of Laxmi Chaturvedi and E-Ally and the voice heard in the background in the recording provided by JMFL corroborated with the trade data in the account of E-Ally, it is clearly established that Manish Chaturvedi was front-running the Sterling group in the above case analysis though the accounts of Laxmi Chaturvedi and E-Ally on the basis of information in his possession.

30. We also find that Madhu Chanda had used / passed the information of orders placed by Manish Chaturvedi in the trading accounts of the aforesaid 7 entities as well as the trades of the Sterling group to her husband, Anandilal Chanda.

31. Anandilal Chanda with the strength of such ‘information’ as passed on by Madhu Chanda, and upon observing the trading and order placement pattern in various accounts of the aforesaid 7 entities (noticee nos. 2, 4, 6, 7, 8, l0 and l2), Anandilal Chanda placed orders in his own account, Anandilal Chanda HUF’s account and in the proprietary account of Sharekhan and in this manner had

traded even ahead in terms of the time and / or price of the clients of Sharekhan and front run the big client i.e. Sterling group. It is submitted that ultimately the front running trades of Anandilal Chanda and Anandilal Chanda HUF took the benefit of the impending trades of the big clients i.e. Sterling group. Therefore, while observing the timing and price of the orders punched by Anandilal Chanda and Anandilal Chanda HUF must be compared with the timing and price of the orders punched by the big clients i.e. Sterling group.

32. We also find that the trades executed by Anandilal Chanda were synchronised trades as analyzed hereunder :-

(i) The orders placed to square off the existing position in the accounts of Anandilal Chanda and Anandilal Chanda HUF were being placed either before (i.e. jumping the time priority) the orders in the accounts of 7 Front Runners / clients of Sharekhan and / or at a price better (i.e. jumping the price priority) than that of the orders in the accounts of clients of Sharekhan.

(ii) Due to the aforesaid strategy, the trades in the accounts of Anandilal Chanda and Anandilal Chanda HUF got executed before (due to being ahead in terms of price-time priority) the trades in the accounts of noticee nos. 2, 4, 6, 7, 8, 10 and 12 and got matched with the trades of the Sterling group. This also resulted in orders of these clients of Sharekhan remaining unexecuted which had to be later deleted by these clients.

(iii) In majority of the orders, the order price in the accounts of clients of Sharekhan was same as that of the Sterling group and the order price of Anandilal Chanda and Anandilal Chanda HUF were same as that of the clients of Sharekhan or with a difference of Rs. 0.05 (better by one tick). Out of the total number of trades matched with the Sterling group, 75.38% of number of trades executed by the dealers were ordered at the same price or at a price difference of Rs. 0.05 as that of the Sterling group. Thus, it leads to an inescapable conclusion that the trades of Anandilal Chanda and Anandilal Chanda

HUF had occurred on account of specific information obtained by Anandilal Chanda from Madhu Chanda.

33. In this regard, the WTM and the AO scrupulously did a sample analysis of the trades of Anandilal Chanda / Anandilal Chanda HUF *vis-a-vis* the trades of respective front runner entity from the aforesaid 7 Noticees *vis-a-vis* the trades of the Sterling group. While analyzing the aforesaid trades, the WTM and the AO *inter-alia* noted that orders were placed in the accounts of Anandilal Chanda and Anandilal Chanda HUF either seconds before the order of client of Sharekhan or at a price slightly better than that of the client of Sharekhan.

34. Thus, considering all the above facts and attendant circumstances, the WTM and the AO correctly held that the trades of Anandilal Chanda and Anandilal Chanda HUF were based on the specific information obtained by Anandilal Chanda from Madhu Chanda, and more so in the absence of any plausible explanation by the appellants (the Chandas) of the peculiar and unusual manner in which their trades were executed ahead of the trades of the clients of Sharekhan and matched with the trades of the Sterling group.

35. We further find that the nature, volume and value of trades of Anandilal Chanda and Anandilal Chanda HUF further corroborate the fact that they were carrying out front running activity in order to front run the clients of Sharekhan based on the information that was being passed on by Madhu Chanda to Anandilal Chanda :-

(i) Anandilal Chanda and his HUF had traded on 1,707 scrip days of which 603 scrip days are common with that of the Sterling group. However, the amount of profit earned on common scrip days' amounts to Rs. 39,29,327/- as against a profit of Rs. 98,089/- on the other scrip days.

