

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/AK/DS/2025-26/31523-31525]
UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA
ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY
AND IMPOSING PENALTIES) RULES, 1995, IN RESPECT OF;

Noticee Name	PAN
M/s Aqua Proof Wall Plast Private Limited (APWPPL)	AABCP8906G
Naresh Chandra Bohra	AAEPB6341F
Shakuntla Bohra	AAEPB6342G

In the matter of

Front running by certain entities in the scrip of KPIT Technologies Limited

-
1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted investigation in the matter of suspected front-running by certain entities in the scrip of KPIT Technologies Limited (hereinafter referred to as “**KPIT**” / “**the Company**”).
 2. It was observed that Mehrangarh Financial Advisors Private Limited (hereinafter referred to as “**MFAPL**”), while dealing through broker Anand Rathi Shares and Stock Brokers Ltd (hereinafter referred to as “**ARSSBL**”) in the scrip of KPIT, on July 26, 2017, had indulged in front running ahead of Big Client, M/s Warhol Limited (hereinafter, referred to as “**the BC**”). It was observed that there were prima facie violations of various provisions of SEBI Act, 1992 (“**SEBI Act**”) and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”). The summary of violations alleged to have been committed, inter alia, by the Noticees and the corresponding regulatory provisions are given in the table below:

Notice No.	Noticee Name	Regulatory Provisions	Under section
1	M/s Aqua Proof Wall Plast Private Limited (APWPPL)*	Regulation Section 12A(a), (b) & (c) of SEBI Act r/w Regulation 3(a), 3(b), 3(c), 3(d) and 4 (1) of PFUTP Regulations.	Section 15HA of SEBI Act
2	Naresh Chandra Bohra		
3	Shakuntla Bohra		

* MFAPL amalgamated into APWPPL with effect from January 01, 2018.

- SEBI initiated adjudication proceedings against the Noticees u/s 15-I of SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “**SEBI Adjudication Rules**”) r/w Section 19 of SEBI Act, to enquire into and adjudge u/s 15HA of the SEBI Act, the alleged violations, as stated above.

APPOINTMENT OF ADJUDICATING OFFICER

- Ms. Shashikumar Valsakumar, was appointed as the Adjudicating Officer (**AO**), vide Order dated January 09, 2024 u/s 15-I of the SEBI Act, and Rule 3 of SEBI Adjudication Rules r/w Section 19 of the SEBI Act. Subsequently, vide Order dated July 22, 2024, Ms. Asha Shetty was appointed as AO in the present matter. Pursuant to her transfer, the undersigned was appointed as AO, vide Order dated November 2, 2024, to inquire into and adjudge u/s 15HA of SEBI Act, the violations alleged to have been committed by the Noticees.

SHOW CAUSE NOTICE, REPLY OF THE NOTICEE AND HEARING

- Show Cause Notice (hereinafter referred to as “**SCN**”) dated March 07, 2024 was issued to the Noticees in terms of rule 4 of SEBI Adjudication Rules, to show cause as to why inquiry should not be held against them and why penalty, if any, be not imposed on them u/s 15HA of SEBI Act. The SCN was duly delivered to the Noticees.

6. Brief details of the case and the allegations brought out in the SCN are provided below:

6.1. The period of Investigation was from July 26, 2016 to July 27, 2017 (herein after referred to as “**Investigation Period**” / “**IP**”)

6.2. **BC:** BC was among two big clients connected with Chrys Capital based in Mauritius, which executed large sell trade in the scrip of KPIT on July 26, 2017 while dealing through broker IIFL.

6.3. **Front Runner (FR) – MFAPL:** MFAPL was established in 2010, and had two shareholders and directors viz, Naresh Chandra Bohra (Noticee 2) and his mother Shakuntala (Noticee 3) till its amalgamation with a company related to Anand Rathi Group viz, APWPPL in January 2018. MFAPL was allegedly a front entity connected with its broker ARSSBL and its group companies as name of the persons and e-mail ID registered with the Bank account and trading account of MFAPL were found to be of the officials of ARSSBL and its group companies, almost all the fund transactions of the MFAPL during the IP were found to be with ARSSBL and its group companies and there were no fund transactions with its two aforesaid directors/shareholders. MFAPL allegedly indulged in front running with the trade of BC while dealing in the scrip of KPIT on July 26, 2017 through its broker ARSSBL.

6.4. **Noticee 1 - APWPPL** is a company promoted by Anand Rathi Group, and it had two directors including Vishal Laddha (since 2004 till date). FR MFAPL was connected with the APWPPL as it through the resolution dated April 6, 2017 had already decided to amalgamate MFAPL with it and the same was subsequently approved vide NCLT order dated Jan 1, 2018. Further, APWPPL also had several fund transactions with MFAPL. As MFAPL amalgamated into Noticee 1, all the alleged violations by MFAPL were inherited by Noticee 1, as a going concern and hence the current proceedings were initiated against Noticee 1.

6.5. **IIFL Securities Ltd (IIFL):** Broker through which the BC executed its large sell trades in the scrip of KPIT on July 26, 2017. On the said date, IIFL co-ordinated

with buy broker ARSSBL for execution of bulk deals between its big sell clients including BC and four big buyer clients of ARSSBL. On the same day, sell trades of BC were allegedly front run by MFAPL while dealing through ARSSBL.

6.6. **ARSSBL:** Being broker of four big buyer clients, ARSSBL engaged and coordinated with IIFL to undertake bulk deals with large selling client of IIFL including BC in the scrip of KPIT on July 26, 2017. ARSSBL was also the broker of its connected entity MFAPL, for which it executed trades, allegedly in the nature of front running with the sell trades of BC

6.7. **Vishal Laddha:** Apart from being Director of APWPPL, he was CEO of Institutional Equities and Director at ARSSBL. He along with his Institutional Equities team at ARSSBL were privy to the large sell order of BC and Van Dyck. He closely co-ordinated with institutional team at IIFL for execution of bulk deals between aforesaid big buyer clients of ARSSBL and the big seller clients of IIFL including BC. Being director and authorised signatory of APWPPL, he was involved in the passing of resolution dated April 6, 2017 and other such requirements for amalgamation of MFAPL with APWPPL.

6.8. **Noticees 2 and 3:** Naresh Chandra Bohra and his mother Shakuntala Bohra were the two shareholders and directors of MFAPL till the amalgamation of MFAPL with APWPPL. As per submission of Naresh Chandra Bohra, they had agreed to be part of the MFAPL as they had family acquaintance with the Anand Rathi family, however, MFAPL was established and operated under the instruction of Anand Rathi Securities (old name of holding company Anand Rathi Financial Services Ltd or ARFSL). He has claimed to have not involved in any dealing in shares on behalf of MFAPL inter-alia including in the shares of KPIT. Upon analysis of bank statement of MFAPL during the IP, no fund transactions were noted with Naresh Chandra Bohra and Shakuntala Bohra and most of the bank transactions were noted to be undertaken with the ARSSBL and its group entities. Further, ARSSBL was not able to provide any

evidence as regards receipt of orders from Naresh Chandra Bohra for dealing in the shares including in the scrip of KPIT.

6.9. FR MFAPL has traded in total 124 scrips in the equity segment during the IP.

There was one instance when FR MFAPL and BC traded in a common scrip i.e, KPIT on July 26, 2017, and the same comprised Gross Traded Value (GTV) of INR1,347.74 lakhs i.e, 15.65% of its total GTV of MFAPL during the IP. MFAPL earned profit of INR.19.53 lakh from the day trading associated with the front running instance with BC, and the same comprised significant 89.95% of its total profit from day trading during the IP.

6.10. Brief details of the front runner MFAPL and its broker ARSSBL are as follows:

	ARSSBL (broker of MFAPL)
Name	Anand Rathi Share And Stock Brokers Limited
Address	Express Zone, A-Wing, 10th Floor, Western Express Highway, Goregaon (East), Mumbai-400063
E-mail ID	secretarialoffice@rathi.com (registered with MCA)
Name of Directors	Priti Gupta, Pradeep Kumar Gupta, Roop Kishor Bhutra, Vishal Laddha
Name of Promoters	Anand Rathi Financial Services Ltd, Sushila Devi Gupta, Anand Rathi, Priti Gupta, Roop Kishor Bhootra, Pradeep Kumar Gupta
Dealer for FR/BC	Viral Sanghavi (PAN: BCNPS0113E)

Name	Mehrangarh Financial Advisors Private Limited (MFAPL)
PAN	AAGCM7221G
Address	603, Dheeraj Savera Tower, Khatau Mills, Compound, Off. Western Express Highway, Borivali East, Mumbai- 400066
Directors	Naresh Chandra Bohra and Shakuntala Bohra
Introducer	Santosh Naik
E-mail	<ol style="list-style-type: none"> maheshsarda@rathi.com (registered with trading account) nirmal@rathi.com (registered with demat account) secretarialoffice@rathi.com (registered with MCA)
Authorised person to operate de-mat account	<ol style="list-style-type: none"> 1. Authorised signatories for opening of Demat account and its operation as per abstract of board meeting minutes of MFAPL dated Oct 12, 2010: Nitesh Porwal, Rajesh Bhutra, M.L. Agarwal and Narendra Jain (singly or jointly) 2. Change in Authorised signatories for demat account (1201060001927451) as per resolution of the board passed in meeting held on June 17, 2015: Naresh Chandra Bohra and Shakuntala Bohra
Authorised person to operate trading account	As per the KYC form and enclosure to it provided by NSE and broker ARSSBL, no person is specified or registered as authorised person/signatory to place order with broker for trading on behalf of MFAPL

Phone no.	9322308344 (registered with both trading and demat account); 40013845 (registered with trading account for trading at BSE)
Name of the Broker and Dealer	ARSSBL and its dealer Viral Sanghvi

- 6.11. It was observed that BC traded in the scrip of KPIT wherein it sold 1,89,74,207 shares of KPIT during 11:24:06 to 11:30:12 on July 26, 2017 at NSE comprising 31.4% of the total volume on July 26, 2017. As regards impact of the large sell trades of BC on price during 11:24:06 to 11:30:12, the price of the scrip came down from INR 123 at the beginning of dealing by BC to INR.120 i.e, a fall of 2.44% within aforesaid period of 6 minutes.
- 6.12. Noticee 1, trading through ARSSBL placed orders ahead of the orders of BC in Equity segment and squared off subsequently. The square off orders placed by Noticee 1 matched with the orders of BC. The pattern observed in the given case was Sell-Sell-Buy ("SSB") pattern. Details of the execution of trades by Noticee 1 vis-à-vis BC in the scrip of KPIT at NSE on July 26, 2017 are as follows:

