

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/AK/GN/2025-26/31518-31520]

UNDER SECTION 15-I OF 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 No. | Name of the Noticee | PAN |
|--------------------|---------------------------------|------------|
| 1 | Adhunik Dealcom Private Limited | AAGCA9341K |
| 2 | Pradeep Kumar Poddar | AEKPP9383H |
| 3 | Kamal Kumar Dugar | ADEPD5604J |

In the matter of Front Running by Adhunik Dealcom Private Limited

Background

1. Securities and Exchange Board of India (hereinafter referred to as **SEBI**) carried out an investigation to find whether Adhunik Dealcom Private Limited (hereinafter referred to as **Noticee 1**) had Front Run (FR) the trades of the Big Client viz. Santosh Industries Limited (SIL), in violation of provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**") r/w SEBI Act, 1992 (hereinafter referred to as **SEBI Act**) during the period of investigation from June 1, 2022 to November 30, 2022 (hereinafter referred to as "**IP**").

APPOINTMENT OF ADJUDICATING OFFICER

2. Upon being satisfied that Noticee 1, Pradeep Kumar Poddar (hereinafter referred to as **Noticee 2**) and Kamal Kumar Dugar (hereinafter referred to as **Noticee 3**), (Noticee 1 to Noticee 3 shall hereinafter be referred to as "**Noticees**") have violated various provisions of SEBI Act and PFUTP Regulations, SEBI approved initiation of adjudication proceedings and vide communique dated January 27, 2025 (copy enclosed as **Annexure-1**), appointed the undersigned as Adjudicating Officer u/s 19 r/w 15-I(1) of SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') to inquire into and adjudge u/s 15HA of SEBI Act, the alleged violations of Sections 12A (a), (b), (c) of SEBI Act and Regulations 3 (a), (b), (c) and (d), 4(1) and 4(2)(q) r/w 2(1)(c) of PFUTP Regulations by the Noticees.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice (hereinafter being referred to as the “**SCN**”) dated February 12, 2025 was issued to Noticees in terms Rule 4(1) of Adjudication Rules to show cause as to why an inquiry should not be initiated against them and why penalty, if any, should not be imposed upon them u/s 15HA of SEBI Act for the violations.
4. The allegations made against the Noticees in the SCN are summarized below-
 - 4.1. It was observed that Noticee 3, the decision maker of the trading/ investment by SIL, was in possession of information regarding impending trade orders of SIL and was directly trading on behalf of SIL. Further Noticee 3 has passed on the information to the dealer of Noticee 1 for placing buy as well as sell orders in 9 instances. Thus, it has been alleged that Noticee 3 was the information carrier who passed on the information for front running.
 - 4.2. As per the trading details of the Noticee 1, there was no trading observed till during April 01 2022 to August 24, 2022, and the first trade on NSE was only on August 25, 2022, which was the front running instance and that too intraday trading. Further no trades were observed in Equity Derivative, Currency Derivatives and Commodity Derivatives Segment during said period.
 - 4.3. The 9 FR instances constitutes around 30% to the total trading volume of Noticee 1 and the pattern in all such instances was Buy-Buy-Sell (BBS). There were 43 scrips in which the Noticee 1 traded during the IP. Out of 43 scrips, in case of 32 scrips (including FR 8 scrips) the Noticee 1 had fully squared off the position during the period (August 2022 to November 2022).
 - 4.4. In the FR instances Noticee 1 has earned unlawful profit of Rs. 24,39,570.65. 9 instances of Front Running constitute 33.10% of the total Gross Trade Value which is significant to the total trades by Noticee 1.

Trading activities of Noticee 1 vis-a-vis SIL

- 4.5. Prior to August 25, 2022, there were no common scrip days between Noticee 1 and SIL. During IP, in equity segment, instances of common intraday trades with SIL was observed in 9 FR instances where the Noticee 1 made profit.
- 4.6. It was observed from the above that during the IP, Noticee 1 carried out trades in 89 scrip days in cash segment of NSE. Of the total 89 instances, in only 16 instances of intraday trading by Noticee 1 is observed. Out of 16 intraday trading

- in 9 instances of front running by the Noticee 1 is observed of which in 7 instances the trades are matched 95%-100 % with SIL.
- 4.7. During the IP, Noticee 1 trading through Eureka Stock & Share Broking Services Limited ESSBSL), was consistently placing orders ahead of the orders of SIL in Equity segment and squaring off. In most cases, the square off orders placed by the Noticee 1 were getting matched with the orders of SIL in Equity segment.
- 4.8. Further, Noticee 2 also admitted in the statement recording dated November 18, 2024, that Noticee 1 rarely does intraday trading and mostly does Short term trading (i.e. to get 20-30% return within 6 months). Thus the trading strategy of the Noticee 1/Noticee 2 in the 9 instances front running of intraday trading contradicts the trading strategy of the Noticee 1/Noticee 2 to earn instant profit. This also substantiates the front running observations that the trading was based on the information provided by Noticee 3.
- 4.9. Noticee 3 was the decision maker of the trading/investment by SIL, and was in possession of information regarding impending trade orders of SIL and was also directly trading on behalf of SIL. Noticee 2 and Noticee 3 allegedly know each other and Noticee 2 allegedly sought information from Noticee 3 on stocks/shares trading to earn profit
- 4.10. Noticee 3 allegedly passed on the information to the dealer of Noticee 1 on instruction of Noticee 2, for placing buy as well as sell orders in the 9 FR instances. Noticee 2, Noticee 3 and Mr. Babulal Das all admitted in their statement that, Noticee 3 used to provide the information on the scrip to Mr. Babulal Das for trading. They all have admitted that in all the 9 FR instances the information was provided by Noticee 3.
- 4.11. Noticee 3 was allegedly the information carrier who allegedly passed on the information to the dealer of the Noticee 1. Thus based on the information provided by Noticee 3, it has been alleged that Noticee 1 was front running the trades of SIL.
- 4.12. In view of the findings of investigation as given above, it has been alleged that Noticee 1, Noticee 2 and Noticee 3, have violated Section 12A(a), 12A(b), and 12A(c) of SEBI Act, Regulation 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(q) r/w 2 (1) (c) of PFUTP Regulations.

5. The SCN was sent to Noticees through Speed Post AD and via digitally signed Email on February 12, 2025 and was duly served upon Noticees. Vide email dated February 25, 2025, Noticee 3 sought extension of time for submission of reply, in view of the same, vide email dated February 25, 2025 extension was granted to Noticee 3 till March 18, 2025 for submission of reply. Vide email dated March 03, 2025, Noticee 1 and Noticee 2 submitted its reply, which is summarized below-
- 5.1. *Noticee 1 and 2 submitted that the SCN is issued against the laws and is procedurally flawed and violates the established legal principles in the Adjudication Rules, 1995. Rule 4(1) mandates that before the stage of adjudication or considering levy of penalties, SEBI must issue a notice seeking the noticee's response as to why no enquiry should be conducted against him/her/it. Only after the response from the entity is received and the authority has formulated its opinion regarding the matter being fit to be graduated to adjudication stated, that SEBI allowed to proceed to issue subsequent notice fixing a date of appearance under Rule 4(3), seeking reasons for non-imposition of penalties.*
- 5.2. *SEBI cannot under any exception directly issue show cause notice asking the Noticee to show cause as to why no penalty should be levied on it without issuing a prior show cause notice asking the Noticee to show cause as to why no inquiry should be conducted against it and forming an opinion regarding fitness and appropriateness of the matter for adjudication. By bypassing this crucial step, SEBI has "jumped the gun" and denied the Noticee a rightful opportunity to defend itself at the enquiry stage and consequently the SCN deserves to be quashed and set aside.*
- 5.3. *Noticee 1 and 2 referred to the order of Hon'ble Gauhati High Court in the matter of **Sunita Agarwal vs. SEBI [Writ Petition (C.) No. 530 of 2022, Hon'ble SAT order in the matter of Top Telemedia Limited vs. SEBI [SAT Appeal No.156 of 2006. Order dated September 11, 2007]. The issuance of the present SCN asking the noticee to show cause as to why no penalty should be levied against it necessarily shows that the authority has, even prior to issuance of the SCN come to a conclusion regarding the requirement of conducting the enquiry for which issuance of the SCN is in violation of the principles of natural justice and hence deserves to be quashed and set aside.***

- 5.4. *It is stated that a show-cause proceeding is meant to give the person proceeded against a reasonable opportunity of making his/her/its objection against the proposed charges indicated in the show cause notice.*
- 5.5. *But if at that stage the authority issuing the show cause notice, instead of telling the charges, confront him with definite conclusions of his alleged guilt as has been done in the present case (which indicates pre-judgement), the entire proceedings initiated by the show cause notice gets vitiated by unfairness and bias and the subsequent proceedings/actions like submission of response to the show cause notice and personal hearing become idle ceremonies for which the SCN in the present case deserves to be quashed and set aside as has been dictated by the Hon'ble Supreme Court in the matter of Oryx Fisheries Private Limited vs. Union of India - [(2010) 13 SCC 427].*

Submission on merits

- 5.6. *Noticee 1 and 2 made the following submissions-*
- 5.6.1. *Pradeep Poddar met Kamal Kumar Dugar at the house of one Mahesh Singhania..*
- 5.6.2. *Mahesh Singhania requested Kamal Kumar Dugar for giving Pradeep Poddar general advice about trading and investment.*
- 5.6.3. *Pradeep Poddar shared the contact details of Babulal Das with Kamal Kumar Dugar and requested him to generally advise Babulal Das about trading in the shares. Here, it is pertinent to note that Kamal Kumar Dugar was not even aware that Babulal Das was a dealer for Noticee and the same is mentioned in the statement of Kamal Kumar Dugar. It is stated that Kamal Kumar Dugar gave general advice about his trading point of view and nothing specific regarding upcoming or impending orders of Big Client was conveyed to Babulal Das.*
- 5.6.4. *Pradeep Poddar had advised Babulal Das to consider the advice of Kamal Kumar Dugar and if possible, take market positions based on the status of margin availability.*
- 5.7. *At the outset, in respect of my statement as referred in the SCN, the said statement cannot be relied in the present case as the said statement have been recorded by SEBI under duress and compulsion. The interrogation by the SEBI Officers caught me in anxiety for which I state that I was not in the mental state to correctly depose before the Ld. Investigating Officer and his team of officers. Being called for questioning and for something purportedly illegal for the first time*

in life got him anxious and due to presence of several officers and continuous questioning by them, wanted to get out of the place for which he responded to the questions as required by the officers and signed all the documents presented before him. Recording of the statement of a person in such a condition eventually renders the statement inadmissible.