(ii) 92.83% of number of shares day traded during the investigation period were on scrip days common with the Sterling group.

(iii) Further, of the shares day traded on the scrip days common with the Sterling group, 6l.88% of the number of shares day traded matched with Sterling group.

(iv) The huge variation in the average number of shares and value per trade with the Sterling group (same counter-

party as that of the clients of Sharekhan) as against the others in the market indicates that the orders placed by Anandilal Chanda and his HUF were placed based on orders of clients of Sharekhan.

(v) The value of trades / number of shares traded and the average amount of profit earned by the front-runners on the scrip days common with the Sterling group and the clients of Sharekhan was much higher than that on other scrip days.

36. Thus, the WTM order and the AO order have correctly held that due to the trading based on prior information of trades of the aforesaid 7 noticees (noticee Nos. 2, 4, 6, 7, 8, 10 and 12) and of the Sterling group, Madhu Chanda, Anandilal Chanda and Anandilal Chanda HUF defrauded investors in the securities market and caused loss to other investors / deprived the investors from profits, and made unlawful gains in their respective trading accounts.

37. The appellants Manish Chaturvedi, Laxmi Chaturvedi and Manohar Chaturvedi have contended that there is an undue delay of seven years. Further, during cross-examination one person of

Sharekhan was present and the witness was prosecuted. Further, investigating material, namely, the investigation report was not supplied. It was also alleged that the authorities have relied upon the voice recordings without taking voice samples and without proving that the voice was that of Manish. It was also urged that the WTM / AO failed to prove the money trail and that calculation of unlawful gains was incorrect. It was, thus, contended that the order of the WTM and AO was passed in violation of the principles of natural justice.

38. We find that no attack on merits were placed by the appellants before us and, therefore, the findings given by the WTM / AO remains unrebutted. These appellants have also advanced technical arguments which cannot be raised at this stage. We find that these appellants had abstained from participating in the proceedings before the WTM / AO. These appellants did not appear nor filed any reply to the show cause notice. Therefore, the charges levelled against them remained unrebutted. The WTM has dealt at length the numerous opportunities given to them which they deliberately failed to avail. If they had appeared they could have been provided the documents now sought for. Thus, we do not find

any violation of the principles of natural justice as no request was made by them either before the WTM or before the AO. Thus, contention of a person being present during cross-examination, voice recording, non-supply of investigation report cannot be considered at this stage since no objection was raised before the WTM / AO.

39. We also find that there is no undue delay in the proceedings initiated by WTM / AO. We find that the appellants had filed an application before SEBI for settlement and prayed that the proceedings be kept in abeyance. Further, several opportunities were given to the appellants to file their replies. Thus, delay in the finalization of the proceedings was totally attributable to the appellants as they were responsible for causing delay.

40. In so far as delay in issuing the show cause notice is concerned, we find that the trades were executed in 2010 and show cause notice was issued in 2017. Collating data of 4001 scrips for 833 trading days through several front running entities was an uphill task which took time. Considering the findings of synchronised trades executed by the front runners, we are satisfied that in the given circumstances, there is no unusual delay in the issuance of the show

cause notice. Further, we find that no prejudice has been caused. No such plea has been raised.

41. The ground of delay raised by Madhu Chanda and others are also rejected on the aforesaid findings. The contention that no opportunity was given to cross-examine a witness (Manish) is erroneous. The breach committed by the appellants is distinct to the role of Manish and, consequently, the plea of cross-examination was only a ploy to derail the proceedings. In any case, we find that the request for cross examination was given up by the appellant before the WTM which finding has not been disputed before us. Similarly, the contention that documents were not supplied is incorrect in as much as relevant extract applicable to the appellants were supplied. These grounds raised are technical which does not cause any prejudice.