	Noticee 1 - FR MFAPL				BC		
	Total Sell Qty	Avg Sell Price (INR)	Turnover (INR)				
	5,52,500	123.73	6,83,63,280.25				
	Sell Order Time(range)	Sell Order Price (INR)	Sell Trade Time(range)	Sell Trade Price (INR)			
From	10:13:56	127.00	10:13:56	127.25			
To	11:01:57	123.00	11:10:31	123.50			
	Total Buy Qty	Avg Buy Price (INR)	Turnover (INR)	Matched Qty Big Client	Total Sell Qty	Avg Sell Price (INR)	Turnover (INR)
	5,52,500	120.20	6,64,10,500.00	552,000	1,89,74,207	120.27	2,28,20,88,714.95

	Noticee 1 - FR MFAPL				BC			
	Buy order Time(range)	Buy Order Price (INR)	Buy Trade Time(range)	Buy Trade Price (INR)	Sell Order Time(range)	Sell Order Price (INR)	Sell Trade Time(range)	Sell Trade Price (INR)
From	11:11:10	120.20	11:24:08	120.20	11:24:06	120.00	11:24:06	122.90
To	11:11:47	120.20	11:24:08	120.20	11:30:10	120.00	11:30:12	120.00

- 6.13. Sell trades were executed from the trading account of Noticee 1 for 5,52,500 shares between 10:13:56 hrs and 11:10:31 hrs wherein the sell start price was INR 127.25 and sell end price was INR 123.50 (i.e., at an average of INR 123.73).
- 6.14. The sell trades for 1,89,74,207 shares were executed by BC between 11:24:06 hrs and 11:30:12 hrs, wherein the sell start price was INR 122.90 and sell end price was INR 120.00 (i.e., at an average of INR 120.27).
- 6.15. As soon as Big Client started selling, buy trades were executed for 5,52,500 shares at 11:24:08 hrs from the trading account of Noticee 1. The avg. price at which the buy trades were executed by front running client was INR 120.20 and 100% shares were matched with the big client. The entire trade for the day in the account of Noticee 1 had a positive square off of INR 19.53 lakhs.
- 6.16. It was observed that BC and Van Dyck sold 2,67,38,812 shares at NSE through IIFL. In the above dealings, first the sell trades of BC were executed and few minutes after the end of sell in the account of BC, sell trades on behalf of Van Dyck were executed. Further, it was observed ARSSBL was the top buy broker against the aforesaid substantial sell trades undertaken through IIFL, wherein ARSSBL through large trades bought 1,16,11,520 shares comprising 43.43% of the aforesaid sell volume on behalf for its four big buyer clients. Aforementioned large trades between the clients of IIFL and ARSSBL were in the nature of bulk deals executed at Stock Exchange (NSE).
- 6.17. Based on perusal of call recordings and transcripts provided by IDFC MF and call recording provided by Vishal Laddha of ARSSBL, following were the key

observations regarding bulk deals undertaken between clients of IIFL and ARSSBL in the scrip of KPIT on July 26, 2017:

Records provided by	Approx time of call, based on submissions received	Call between	Gist of the conversation
Vishal Laddha, ARSSBL	10:00	Vishal Laddha of ARSSBL and Rishad Lalla of IIFL	Vishal Laddha mentioned that they got to know that IIFL had seller client for KPIT Shares. Vishal requested Rishad to help close the proposed deal between their clients, to which Rishad Lalla assured his support
IDFC MF	10:04	Rishad Tehrani** of IIFL and Sunil Nair of IDFC MF	Rishad Tehrani mentioned that he is trying a block deal in KPIT involving big size, and sought whether IDFC MF is interested? Sunil Nair said No.
IDFC MF	10:21	Vishal Laddha of ARSSBL and Sunil Nair of IDFC MF	Vishal Laddha pointed to Sunil Nair that he would have called to enquire regarding KPIT Shares. Vishal assured Sunil that order of IDFC MF for INR 30 Crore will be taken care and advised to keep patience. Sunil Nair mentioned that IIFL shown them deal for KPIT in last 15 minutes and sought their interest, to which Vishal responded with disappointment asking his team member Mohit to talk to IIFL to not do so.
Vishal Laddha, ARSSBL	10:19*	Vishal Laddha of ARSSBL and Rishad Lalla of IIFL	Vishal Laddha raised objection regarding IIFL approaching IDFC MF to which Rishad Lalla denied the said conduct and once again assured that the deal will be closed
Vishal Laddha, ARSSBL	10:35	Vishal Laddha of ARSSBL and Rishad Lalla of IIFL	Rishad Lalla confirmed to Vishal that the deal is closed and told him to wait for some time, and they started discussing that at which exchange the orders were to be placed and regarding the scope of more buy order volume from ARSSBL.
IDFC MF	10:43	Vishal Laddha of ARSSBL and Sunil Nair of IDFC MF	Vishal Laddha told Sunil to send the buy order for INR 30 Crore immediately
IDFC MF	11:10	Vishal Laddha of ARSSBL and Sunil Nair of IDFC MF	Vishal Laddha mentioned receipt of partial orders from IDFC MF
Vishal Laddha, ARSSBL	11:11	Vishal Laddha of ARSSBL and Rishad Lalla of IIFL	Rishad Lalla reiterated to Vishal that the deal is closed and he is awaiting order from his big client
IDFC MF	11:19	Vishal Laddha of ARSSBL and Sunil Nair of IDFC MF	Vishal Laddha ask Sunil Nair if he can keep marginal leeway in price to avoid slippage
Vishal Laddha, ARSSBL	11:29*	Vishal Laddha of ARSSBL and Rishad Lalla of IIFL	Orders were placed from the end of ARSSBL and IIFL with co-ordination through phone call
IDFC MF	11:26	Vishal Laddha of ARSSBL and Sunil Nair of IDFC MF	Vishal Laddha confirmed to Sunil Nair that trades of IDFC have been executed
Vishal Laddha, ARSSBL	11:35	Vishal Laddha of ARSSBL and	Vishal told Rishad Lalla that there is another entity of Crys Capital, and asked him to enquire for another possible deal as ARSSBL required further 50 lakh shares

		Rishad Lalla of IIFL	
Vishal Laddha, ARSSBL	11:42	Vishal Laddha of ARSSBL and Rishad Lalla of IIFL	Vishal and Rishad Lalla discussed about placement of orders w.r.t another deal. Rishad Lalla said he is awaiting order from his client through email.
Vishal Laddha, ARSSBL	11:45	Vishal Laddha of ARSSBL and Rishad Lalla of IIFL	They both argued over placement of orders at NSE or BSE, and subsequently orders were placed

**Based on other corroborative material the time mentioned is incorrect;*

*** Rishad Tehrani was VP-Sales Trading at IIFL and Rishad Lalla was Head-Trading at IIFL*

6.18. Thus, it was observed that after receipt of large buy order from its big buyer client, ARSSBL was in regular contact with the IIFL since around 10 am till executions of trades with clients of IIFL on July 26, 2017. ARSSBL was also in contact with the IDFC MF (another institutional client) for execution of their buy orders against the sell trades of seller clients of IIFL. Vishal Laddha-CEO Institutional Sales and his team at ARSSBL were aware from the beginning on July 26, 2017 regarding the aforesaid bulk deals to be executed with the big clients of IIFL including BC in the scrip of KPIT.

6.19. it was observed that from the same telephone recording provided by Vishal Laddha, ARSSBL was aware of the possibility of execution of large sale trade by BC before the placement of order by MFAPL as ARSSBL had already received large buy order from its big buyer client before 10 am on July 26, 2017 and based on the same it started discussion with IIFL i.e, broker of seller client i.e. BC before the time of placement of sell orders by MFAPL.

6.20. It was noted that short sell began in the account of MFAPL within few minutes after receipt of large buy order of INR100 Cr by ARSSBL before 10 am and receipt of assurance from IIFL for the bulk deal at around 10 am. Initially, short sell of 25,000 shares or 4.52% of its total short sell volume was undertaken by ARSSBL in the account of MFAPL till the time the deal was not closed/ confirmed by IIFL, however, following the confirmation by IIFL at around 10:35, short sell for substantial 5,27,500 shares or 95.48% of its total short sell quantity was undertaken by ARSSBL in the account of MFAPL. It is noted that despite prevalent LTP at 123.5 and above, buy orders @ 120.2 were placed in

the account of MFAPL to take advantage of prior knowledge of subsequent sell trades of BC placed @ INR.120. Accordingly, 100% of the buy quantity comprising 5,52,500 shares of MFAPL was matched with the large sell trades of BC.

- 6.21. It was also noted that the timing of order placement and execution of trades on behalf of MFAPL through ARSSBL were in tandem with the updates readily available with the ARSSBL (who was the direct common link between FR MFAPL and BC) regarding the large sell order since the initiation of bulk deal talks between ARSSBL and IIFL, deal closure/ confirmation by IIFL, placement of order on behalf of BC. From the above, it was noted that ARSSBL aided MFAPL in front running with the sell trades of BC.
- 6.22. From the KYC and UCC details regarding the trading and demat account with ARSSBL and the KYC details regarding the HDFC Bank account 15770340007353 of Noticee 1, it was observed that
- 6.22.1. Noticee 1 and ARSSBL have common registered e-mail ID with MCA viz, secretarialoffice@rathi.com.
- 6.22.2. Santosh Naik was introducer in Account Opening Form (AOF) of Noticee 1 for broking/ demat account with ARSSBL, and ARSSBL itself was introducer in the AOF of MFAPL for bank account with HDFC Bank. Further, contact e-mail IDs bearing domain of rathi.com including nirmal@rathi.com and maheshsarda@rathi.com were provided in the AOF and UCC details w.r.t trading/demat account of MFAPL. As per submissions of ARSSBL vide e-mail dated March 15, 2023, Mahesh Sarda, Nirmal Chandak and Santosh Naik are associated with the accounts department of group companies of ARSSBL.
- 6.22.3. MFAPL was connected with the ARSSBL based on common e-mail ID registered with MCA, contact e-mail IDs of MFAPL bearing domain rathi.com, ARSSBL and employees of its group companies being introducer to bank account and trading account of MFAPL, and initial

authorised signatories w.r.t bank and demat account of MFAPL were also employees of ARSSBL group companies.

6.22.4. E-mail ID maheshsarda@rathi.com (registered with trading account) and nirmal@rathi.com (registered with demat account) does not belong to authorised signatories mentioned in the aforementioned resolutions of MFAPL taken on record by ARSSBL.

6.22.5. As regards phone number 9833115722 mentioned in AOF, as per the submissions made by HDFC Bank, it was observed that phone number 9833115722 belongs to three bank accounts relating to ARSSBL. viz, A/c no. 00602340029650 (Anand Rathi Commodities L- Mcx Client AC, closed w.e.r July 31, 2019), 00602340029660 (Anandrathi Commodities Ltd NCDX IN CL AC) and 15772340000095 (Anand Rathi Shr And Stk Brok Ltd-NSE NET).