- 5.8. *The statements of Mr. Pradeep Poddar and Mr. Babulal Das were taken down and recorded by SEBI Officers which goes against the trite principle of the law that admissions which have to be used as facts/ evidence during the adjudication have to be either recorded verbatim or under the hands of the person deposing before the authority. It is submitted that Mr. Babulal Das is not proficient/ fluent in English, despite that the statement have been recorded by SEBI in English. Hence, it is stated that the above statements do not have any evidentiary value in the eyes of the laws for which they have to be disregarded.*
- 5.9. *Further, from a cumulative reading of the statements of Kamal Kumar Dugar, Pradeep Poddar and Babulal Das it becomes clear that Kamal Kumar Dugar only used to advice on investment/trading to Babulal Das. Such an advise by Mr. Kamal Kumar Dugar was an independent and individual advice regarding the investment in the securities market and nothing specific about the trades to be executed by the Big Client as alleged by SEBI. In none of the statement and the findings of SEBI during the investigation, it appears that Mr. Kamal Kumar Dugar has provided the details of the upcoming or impending order of the Big Client for which the allegations against the Noticee has no legs to stand.*
- 5.10. *Mr. Kamal Kumar Dugar only provided general advice regarding his point of view and nothing specific about the Big Client. To take a trade or not was dependent upon the discretion of Mr. Babulal Das and the availability of margin. Hence, the allegations regarding the front-running the trades of the Big Client does not deserves to stand and the SCN deserves to be quashed.*
- 5.11. *Further, even if it is presumed that the some information was shared by Mr. Kamal Kumar Dugar, the very basic ingredients for formulating the allegation of front-running where the alleged front-runner squares off his previous position by acting as the counterparty to the Big Client needs to be present which are as under:*
- 5.11.1. *That the Tipper has a duty of keeping the non-public information about the upcoming/impending orders of the Big Client confidential.*

- 5.11.2. *That the Tipper in breach of the above duty shares the said non-public information to the Típee, and*
- 5.11.3. *The Típee even after knowing about the breach of duty by the Tipper takes the advantage of the non-public information as shared by the Tipper.*
- 5.11.4. *Since, Big Client does not know that the non-public information has been shared by the Tipper to the Típee, the Big Client is deceptively induced to deal in the securities with the front-runner and at price which causes notional losses to the Big Client and actual profits to the front-runner.*
- 5.12. *Here, in the present case it is necessary to understand that Mr. Kamal Kumar Dugar (being Noticee No. 03 and allegedly a Tipper) is one of the promoters of Santosh Industries Limited and holds cumulatively i.e. individually and through an HUF, 21.79% of the entire shareholding in the Big Client. In addition to the above, he is also the person authorized to take decisions for the Big Client and hence is the "embodiment" and "alter ego" of the Big Client.*
- 5.13. *Considering the above stance, Mr. Kamal Kumar Dugar himself was the Big Client and even considering hypothetically that the Big Client itself shared the information with Mr. Babulal Das, none of the above mentioned ingredients required to formulate the allegation of front-running stands fulfilled. Hence, the allegation of front running cannot stand against the Noticee in the present case for which the SCN deserves to be set-aside.*
- 5.14. *Noticee referred to the order of Hon'ble SC in the matter of Iridium India Telecom Limited vs. Motorola Inc. - [(2011) 1 SCC 74.*
- 5.15. *Since Mr. Kamal Kumar Dugar was the embodiment of the Big Client he was at absolute liberty to decide as to how to deal with such non-public information which has not been considered in the present case.*
- 5.16. *A peculiar pattern of trading of Noticee i.e. Buy-Buy-Sell has been mentioned in the SCN, the same does not suffice to bring forward and substantiate the allegation of front-running against any entity. Noticee referred to order of the Ld. Quasi-Judicial Authority, SEBI in the matter of suspected front-running of trades of Tata AIF by Mr. Tushar Gupta bearing number QJA/A.4/1VD/ID15/30048/2023-24 dated February 27, 2024.*
- 5.17. *Applying the above observation of the aforesaid case, SEBI has failed to establish the following ingredients for the allegation of front-running the present case:*

- 5.17.1. *That there was any breach of confidentiality on the part of Mr. Kamal Kumar Dugar. Correctly so, there is no such observation in the SCN.*
- 5.17.2. *That the Noticee or Mr. Pradeep Poddar or Mr. Babulal Das knew at the relevant time that the advice given by Mr. Kamal Kumar was in breach of any requirement of confidentiality and deliberately chose to take advantage of it. Neither the Noticee nor Mr. Pradeep Poddar nor Mr. Babula! Das knew that the advice given by Mr. Kamal Kumar Dugar contained any information regarding the upcoming or impending orders of the Big Client.*
- 5.17.3. *That the Big Client was deceptively induced to trade with Noticee and at a price which would cause notional losses to the Big Client and actual profits to Noticee. There is no allegation or observation of such kind in the SCN. The prices on which the Big Client dealt must have been decided by Mr. Kamal Kumar Dugar and given the situation in the present case where Mr. Kamal Kumar Dugar is the alter ego of the Big Client, no inference of Big Client being made to deal at the prices causing notional losses to Big Client and actual profit to the Noticee is warranted. Such an inference would be nothing short of being absurd and unreasonable.*
- 5.18. *Noticee 1 and 2 submitted that SEBI has failed to establish the above facts and referred to the matter of SEBI vs. Kanaiyalal Baldevbhai Patel.*
- 5.19. *Noticee submitted that SEBI, while issuing the SCN, has failed to take into consideration that the Noticee, executed several trades during the IP. In fact, the quantum of the alleged front-running trades form a miniscule percentage of the Noticees' general trades in the market. The said fact sufficiently depicts that advice by Mr. Kamal Kumar Dugar was never intended to facilitate any front-running by the Noticee.*
- 5.20. *Noticee stated that on comparison of the quantum of shares traded in the accounts of the Big Client and the Noticee, it can be seen that the quantum of shares in orders of the Noticee forms a very miniscule part of the total trading of the Big Client. It is submitted that if the Noticee would have done the trading with an intent to front-run the trades of the Big Client and had Mr. Kamal Kumar Dugar as the information carrier, the volume of trades of the Noticee and the quantum traded in such allegedly front-running trades would have been huge or atleast equivalent to*

the Big Client, which is not the case and hence the allegations against the Noticee have been drawn on pure surmise and conjectures and nothing concrete.

5.21. *Noticee submitted that there has been no flow of funds from or to Mr. Kamal Kumar Dugar for the trading of Noticee 1. Therefore the advise by Kamal Kumar Dugar was purely gratuitous.*

5.22. *Noticee submitted that the Noticee did not indulge in buying, selling or dealing in securities in a fraudulent manner and did not employ any device, scheme or artifice to defraud anyone in connection with dealing in securities. It is submitted that the SCN has failed to bring out any fact or circumstance regarding the Noticee to have indulged in any "fraud" of any kind.*

5.23. *The SCN has nowhere alleges Noticee to have deceived anyone in the securities markets or induced any one to deal in the securities markets. Hence, the said allegation of violation of Section 12A (a) and (c) has no legs to stand.*

5.24. *Noticee submitted that, the SCN is also silent to the point as to how and when the Noticee persuaded any other person or entity to trade in the securities listed on the Stock Exchanges and hence the said allegation against the Noticee having committed any fraud in the market is totally incorrect and hence needs to be quashed.*

5.25. *The SCN has failed to indicate when and how the Noticee indulged in any manipulative, fraudulent or an unfair trade practice in securities markets or how its acts can be considered as either manipulative or fraudulent or an unfair trade practice.*

5.26. *Noticee referred to the order of Hon'ble SC in the matter of Union of India vs. Chaturbhai M. Patel and Ambala vs Unions of India and Hon'ble SAT orders in the matter of Parsoli Corporation vs. SEBI, Sterlite Industries vs. SEBI and DLF Limited vs SEBI.*

6. **Vide reply dated March 17, 2025 Noticee 3 made the submissions similar to the submissions already made by the Noticee 1 and Noticee 2 as summarized above. The additional submissions given by the Noticee 3 are summarized below-**

6.1. *Noticee 3 submitted that he has been actively involved in the stock market for over four decades and have developed a reputation for his expertise and knowledge.*

6.2. *Noticee 3 submitted that, the present SCN deserves to be quashed and set aside as the same does not confirm to the procedural standards established by SEBI itself. In this*

regard, notice 3 referred to the order of the Hon'ble Supreme Court of India in the matter of Natwar Singh vs. Directorate of Enforcement, State of Gujarat vs. Shantilal Mangaldas, Cherukuri Mani vs. State of Andhra Pradesh, Swadeshi Cotton Mills vs. Union of India and Oryx Fisheries Private Limited vs. Union of India.

6.3. *Prior to delving into the response to the allegations as noted in the SCN, the Noticee would like to mention and clarify the following:*

- 6.3.1. *That Mr. Mahesh Singhania is a neighbour and close friend of the Noticee.*
- 6.3.2. *That the Noticee did not know Mr. Pradeep Poddar and that Mr. Mahesh Singhania introduced him with Mr. Poddar.*
- 6.3.3. *Considering the experience of the Noticee in the securities markets, Mr. Mahesh Singhania requested the Noticee to provide general advice about trading and investment to Mr. Pradeep Poddar. Here, it is important to understand that the Noticee is very close to Mr. Singhania and considers Mr. Singhania as his elder brother and hence agreed to advice Mr. Poddar.*
- 6.3.4. *Mr. Pradeep Poddar shared the contact detail of one Mr. Babulal Das and the Noticee had spoken to Mr. Babulal Das in anticipation/assumption that he is a person employed by Mr. Pradeep Poddar.*
- 6.3.5. *For the first time, it came to the knowledge of the Noticee during his personal appearance before SEBI official that Mr. Babulal Das was not a person employed by Mr. Pradeep Poddar but a dealer of some other stock broking firm, viz. M/s. Eureka. Thus, it clear that the Noticee did not know anything beyond the information made available to him by Mr. Pradeep Poddar.*
- 6.3.6. *It is necessary to consider the relationship shared by the Noticee with Mr. Singhania. It is stated that due to such close relationship, the Noticee considered it as his moral obligation to advice Mr. Pradeep Poddar and get an update on the trades and positions taken on his advice and brief Mr. Singhania that he has acted/adhered to his request. The Noticee also felt enquire upon the employees as to whether they executed the trades to not.*
- 6.3.7. *In respect of the statements of Mr. Pradeep Poddar/ Mr. Babulal Das, the Noticee stated that the said statements cannot be relied upon in the present case, because the Noticee was not aware of the basis/fact and circumstance /compulsion under which both Mr. Pradeep Poddar/ Mr. Babulal Das have recorded their statement.*

6.3.8. *Noticee submitted that if SEBI rely on the statements of Mr. Poddar and Mr. Das, the Noticee requests your goodself to allow him an opportunity of cross-examining them so as to ascertain the veracity of the statements and to understand the true import of the responses. Here, the Noticee relies on the orders of the Hon'ble Tribunal in the cases of **Bharat Jayantilal Patel vs. SEBI** and of **Dilip S. Pendse vs. SEBI***

6.3.9. *To take a trade or not was dependent upon the discretion of Mr. Poddar or Mr. Babulal Das and the availability of margin.*

7. In the interest of natural justice, opportunity of hearing was provided to Noticees on March 28, 2025, vide Hearing Notice dated March 05, 2025, sent via SPAD and digitally signed email dated March 06, 2025. Vide email dated March 25, 2025, Noticee 1 and 2 sought adjournment of hearing, in view of the same, vide email dated March 25, 2025, hearing was rescheduled to April 21, 2025 for Noticee 1 and 2. Vide letter dated March 26, 2025, Noticee 3 sought adjournment of hearing scheduled on March 28, 2025. In view of the same, vide email dated March 28, 2025, hearing was rescheduled for Noticee 3 as well to April 21, 2025. However, vide email dated April 15, 2025, Noticee 3 again sought adjournment of hearing, in view of the same, vide email dated April 16, 2025, hearing was rescheduled to April 29, 2025 for Noticee 3. Noticee 1 and Noticee 2 did not attend the hearing on the scheduled day i.e. April 21, 2025, therefore, another opportunity of hearing was granted to the Noticee 1 and Noticee 2 on April 29, 2025. Noticees attended the hearing on the scheduled day i.e. April 29, 2025 and reiterated the submissions already made. Noticees further sought time till May 15, 2025 for making additional submissions, the said request was acceded to.