42. Praveen Kumar Jain has in his replies and submissions before the WTM and the AO admitted that the trading accounts of the front runners were those of his friends and relatives which were permitted to be used by him. He has also admitted to having provided Manish Chaturvedi with 6 trading accounts of entities, namely, Viraj Mercantile, Josh Trading, Pinky Auto, E-Ally Consulting, Shree

Jaisal and Bhavesh Gadhavi, for a commission of 1 paisa for every Rs. 100 trade. Praveen Kumar Jain has further also admitted that he used to give the profits earned in those accounts to Manish Chaturvedi in cash / cheque whenever Manish Chaturvedi requested for the same after deducting commission and expenses. Thus, Praveen Kumar Jain granted control of the 6 trading accounts to Manish Chaturvedi for the fraudulent activity of front running. The role of Praveen Kumar Jain was a crucial one in the present case who has made available 6 trading accounts thereby enabling and facilitating Manish Chaturvedi in carrying out the fraudulent activity of front running.

43. The front runners (noticee nos. 4, 6, 7, 8, l0 and 12) viz. Viraj Mercantile, Josh Trading, Pinky Auto, E-Ally, Shree Jaisal and Bhavesh Gadhavi respectively have also admitted their role in lending the trading accounts to Praveen Jain and in fact couched their submissions before this Hon'ble Tribunal as a 'mercy petition' whereby they have restricted their submissions only to reduction of penalty and period of debarment imposed against them. In this regard, it is submitted that lending of trading accounts is an offence of grave nature as the same may lead to misuse of trading accounts

for activities in the securities market that may not be for genuine transactions as has happened in the present case and the same amounts to ‘fraud’ for the purposes of the PFUTP Regulations.

44. Apart from the involvement of Praveen Kumar Jain in the fraudulent scheme of front-running, he has also been found to have failed to comply with the earlier directions of restraint issued by the respondent vide order dated 23.04.2009 in the matter of Pyramid Saimira Limited, the details of which are extracted hereunder :-

(i) Vide an interim order dated 23.04,2009 passed by the respondent in the matter of Pyramid Saimira Limited, Praveen Jain in his capacity of director of Anchal Properties Pvt. Ltd., SBJ Trading Pvt. Ltd. and Bafna Exim Pvt. Ltd. had been *inter-alia* directed not to buy, sell or deal in the securities market including in Initial Public Offerings, in any manner, either directly or indirectly, till further directions. The operation of the said order dated 23.04.2009 was stayed by this Hon'ble Tribunal vide an order dated 04.10.2012. Thus, Praveen Kumar Jain remained restraint from dealing in securities market from 23.04.2009 to 04.10.2012. In

this regard, it is submitted that the phrase "dealing in securities" as defined in Regulation 2(b) of the PFUTP Regulations is an inclusive definition having a very wide connotation and meaning.

(ii) Praveen Kumar Jain admittedly indulged into lending / renting the 6 trading accounts of the front runners to Manish Chaturvedi for him to carry out the front running activity, and thereby dealt in securities during the period of restraint vide the order dated 23.04.2009. It is germane to set out the periods during which the front-running activity was carried out in the 6 trading accounts, overlapping the period of restraint on the appellant vide the interim order dated 23.04.2009, viz. (i) in the account of Viraj Mercantile and (ii) Josh Trading : from 07.12.2010 to 29.03.2011, (iii) in the account of Pinky Auto : from 07.05.2010 to 30.07.2010, (iv) in the account of E-Ally Consultancy : from 03.08.2010 to 17.02.2011 (except one day of trading on 17.05.2010), (v) in the account of Bhavesh Gadhavi : from 16.07.2009 to 30.04.2010 and in the account of

(vi) Shree Jaisal Electronics : from October 2010 to February 2011.

(iii) Thus, Praveen Kumar Jain clearly contravened the directions issued by the respondent vide the order dated 23.04.2009, and thus, the imposition of monetary penalty of an amount of Rs. 10,00,000/- (Rupees Ten Lakhs only) on the appellant under Section 15HB of the SEBI Act is fully justified.

45. In view of the aforesaid, in the light of overwhelming evidence, we do not find any merit in the appeals filed by the appellants. All the appeals fail and are dismissed with no order as to costs.

Justice Tarun Agarwala
Presiding Officer

Ms. Meera Swarup
Technical Member

30.10.2023
PTM