6.23. From the submissions of Jugal Mantri (CEO of Anand Rathi Global Finance and Director in other companies related to Anand Rathi Group), it was noted that brother of Noticee 2 (Naresh Chandra Bohra), viz, Rajesh Bohra being part of Mahesh Chandra & Associates (Chartered Accountants) was doing internal audit of ARGFL and ARSSBL since April 1, 2016. Further, MFAPL was also a registered client of ARGFL and ARSSBL since 27/10/2010 and 13/10/2010, respectively. In a LinkedIn post of Rajesh Bohra, he posted photograph having himself and his family members in it along with Mr. Anand Rathi with caption *"Had an opportunity to meet Anand Rathiji once again and we sought his guidance. Had a great meeting with him and he gave us great pointers on how to grow professionally in current scenario"* to which Naresh Chandra Bohra has liked the post and commented *"relations of decades and three generations"*. Above substantiate the submission of Naresh Chandra Bohra that he and his family had acquaintance with Anand Rathi family.

6.24. As per the submissions of both ARSSBL and its dealer, Noticee 2 was the authorised person by MFAPL to place orders on behalf of MFAPL and he placed the order on July 26, 2017 as a walk-in client.

- 6.25. It was observed that Noticee 1 was merged with APWPPL. As per submission of APWPPL vide e-mail dated June 24, 2021 to ARSSBL (copy provided by ARSSBL to SEBI vide e-mail dated June 24, 2021) and ARSSBL submission to SEBI, vide email dated Aug 8, 2021, MFAPL was amalgamated with APWPPL as decided by Board of Directors viz, Vishal Laddha and Bajranglal Maheshwari, approving the Scheme of Amalgamation in their Board meeting held on April 06, 2017. Vishal Laddha was also CEO-Institutional Equities and Director of ARSSBL and privy to the large sell order of BC in the scrip of KPIT.
- 6.26. It was noted that Vishal Laddha has admittedly co-ordinated with the IIFL for executing bulk deals in the scrip of KPIT on July 26, 2017 including order placement and execution of trades, etc which makes it clear that he was privy to the large order of BC. Further, both APWPPL and ARSSBL in their aforesaid submissions have stated that Vishal Laddha along and Bajranglal Maheshwari taken the decision on behalf of APWPPL in its board meeting held on April 7, 2017 i.e, 3 months prior to the dealing in the scrip of KPIT. Further, as per HDFC bank account statement of MFAPL, during 2017 there were fund transactions between MFAPL and APWPPL on 30/03/2017, 31/03/2017, 09/05/2017, 11/05/2017 and 31/10/2017. Therefore, it is evident that Vishal Laddha, the CEO-Institutional equities and Director of ARSSBL and the person who co-ordinated on behalf of ARSBBL with IIFL in relation to bulk deals against the sell trade of BC on the front running day, was indeed associated with the MFAPL through APWPPL before the dealing in the scrip of KPIT on July 26, 2017 and in subsequent period.
- 6.27. It was observed that Noticee 1 had two shareholders and directors viz, Naresh Chandra Bohra and Shakuntala Bohra. The observation with respect to the connection between ARSSBL and MFAPL is as under:
- 6.27.1. As per submissions of Jugal Mantri, CEO-ARGFL and CFO of ARFSL, Rajesh Bohra, brother of Naresh Chandra Bohra was the partner in Mahesh Chandra Bohra & Associate which were the internal auditors of

ARSSBL and Anand Rathi Global Finance Ltd (hereinafter, referred to as 'ARGFL').

- 6.27.2. As per submissions of Naresh Chandra Bohra, he and his family has acquaintance with Anand Rathi family. Copy of linkedin post of Rajesh Bohra along with comments of Naresh Chandra Bohra substantiate the above submissions.
- 6.27.3. E-mail ID secretarialoffice@rathi.com registered as contact e-mail ID of MFAPL on website of MCA is also the common e-mail ID with ARSSBL and its several group companies.
- 6.27.4. HDFC Bank account and trading / demat account of MFAPL with ARSSBL were opened with the introducer being ARSSBL and its group company employee (Santosh Naik), respectively. Further, authorized signatories with the bank account of MFAPL were Rajesh Bhutra and M.L. Agarwal, and demat account had authorized signatories viz, Nitesh Porwal, Rajesh Bhutra, M.L. Agarwal and Narendra Jain. As per e-mail response dated March 15, 2023 from ARSSBL, above persons were employees of group companies of ARSSBL and associated with their finance and accounts department.
- 6.27.5. As per the information provided by HDFC Bank vide e-mail dated Feb 6, 2023, aforesaid authorized signatories viz, Nitesh Porwal, Rajesh Bhutra, M.L. Agarwal and Narendra Jain were also the authorized signatories of numerous bank accounts of companies/entities connected with Anand Rathi group. In this regard, Nitesh Porwal was registered as the authorized signatory w.r.t 17 bank accounts and Rajesh Bhutra was the authorized signatory w.r.t 35 bank accounts of ARSSBL with HDFC Bank opened during 2002 to 2020. Though the authorized signatories were changed through resolution passed in 2015 by MFAPL and the same were replaced by Naresh Chandra Bohra and Shakuntala Bohra, however, fund transactions had continued to be within the circle of Anand Rathi group companies.

6.27.6. As per information provided by BSE vide e-mail dated March 14, 2023 and NSE vide email dated March 13, 2023, e-mail IDs bearing domain rathi.com viz, nirmal@rathi.com, maheshsarda@rathi.com (linked with demat and trading account, respectively of MFAPL with ARSSBL) and e-mail ID santoshnaik@rathi.com pertaining to introducer of MFAPL, were also linked with the trading account of following group companies of ARSSBL.

Client Name	Client PAN	Broker Name	Client Code	Client Email ID
Anand Rathi Global Finance Ltd	AABCR1136N	Suresh Rathi Securities Pvt Ltd	10AR02	maheshsarda@rathi.com
Anand Rathi Housing Finance Ltd	AAQCA4450M	Anand Rathi Share & Stock Brokers Ltd.	ARH100	maheshsarda@rathi.com
Mehrangarh Financial Advisors Pvt Ltd	AAGCM7221G	Anand Rathi Share & Stock Brokers Ltd.	HNM188	maheshsarda@rathi.com
Anand Rathi Global Finance Ltd	AABCR1136N	Bajaj Financial Securities Ltd	MUM671	maheshsarda@rathi.com
Anand Rathi Global Finance Ltd	AABCR1136N	Mehta Equities Ltd.	S49288	maheshsarda@rathi.com
Anand Rathi Global Finance Ltd	AABCR1136N	Phillipcapital (India) Pvt Ltd	N006201	nirmal@rathi.com
Suresh Rathi Finance Pvt. Ltd.	AAFCS7753N	Suresh Rathi Finance Pvt. Ltd.	10SR02	santoshnaik@rathi.com
Aqua Proof Wall Plast Pvt Ltd	AABCP8906G	Anand Rathi Share & Stock Brokers Ltd.	AP001	santoshnaik@rathi.com

6.27.7. Noticee 1, APWPPL had already passed the resolution on April 6, 2017 for amalgamation of inter-alia MFAPL with APWPPL. Vishal Laddha, privy to the large sell order of BC was also the director of APWPPL and he also signed the documents related to amalgamation.

6.27.8. LinkedIn profiles of Santosh Naik (the introducer as per account opening of MFAPL with ARSSBL) and Nirmal Chandak (his email was linked with demat account of MFAPL) mention them as employees of Anand Rathi Securities and Anand Rathi Financial Services Ltd (earlier known as Anand Rathi Securities), the holding company of Anand Rathi group of companies including ARSSBL and APWPPL. As per information provided

by HDFC Bank and Bank of India vide e-mail dated March 1, 2023 and Feb 28, 2023 respectively, there were more than 60 bank account / term deposit, etc pertaining to ARSSBL group companies found to be linked with the phone no. 8767218585 of Santosh Naik.

6.27.9. All the major debit and credits in the HDFC bank account of MFAPL were made with the companies related to Anand Rathi Group, and no transaction were observed to have taken place with Naresh Chandra Bohra and Shakuntala Bohra despite the fact that they were only shareholders and directors of MFAPL.

6.27.10. The aforesaid employees of group companies of ARSSBL were also directors in various companies from the Anand Rathi group or its connected entities.

6.28. As per available information, MFAPL had only one bank account which was maintained with HDFC Bank i.e, A/c. No. 15770340007353 Following are the details of all the fund transactions observed in the aforesaid bank account during 2017:

Date	Narration	Withdrawal Amt.	Deposit Amt.	Closing Balance
16/03/17	Ft-15770340014872-Prakhar Advisors And Traders P	1548084	0	31477008.14
16/03/17	Ft-00600340008138-Anand Rathi Global F	31400000	0	77008.14
30/03/17	Elegant Capita-Mehrangarh	0	21900000	21977008.14
30/03/17	Ft-00600340008093-Anand Rathi Capital	544350	0	21432658.14
30/03/17	Ft-00600340038019-Anand Rathi Share An	5554099	0	15878559.14
30/03/17	Ft-00600340008138-Anand Rathi Global F	7372302	0	8506257.14
30/03/17	Ft-00600340008138-Anand Rathi Global F	8149752	0	356505.14
30/03/17	Ft - Dr - 00602340026610 - Aqua Proof Wall Plast Private Limited	342151	0	14354.14
31/03/17	Amit Capital A-Mehrangarh	0	60000000	60014354.14
31/03/17	Ft-00600340008138-Anand Rathi Global F	60000000	0	14354.14
31/03/17	Ft - Cr - 00602340026610 - Aqua Proof Wall Plast Private Limited	0	36500000	36514354.14
31/03/17	Ft-00600340008138-Anand Rathi Global F	36471430	0	42924.14

Date	Narration	Withdrawal Amt.	Deposit Amt.	Closing Balance
13/04/17	Ach C- Aagcm7221g-Ay2016-17-Ce1703950255	0	179695	222619.14
28/04/17	Anand Rathi Ca-Prakhar	0	2300000	2522619.14
29/04/17	Ft-00600340008093-Anand Rathi Capital Advisors P	2500000	0	22619.14
09/05/17	Anand Rathi Ca-Mehrangarh	0	18100000	18122619.14
09/05/17	Ft-00602340026610-Aqua Proof Wall Plast Private	18100000	0	22619.14
11/05/17	Amit Capital A-Mehrangarh	0	34600000	34622619.14
11/05/17	Ft-00602340026610-Aqua Proof Wall Plast Private	34600000	0	22619.14
26/05/17	Anand Rathi Sh-Hnm188	0	66865445	66888063.85
26/05/17	Ft-00600340008138-Anand Rathi Global Finance Lim	66850000	0	38063.85
31/05/17	Duplicate Ac Stmt Issuance Chgs Apr17	900	0	37163.85
31/05/17	Service Tax Stax Upload	126	0	37037.85
31/05/17	Swachha Bharat Cess Stax Upload	4.5	0	37033.35
31/05/17	Krishi Kalyan Cess Stax Upload	4.5	0	37028.85
13/07/17	Anand Rathi Sh-Hnm188	0	16384895	16421924.2
13/07/17	Ft-00600340008093-Anand Rathi Capital Advisors P	16400445	0	21479.2
14/07/17	Ft-00600340039455-Anand Rathi Share And Stock Br	7000	0	14479.2
20/07/17	Anand Rathi GI-Mehrangarh	0	50000	64479.2
25/07/17	Chq Paid-Micr Cts-Mu-Admire Publicity Pv	13006	0	51473.2
19/08/17	S H Kelkar Div16 17000000000000000004252	0	12111.75	63584.95
21/08/17	Rtgs Cr-Utib0000001-Ms Biotech Pvt Ltd-Mehrangarh Financial Advisors Pvt L-Utib52017082100353180	0	30000000	30063584.95
23/08/17	Rtgs Cr-Utib0000001-Ms Biotech Pvt Ltd-Mehrangarh Financial Advisors Pvt L-Utib52017082300352943	0	20000000	50063584.95
24/08/17	Ft-00602340026620-Amit Capital And Securities Pv	50000000	0	63584.95
04/09/17	Rtgs Cr-Utib0000001-Ms Biotech Pvt Ltd-Mehrangarh Financial Advisors Pvt L-Utib52017090400359716	0	20000000	20063584.95