8. Vide reply dated May 15, 2025 Noticee 1 and Noticee 2 made the additional submissions. The same is summarized below-

8.1. *The core premise of the alleged BBS pattern of front running lies in the purported ability of an individual to derive an undue advantage from the price movement caused by the order placed by the Big Client. To establish purported ability of an individual to derive an undue advantage, it is essential to demonstrate that the alleged front runner placed their order immediately after the Big Client's order. The timing of this action is critical, as it serves to show the front runner's intent to*

capitalize on the price impact resulting from the Big Client's trade. Noticee referred to the observations were made by the Ld. Quasi-Judicial Authority of SEBI in the matter of front running activities by Shila Devi

8.2. *Noticee stated that in the present case, the trade analysis should be conducted on the basis of the time when the order was placed, rather than the time at which the trade was executed. As outlined, the placement of the order is the critical moment in determining the intent of the individual involved, particularly in the context of front running. The execution of the trade is a subsequent event that does not alter the intent disclosed by the person at the time the order was entered.*

8.3. *In light of the foregoing submissions, the Noticees made the following trade-wise analysis pertaining to the alleged instances of front-running:*

In the Scrip of Central Bank (CENTRALBK) on 25/08/2022

| | <i>Trade Qty</i> | <i>Order Start time</i> | <i>Order end time</i> | <i>Trade start time</i> | <i>Trade end time</i> | <i>Avg Price</i> | <i>Price range</i> |
|-----------------------------|------------------|-------------------------|-----------------------|-------------------------|-----------------------|------------------|--------------------|
| | | | | | | | 19.26 to |
| <i>Big Client (Buy)</i> | 10,00,000 | 13:30:22 | 14:42:57 | 13:30:22 | 14:42:57 | 19.71 | 20.01 |
| <i>Noticee No. 1 (Buy)</i> | 68,905 | 14:41:47 | 14:41:47 | 14:41:47 | 14:41:47 | 19.7 | 19.7 |
| <i>Big Client (Sell)</i> | 1,55,617 | 14:42:51 | 14:42:51 | 14:43:13 | 14:43:49 | 20.09 | 20.09 |
| | | | | | | | 20.06 to |
| <i>Big Client (Buy)</i> | 6,14,437 | 14:46:23 | 14:50:11 | 14:46:23 | 14:50:19 | 20.15 | 20.21 |
| <i>Noticee No. 1 (Sell)</i> | 68,905 | 14:47:20 | 14:50:11 | 14:50:11 | 14:50:11 | 20.2 | 20.2 |
| <i>Big Client (Sell)</i> | 58,820 | 14:51:23 | 14:51:23 | 14:51:23 | 14:52:01 | 20.29 | 20.29 |
| | | | | | | | 20.16 to |
| <i>Big Client (Buy)</i> | 1,00,000 | 14:54:01 | 14:54:01 | 14:54:01 | 14:54:03 | 20.18 | 20.21 |
| <i>Big Client (Sell)</i> | 40,737 | 14:56:42 | 14:56:42 | 14:56:42 | 14:57:10 | 20.39 | 20.39 |
| <i>Big Client (Buy)</i> | 40,737 | 14:59:37 | 14:59:37 | 14:59:37 | 14:59:38 | 20.11 | 20.11 |

8.4. *The BBS pattern, as alleged, was not followed in the present scrip as shown in the table herein above. Significantly, in the present scrip, it was the Big Client who initially began placing buy orders. During the execution of the Big Client's buy orders, Noticee No. 01 placed a buy order.*

- 8.5. *Subsequently, the Big Client placed a sell order, which was successfully executed, and then resumed placing buy orders. Thereafter, Noticee No. 01, placed a sell order that coincidentally matched with one of the Big Client's buy orders. However, the sequence of events clearly demonstrates that the alleged BBS pattern was not followed in any manner. The matching of trades appears to be purely coincidental and driven by market conditions, rather than being indicative of any premeditated front-running activity.*
- 8.6. *From the above table, it is evident that the Big Client had already executed a substantial buy order for 10,00,000 shares, which constitutes 56.97% of the total shares purchased by the Big Client on the alleged front-running instance date. Based on this, it is reasonably observed that any potential impact on the price, if any, had already occurred prior to the buy order placed by Noticee No. 01. Furthermore, no loss was incurred by the Big Client due to the order placed by Noticee No. 01. Therefore, it can be conclusively stated that there was no ill-intent on the part of the Noticees to front-run the trades of the Big Client. As such, the allegation of front-running is devoid of merit and should be quashed with respect to the Noticees.*
- 8.7. *Based on the above table, it can be concluded that the trading pattern in the present scrip does not conform to the alleged BBS pattern. On the contrary, the sequence of trades reflects an independent and unrelated pattern of buy and sell activities by both Noticee No. 01 and the Big Client. Therefore, the transaction in question cannot be classified as an instance of front-running and should be excluded from consideration.*
- 8.8. *SEBI has selectively considered only a few transactions to support allegation of front-running, while disregarding several significant trades executed by the Big Client, particularly those that took place between Noticee No. 01's trades. Such selective reliance on a limited subset of transactions, to the exclusion of other material and relevant trades that would clearly indicate the absence of any coordinated activity or prior knowledge, reflects an arbitrary and biased approach on the part of your goodself and ought to be disregarded in entirety.*
- 8.9. *SEBI has not presented any direct or circumstantial evidence to support its claim that Noticee No. 02 and Mr. Babulal Das, the dealer of Noticee No. 01, were aware of the impending orders of the Big Client.*

In the Scrip of Tamil Nadu Newsprint & Papers Ltd (TNPL) on 05/09/2022

| | Trade Qty | Order Start Time | Order End time | Trade start time | Trade end time | Avg Price | Price range |
|----------------------|-----------|------------------|----------------|------------------|----------------|-----------|------------------|
| Noticee No. 1 (Buy) | 25,000 | 09:35:13 | 09:36:12 | 09:35:13 | 09:36:12 | 270.96 | 269.55 to 272 |
| Noticee No. 1 (Sell) | 25,000 | 09:57:29 | 09:57:29 | 12:04:48 | 12:05:27 | 274 | 274 |
| Big Client (Buy) | 1,00,000 | 12:04:03 | 12:05:27 | 12:04:03 | 12:05:27 | 273.33 | 269.89 to 274.14 |
| Big Client (Sell) | 50000 | 12:05:55 | 15:24:26 | 12:09:16 | 15:25:46 | 274.46 | 273.95 to 275.76 |

In the Scrip of Inox Wind Limited (INOXWIND) on 17/10/2022

| | Trade Qty | Order Start time | Order end time | Trade start time | Trade end time | Avg Price | Price range |
|----------------------|-----------|------------------|----------------|------------------|----------------|-----------|------------------|
| Noticee No. 1 (Buy) | 29,021 | 10:20:36 | 11:34:27 | 10:20:36 | 11:34:27 | 150.08 | 149.15 to 151.60 |
| Noticee No. 1 (Sell) | 29,021 | 11:35:02 | 11:35:02 | 11:57:06 | 11:57:06 | 154.9 | 154.9 |
| Big Client (Buy) | 1,00,000 | 11:56:55 | 13:15:35 | 11:56:55 | 13:55:14 | 154.55 | 153.03 to 155.02 |

In the Scrip of Genus Power Infrastructures Limited (GENUSPOWER)

[November 23, 2022]

| | Trade Qty | Order Start time | Order end time | Trade start time | Trade end time | Avg Price | Price range |
|----------------------|-----------|------------------|----------------|------------------|----------------|-----------|----------------|
| Big Client (Buy) | 9,354 | 09:48:17 | 09:48:17 | 09:48:17 | 09:48:17 | 86.5 | 86.29 to 86.54 |
| Noticee No. 1 (Buy) | 1,22,661 | 10:05:32 | 15:19:56 | 10:05:32 | 15:19:57 | 87.16 | 86.15 to 88 |
| Noticee No. 1 (Sell) | 1,22,661 | 15:20:52 | 15:20:52 | 15:22:10 | 15:22:10 | 89.8 | 89.8 |
| Big Client (Buy) | 3,35,895 | 15:21:44 | 15:22:39 | 15:21:44 | 15:26:00 | 89.78 | 88.14 to 90.05 |

In the Scrip of Apollo (Apollo) on 05/09/2022

| | Trade Qty | Order Start time | Order end time | Trade start time | Trade end time | Avg Price | Price range |
|-------------------|-----------|------------------|----------------|------------------|----------------|-----------|------------------|
| Big Client (Buy) | 30,000 | 09:18:14 | 09:58:10 | 09:18:14 | 09:58:10 | 158.06 | 155.42 to 159.92 |
| Big Client (Sell) | 28,377 | 10:05:43 | 10:05:43 | 10:05:43 | 10:05:43 | 160.5 | 160.47 to 160.87 |
| | 25,000 | 10:05:43 | 10:05:43 | 10:05:43 | 10:05:43 | 160.5 | 160.5 |

| | | | | | | | |
|-------------------------|--------|----------|----------|----------|----------|--------|------------------|
| Noticee No. 1 (Buy) | | | | | | | |
| Noticee No. 1 (Sell) | 25,000 | 10:06:04 | 10:06:04 | 10:08:30 | 10:08:30 | 162 | 162 |
| Big Client (Buy) | 6,093 | 10:06:43 | 10:06:43 | 10:06:43 | 10:06:55 | 159.96 | 159.22 to 160.02 |
| Big Client (Sell) | 1,623 | 10:06:59 | 10:06:59 | 10:06:59 | 10:06:59 | 160.48 | 160.48 |
| Big Client (Buy) | 23,907 | 10:06:43 | 10:13:38 | 10:06:59 | 10:13:38 | 160.86 | 159.62 to 160.63 |
| Big Client (Sell) | 20,000 | 12:32:11 | 12:33:09 | 12:32:12 | 12:38:28 | 161.48 | 160.98 to 161.95 |

8.10. *The alleged BBS pattern was not followed in the above-mentioned scrips. In particular, the buy orders of the Big Client were placed only after Noticee No. 01 had completed its sell orders, which further weakens the allegation of front-running in above-mentioned scrips.*

8.11. *It is further stated that for the trades to be alleged as any trade as BBS front-run trades, it is essential to establish that:*

1. *Noticee No. 01 placed its Buy Order prior to the buy order of the Big Client; and*
2. *Noticee No. 01 placed its sell order immediately after the buy order of the Big Client, with an ill-intent to take advantage of the price movement resulting from the Big Client's buy order.*

8.12. *Notably, as shown in above Tables, Noticee No. 01 placed sell orders prior to the Big Client's buy orders in the following manner:*

1. *In the scrip of TNPL, Noticee No. 01 placed a sell order at 09:57:29, whereas the Big Client had placed buy orders during the period from 12:04:03 to 12:05:27.*
2. *Similarly in the scrip of INOXWIND, Noticee No. 01 placed a sell order at 11:35:02, whereas the Big Client had placed buy orders during the period from 11:56:55 to 13:15:35.*
3. *In the scrip of GENUSPOWER as well, Noticee No. 01 placed a sell order at 15:20:52, whereas the Big Client had placed buy orders during the period from 15:21:44 to 15:22:39.*
4. *In the scrip of APOLLO as well, Noticee No. 01 placed a sell order at 10:06:04, whereas the Big Client had placed buy orders at 10:06:43.*

- 8.13. *In light of the above sequence, it can be reasonably concluded that there was no intent on the part of Noticee No. 01 to take undue advantage of the Big Client's buy orders, as Noticee No. 01's decision to sell the shares preceded the Big Client's intention to buy the same scrips.*
- 8.14. *SEBI has grossly erred in failing to consider that, in the scrip of APOLLO, Noticee No. 01's buy orders were entirely matched with the sell orders of the Big Client. In other words, Noticee No. 01 purchased the shares from the Big Client only. This crucial fact was overlooked by SEBI while issuing the SCN. It is stated that in the prevailing market dynamics, it is highly probable that, in the course of intraday trading, trades initiated by Noticee No. 01 may be matched with any counter-party willing to execute a corresponding trade. Such trade matching is determined by market forces and lies largely beyond the control of the market participants.*
- 8.15. *The scrip of Apollo the Big Client had already executed a substantial buy order for 30,000 shares, which constitutes 50% of the total shares purchased by the Big Client on the alleged front-running instance date. Based on this, it is reasonably observed that any potential impact on the price, if any, had already occurred prior to the buy order placed by Noticee No. 01. Furthermore, no loss was incurred by the Big Client due to the order placed by Noticee No. 01. Therefore, it can be conclusively stated that there was no ill-intent on the part of the Noticees to front-run the trades of the Big Client. As such, the allegation of front-running is devoid of merit and should be quashed with respect to the Noticees.*
- 8.16. *It is important to highlight that, in the scrip of APOLLO, there was no matching of Noticee No. 01's sell quantity with the Big Client's buy trades, which clearly indicates the absence of any intention on the part of the Noticees to front-run the trades of the Big Client.*
- 8.17. *It is stated that Santosh Industries Limited, being the Big Client, is likely to have placed large and frequent orders as part of its trading activity. Given the scale and magnitude of these orders, any trade matching with them appears to be purely coincidental and does not, in any manner, reflect an intention on the part of the Noticees to engage in front-running.*

In the Scrip of Tips Music Limited (TIPSMUSIC) (Formerly known as Tips Industries Limited)

| | Trade Qty | Order Start time | Order end time | Trade start time | Trade end time | Avg Price | Price range |
|----------------------|-----------|------------------|----------------|------------------|----------------|-----------|--------------------|
| Big Client (Buy) | 3021 | 11:57:23 | 12:02:46 | 11:57:23 | 12:04:17 | 1817.7 | 1781.67 to 1850 |
| Noticee No. 1 (Buy) | 1,000 | 12:05:36 | 12:05:36 | 12:05:36 | 12:07:18 | 1858.75 | 1844 to 1860 |
| Big Client (Sell) | 21 | 12:05:16 | 12:05:16 | 12:05:43 | 12:05:43 | 1860 | 1860 |
| Big Client (Buy) | 1400 | 12:32:30 | 12:34:36 | 12:32:30 | 12:34:36 | 1796.94 | 1788.21 to 1800.85 |
| Big Client (Sell) | 1400 | 12:36:04 | 12:38:29 | 12:36:04 | 12:39:02 | 1863.72 | 1850 to 1871 |
| Noticee No. 1 (Sell) | 1,000 | 12:36:51 | 12:36:51 | 12:39:17 | 12:39:31 | 1890 | 1890 |
| Big Client (Buy) | 1,000 | 12:39:32 | 12:39:32 | 12:39:32 | 12:39:32 | 1897.16 | 1893.95 to 1899 |
| Big Client (Sell) | 62 | 12:40:32 | 12:40:51 | 12:40:36 | 12:40:53 | 1896.36 | 1895 to 1899 |
| Big Client (Buy) | 62 | 12:43:20 | 12:43:20 | 12:59:04 | 12:59:12 | 1825 | 1825 |
| Big Client (Sell) | 1,989 | 13:21:23 | 14:58:37 | 13:21:23 | 15:10:11 | 1847.26 | 1840 to 1850 |

- 8.18. *The alleged BBS pattern was also not followed in the present scrip as well. The above transactional events clearly indicates that the Big Client executed buy trades prior to the commencement of purchases by Noticee No. 01. Notably, the Big Client continued its trading in the said scrip even after Noticee No. 01 completed his trading on the alleged date of Front-running instance.*
- 8.19. *The Big Client was continuously dealing in the scrip of TIPSMUSIC on the date of alleged front-running, thus it is possible that any pattern can be drawn by selecting any transactions and termed them as front running instance. However, when the trading is considered in its entirety with the complete set of transactions executed by the Big Client on the said date, it becomes evidently clear that no consistent pattern emerges that would indicate any front-running activity. Accordingly, the present instance ought not to be treated as an instance of front-running.*
- 8.20. *Noticee submitted that in the scrip of Ester Industries Limited (ESTER), HFCL Limited and Genus Power Infrastructures Limited (GENUSPOWER) BBS pattern in the present scrips is purely coincidental and does not constitute front-running. A mere resemblance to a trading pattern typically associated with front-running that to in just three (3) instances out of forty (40) common instances, without*

supporting evidence of intent or prior knowledge of impending order of the Big Client, is insufficient to establish such a serious charge of fraud. It is further stated that, in the above scrips, the Big Client had executed substantial size of orders on the day in question.

8.21. *BBS pattern was identified in only 3 instances out of a total of 40 common trading instances between Noticee No. 01 and the Big Client, which stands in stark contrast to 9 instances alleged by your goodself in the SCN.*

8.22. *Based on the above submissions there was no intention on the part of the Noticees to front-run the trades of the Big Client.*

8.23. *The Noticees state that, out of the 40 common instances identified in the SCN, in 25 instances, either or both parties engaged in intraday trading. It is pertinent to note that Santosh Industries Limited, being a Big Client, frequently places substantial and bulky orders as part of its regular trading activity. However, SEBI has raised allegations of front running in only 9 of these instances, and notably, trade matching occurred in just 7 of them.*

9. Noticee 3 reiterated the submissions already made by the Noticee 1 and 2 in its additional submission.

CONSIDERATION FOR ISSUES, EVIDENCE AND FINDINGS

10. I have taken into consideration the facts and circumstances of the case and the material available on record. The issues that arise for consideration in the present case are:

ISSUE I: Whether Noticees have violated the provisions as alleged in the SCN?

ISSUE II- Does the violation, if any, attract monetary penalty u/s 15HA of SEBI Act?

ISSUE III- If so, how much penalty should be imposed taking into consideration the factors mentioned in Section 15J of the SEBI Act?

11. Before proceeding further, it will be appropriate to refer the provisions alleged to have been violated by the Noticees-

SEBI Act

Regulation 12A- No person shall directly or indirectly—

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device

or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

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

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

SEBI (PFUTP) Regulation, 2003

Regulation 3- 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.

Regulation 4(1)- Without prejudice to the provisions of regulation 3, no person shall indulge in a manipulative, fraudulent or an unfair trade practice in securities markets.

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

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

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

FINDINGS

12. Before proceeding further in the matter, I would like to first deal with the preliminary submissions of the Noticees that SCN is issued against the laws and is procedurally flawed and violates the established legal principles in the Adjudication Rules. In this regard, I note that Rule 4(1) and Rule 4(3) of the Adjudication Rules provides as follows-

4.(1) In holding an inquiry for the purpose of adjudging under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15HA and 15HB whether any person has committed contraventions as specified in any of sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15HA and 15HB the Board or the adjudicating officer shall, in the first instance, issue a notice to such person requiring him to show cause within such period as may be specified in the notice (being not less than fourteen days from the date of service thereof) why an inquiry should not be held against him.

(3) If, after considering the cause, if any, shown by such person, the Board or the adjudicating officer is of the opinion that an inquiry should be held, he shall issue a notice fixing a date for the appearance of that person either personally or through his lawyer or other authorised representative.

13. Therefore, under rule 4(1) of the aforesaid adjudication rules, SCN was issued to the Noticees on February 12, 2025 wherein 14 days' time was granted to the Noticees for submitting their reply to the allegations made in the SCN. I note that in the SCN it was clearly mentioned that it has been alleged (*by SEBI*) that Noticees have violated Sections 12A (a), (b), (c) of SEBI Act and Regulations 3 (a), (b), (c) and (d), 4(1) and 4(2)(q) r/w 2(1)(c) of PFUTP Regulations and Noticees are liable for monetary penalty under the relevant provision "only if" the alleged violations are established. Hence, I note that no opinion was formed regarding imposition of penalty on the Noticees at the stage of SCN and there was no pre-judgement of any kind. I note that Noticee 1 and Noticee 2 made their submissions, vide email dated March 03, 2025 i.e. in 21 days. Thereafter, only after the response was received from Noticees 1 and 2 and after formulating an opinion regarding the

matter being fit to be graduated to adjudication, after considering the cause and in the interest of natural justice, an opportunity of hearing was provided to Noticees on March 28, 2025 by issuing Hearing Notice dated March 05, 2025 under rule 4(2) of the Adjudication Rules. Noticee 3 made its submission on March 17, 2025 i.e. after 35 days. However, Noticees sought adjournment multiple times and finally the hearing was conducted for all Notices on April 29, 2025. Thereafter, time till May 15, 2025 was granted to the Noticees to make additional submissions in the matter. In view of the above, I note that the due procedure, as prescribed in the Adjudication Rules has been followed in the instant matter. Therefore, the contention of the Noticees in this regard is devoid of merits.