Date	Narration	Withdrawal Amt.	Deposit Amt.	Closing Balance
06/09/17	Ft - Cr - 50200024880800 - Ms Biotech Pvt Ltd	0	30000000	50063584.95
07/09/17	Ft-00602340026620-Amit Capital And Securities Pv	23000000	0	27063584.95
07/09/17	Ft-00600340008093-Anand Rathi Capital Advisors P	5100000	0	21963584.95
07/09/17	Ft-00602340027223-Elegant Capitals Private Ltd	21900000	0	63584.95
15/09/17	Anand Rathi GI-Mehrangarh	0	6800000	6863584.95
15/09/17	Ft-00600340005097-Anand Rathi Share And Stock Br	6800000	0	63584.95
15/09/17	Ft-00600340005097-Anand Rathi Share And Stock Br	0	6800000	6863584.95
15/09/17	Ft-00600340005087-Anand Rathi Share And Stock Br	6800000	0	63584.95
18/09/17	Rpp Infra Proj Div17000000000000000002318	0	32500	96084.95
04/10/17	Chq Paid-Micr Cts-Mu-R J Rathi And Co	5000	0	91084.95
07/10/17	Duplicate Stmt Issuance Chgs Sept17	1200	0	89884.95
08/10/17	Cgst - Servicecharge-Stax Upload - Ncb1728050840657	108	0	89776.95
08/10/17	Sgst - Servicecharge-Stax Upload - Ncb1728050840657	108	0	89668.95
09/10/17	Dum0660/Po Iss Fvr M/S S.U. Buch And Co	11800	0	77868.95
09/10/17	Po Iss For Chgs Mehrangarh Financial : Dd Issuance Charges	4.9	0	77864.05
10/10/17	Cgst - Dd Issuance Charges - Ncb1728258790239	0.44	0	77863.61
10/10/17	Sgst - Dd Issuance Charges - Ncb1728258790239	0.44	0	77863.17
11/10/17	Ach C- Pnc Infratech Ltd,-10191	0	33227.5	111090.67
31/10/17	Aqua Proof Wal-Mehrangarh	0	16200000	16311090.67
31/10/17	Anand Rathi GI-Mehrangarh	0	9800000	26111090.67
31/10/17	Ft-00600340038019-Anand Rathi Share And Stock Br	6082944.95	0	20028145.72
31/10/17	Ft-00600340005087-Anand Rathi Share And Stock Br	19864603	0	163542.75
07/12/17	00600340008138-Argfl To Mehrangarh Fin	0	22600000	22763542.75

Date	Narration	Withdrawal Amt.	Deposit Amt.	Closing Balance
07/12/17	Ft-00600340005087-Anand Rathi Share And Stock Br	22583126.9	0	180415.87
29/12/17	Anand Rathi Sh-Hnm188	0	14363711	14544127.13
29/12/17	Anand Rathi GI-Mehrangarh	0	27600000	42144127.13
29/12/17	Ft-00602340026620-Amit Capital And Securities Pv	42000000	0	144127.13

6.29. From the analysis of above bank statement of MFAPL, following was noted:

- 6.29.1. Naresh Chandra Bohra and Shakuntala Bohra despite being shareholders and Directors of MFAPL, did not have any fund transactions with the MFAPL.
- 6.29.2. Except the fund transactions with MS Biotech, all the fund transactions of MFAPL were carried out with ARSSBL and its group companies including Amit Capital and Securities, Anand Rathi Capital Advisors, Anand Rathi Global Finance Ltd (ARGFL), and Aqua Proof Wall Plast Pvt Ltd (APWPPL). There were fund transactions with Elegant Capitals Pvt Ltd and Prakhar Advisors and Traders Pvt Ltd which along with MFAPL were amalgamated with APWPPL vide NCLT order dated Jan 1, 2018.
- 6.29.3. It was observed that the Anand Rathi Group was the source and beneficiary of the funds and income (if any), respectively, in relation to the trading in shares by MFAPL.
- 6.29.4. Though MFAPL was amalgamated in 2018 with APWPPL (a company promoted by Anand Rathi Group), however, they had prior connection and association based on frequent bank transfers between them on 30/03/2017, 31/03/2017, 09/05/2017, 11/05/2017 and 31/10/2017. It has been noted that Vishal Laddha, Director of APWPPL since 2004, was also the director and CEO-Institutional Equities at ARSSBL, and on as on July 26, 2017 he coordinated on behalf of ARSBBL with IIFL to execute buy trades against the large sell trade of BC.
- 6.29.5. As regards the receipt of funds from one MS Biotech, the said entity vide e-mails including e-mail dated January 31, 2023 and Feb 17, 2023 to SEBI,

inter-alia submitted that the INR.10 Crore of loan in form of inter corporate deposit was provided by it to MFAPL purely on commercial basis without any prior connection or acquaintance with MFAPL and other entities from Anand Rathi Group, and the same was refunded in 2021 to MS Biotech by APWPPL (MFAPL was merged with APWPPL). In this regard, as per a copy of loan agreement provided by MS Biotech, the purported loan was extended by MS Biotech to MFAPL at the interest of 9% p.a., however, as per the details provided by MS Biotech w.r.t of the refund of loan by APWPPL in 2021, only INR.10 Crore i.e, the principle amount only have been refunded. Further, upon perusal of bank statement of MFAPL, it was noted that the amount of INR 10 Crore was received by MFAPL from MS Biotech during August 21, 2017 to September 4 and 6, 2017, and the same was transferred by MFAPL to Anand Rathi Group entities including Amit Capital and Securities (INR.7.3 Crore), Anand Rathi Capital Advisors (INR.51 Lakh) and Elegant Capitals (INR.2.19 Crore).

6.29.6. Therefore, it was noted that these fund transactions undertaken by MFAPL even outside of Anand Rathi group were also connected to group companies of ARSSBL. It was observed that the fund transactions seen in the bank account of MFAPL were limited to the Anand Rathi group companies, and thereby the profit, if any, from the dealings in shares or otherwise by MFAPL have also accrued to Anand Rathi group. MFAPL made profits of INR. 19,52,780.25/- from the front running in the scrip of KPIT.

6.30. As regards submission of Naresh Chandra Bohra (Noticee 2), he and his mother had agreed to get associated with the MFAPL, including its establishment and being directors, and they have also been signing documents and cheques on behalf of MFAPL. In this regard, it was noted that Noticees 2 and 3, being directors of MFAPL signed the relevant documents including for establishment of MFAPL, its regular MCA filings, minutes / resolutions of its board meetings authorizing persons (who are employees of ARSSBL group companies) to operate demat and bank accounts of MFAPL.

They had also signed resolution dated June 17, 2015 authorizing themselves to operate demat and bank account of MFAPL and executed subsequent documentation for amalgamation of MFAPL with APWPPL. Further, no grievances were raised by them in past, pointing to any unauthorised operation of MFAPL by Anand Rathi group. Given the above facts, it was observed that Noticees 2 and 3 were aware and had significant role w.r.t dealings and activities of MFAPL. Therefore, it was also implied that they had agreed to the arrangement wherein activities of MFAPL were controlled by Anand Rathi group. Therefore, Noticees 2 and 3 were also alleged to be liable for acts and deeds of MFAPL including w.r.t dealing in shares of KPIT by MFAPL.

- 6.31. Post the amalgamation, as per disclosure of shareholding as on March 31, 2019 and March 31, 2022 filed by APWPPL with RoC/MCA, Noticees 2 and 3 were shareholders of Noticee 1 along with Anand Rathi group entities.
- 6.32. Given the connection between ARSSBL and MFAPL mentioned above, along with the observation that the placement of orders on behalf of MFAPL were in tandem with the awareness of information related to large sell order of BC at ARSSBL, lack of due diligence and record maintenance by ARSSBL as regards the person authorised for placing order on behalf of MFAPL, and failure to substantiate its claim that orders for trading in the scrip of KPIT were placed by Naresh Chandra Bohra, leads to the conclusion that MFAPL, its directors, i.e. Noticees 2 and 3, along with their connected broker ARSSBL were part of the scheme wherein information related to large sell order of BC in the scrip of KPIT on July 26, 2017 was passed from ARSSBL to MFAPL and based on the same, front running was undertaken using the account of MFAPL.
- 6.33. In view of the above, it was observed that MFAPL (amalgamated into APWPPL), along with its two Directors Naresh Chandra Bohra and Shakuntala Bohra and their connected broker ARSSBL were part of the scheme involving front running in the account of MFAPL with the dealings of BC while dealing in the scrip of KPIT on July 26, 2017. Therefore, Noticees 1 to 3, inter alia, were

alleged to have violated the provisions of Section 12A(a), (b) & (c) of SEBI Act r/w Regulation 3(a), 3(b), 3(c),3(d) and 4 (1) of PFUTP Regulations.

7. In addition to the above, ARSSBL was also alleged to have violated various provisions SEBI (Stock Brokers) Regulations, 1992 and SEBI (Depositories and Participants) Regulations, 1996. Vide application dated April 25, 2024, ARSSBL proposed to settle the proceedings without admitting or denying the findings of facts and conclusions of law. Upon the conclusion of the settlement proceedings, settlement order dated May 13, 2025 was passed with respect to ARSSBL.
8. Vide letter and email dated March 22, 2024, Noticee 1 cited inexplicable delay in issuance of the SCN and requested to dismiss the proceedings. It also requested for inspection of documents and adequate time to submit a response to the SCN. Vide email dated March 27, 2024, Noticee 2 also cited delay in issuance of the SCN and requested for dismissal of the proceedings or inspection of documents. Vide separate emails dated September 11, 2024, Noticees 1 and 2 were granted an opportunity of inspection of documents on September 19, 2024. Their common Authorised Representative (**AR**) inspected the documents on the scheduled date. Further, a copy of the investigation report was provided to the AR vide email dated September 23, 2024.
9. Vide email dated September 18, 2024 and email dated May 16, 2025, Noticee 2 informed that Noticee 3 had passed away on April 26, 2024 and also submitted a notarized copy of her death certificate. Vide email dated May 09, 2025, Noticees 1 and 2 were granted time till May 16, 2025 to submit their reply to the SCN. Both the Noticees requested for one week's extension of time to submit reply to the SCN dated March 07, 2024. In the interest of natural justice, vide notice dated May 19, 2025, Noticees 1 and 2 were granted an opportunity of hearing on May 27, 2025. Noticees 1 and 2 submitted their reply to the SCN vide email dated May 27, 2025. The submissions made by them are summarized below:

- 9.1. *There has been inordinate delay of around 8 years after the Investigation Period stated in the SCN, and the SCN should be set aside on the same grounds.*
- 9.2. *Noticees 1 and 2 relied upon various judgements of Hon'ble Supreme Court (SC) and Hon'ble SAT:*
- *Hon'ble SC Order dated October 19, 2023 in SEBI vs Alps Motor Finance Limited;*
 - *Hon'ble SAT Order dated March 24, 2022 with respect to Yatin Pandya HUF (Appeal 719 of 2021);*
 - *Hon'ble SAT Order dated January 31, 2020 with respect to Ashlesh Gunvantbhai Shah;*
 - *Hon'ble SAT Order dated May 27, 2019 with respect to Mr. Rakesh Kathotia & Others;*
 - *Hon'ble SAT Order with respect to Ashok Shivilal Rupani and the Hon'ble SC Order dated December 15, 2019 in the same matter when the Hon'ble SAT's Order was appealed against by SEBI.*
 - *Hon'ble SAT Order in the matter of Sanjay Jethalal Soni & Others*
 - *Hon'ble SAT Order dated November 12, 2020 in the matter of Parag Sarda*
 - *Hon'ble SAT Order dated July 08, 2020 in the matter of ICICI Bank Limited.*
- 9.3. *Companies Act, 2013 prescribes 8 years's period for maintaining books of accounts and Income Tax Act, 1961 prescribes for 6 years from the end of relevant assessment year.*
- 9.4. *Noticee 1 submitted that post the amalgamation, the persons who handled the management / were directors of MFAPL are no longer with the management of Noticee 1. Therefore, it does not have first-hand knowledge of the trade / transaction in question. This prejudices and jeopardizes Noticee 1's position and capacity to defend itself, especially in view of the principles of natural justice.*
- 9.5. *Noticee 2 submitted that MFAPL, which did the alleged front-running has since been merged / amalgamated with Noticee 1 in January, 2018 and therefore, Noticee 2 does not have access to the records / books of accounts / relevant details of the erstwhile*

Company, MFAPL. This prejudices and jeopardizes Noticee 2's position and capacity to defend itself, especially in view of the principles of natural justice.

- 9.6. *Noticee 2 also submitted that neither the SCN nor the Investigation Report in the present matter points out any specific acts of commission/omission on part of Noticee 2 (then director/shareholder of MFAPL) that demonstrates any personal role of involvement or lack of diligence on part of the present Noticee 2 and therefore, in that respect, the SCN is extremely vague and ambiguous and no penalty ought to be levied.*
- 9.7. *Noticees 1 and 2 requested for cross-examination of Mr. Anoop Bhaskar, Mr. Ashish Kacholia, Mr. Sunil Nair, Mr. H Nemikumar, Mr. Shankar Nampalley and Mr. Dashrath Kanojia. As reliance was placed on these persons' statements for framing the allegations, Noticee 1 has sought their cross-examination. It further submitted that the statements of these persons are not merely incidental, but are central to SEBI's allegations against the Noticee. In this regard, Noticee 1 relied upon and quoted from the following judgements:*
- 9.7.1. *Order of Hon'ble SC in Andaman Timber Industries v. Commr. Of Central Excise [(2016] 15 SCC 785]*
- 9.7.2. *Order of Hon'ble SAT with respect to Rana Kapoor [2022 SCC OnLine SAT 69]*
- 9.8. *Noticees 1 and 2 quoted the definition of 'front-running' from various sources and submitted that a fundamental ingredient of front-running is that the trade in question must be executed with the intent to derive a benefit from the anticipated price movement caused by a large client's trade. However, the same is wholly lacking in the present case.*
- 9.9. *In order to establish a case of front running, it is imperative to demonstrate that Noticees 1 and 2 had prior, non-public knowledge of a big client trade which was likely to materially impact the market price, and that Noticee 1 executed trades before and / or after such client trade in a manner that allowed them to unfairly benefit from the anticipated price movement.*
- 9.10. *The reliance placed in the SCN on the so-called "Sell-Sell-Buy" (SSB) pattern is entirely misplaced and factually flawed. However, what is conveniently overlooked is that the sell leg of 5,52,500 shares was fully executed by Noticee No. 1 between*

10:13:56 hrs and 11:10:31 hrs -- well before the first trade of the big client, at an average price of INR 123.73.

- 9.11. *Noticee 1's buy leg (square-off) commenced at 11:24:08 hrs, at an average price of INR120.20. The entire square-off was carried out within seconds of the big client's very first order at 11:24:06 hrs, with no material time gap that could suggest a reactive or informed trading strategy.*
- 9.12. *Crucially, SEBI claims that Warhol's trades caused the price to fall from INR 123 to INR 120; however, this alleged price action did not materialize prior to or during the Noticee's square-off. MFAPL's buy trades occurred at prices around INR 120.20, clearly indicating that there was no sharp or sudden drop in price exploited by the Noticee. The allegation that the Noticee benefited from a price drop triggered by Warhol's trades is therefore wholly unsubstantiated and not borne out by the timing or pricing data on record. On the contrary, the simultaneity of the trades, the absence of any demonstrable price arbitrage, and the lack of any informed advantage clearly establish that the Noticee's conduct does not satisfy the foundational criteria for front running.*
- 9.13. *The fact that 100% of the buy trades matched with the Big Client alone cannot establish front running in the absence of supporting evidence showing that Noticees 1 and 2 had prior, non-public knowledge of the big client's trade and acted upon it to derive a benefit.*
- 9.14. *From the sequence of events, as submitted by Mr. Vishal Laddha during the recording on March 13, 2023, it becomes evident and clear that the Noticee commenced its sale transactions significantly prior to the trade being confirmed or executed for the clients. The first trade on behalf of the big client was executed only at 11:23:57 hrs, whereas the Noticee had begun selling at 10:19 hrs and entered the buy transactions at 11:24:08 hrs. It is not the case of SEBI that the price impact of Warhol's trades occurred in the mere 2 seconds before the sell transactions by the Noticee. Therefore, there could be no question of Noticee 1 or 2 being in possession of, or acting on, any non-public or insider information about the said client trades. Accordingly, the very premise of the allegation of "front running" stands negated on factual grounds alone.*

- 9.15. *In the event the Adjudicating Officer is of the opinion that the said trades referred in the SCN are of any other activity/ nature which attracts or amounts to PFUTP violations, which has not been alleged or narrated in the Show Cause Notice, in that case the SCN would also be extremely vague and ambiguous.*
- 9.16. *It is relevant to note that a settlement order dated May 13, 2025 has been passed by SEBI in the matter of Noticee No. 4, i.e., Anand Rathi Shares and Stock Brokers Limited. As per the settlement order (as available on the SEBI's website) this appears to be in the same matter as the current SCN. With regards to this the Noticee would like to rely upon the Adjudicating Order dated August 30, 2019 passed in respect of Utsav Pathak in the matter of insider trading in the scrip of CRISIL Ltd. wherein the Hon'ble AO held that even though the Noticee had violated the PIT Regulations and had communicated PSI to the Tipees, in view of the fact that settlement orders were passed with respect to the Tipees, who benefitted from the PSI after taking into consideration the wrongful gains, the Hon'ble AO was not inclined to impose any penalty amount on him and accordingly disposed off the matter. The Hon'ble Securities Appellate Tribunal vide its order dated June 6, 2020, upheld the Hon'ble AO's Order without finding any fault with the Order. The said orders have attained finality and are binding. In this regard, it is submitted that whether it is an allegation of Insider Trading or Front Running, both are essentially acts of connected persons who take advantage of non public information and therefore the order is extremely relevant and applicable to these proceedings as well.*

10. Noticees 1 and 2 appeared for the scheduled hearing through their AR. The ARs reiterated the submissions already made, vide email dated May 27, 2025, and also made additional submissions, which they requested to submit in writing by June 12, 2025. The request was acceded to by the undersigned. Vide email dated June 11, 2025, Noticees 1 and 2 reiterated their request for cross-examination of relevant witnesses, including Mr. Viral Rajesh Sanghvi. Noticees 1 and 2 made additional submissions vide email dated June 12, 2025.

11. The additional submissions are summarized below.

- 11.1. *One of the essential criteria of classifying an activity as front-running is that during the time of placement of the Big Client's orders, the Front Runner squares off their position and earns the price difference, which is primarily attributable to the Big Client's orders. However, in the present case, there was no opportunity for Noticee 1 to benefit from the price movement that would typically be triggered by the Big Client's orders. The Noticee relied upon the Ld SEBI WTM Order dated January 02, 2025 in the matter of Extended Front Running by Rohit Salgaocar, Ketan Parekh, and others. Unlike the scenario described in the aforementioned judgment, there is absolutely no nexus between the Noticees trades and the price movement on account of the Big Client's trades.*
- 11.2. *The sale trades executed by the Noticee were executed with the Big Client as the counterparty. Thus, the Noticee could not have profited from any anticipated price changes caused by the Big Client's trades.*
- 11.3. *Noticee 1 submitted a table outlining critical events, reproduced below.*

Sr. No.	Event	Time-stamp	Remarks
1.	Sell Leg (Noticee No. 1)	10:13:56 to 11:10:31	5,52,500 shares sold at an average price of INR 123.73
2.	First Trade of Big Client (Warhol)	11:24:06	The first sell trade by Warhol, which is alleged to cause the price drop, occurred after the Noticee's sell leg.
3.	Buy Leg (Noticee No. 1 - Square-off)	11:24:08 (Buy orders for this trade were placed between 11:11:10 to 11:11:47)	The entire square-off of 5,52,500 shares occurred within 02 seconds of Warhol's first sell order at INR 120.20, showing no opportunity for taking advantage from the trades of Big Client i.e., Warhol.
4.	Price Movement	11:24:06 to 11:30:12	The price dropped from INR 123 to INR 120, but this occurred <i>after</i> the Noticee's square-off, not influencing the Noticee's buy orders.

- 11.4. *Based on the above, Noticee 1 submitted that The price drop from INR 123 to INR 120 occurred after the Noticee's square-off, and thus did not affect the Noticee's buying strategy – that is, there was no price movement prior to the Noticee's trade for it to take any advantage of. The simultaneous execution of trades and the absence of any*

demonstrable price arbitrage clearly establish that the Noticee did not exploit any anticipated market movements, and no profit was derived from such movements.