14. Noticee 3 also submitted that he wants an opportunity of cross-examining Noticee 2 and Mr. Babulal Das so as to ascertain the veracity of the statements. In this regard, I note that it is not disputed that Noticee 2, Noticee 3 and Mr. Babulal Das knew each other and were in frequent contact. Further, the allegations made in the SCN were not solely based on the statement recordings of the aforesaid entities but also on the basis of strong circumstantial evidences. Therefore, the Noticee 3's request for cross examination of certain parties was not acceded to.

ISSUE I: Whether Noticees have violated the provisions as alleged in the SCN?

15. During investigation, it was observed that Noticee 1 was front running the trades of SIL. Noticee 3 was in possession of information regarding impending trade orders of SIL and was also directly trading on behalf of SIL. Noticee 2 and Noticee 3 knew each other and Noticee 2 sought information from Noticee 3 on stocks/shares trading to earn profit. Noticee 3 passed on the information to the dealer of FR entity (ADPL) on instruction of Noticee 2, for placing buy as well as sell orders in the 9 FR instances. Thus it was alleged that based on the information provided by Noticee 3, Noticee 1 was front running the trades of SIL. In view of the above it was alleged that the Noticees have violated the Section 12A(a), 12A(b), and 12A(c) of SEBI Act, Regulation 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(q) r/w 2 (1) (c) of PFUTP Regulations.
16. In reply to the SCN, Noticees submitted that Noticee 3 gave general advice to Mr. Babulal Das. Noticees submitted that Noticee 3 was the embodiment of the Big Client he was at absolute liberty to decide as to how to deal with such non-public

information. Noticees further submitted that the BBS pattern is not sufficient to bring forward and substantiate the allegation of front-running. The quantum of shares in orders of the Noticee forms a very miniscule part of the total trading of the Big Client and the sequence of events clearly demonstrates that the alleged BBS pattern was not followed in any manner.

17. I note that Section 12A(a), 12A(b), and 12A(c) of SEBI Act, Regulation 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(q) r/w 2 (1) (c) of PFUTP Regulations provides that no person shall directly or indirectly engage in any act, practice, course of business employ any device, scheme or artifice to defraud which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder and shall not indulge in a manipulative, fraudulent or an unfair trade practice in securities markets.

18. I note that during investigation SIL, vide email dated September 25, 2024, made its submission, extracts of which are provided below-

.....Although all the Directors of the Company are authorized to place orders on behalf of the Company, but the most of the decision making and placement of orders is done by the Former Director and presently an Authorised Signatory of the Company i.e. Mr. Kamal Kumar Dugar, who is active in investing and trading in stock market since last 40 years. The investment decisions are taken by Mr. Kamal Kumar Dugar on his own perception of economy and on analysis of quarterly and annual results and annual reports of various companies, by reading newspapers, by way of TV media and interaction with cross section of society.....

Mr. Kamal Kumar Dugar placed the order in the (8) scrips (9 instances of FR) as he is also a Director at BMD Securities Limited.....

Mr. Kamal Kumar Dugar was privy to the information regarding the orders/trades of the Company till the receipt of Contract notes of the respective trades.

With respect to Mr Pradip Kumar Poddar & Mr. Babulal Das, it is submitted that he is an acquaintance, casually known to Mr. Kamal Kumar Dugar.

19. I note that, as provided by Trading Member, the dealers who were aware/involved in placing order are as under:

| Name | PAN | Trading Member Name | TM Code | Name, PAN, Address, designation, mobile number, Email ID etc. of the dealer/ fund manager/ relevant employee of SIL | Employees or Officers who were aware/ involved in placing trades on behalf of the SIL in trade dates in the given scrips |
|--------------------|------------|------------------------|---------|--|--|
| Santosh Industries | AAECS2877G | BMD Securities Limited | 13189 | Tulsi Kumar Dugar, Director, Mobile: 9831799999, Email: tkdugar@bmd.net.in Kamal Kumar Dugar, Director Mobile: 9830030522, Email: kamaldugar9@bmd.net.in | Jagdish Prasad Rathi, Compliance Officer, Mobile: 9830252853, Email: jprathi@bmd.net.in |

20. I note from the material available before me that the details of Noticee 1 are as follows-

| Sr. No. | Details | |
|---------|-----------------------|--|
| 1. | Entity Name | Adhunik Dealcom Private Limited |
| 2. | Entity type | Private Limited Company |
| 3. | PAN | AAGCA9341K |
| 4. | Address | 95B Park Street Flat 7th Floor Kolkata 700017 West Bengal 700001 |
| 5. | Email ID | pradeep113118@yahoo.com |
| 6. | Mobile No. | 8777314662 |
| 7. | Date of incorporation | 03/03/2008 |
| 8. | Directors | Mr. Pradeep Kumar Poddar (AEKPP9383H) Mr. Gourav Gupta (AQRPG3515H) |

21. I note from the material available before me that the dealer of Noticee 1 is under-

| Stock Broker Name | Dealer Name/ PAN | CTCL details | Dealer address | Email and Mobile |
|---|------------------|--------------|---|--|
| Eureka Stock & Share Broking Services limited | Mr. Babulal Das | 700049400001 | S/O Netai Chand Das Majher Hati Road Milan Nagar North 24 Pgns Kolkata 700049 | babulaldas29@rediffmail.com 9339143391 |

22. I note that vide letter dated September 25, 2024 SIL has submitted that Noticee 2 and Mr. Babulal Das are acquainted casually to Noticee 3. Further, I note that Noticee 1, vide email dated October 22, 2024, has submitted that Noticee 2 is acquainted with Noticee 3, being acquainted with Noticee 3, Noticee 2 used to chat and discuss about securities markets with him occasionally.

23. I note that the statement of Mr. Babulal Das (Dealer of ADPL in *ESSBSL*) through which the trades were done by Noticee 1 was recorded u/s 11C(5) of the SEBI Act on November 11, 2024. The extract of his statement in the matter and discussions regarding trades carried out in the account of Noticee 1 is placed below:

| | |
|-----|---|
| Q3 | How do you know Mr. Pradeep Kumar Poddar? |
| A3 | Pradeep Kumar Poddar is client of the Stock Broker/AP since 2020. |
| Q4 | What was the mode through which Mr. Pradeep Kumar Poddar used to place trade order? |
| A4 | Pradeep Kumar Poddar had instructed me, if there is margin (Share Pledged) then whenever Kamal ji calls to take the trade/sauda in Adhunik Dealcom Private Limited account. |
| Q7 | Can you provide the contact nos through which Mr.Kamal ji used to call for trade/sauda for Adhunik Dealcom private Limited? |
| A7 | I don't recollect the number as I have changed the handset, I can recollect the number if I see. Kamal ji used to send trade/sauda through whatsapp call and through landline no. |
| Q8 | Shown Call Data Record (CDR) of Mr Babulal Das to check and provide the contact nos through which trade/sauda order received from Kamal ji. (Annexure 1) for Adhunik Dealcom private Limited. |
| A8 | Contact no 9831676105 is the number through which I used to get the whatsapp call for sauda from Kamalji for trades of Adhunik Dealcom private Limited for majority of the trades. Kamalji has also given trade order through landline 03322254103 and 03322254105 for Adhunik Dealcom private Limited few times. |
| Q9 | Please describe in details how Kamalji used to give order for trades for Ahunik Dealcom private Limited.? |
| A9 | Kamaji used to given buy as well as sell order for Ahunik Dealcom private Limited. Sometimes he was on whatsapp call to place the order as well as to modify the order till the order is executed for buy and sell trades. |
| Q10 | Shown Call Data Record (CDR) of Mr Babulal Das (Annexure 1). There are many calls to/from 9831676105 in the name of Mr. Rameshwar Prasad Rathi. Please provide reasons for these calls? |
| A10 | These calls have been made/received to/from no. 9831676105 for trade confirmation of Adhunik Dealcom Private Limited, which were placed by Kamal Ji through Whatsapp Call and Landline calls whenever the trades were executed sometime after the Whatsapp Call and Landline calls. Rameshwar Ji works in Kamalji's office. I used to confirm or received call to confirm about the trades given by Kamalji to him (Rameshwar ji). |
| Q11 | How long this pattern of trading was continued for Adhunik Dealcom private Limited? |
| A11 | Around 2-3 months in 2022 |
| Q12 | Has Pradeep Kumar Poddar come to AP office for placing order? Have you met Mr. Pradeep Kumar Poddar ever? |
| A12 | No Pradeep Kumar Poddar have not come to office to place any trade order. I know Mr. Pradeep Kumar Poddar when I was working with Sosha Credit Private Limited as dealer but I was not his trade dealer. I know Pradeep Kumar Poddar since he was known to my boss Harindra Kumar Agarwal (current employer /AP) who was also director of Sosha Credit Private Limited (No business and closed) |

24. I note that the statement of Noticee 2 u/s 11C(5) of the SEBI Act was recorded on November 18, 2024. The extract of his statement on the queries regarding his connection/relation with Noticee 3 and discussions regarding trades carried out in the account of Noticee 1 is placed below:

| | |
|----|---|
| Q4 | With respect Trade details shown to you in Annexure 1, please provide the mode of placement of these trades. |
| A4 | Mostly these trade calls were given by Mr. Kamal Dugar to Mr. Babulal Das (dealer of Eureka Stock & Share Broking Services limited) over phone. I had given instruction to Mr. Babulal Das to take trade calls based on his |

| | |
|-----|---|
| | judgement in the account of Adhunik Dealcom Private Limited if margin is available, based on information provided by Mr. Kamal Dugar on phone. |
| Q7 | How do you know Mr. Kamal Kumar Dugar? |
| A7 | <p>I have a friend named Mr. Mahesh Singhania (he is into Real estate business). I and Mahesh Singhania are also common directors in few companies.</p> <p>Kamal Dugar is friend of Mahesh Singhania and also stays in the same building where Mahesh Singhania stays. I met Kamal Dugar through my friend Mahesh Singhania at his house.</p> <p>I knew about Kamal Dugar as a renowned person in share/stock business.</p> <p>I requested Kamal Dugar to help me (Adhunik) in trading and give tips. Kamal Dugar told me that he will provide trade call and you place order at that time in the scrip and price I tell you.</p> <p>I also told Kamal Dugar that if he gives me the trade calls to pass on the advice to my dealer, it will be time consuming and these trade calls are time sensitive, and therefore I asked Kamal Dugar to directly call my dealer (Babulal Das) to give advice for the sauda/trade and that I have already given instruction to Babulal Das to take the advice and trade based on Margin available.</p> |
| Q9 | How long did Kamal Kumar Dugar continue to give trade information for Adhunik Dealcom private Limited? |
| A9 | Around 3-4 months in 2022. August to November 2022. |
| Q10 | Why did you stop taking trade information from Kamal Kumar Dugar? |
| A10 | I was not getting the expected returns against Margin allocated/blocked of Rs 2 crores approx. for the trades through advice of Kamal Dugar. |
| Q11 | What is your (Adhunik Dealcom Private Limited) trade strategy. |
| A11 | I rarely do intraday trading. Mostly I do Short Term Trading i.e. to get 20-30% return within 6 months. |
| Q12 | As per Babulal Das statement (A 10) (shown during statement recording) trade confirmation based on the information provided by Kamal Kumar Dugar was given to Rameshwar Prasad Rathi (9831676105). What do you have to say in this respect. |
| A12 | I did not know that Babulal Das used to give trade confirmation of the trades based on the information of Kamal Dugar. Might be that he was giving information on the profit earned based on the trades. |

25. I note that the statement of Noticee 3 u/s 11C(5) of the SEBI Act was recorded on November 19, 2024. The extract of his statement on the queries regarding his connection/relation with Noticee 2 and Mr. Babulal Das and discussions regarding trades carried out in the account of Noticee 1 is placed below:

| | |
|-----|--|
| Q11 | Do you know Mr. Pradeep Kumar Poddar? How long have you known Mr. Pradeep Kumar Poddar? |
| A11 | Yes. Mahesh Singhania introduced me to Pradeep Kumar Poddar at his house. Mahesh Singhania requested for giving advice in stock/share trading and investment to Pradeep Kumar Poddar since I was into stock market and deal daily in trade and invest. |
| Q12 | Do you know Mr. Babulal Das? How long have you known Mr. Babulal Das? |
| A12 | I know Babulal Das through Pradeep Kumar Poddar, but have not met him ever. He was the person to whom Pradeep Kumar Poddar asked me to call and give advice for trading. |
| Q15 | Have you given information about the order (trade) in the 8 scrips to Pradeep Kumar Poddar (Director of Adhunik Dealcom Private Limited) or his dealer Mr. Babulal Das (Dealer of Eureka Share & Stock Broking Services Private Limited). |

| | |
|-----|---|
| A15 | Yes, gave advice/view to Babulal Das as person of Pradeep Kumar Poddar but did not know he was dealer of Eureka. |
| Q16 | The scrip in which you have provided advice to Babulal Das on the instruction of Pradeep Kumar Poddar, has Santosh Industries Limited also taken position and traded. |
| A16 | Yes |
| Q17 | As per statement recording of Mr. Pradeep Kumar Poddar and Mr. Babulal Das, you have given information about the 8 scrips to Mr. Babulal Das to place order (buy and sell order) for Adhunik Dealcom Private Limited. Also Babulal Das stated that you were on call till the trade was executed. What do you have to say about this? |
| A17 | I used to give advice on the scrip and if there was uptrend then I used call again to check if he has taken the position and if taken to book profit. |
| Q18 | How you used to give the scrip information to Mr. Babulal Das |
| A18 | Call through Landline (22254103 / 22254105 / 22544889) and WhatsApp call (9831330522) |
| Q20 | As per Babulal Das statement, trade confirmation based on the information provided by you was at times given to Rameshwar Prasad Rath (9831676105). What do you have to say in this respect |
| A20 | On my instruction Rameshwar prasad Rath (Dealer of BMD Securities Limited) used to call Babulal Das from his mobile to confirm if he has earned any profit or not and also to know if Babulal Das has acted based on my views/advice. I used to take confirmation from Babulal das for the trade and profit so that the same can be conveyed to Mahesh Singhanian as on his request I was giving advice. |
| Q21 | Please state what kind of advice have you given Babulal Das for the scrips. what trading position you took for Santosh Industries Limited. |
| A21 | I used to give him advice of scrip mentioning that the price might go up..... Example of how I used to advice: If I feel reliance scrip may go up till 1300 price..... I used to call babulal das advising him about reliance scrip to be bought as the price will rise... later when I saw that the price has gone from 1280 (price at the time of call to babulal das) to 1290 I used to call Babulal das again to advice if he has taken the buy trade then to book profit or as he deems fit. I submit that the final call to trade was his judgement as may have been instructed by Pradeep Kumar Poddar I also took buy trade for Santosh Industries same day. |

26. I note that Noticees submitted that statements have been recorded under duress and compulsion. In this regard I note from the statement recording of Mr. Babulal Das, Noticee 2 and Noticee 3 that the said statement recordings were duly signed by the deponents. I also note that no submission as to recording of statement under duress and compulsion was made by the Noticees during investigation or before the initiation of the adjudication proceedings. Further, no supporting evidence was provided by the Noticees with regard to the aforesaid contention despite providing them time for submission of additional reply. Therefore, the aforesaid contention is clearly an afterthought of the Noticees, without any merit and hence not tenable.

27. Further I note that Noticees submitted that Mr. Babulal Das is not proficient/ fluent in English, despite that the statement have been recorded by SEBI in English. And hence the above statements do not have any evidentiary value in the eyes of the laws for which they have to be disregarded. In this regard, I note from the material available before me that Babulal Das is the dealer of Noticee 1, working with Stock Broker ESSBSL. Being a dealer working with Stock broker, Babulal Das is required to have necessary certification before dealing in securities and to obtain the certifications, basic knowledge of English is expected. Further, I note from the statement of Babulal Das that he signed the statement after duly understanding its contents. Therefore, the aforesaid contention of the Noticees is not tenable.
28. I note from the SIL letter dated September 25, 2024 that Noticee 3 used to take trading decision on behalf of SIL for investment/ trading activities. Noticee 3 resigned as director in May 2022 (continuing as promoter with majority shares of 8,79,375) and was immediately appointed as Authorised Signatory of SIL for taking all the trading/ investment of SIL subsequently also post May 2022. The trading decision between May–November 2022 were made by Noticee 3 himself.
29. As confirmed by SIL in the submission dated September 25, 2024 and admitted in the statement recording of Noticee 3 dated November 19, 2024, the trading decision in the 9 FR instances (8 scrips) for SIL was taken by Noticee 3 and the orders were also placed/punched directly by himself through the trading terminal of BMD Securities Limited.
30. I note that Noticee 2 (Promoter and Director/Authorized Signatory) in the statement recording dated November 18, 2024, has admitted that he sought information/ advice from Noticee 3 for trading for Noticee 1 to earn instant profit. Also Babulal Das (Dealer of Noticee 1 in ESSBSL), Noticee 2 (*Promoter and Director/Authorized Signatory of Noticee 1*) and Noticee 3 admitted in their statement recordings dated November 11, 2024 November 18, 2024 and November 19, 2024, respectively, that Noticee 3 passed on information/ advice to Mr. Babulal Das for trading on behalf of Noticee 1 in the 9 FR instances.
31. Further I note that Noticee 2 and Noticee 3 also admitted that Noticee 2 requested for information/ advice for trading and Noticee 3 provided information for the 9 FR

instances to place buy trades and then Noticee 3 also used to follow up with Mr. Babulal Das if the buy trades were executed and if so, then to book profit. Apart from this Noticee 3 also used to take confirmation of the profit earned through the trades subsequently.

32. I note that Noticee 3 passed on the information to the dealer of Noticee 1 through WhatsApp call and landline calls for carrying out trades in the 9 FR instances.

33. I note that as per the statement of Mr. Babulal Das and Noticee 3, calls were made through whatsapp and landline, therefore, all calls on the front running dates do not appear in the CDR. However, in one instance on October 17, 2022, calls were made between 10:20:14 to 11:58:19 during which all the buy and sell orders were placed as well as executed by Noticee 1.

| ADPL Front Running order timings | | | | | | | | Big client (SIL) Order timings | | |
|----------------------------------|--------------------|----------------------|--------------------|-----------------------|---------------------|-----------------------|---------------------|--------------------------------|--------------------|---------------------|
| Buy order start time | Buy order end time | Buy Trade Start Time | Buy Trade End Time | Sell order start time | Sell order end time | Sell Trade Start Time | Sell Trade End Time | Buy order start time | Buy order end time | Sell Qty Match in % |
| 10:20:36 | 11:34:27 | 10:20:36 | 11:34:27 | 11:35:02 | 11:35:02 | 11:57:06 | 11:57:16 | 11:56:55 | 13:15:35 | 100 |

34. As per the statement of Noticee 3 dated November 19, 2024, he only used to give advice of the scrip to be traded and the judgment to trade or not was of Babulal Das. However, from the CDR details, it has been observed that continuous calls are being made by Noticee 3 to the dealer (Babulal Das) of Noticee 1.

35. Based on the facts, submission and statements, I note that Noticee 3 was the decision maker of the trading/investment by SIL, who was in possession of information regarding impending trade orders of the Big Client *i.e.* SIL and was directly trading on behalf of SIL. Further, I note that Noticee 3 passed on the information to the dealer of Noticee 1 for placing buy as well as sell orders in the 9 instances.

36. I note that the summary of trades of Noticee 1 for the period April 1, 2022 to December 31, 2022 on NSE is as below:

| Month | Buy Quantity | Buy Value | Buy (instances) | Sell Quantity | Sell Value | Sell (instances) |
|--------|--------------|----------------|-----------------|---------------|-----------------|------------------|
| Aug-22 | 74,939 | 37,26,933.50 | 88 | 69,925 | 14,06,141.00 | 5 |
| Sep-22 | 5,61,659 | 6,89,15,422.70 | 1458 | 5,34,047 | 7,11,89,516.30 | 691 |
| Oct-22 | 6,21,745 | 5,69,41,899.75 | 1465 | 9,74,078 | 11,45,21,288.15 | 804 |
| Nov-22 | 5,34,701 | 5,63,83,721.95 | 1211 | 5,05,651 | 5,81,58,386.65 | 379 |

| | | | | | | |
|----------------------------------|-----------|-----------------|------|-----------|-----------------|------|
| Dec-22 | 5,27,172 | 4,91,26,557.90 | 679 | 1,99,951 | 2,47,97,914.15 | 278 |
| Total | 23,20,216 | 23,50,94,535.80 | 4901 | 22,83,652 | 27,00,73,246.25 | 2157 |
| FR Instances (Aug-Nov, 2022) | 6,97,444 | 7,01,47,880.45 | 9 | 6,97,444 | 7,25,87,451.10 | 9 |
| % of FR to Total trade | 30% | 30% | | 31% | 27% | |

37. I note that Noticees submitted that the quantum of the alleged front-running trades form a miniscule percentage of the Noticees' general trades in the market. Noticees also submitted that the quantum of shares in orders of the Noticee 1 forms a very miniscule part of the total trading of the Big Client. In this regard, I note from the above table that 9 FR instances constitutes around 30% to the total trading volume, which is not miniscule. I also note that the trades executed by the Noticee 1 is as per its risk appetite and as per the available margin. Therefore, the aforesaid contentions of the Noticees is not tenable.