- 11.5. *Since the buy orders were placed within 02 seconds of the big client's sell order, it is evident that no profit was gained due to the anticipated price drop, as the price had already adjusted before the Noticee's trade was executed. The proximity of the Noticee's buy orders to the big client's trade reflects a normal course of market activity and not the exploitation of price movement. Moreover, the buy orders for this trade were placed well before, specifically between 11:11:10 to 11:11:47, indicating that the Noticee did not time its trades based on any information related to the big client's order.*
- 11.6. *However, had the Noticee intended to profit from the price movement resulting from Warhol's trades, it would have executed its buy trades after the conclusion of Warhol's trades, and certainly not within 02 seconds of the big client's sell order.*
- 11.7. *Had the Noticee's intent been to profit from the market movement caused by Warhol's large trade, the trading behaviour would have followed a distinct pattern of entering trades only after the conclusion of Warhol's trades, to maximize the profit from the price movement.*
- 11.8. *It is admitted that the average sale price of the Noticee's trades was INR 123.73. Therefore, placing the buy order at INR 120.20 was a strategic trading decision, not an attempt to manipulate or take advantage of the trades of the big client (Warhol).*
- 11.9. *The SCN does not even alleges the charge of synchronized trading and the only charge which has been brought out in the SCN was of front running.*
- 11.10. *Additionally, it is submitted that the dealer for Noticee No.1, Mr. Viral Sanghvi has not indicated that he had any knowledge of the trades being executed at the institutional desk of ARSSBL. In the absence of the possession of any non-public information in relation to the big client impending orders, there can be no basis for a charge of front running. Front running relies fundamentally on the possession of inside, non-public information concerning a big client order, and there is no evidence to suggest that such information was available to the Noticees or Noticee No.1's dealers.*

11.11. Furthermore, the statement of Mr. Vishal Jugal Ladha, who was responsible for institutional clients' trades at Anand Rathi Shares and Stock Brokers Limited ("ARSSBL"), makes it abundantly clear that he was unaware of the trades executed by Noticee No.1 in KPIT. The relevant part of his statement reads:

"14. Who all at the Anand Rathi Shares and Stock Brokers Ltd had access to the information related to large sale orders executed by IIFL Securities in the scrip of KPIT on July 26, 2017.

Ans: Myself, Mohit Jain, and few dealers in the dealing room viz, Amit Goya!, Amish Dharod, Amay Engineer, Ketan Ojha, Ganesh Iyyer may be aware"

11.12. This further substantiates that the dealer of Noticee No.1, Mr. Viral Sanghvi, did not have access to any non-public information regarding the large client orders. In light of the above, it is humbly submitted that the Noticee's trades were not based on inside information but were legitimate market activities executed independently and without any unfair advantage.

11.13. The passage of time and the delay in initiating these proceedings have made it impossible to offer a detailed or specific rationale for the alleged trades in scrip of KPIT.

11.14. The SCN's primary basis for alleging misconduct against Noticee No. 2 rests on the statements of Mr. Viral Sanghvi, a former dealer at ARSSBL. However, these statements have not been subjected to the essential procedural safeguard of cross-examination. Mr. Sanghvi stated that Noticee No. 2 instructed him to place trades as a "walk-in" client at the office of ARSSBL. Yet, there is a complete absence of corroborative evidence—no entry register, no CCTV footage, and no documented protocol or log to support the occurrence of such walk-in trades. This raises grave doubts about the credibility of Mr. Sanghvi's assertions and exposes a serious lapse in the standard of proof expected in such proceedings. The reliance on such untested and unsupported statements demonstrates a further instance of non-application of mind and renders the SCN legally untenable.

CONSIDERATION OF ISSUES AND FINDINGS

12. Before proceeding to deal with the merits of the matter, it would be in the fitness of things to decide as to whether on the death of Noticee 3, the present adjudication proceedings against her would continue or abate. In this regard, it is worth mentioning that in *Girijanandini Vs Bijendra Narain (AIR 1967 SC 2110)*, the Hon'ble Supreme Court held that in case of personal actions, i.e., the actions where the relief sought is personal to the deceased, the right to sue will not survive to or against the representatives and in such cases the maxim *actio personalis moritur cum persona* (personal action dies with the death of the person) would apply. It is also relevant to refer to the decision of Hon'ble Securities Appellate Tribunal in *Chandravadan J. Dalal vs. SEBI (Appeal No. 35/2004 decided on June 15, 2005)* wherein it was held that: "*The appeal abates since the appellant during the pendency of the appeal died on 29th November 2004. The appeal accordingly abates. The penalty imposed on the original appellant being personal in nature also abates.*" In view of the foregoing, the instant adjudication proceedings against Noticee 3 are liable to be abated without going into the merits of the case qua her and the SCN dated March 07, 2024 issued against her is disposed of accordingly.
13. Considering the allegations made out in the SCN and the submissions made by the Noticee, I find that following issues require consideration in the present case:
- ISSUE I** - Whether Noticees 1 and 2 have violated the provisions of Regulation Section 12A(a), (b) & (c) of SEBI Act r/w Regulation 3(a), 3(b), 3(c), 3(d) and 4 (1) of PFUTP Regulations?
- ISSUE II** - Do the violations, if any, attract penalty u/s 15HA of the SEBI Act?
- ISSUE III** - If so, what should be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act?
14. The said provisions under which violations have been alleged against Noticees 1 and 2 are reproduced below –

SEBI Act, 1992

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 recognized 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 recognized stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder.*

Regulations 3(a), (b), (c), (d) and 4(1) of the 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 fraudulent or an unfair trade practice in securities.

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

15. Before moving forward, I note that Noticees 1 and 2 have raised the preliminary issue of delay and have submitted that the SCN has been issued with a delay of more than 8 years after the alleged violations, and this unexplained and inordinate delay has caused serious prejudice to the Noticees. The said Noticees have also relied upon and quoted from various judgements of Hon'ble SAT and Hon'ble Supreme Court and further submitted that the law does not mandate preservation of books of account for so long. Noticee 1 has further submitted that all the persons who were present and managed the operations of the amalgamated entity, i.e. MFAPL, are no longer with Noticee 1 and it doesn't have any first-hand knowledge of the trade / transaction in question. This has jeopardized Noticee 1's capacity to defend itself. I note the following in this regard:

15.1. It was decided to take up the case for detailed investigation in March, 2019 and the Investigating Authority (IA) was appointed in July, 2020. Thereafter, due to various reasons such as transfer of the IAs, the case was also transferred multiple times.

15.2. Here I find it pertinent to note that during the investigation, information was requisitioned from various entities including but not limited to the stock exchanges, the director of MFAPL, banks, brokers and their employees. Thereafter, the investigation inter-alia entailed examination of bank

statements, AOFs, know your clients (KYC) details, transaction details, ledger accounts, replies of the entities to summons, movement of funds, and various other information. I also note that investigation is an exhaustive and time consuming process, which requires detailed analysis of facts and law especially considering that there are multiple stakeholders involved in the present matter apart from the Noticees. After the completion of investigation, the initiation of adjudication proceedings was approved by the competent authority in March, 2023. Pursuant to the same, Mr. Shashikumar Valsakumar, was appointed as AO, vide Order dated January 09, 2024 and the SCN was issued to the Noticees on March 07, 2024.

15.3. I note that Noticees 1 and 2 have quoted and relied upon various judgements of Hon'ble Supreme Court and Hon'ble SAT to contend that the delay has caused grave prejudice to them, as they are unable to defend themselves. I note that the Noticees were provided adequate and appropriate documents with respect to the allegations made against them. The Noticees were provided the following documents along with the SCN:

- Trade log data w.r.t BC and APWPPL / MFAPL in the scrip of KPIT on July 26, 2017 at NSE, Submissions made by BC
- Submissions of IIFL including e-mail, Statement on oath of H. Nemikumar dated Sep 20, 2021 and Shankar Nampelly dated Sep 24, 2021
- Submissions and supporting call records provided to SEBI, by the big counterparty buyers of ARSSBL, and Vishal Laddha, CEO-Institutional Equities and Director at ARSSBL, Submissions of ARSSBL with respect to front running by MFAPL, Copy of the Account Opening Forms (AOF) and KYC records received from HDFC Bank, Copy of AOF and KYC records received from ARSSBL, Details of KYC/UCC records received from Exchanges and Depositories

- Details of MFAPL and few other Anand Rathi group companies from the website of MCA, Statements of Noticee 2, Jugal Mangri, (CEO of Anand Rathi Global Finance and Director in other companies related to Anand Rathi Group)
 - Statements of Viral Sanghvi (dealer and ex-employee of Anand Rathi), Extracts of social media profiles / posts, Statement of Vishal Laddha (senior employee of Anand Rathi group) , Extracts from the website of MCA w.r.t MFAPL, ARSSBL, APWPPL and several other companies related to Anand Rathi group, Copy of KYC records of Bank account provided by HDFC Bank
 - Trading/demat account provided by ARSSBL, ARSSBL submissions including e-mail dated March 15, 2023, Information provided by HDFC Bank vide e-mail dated Feb 6, 2023, HDFC Bank statement for MAFPL, Copies of disclosures
 - Copy of relevant documents related to amalgamation, information provided by HDFC Bank and Bank of India vide e-mail dated March 1, 2023 and Feb 28, 2023, E-mails from MS Biotech including e-mail dated January 31, 2023 and Feb 17, 2023, Operation of demat account of MFAPL with ARSSBL, from the DIS provided by CDSL
- 15.4. Noticee 1 and 2 have not demonstrated as to how the prejudice has been caused, even after all the above-mentioned documents were provided to them, along with the SCN.
- 15.5. Noticees 1 and 2 have also contended that even the company laws do not require the Noticees to preserve books of accounts beyond 8 years. In this regard, I note that the allegation pertains to front-running of the trades of the big client, for which books of accounts are remotely relevant. All the relevant and relied upon documents, including bank statements, trading details, copy of emails, AOFs, KYC records, call records, and MCA records have already been provided to Noticees 1 and 2 and they have also carried out inspection of these documents and information.

16. Nevertheless, I note that that there has been some delay due to various factors, and the same shall be taken into consideration while deciding penalty in case the allegations are established.
17. I would also like to deal with the Noticees' request for cross-examination of Mr. Anoop Bhaskar, Mr. Ashish Kacholia, Mr. Sunil Nair, Mr. H Nemikumar, Mr. Shankar Nampalley, Mr. Dashrath Kanojia, and Mr. Viral Sanghvi. I note that the facts in the present case are based more on documentary evidence and at the most, corroborated by the statement recordings of various individuals. However, as may be seen from the brief details of the SCN stated above and also from the forthcoming findings, no reliance has been made for any fact, solely and substantially on the statements of any individual.
18. I note that the original request for cross-examination was made by Noticees 1 and 2 in their submissions dated May 27, 2025. The same was also reiterated during the course of hearing held on the same day, i.e. May 27, 2025. In this regard, the AR was asked to provide the observations which were substantially made on the basis of statement recordings of various individuals, or the facts / observations based on individuals' statements which the Noticees wanted to contest. To this, Noticees 1 and 2 provided only one instance with respect to statement recording of Mr. Viral Sanghvi, who had claimed that Noticee 2 instructed him to place trades as a "walk-in" client at the office of ARSSBL. In this respect, I note that the statement has nowhere been taken on face value, as there is no corroborative evidence in the form of entry register, CCTV footage, or any other log to demonstrate the walk-in of Noticee 2 to place the trades on July 26, 2017, on record. There has not been a single observation in the Investigation Report or in the SCN that Noticee 2 had walked in to place the alleged trades. Therefore, I am of the view that cross examination of Mr. Viral Sanghvi is not relevant to the present matter.