38. I note that in order to find out difference between front running trades and genuine trades, when both the trades are placed on the same day, the relevant factors would be the timing of placement of the orders of the entity around the orders of the Big Client, the type of the order (buy or sell) vis-à-vis the order of the Big Client, quantity of the order, whether the order was squared off the same day / within couple of days or the entity held the said shares for a considerable period of time, whether the entity has previous history of trading in the said scrip. The aforesaid factors are not comprehensive but can distinguish genuine trades from the FR trades as characteristics of FR trades are heavily influenced by the orders of the Big Client.

39. I note that as per the trading details of the Noticee 1, there was no trading observed till during April 01 2022 to August 24, 2022, and the first trade on NSE was only on August 25, 2022, which was the front running instance and that too intraday trading.

40. The details of all the 9 FR instances are as under:

| Date | Security Name/ Contract | Buy Qty | Buy Value | Sell Qty | Sell Value | Profit (Squared) of FR | FR Pattern (BBS /SSB) | Sell Qty Match in % (rounded off) |
|-------------|----------------------------|---------|-----------|----------|------------|------------------------------|--------------------------------|---|
| 25-Aug-2022 | CENTRALBK | 68,905 | 13,57,429 | 68,905 | 13,91,881 | 34,452.50 | BBS | 100 |
| 05-Sep-2022 | TNPL | 25,000 | 67,74,082 | 25,000 | 68,50,000 | 75,917.95 | BBS | 98 |

| Date | Security Name/ Contract | Buy Qty | Buy Value | Sell Qty | Sell Value | Profit (Squared) of FR | FR Pattern (BBS /SSB) | Sell Qty Match in % (rounded off) |
|-------------|----------------------------|----------|-------------|----------|-------------|------------------------------|--------------------------------|---|
| 05-Sep-2022 | APOLLO | 25,000 | 40,12,500 | 25,000 | 40,50,000 | 37,500.00 | BBS | - |
| 22-Sep-2022 | ESTER | 15,863 | 26,74,403 | 15,863 | 27,74,439 | 1,00,035.80 | BBS | 100 |
| 17-Oct-2022 | INOXWIND | 29,021 | 43,69,329 | 29,021 | 44,95,353 | 1,26,023.60 | BBS | 100 |
| 14-Oct-2022 | HFCL | 75,184 | 57,95,786 | 75,184 | 58,65,236 | 69,450.35 | BBS | 97 |
| 09-Nov-2022 | TIPSINDLTD | 1,000 | 18,58,746 | 1,000 | 18,90,000 | 31,254.45 | BBS | - |
| 23-Nov-2022 | GENUSPOWE | 1,22,661 | 1,07,21,890 | 1,22,661 | 1,10,14,958 | 2,93,067.90 | BBS | 100 |
| 28-Nov-2022 | R | 3,34,810 | 3,25,83,717 | 3,34,810 | 3,42,55,585 | 16,71,868.10 | BBS | 99 |
| Total | | 6,97,444 | 7,01,47,880 | 6,97,444 | 7,25,87,451 | 24,39,570.65 | | |

41. I note that the 9 FR instances constitute around 30% of the total trading volume and the front run pattern in all the instances was BBS. There were 43 scrips in which the Noticee 1 traded during the period. Out of 43 scrips, in case of 32 scrips (including 8 FR scrips) Noticee 1 fully squared off the position during the period (August 2022 to November 2022).

42. Comparison of FR Trades by Noticee 1 in the IP vs trades executed in earlier period: -

| Pre - IP | | | IP | | |
|------------------------------|------------------------------------|----------------------------|------------------------------|----------------------|----------------------------|
| (Mar 01,2022 to May 31,2022) | | | (Jun 01,2022 to Nov 30,2022) | | |
| Equity | | | Equity | | |
| Gross Trade Value (in lakhs) | Intra Day scrip days | Intraday profit (in lakhs) | Gross Trade Value (in lakhs) | Intra Day scrip days | Intraday profit (in lakhs) |
| 52.94 | No common scrip days for FR and BC | | 4312.43 | 16 | 27.47 |

43. The brief details of the trades carried out by the Noticee 1 during the IP on NSE is placed below:

| Particulars | Equity Segment | |
|--|------------------|-------------------------------|
| | No. of instances | Gross Traded Value (Rs. Lakh) |
| Trades of suspected FR Entity (ADPL) | | |
| No. of Scrip days traded during the period of analysis | 89 | 4,312.43 |
| Scrip days wherein day trade (intraday) observed | 16 | 1,740.48 |
| No of Trade instances where front running observed | 9 | 1,427.35 |
| Common trade instances where trade Matched with Big Client (profit > 0) | 7 | 1,309.24 |
| Common trade instance where Matched trade with Big Client trade is more than 95 % (profit > 0) | 7 | 1,309.24 |
| Instances where FR earned a square off 1 Lac or more | 4 | 1,028.90 |
| Profit made in the FR instances | 9 | 24.39 |

44. I note from the above, out of 16 intraday trading, FR was observed in 9 instances of which in 7 instances 95%-100 % trades matched with SIL.

45. I note that Noticee 2 has admitted in the statement recording dated November 18, 2024, that Noticee 1 rarely does intraday trading and mostly does Short term trading (i.e. to get 20-30% return within 6 months). Thus the trading strategy of the Noticee 1/Noticee 2 in intraday FR trading is contradictory to the trading strategy of the Noticee 1/Noticee 2 to earn instant profit.

Illustrations of few Front Running Trades

BBS Pattern

FR Entity – “ADPL” (AAGCA9341K) & Big client – “SIL” (AAECS2877G)

Instance 1

14-Oct-2022 - HFCL

| Front Runner (ADPL) | | | | | Big Client (SIL) | | | |
|---------------------|-----------------|------------------------|-----------------|------------------------|------------------|-----------------------|----------------|-----------------------|
| | Total Buy Qty | Avg Buy Price (INR) | Turnover (INR) | | | | | |
| | 75,184 | 77.09 | 57,95,785.65 | | | | | |
| | Buy Order Time | Buy Order Price (INR) | Buy Trade Time | Buy Trade Price (INR) | | | | |
| From | 12:27:23 | 77.10 | 12:27:23 | 77.00 | | | | |
| To | 12:27:23 | 77.10 | 12:27:23 | 77.10 | | | | |
| | Total Sell Qty | Avg Sell Price (INR) | Turnover (INR) | Matched Qty Big Client | Total Buy Qty | Avg Buy Price(INR) | Turnover (INR) | |
| | 75,184 | 78.01 | 58,65,236 | 72,661 | 10,00,000 | 77.46 | 7,74,55,304.30 | |
| | Sell Order Time | Sell Order Price (INR) | Sell Trade Time | Sell Trade Price (INR) | Buy Order Time | Buy Order Price (INR) | Buy Trade Time | Buy Trade Price (INR) |
| From | 12:28:05 | 78.40 | 12:28:18 | 78.40 | 12:28:01 | 77.60 | 12:28:01 | 77.40 |
| To | 12:28:05 | 78.40 | 12:29:31 | 78.00 | 15:21:17 | 75.25 | 15:25:35 | 76.00 |

Explanation: Scrip of HFCL with trade date 14-Oct-2022:

46. Buy trades from the trading account of Noticee 1 for 75,184 shares was placed at 12:27:23 hrs. The buy order limit price was Rs. 77.10. Buy start price was Rs. 77 and buy end price was Rs. 77.10.

47. The buy trades for 10,00,000 shares by SIL were between 12:28:01 and 15:25:35. The buy start price was Rs. 77.40 and buy end price was Rs. 76 (i.e.at an average of Rs. 77.46). As soon as big client started buying, sell trades were executed for 75,184 shares between 12:28:18 and 12:29:31 from the trading account of Noticee 1. The average price at which the sell trades were executed was Rs. 78.01 and out

of 75,184 shares sold by FR entity 72,661 shares were matched with big client (SIL). The entire trade for the day had a positive square off Rs. 69,450.35.

Instance 2

28-Nov-2022 - GENUSPOWER

| Front Runner | | | | Big Client | | | |
|--------------|-----------------|------------------------|-----------------|------------------------|----------------|-----------------------|----------------------------|
| | Total Buy Qty | Avg Buy Price (INR) | Turnover (INR) | | | | |
| | 334810 | 97.32 | 32583716.60 | | | | |
| | BUY ORDER TIME | BUY ORDER PRICE (INR) | BUY TRADE TIME | BUY TRADE PRICE (INR) | | | |
| From | 09:19:34 | 96.50 | 09:19:34 | 96.20 | | | |
| To | 11:12:50 | 97.50 | 12:04:32 | 96.50 | | | |
| | Total Sell Qty | Avg Sell Price (INR) | Turnover (INR) | Matched Qty Big Client | Total Buy Qty | Avg Buy Price(INR) | Turnover (INR) |
| | 334810 | 102.31 | 34255584.70 | 331206 | 1280589 | 100.79 | 129070873.60 |
| | Sell Order Time | Sell Order Price (INR) | Sell Trade Time | Sell Trade Price (INR) | Buy Order Time | Buy Order Price (INR) | Buy Trade Time Price (INR) |
| From | 12:45:22 | 102.50 | 13:16:09 | 102.50 | 10:54:13 | 98.00 | 10:54:13 97.80 |
| To | 12:45:22 | 102.50 | 13:18:10 | 101.00 | 15:29:12 | 101.00 | 15:29:34 101.00 |

Explanation: Scrip of GENUSPOWER with trade date 28-Nov-2022

48. Buy trades from the trading account of Noticee 1 for 3,34,810 shares were between 09:19:34 and 12:04:32. The buy start price was Rs. 96.20 and buy end price was Rs. 96.50 (i.e., at an average of Rs. 97.32).
49. The buy trades for 12,80,589 shares by SIL were between 10:54:13 and 15:29:34. The buy start price was Rs. 97.80 and buy end price was Rs. 101 (i.e., at an average of Rs. 100.79). As soon as SIL started buying, sell trades were executed for 3,34,810 shares between 13:16:09 and 13:18:10 from the trading account of Noticee 1. The average price at which the sell trades were executed was Rs. 102.31 and out of 3,34,810 shares sold by Noticee 1 3,31,206 shares were matched with SIL. The entire trade for the day had a positive square off Rs. 16,71,868.10.
50. Similarly, I note from the trade log that Noticee1 had front run the trades in other scrips as well, as mentioned at paragraph 40 above.
51. I note that Noticees submitted that the BBS pattern was not followed in the alleged scrips and the BBS pattern is not sufficient to bring forward and substantiate the

allegation of front-running. Noticees also submitted that the matching of trades appears to be purely coincidental and driven by market conditions, rather than being indicative of any premeditated front-running activity. Noticees submitted a trade wise analysis of 9 front running instances.