19. I find it relevant to quote from the judgement of Hon'ble SC in the case of K. L. Tripathi vs State Bank Of India And Others on 4 October, 1983, wherein it was inter-alia observed that *“It is true that all actions against a party which involve penal or adverse consequences must be in accordance with the principles of natural justice but whether any particular principle of natural justice would be applicable to a particular situation or the question whether there has been any infraction of the application of that principle, has to be judged, in the light of facts and circumstances of each particular case. The basic requirement is that there must be fair play in action and the decision must be arrived at in a just and objective manner with regard to the relevance of the materials and reasons. We must reiterate again that the rules of natural justice are flexible and cannot be put on any rigid formula. In order to sustain a complaint of violation of principles of natural justice on the ground of absence of opportunity of cross-examination, it has to be established that prejudice has been caused to the appellant by the procedure followed.”*
20. I also rely on the judgement of Hon'ble SC in the case of SEBI vs Mega Corp.Ltd. on 25 March, 2022, wherein it was inter-alia held that *“37. We are also of the opinion that, there was no necessity for the Tribunal to lay down as an inviolable principle that there is a right of cross-examination in all cases. In fact, the conclusion of the Tribunal based on evidence on record did not require such a finding. We, therefore, set aside the findings of the Tribunal to this extent while upholding its decision on all other grounds.”*
21. The Noticees have not provided any other reasons in support of their request for cross-examination, and have vaguely submitted that the statements of these persons were substantially relied upon and this makes their right to cross-examination a fundamental facet of natural justice. The Noticees have also quoted various judgements of Hon'ble SC and Hon'ble SAT. However, the facts of the present matter are essentially different from the quoted judgements, as there has not been full or substantial reliance on the statements of any person, and the same has also not been demonstrated by the Noticees, as to which fact has been observed solely on the basis of statement of a person. The single instance referred by the Noticees, of statement of Mr. Viral Sanghvi, has not been relied upon even

in the Investigation Report or in the SCN. Thus, I find that the Noticees' request for cross-examination, through their reply filed after more than a year of issuing of the SCN, is merely a delaying tactic. Therefore, the request for cross-examination of various individuals has not been acceded to.

22. I now proceed to deal with the issues on merits as under:

ISSUE I - Whether Noticees 1 and 2 have violated the provisions of Regulation Section 12A(a), (b) & (c) of SEBI Act r/w Regulation 3(a), 3(b), 3(c), 3(d) and 4 (1) of PFUTP Regulations?

23. From the SCN, I note that Noticees 1 and 2 have been alleged to have violated aforesaid provisions of SEBI Act and PFUTP Regulations for being part of a scheme wherein the information related to large sell order of BC in the scrip of KPIT on July 26, 2017 was passed from ARSSBL to MFAPL and based on the same, front running trades were executed by MFAPL.

24. From the material available on record, I note the following in respect of the trades on July 26, 2017:

- 24.1. Sell trades were executed from the trading account of Noticee 1 for 5,52,500 shares between 10:13:56 hrs and 11:10:31 hrs wherein the sell start price was INR 127.25 and sell end price was INR 123.50 (i.e., at an average of INR 123.73).
- 24.2. Buy trades were executed from the trading account of Noticee 1 for 5,52,500 shares at 11:24:08 hrs wherein the sell start price and sell end price was INR 120.20, and all the shares were sold to BC.
- 24.3. The sell trades for 1,89,74,207 shares of KPIT by BC were also executed on the same day between 11:24:06 hrs and 11:30:12 hrs, wherein the sell start price was Rs. 122.90 and sell end price was Rs. 120.00.

25. ARSSBL was the broker for MFAPL and IIFL was the broker for BC. Apart from MFAPL, four other entities had bought large quantity of shares of KPIT on July 26, 2017. Their broker was also ARSSBL.

26. Also, ARSSBL was the top buy broker against the large sell trades of KPIT shares undertaken through IIFL, as 43.43% of the aforesaid sell volume was bought through ARSSBL.
27. Based on the perusal of call recordings provided by ARSSBL, I note that Mr. Vishal Laddha from ARSSBL and Mr. Rishad Lalla from IIFL were in continuous contact with each other since 10 AM till the execution of trades through ARSSBL with the clients of IIFL. Further, I note from the telephone recording provided by Vishal Laddha that ARSSBL was aware of the possibility of execution of large sale trade by BC before the placement of order by MFAPL, as ARSSBL had already received large buy order from one of its big buyer clients before 10 am on July 26, 2017 and based on the same, it started discussion with IIFL i.e, broker of seller client i.e. BC before the time of placement of sell orders by MFAPL.
28. Mr. Vishal Laddha was CEO – Institutional Sales at ARSSBL. I note that he and his team were aware about the bulk deals to be executed by the big clients of IIFL, including BC, in the scrip of KPIT.
29. Connection between Noticee 1, MFAPL, Mr. Vishal Laddha and ARSSBL:
- 29.1. MFAPL was established in 2010, and had two shareholders and directors viz, Naresh Chandra Bohra (Noticee 2) and his mother Shakuntala (Noticee 3) till its amalgamation with Noticee 1, i.e. M/s Aqua Proof Wall Plast Private Limited (APWPPL) with effect from January 01, 2018. Their registered email ID was secretarialoffice@rathi.com.
- 29.2. Noticee 1 had same registered address as ARSSBL. The registered email of Noticee 1 in MCA records – secretarialoffice@rathi.com – was also same as that of ARSSBL.
- 29.3. Both Noticee 1 and ARSSBL had Mr. Vishal Laddha as a common director.
- 29.4. Therefore, I note that Noticee 1 was part of the Anand Rathi Group. (All the Companies directly or indirectly promoted and controlled by Anand Rathi

Financial Services Limited, ARSSBL, their employees are being collectively referred to as “**Anand Rathi Group**”.)

- 29.5. I also note that before amalgamation, Noticee 1 had several fund transactions with MFAPL, as can be seen from the HDFC Bank Statement of MFAPL. In fact, all the fund transactions of MFAPL were carried out with ARSSBL and other Anand Rathi group companies including Amit Capital and Securities, Anand Rathi Capital Advisors, Anand Rathi Global Finance Ltd (ARGFL), and Aqua Proof Wall Plast Pvt Ltd (APWPPL). There were fund transactions of MFAPL with Elegant Capitals Pvt Ltd and Prakhar Advisors and Traders Pvt Ltd which along with MFAPL were amalgamated with APWPPL vide NCLT order dated Jan 1, 2018.
- 29.6. I also note that there were no fund transactions of MFAPL with Noticees 2 and 3, despite being its only shareholders and directors.
- 29.7. I note from the submissions of Noticee 2 himself, that he and his family were acquainted to Anand Rathi family.
- 29.8. Further, HDFC Bank account and trading / demat account of MFAPL with ARSSBL were opened with the introducer being ARSSBL and its group company employee (Santosh Naik), respectively. Further, authorized signatories with the bank account of MFAPL were Rajesh Bhutra and M.L. Agarwal, and demat account had authorized signatories viz, Nitesh Porwal, Rajesh Bhutra, M.L. Agarwal and Narendra Jain. As per e-mail response dated March 15, 2023 from ARSSBL, above persons were employees of group companies of ARSSBL and associated with their finance and accounts department.
- 29.9. As per the information provided by HDFC Bank vide e-mail dated Feb 6, 2023, aforesaid authorized signatories viz, Nitesh Porwal, Rajesh Bhutra, M.L. Agarwal and Narendra Jain were also the authorized signatories of numerous bank accounts of companies/entities connected with Anand Rathi group. In this regard, Nitesh Porwal was registered as the authorized signatory w.r.t 17 bank accounts and Rajesh Bhutra was the authorized signatory w.r.t 35 bank

accounts of ARSSBL with HDFC Bank opened during 2002 to 2020. Though the authorized signatories were changed through resolution passed in 2015 by MFAPL and the same were replaced by Noticees 2 and 3, however, fund transactions had continued to be within the circle of Anand Rathi group companies.

29.10. Thus, I note that Noticees 2 and 3 were not the actual owners of the business of the MFAPL and had no control over MFAPL's operations. They were the directors and shareholders of MFAPL, only on record. MFAPL was effectively promoted and controlled by Anand Rathi Group.

29.11. Thus, Anand Rathi Group was the source and beneficiary of the funds and income (if any), respectively, in relation to the trading in shares by MFAPL. The pay in and pay out fund transfers to and from the ARSSBL were preceeded and followed, respectively, by receipt of funds or transfer with the the group companies of ARSSBL.

29.12. As already mentioned above, Mr. Vishal Laddha was CEO – Institutional Sales at ARSSBL. He was also one of the directors of Noticee 1 and ARSSBL. He, along with his team were aware about the bulk deals to be executed by the big clients of IIFL, including BC, in the scrip of KPIT. He was also handling the buying of shares of KPIT by four big buyer clients of ARSSBL.

30. From the account opening form of MFAPL with ARSSBL and accompanying supporting documents in the KYC records provided by ARSSBL, I note that there was no record of authorised person for operation of trading account on behalf of MFAPL. Also, there is no verifiable order placement records in respect of the trades executed by MFAPL through ARSSBL on July 26, 2017. Thus, it cannot be conclusively known as to how and by whom were the orders placed. However, the fact that the trades were executed by MFAPL, while being a part of Anand Rathi Group, through the broker ARSSBL, also being part of Anand Rathi Group, cannot be disputed.

31. Front Running Trades:

31.1. The chronology of events with respect to the trades in KPIT on July 26, 2017, as observed from the submissions of ARSSBL, order placement and trade details as follows:

Time	Particulars of event
Before 10:00	Large buy order was placed by a big buyer client with ARSSBL
10:00	In the phone call between Vishal Laddha and Rishad Lalla of IIFL, ARSSBL taken up the matter with IIFL, broker of BC for the bulk deal with its clients
10:13 to 10:24	Orders were entered in the system by ARSSBL for MFAPL wherein 25,000 shares were short sold @ INR 127.03, comprising merely 4.52% of its total sale of 5,52,500 shares
10:35	In the phone call between Vishal Laddha and Rishad Lalla, IIFL confirmed to ARSSBL the closure of deal and informed to wait as it was awaiting formal e-mail from its seller client (BC)
10:48:43 to 11:10:31	Sell orders were entered into the system by ARSSBL for MFAPL wherein 5,27,500 shares were short sold @ INR 123.58, comprising major 95.48% of its total sell of 5,52,500 shares
11:11	In the phone call between Vishal Laddha and Rishad Lalla, Rishad Lalla reiterated to Vishal that the deal is closed and he is awaiting order from his big client
11:11:10 to 11:11:47	Buy orders were entered in the system by ARSSBL for MFAPL @ 120.20 when the LTP at 11:11:10 was 123.50 and LTP at 11:11:47 was 124.15
11:13	Formal e-mail was received by IIFL from BC with instruction to sell 19483674 shares of KPIT at INR120 or better
11:24:06 onwards	Sell orders were entered by IIFL for BC. At 11:24:08 the entire buy volume of MFAPL comprising 5,52,500 shares was matched against the sell orders of BC.

31.2. Thus, the short sell begin in the account of MFAPL within few minutes after receipt of large buy order of INR100 Cr by ARSSBL before 10 AM and receipt of

assurance from IIFL for the bulk deal at around 10 am. Initially, short sell of 25,000 shares or 4.52% of its total short sell volume was undertaken by ARSSBL in the account of MFAPL till the time the deal was not closed/confirmed by IIFL, however, following the confirmation by IIFL at around 10:35, short sell for substantial 5,27,500 shares or 95.48% of its total short sell quantity was undertaken by ARSSBL in the account of MFAPL. I note that despite prevalent LTP at 123.5 and above, buy orders @ 120.2 were placed in the account of MFAPL to take advantage of prior knowledge of subsequent sell trades of BC placed @ INR.120. Accordingly, 100% of the buy quantity comprising 5,52,500 shares of MFAPL was matched with the large sell trades of BC.

31.3. It is noted that the timing of order placement and execution of trades on behalf of MFAPL through ARSSBL were in tandem with the updates readily available with the ARSSBL (who was the direct common link between FR MFAPL and BC) regarding the large sell order since the initiation of bulk deal talks between ARSSBL and IIFL, deal closure/ confirmation by IIFL, placement of order on behalf of BC. From the above, it is evident that ARSSBL aided MFAPL in front running with the sell trades of BC.

32. Further, I also take note of the fact that profits from the trades in KPIT on July 26, 2017 constitute approximately 90% of the total profits earned during the trading day.

33. In view of the above observations, I find that Noticee 1, being the amalgamating company, was part of the scheme wherein the information related to large sell order of BC in the scrip of KPIT on July 26, 2017 was passed to MFAPL and based on the same, front running trades were executed by MFAPL.

34. With respect to Noticee 2, ARSSBL and its dealer have submitted that Noticee 2 was the authorised person of MFAPL for placing orders on behalf of MFAPL and he placed the order on July 26, 2017 as a walk-in client. However, in the absence of corroborative evidence for placing orders to the broker in the form of entry

register, CCTV footage, or any other log to demonstrate the walk-in of Noticee 2 to place the trades on July 26, 2017, on record and also in the absence of details of authorised signatory in the KYC Form of demat account of MFAPL, the submissions of ARSSBL and its dealer cannot be accepted.

35. Noticee 2 was shareholder and director in MFAPL and subsequently, shareholder in Noticee 1. Noticee 2 has submitted that he and Noticee 3 had agreed to get associated with MFAPL, including its establishment and being directors, and they had also been signing documents and cheques on behalf of MFAPL. In this regard, I note that Noticees 2 and 3, being directors of MFAPL signed the relevant documents including for establishment of MFAPL, its regular MCA filings, minutes / resolutions of its board meetings authorizing persons (who are employees of ARSSBL group companies) to operate demat and bank accounts of MFAPL. Noticees 2 and 3 had also signed resolution dated June 17, 2015 authorizing themselves to operate demat and bank account of MFAPL and executed subsequent documentation for amalgamation of MFAPL with APWPPL.

36. Thus, Noticees 2 and 3, being the only shareholders and directors were in-charge of and responsible for the conduct of the business of the company. Therefore, even in the absence of direct evidence in the form of conclusive order placement records and details of authorised signatory in the KYC records, I find that it was Noticee 2's responsibility to ensure that no such unfair trading activities be carried out in the name of MFAPL. However, Noticee 2 failed to do so. Therefore, Noticee 2 shall be held legally responsible for the acts of the Company.

37. Further, no grievances were raised by Noticee 2 in the past, pointing to any unauthorised operation of MFAPL by Anand Rathi group. Thus, he allowed the MFAPL to be used for such operations. This suggests that he was either willfully negligent or complicit by silence. Therefore, I find that Noticee 2 was also part of the scheme wherein the information related to large sell order of BC in the scrip of

KPIT on July 26, 2017 was passed to MFAPL and based on the same, front running trades were executed by MFAPL

38. The Noticees have contended that one of the important criteria for classifying a trading activity as front-running is that during the time of placement of the Big Client's orders, the Front Runner squares off their position and earns the price difference, which is primarily attributable to the Big Client's orders. In this regard, I note that MFAPL had entered into sell position at around Rs. 123.73, before the sell order placement by BC. The short position of MFAPL (FR) were squared off immediately upon placing of sell order by BC, at around Rs.120.20. Further, MFAPL earned the price difference of around Rs. 3.53 per share, on 5,52,500 shares. Hence, the criteria mentioned by the Noticees is sufficiently fulfilled with respect to MFAPL's trades on July 26, 2017.
39. The Noticees has also contended that the price drop from INR 123 to INR 120 occurred after the Noticee's square-off, and thus did not affect the Noticee's buying strategy – that is, there was no price movement prior to the Noticee's trade. In this regard, I note that the sell order for the BC was placed at 11:24:06 at sell order price of Rs. 120 on July 26, 2017 and the buy trades of MFAPL were executed at a price of Rs. 120.20 at 11:24:08. Thus, the price had already fallen within two seconds to Rs.120.20. As MFAPL was already informed about the sell trades of the BC, the order for squaring off was accordingly placed at a lower price of Rs.120.20, even though the price was around Rs. 123 before the sell order of BC. As the BC's sell order price was lower than MFAPL's buy order price, whole of the squaring off buy trades of MFAPL matched with the sell trades of the BC. Thus, the contention of Noticee 1 is not tenable.
40. The Noticees have further contended that the strategy behind placing the buy order at INR 120.20 was to position the buy order at the lowest price possible, which is a common and legitimate trading tactic when closing a position. However, I note that it is not mere coincidence that MFAPL, being part of Anand Rathi Group,

placed order on July 26, 2017 in the scrip of KPIT through its broker, ARSSBL, also part of Anand Rathi Group, immediately after the confirmation of sell trades of BC, at a price of Rs. 120.20, which was slightly above the floor price of Rs. 120, which was also formally informed by BC in its email for placing the said order at 11:13 AM.

41. The Noticees, in their additional submissions have contended that MFAPL's trades cannot be called synchronized trades and even if they are, they are no illegal per se. However, I note that no such allegation is made out in the SCN. Therefore, the contentions are not relevant to the present case.
42. The Noticees have relied upon the SEBI Adjudicating Order dated August 30, 2019 in respect to Utsav Pathak in the matter of Insider trading in the scrip of CRISIL Ltd and contended that as ARSSBL was the alleged tippee or the information carrier, and it has already settled the matter with SEBI, and once a settlement has been reached with the primary persons concerned (i.e., the Tipees or information carriers), associated parties like the Noticee should not face additional penalties or charges.
43. In this regard, I note that the present matter pertains to violation of PFUTP Regulations, and is not a case of insider trading, which was relied upon by the Noticees. Also, Noticees 1 and 2 did not apply for settlement within the prescribed time limit, and subsequently they have contended that the proceedings be dropped against them as the "information carrier" has already settled. I find that the contention is not tenable. If that were to be accepted, then settlement application by one of the entities in a case would have been considered as settlement application filed by all the entities together. This is not a reasonable argument. The benefit of settlement cannot be impliedly extended to all entities in a matter. Where breach is proved, penalty follows. Settlement by other parties is irrelevant. Therefore, the contention of the Noticees cannot be accepted.

In view of the above, it is established that Noticees 1 and 2 have violated the provisions of Section 12A(a), (b) & (c) of SEBI Act r/w Regulation 3(a), 3(b), 3(c), 3(d) and 4(1) of PFUTP Regulations.

ISSUE II - Do the violations, if any, attract penalty u/s 15HA of the SEBI Act?

44. I note that since the above violations are established, Noticees 1 and 2 are liable for monetary penalty u/s 15HA of the SEBI Act, the text of which is reproduced hereunder:

SEBI Act

Penalty for fraudulent and unfair trade practices.

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

ISSUE III - If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act?

45. While determining the quantum of penalty u/s 15HA of the SEBI Act, it is important to consider the factors stipulated in Section 15J of the SEBI Act, which read as under:

SEBI Act

15J *While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely*

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

46. In the present matter, I find that Noticee 1 has unlawfully gained Rs. 19,52,780.25 in the year 2017, as a result of the scheme of front running of the sell trades of big client. Further, from the material available on record, it is not possible to ascertain

the exact monetary loss to the investors /clients on account of default by Noticees 1 and 2. As per the available records, I note that that Noticees 1 and 2 have not been penalised earlier for the violations of PFUTP Regulations. However, I note that front running is an unfair trade activity, which undermines investor confidence and distorts price discovery, as artificial demand or supply is injected, which also harms the big clients, as they get worse execution prices to the extent of the front-running trades executed by the front-runner. Therefore, suitable penalty must be imposed for non-compliances in order to ensure that the violations can be prevented in future.

ORDER

47. Having considered all the facts and circumstances of the case including delay in issuing of SCN, the material available on record, time value of the unlawful gain, submissions made by Noticees 1 and 2, and the factors mentioned in Section 15J of the SEBI Act, in light of judgment of the Hon'ble Supreme Court in SEBI vs. Bhavesh Pabari (2019) 5 SCC 90, in exercise of power conferred u/s 15-I of the SEBI Act r/w Rule 5 of the SEBI Adjudication Rules, I impose the following penalty upon Noticees 1 and 2 for the violations as mentioned hereunder.

Sr. No.	Name of Noticee	Provisions violated	Penalty under	Penalty Amount
1	M/s Aqua Proof Wall Plast Private Limited (APWPPL)	Regulation Section 12A(a), (b) & (c) of SEBI Act r/w Regulation 3(a), 3(b), 3(c),3(d) and 4 (1) of PFUTP Regulations	Section 15HA of SEBI Act	Rs. 40,00,000/- (Rs. Forty Lakhs Only)
2	Naresh Chandra Bohra			Rs. 5,00,000/- (Rs. Five Lakhs Only)

I find the said penalty to be commensurate with the violation on the part of Noticees 1 and 2.

48. Noticees 1 and 2 shall remit / pay the said amount of penalty within 45 days 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 AO → PAY NOW.

49. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings u/s 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

50. In terms of Rule 6 of the SEBI Adjudication Rules, copy of this order is sent to the Noticees 1 and 2 and also to SEBI.

DATE: JULY 10, 2025

PLACE: MUMBAI

**AMIT KAPOOR
ADJUDICATING OFFICER**