52. I have taken into consideration the submissions made by the Noticees and note the following in respect of various scrips on alleged FR dates –

52.1. Noticees submitted that in the scrip of CENTRALBK the Big Client had already executed a substantial buy order for 10,00,000 shares, which constitutes 56.97% of the total shares purchased by the Big Client on the alleged FR instance date. In this regard, I note that on August 25, 2022, at 13:30:22 the Big client had placed buy order for 2,00,000 shares at a price of 19.25 which got executed by 13:33:35 and the price of the shares was 19.50. Subsequently, at 14:42:57 Big client had placed buy order for another 5,00,000 shares at a price of 19.85, however, at 14:41:47 Noticee 1 bought 68,905 shares at an average price of 19.70. Thereafter, on the same day at 14:50:11 Noticee 1 sold the 68,905 shares at the price of 20.20, earning profit 0.5 per share.

52.2. In the scrip of TNPL, on September 05, 2022, Noticee 1 placed buy order at 09:35:13 and 09:36:12 for 15,000 shares and 10,000 shares respectively and the same got executed at average price of 270.96. On the same day at 12:04:03 Big client started buying and by 12:05:27 Big client bought 1 lakh shares. On the same day at 09:57:29 Noticee 1 placed a sell order for 25,000 shares however, the same did not get executed as the Sell order limit price was high i.e. 295 (Sell LTP prior to Order Mod was 271.05), thereafter, at 12:04:48 Noticee 1 modified its sell order limit price to 274 and by 12:05:27 its sell order got executed and the counterparty for all shares was the Big Client except for 475 shares. Therefore, in the said scrip BBS pattern was followed, as the Noticee 1 bought the shares at 09:35 and 09:36, thereafter from 12:04:03 to 12:05:27 Big client started buying shares and at 12:05:27, Noticee 1 sold its shares.

52.3. In the scrip of APOLLO on September 05, 2022 Big client bought 30,000 shares from 09:18:14 to 09:58:10 at an average price of 157.59. Thereafter,

Noticee 1 bought 25,000 shares at 10:05:43 for Rs. 160.50. On the same day big client bought 26,662 shares from 10:06:43 to 10:08:20 and the price of the scrip increased from 159.20 to 161. Thereafter, Noticee 1 sold 25,000 shares from 10:08:20 to 10:08:43 at a trade price of 162. I note that, in the aforesaid scrip Noticee 1 bought securities ahead of large order of Big client to benefit from the subsequent price move. Therefore, I observe that in this instance there is BBS pattern in the second leg and the Noticee 1 got benefit from the subsequent price move.

- 52.4. In the scrip of INOXWIND on October 17, 2022, from 10:20:36 to 11:34:27 Noticee 1 bought 29,021 shares at an average price of Rs. 150.08. On the same day, the big client bought 1,00,000 shares from 11:56:55 to 13:55:14. In the meantime at 11:57:06 and 11:57:16 Noticee 1 sold 29,021 shares to the big client, which is clearly a BBS pattern.
- 52.5. In the scrip of TIPSINDLTD on November 09, 2025 Big client bought 3,021 shares from 11:57:23 to 12:04:17 at average price of 1814.95. On the same day Noticee 1 bought 1000 shares from 12:05:36 to 12:07:18 at the average price of 1855.30. Subsequently, Big Client started buying 1400 shares from 12:32:30 to 12:34:36. By effect of this, the price started to increase and reached from 1787.95 at 12:32:30 to 1890 at 12:39:17. Subsequently, Noticee 1 sold 1000 shares from 12:39:17 to 12:39:31 at trade price of 1890. I note that, in the aforesaid scrip Noticee 1 bought securities ahead of large order of Big client to benefit from the subsequent price move. Therefore, I observe that in this instance there is BBS pattern and Noticee 1 benefitted from the price move by the orders of the big client.
- 52.6. In the scrip of GENUSPOWER on November 23, 2022 at 09:48:17 Big client bought just 9,354. Subsequently, Noticee 1 bought 1,22,661 shares from 10:05:32 to 15:19:56. Thereafter, Big Client bought 2,35,895 shares from 15:21:44 to 15:22:10 hours. In the meantime, Noticee 1 sold 1,22,661 shares at 15:22:10 to the Big Client, in a BBS pattern.
- 52.7. Further, I note from the submission of the Noticee 1 and Noticee 2 that in the scrip of ESTER, HFCL Limited and GENUSPOWER (November 28, 2022) there is a BBS pattern.

53. In view of the aforesaid, I note that the BBS pattern was followed in all the aforesaid scrips and Noticee 1 had front run the trades. Therefore, the contention of the Noticees that the BBS pattern was not followed is not tenable.
54. I note that the essential element of front running is buying or selling securities ahead of large order to benefit from the subsequent price move. Further, in the BBS pattern, the Front Runner, by using the non-public information regarding an impending Buy order of the Big Client, places his Buy order before the Big Client's Buy order. As and when the Buy order of the Big Client is getting executed, the price of the security rises and the Front Runner Sells the securities bought earlier, at the higher price, thereby pocketing the difference. By giving the information prior to its trades which would result in movement of price and resultant expected profit, Noticee 3 induced Noticee 1 to trade in the said 9 instances, which is a fraud as per PFUTP Regulations.
55. In the instant matter, as illustrated above, in 9 instances Noticee 1 placed orders ahead of the trades of the Big client i.e. SIL and thereafter squared off its trades and making a profit of Rs. 24,39,570.65.
56. I note that Hon'ble Supreme Court in the matter of SEBI Vs Shri Kanaiyalal Baldevbhai Patel (Civil Appeal No. 2595 of 2013, order dated September 20, 2017) observed that *"to attract the rigor of Regulations 3 and 4 of the 2003 Regulations, mens rea is not an indispensable requirement and the correct test is one of preponderance of probabilities. Merely because the operation of the aforesaid two provisions of the 2003 Regulations invite penal consequences on the defaulters, proof beyond reasonable doubt as held by this Court in Securities and Exchange Board of India Vs. Kishore R. Ajmera(supra) is not an indispensable requirement. The inferential conclusion from the proved and admitted facts, so long the same are reasonable and can be legitimately arrived at on a consideration of the totality of the materials, would be permissible and legally justified. Having regard to the facts of the present cases i.e. the volume of shares sold and purchased; the proximity of time between the transactions of sale and purchase and the repeated nature of transactions on different dates, in my considered view, would irresistibly lead to an inference that the conduct of the respondents in Appeal Nos.2595 of 2013, 2596 of 2013 and 2666 of 2013 and appellants in Appeal Nos.5829 of 2014 and 11195-11196 of 2014 were in breach of the code of business integrity in the securities market. The*

consequences for such breach including penal consequences under the provisions of Section 15HA of the SEBI Act must visit the concerned defaulters for which reason the orders passed by the Appellate Tribunal impugned in Civil Appeal Nos.2595 of 2013, 2596 of 2013 and 2666 of 2013 are set aside and the findings recorded and the penalty imposed by the Adjudicating Officer are restored.” Therefore, the contention of the Noticees that matching of trades appears is purely coincidental is not tenable.

57. Hence, considering number of scrips which was common in trades of the Big client and the Noticees, time difference between trades of the Noticees and the Big client, Noticee 1 and Noticee 2's access and possession of information about impending orders of the Big client and placing of order by Noticee 1, I find no merit in submission of the Noticees that matching of trades of the Noticees and the Big client was unintentional and does not constitute front running.

58. Noticees also submitted that Noticee 3 was the embodiment of the Big Client and he was at absolute liberty to decide as to how to deal with such non-public information. In this regard, I note that Noticee 3, being the decision maker of the trading/investment by SIL, was in possession of information regarding impending trade orders of SIL and hence was under a fiduciary duty to act in the best interest of the listed company as well as the shareholders of the company, however, by passing on the information to the dealer of Noticee 1 on instruction of Noticee 2, Noticee 3 acted against the interest of the shareholders.

59. In view of the above, it is established that Noticee 1 and 2 violated Sections 12A (a), (b), (c) of SEBI Act, Regulations 3 (a), (b), (c) and (d), 4(1) and 4(2)(q) r/w 2(1)(c) of PFUTP Regulations and Noticee 3 violated Sections 12A (a), (b), (c) of SEBI Act, Regulations 3 (a), (b), (c) and (d), 4(1) r/w 2(1)(c) of PFUTP Regulations.

ISSUE II: Does the violation, if any, on part of the Noticees attract penalty u/s 15HA of SEBI Act?

60. Noticees were under statutory obligation to abide by the provisions of the SEBI Act, Rules and Regulations and Circulars/directions issued thereunder etc. which they failed to do. The very purpose of the said regulations is to deter wrong doing and promote ethical conduct in the securities market. In view of the violations as

established above, I find that this is a fit case for penalty u/s 15HA of the SEBI Act, which reads as given below:

15HA - Penalty for fraudulent and unfair trade practices:- *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, how much penalty should be imposed on the Noticees taking into consideration the factors mentioned in Section 15J of the SEBI Act?

61. 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 SEBI Act, which reads as under:-

15J - Factors to be taken into account by the adjudicating officer

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.”

62. In the present matter, I note that Noticee 1 has made an unlawful profit of Rs. 24,39,570.65 by squaring off an order placed ahead of the trades of SIL. Further, as per the available records, no past action has been taken by SEBI against the Noticees.

ORDER

63. Having considered the facts and circumstances of the case, the material available on record, the submissions made by the Noticees, the factors mentioned in Section 15J of the SEBI Act, and also taking into account judgment of the Hon'ble Supreme Court in *SEBI vs. Bhavesh Pabari* (2019) 5 SCC 90 and in exercise of power conferred upon the undersigned u/s 15-I of the SEBI Act r/w rule 5 of the Adjudication Rules, 1995, the following penalty is imposed u/s 15HA of the SEBI Act on the Noticees:

| Name of entity | Penalty Provisions | Penalty |
|---------------------------------|--------------------------|--|
| Adhunik Dealcom Private Limited | Section 15HA of SEBI Act | Rs. 35,00,000 (Rs. Thirty Five Lakhs Only) |
| Pradeep Kumar Poddar | | Rs. 10,00,000 (Rs. Ten Lakhs Only) |
| Kamal Kumar Dugar | | Rs. 10,00,000 (Rs. Ten Lakhs Only) |

I am of the view that the said penalty is commensurate with the violations by the Noticees.

64. The Noticees 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.

65. In case of any difficulties in payment of penalties, Noticees may contact the support at portalhelp@sebi.gov.in.
66. 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.
67. In terms of the provisions of rule 6 of the Adjudication Rules, 1995, a copy of this order is being sent to the Noticees and also to SEBI.

PLACE: MUMBAI

DATE: July 04, 2025

AMIT KAPOOR
ADJUDICATING OFFICER