

## BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

## SETTLEMENT ORDER

S.A. No.	NAME	PAN
6952/2022	LABDHI ENTERPRISES	AACFL1039J
6953/2022	FALGUNI KETAN PAREKH	AABPP7364B

IN THE MATTER OF FRONT RUNNING TRADING ACTIVITY BY LABDHI ENTERPRISES AND  
FALGUNI KETAN PAREKH

1. Labdhi Enterprises and Ms. Falguni Ketan Parekh (“**Applicants**”) filed a joint settlement application (“**Application**”) in terms of the SEBI (Settlement Proceedings) Regulations, 2018 (“**Settlement Regulations**”) proposing to settle by neither admitting nor denying the findings of fact and conclusions of law, through a Settlement Order, the pending enforcement proceedings under Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) of the SEBI Act, 1992 initiated vide Show Cause Notice bearing no. SEBI/HO/IVD/ID3/P/OW/2022/0000022370/1 dated May 27, 2022, for the alleged violation of Sections 12A(a), 12A(b) and 12A(c) read with Section 27(1) of SEBI Act, 1992 and Regulations 3(a),(b),(c),(d) and 4(1), 4(2)(q) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 2003 (“**PFUTP Regulations, 2003**”).
2. The brief facts of the case are as follows:
  - 2.1 SEBI had conducted a preliminary examination to ascertain whether certain entities have been front running the trades of Tata Absolute Return Fund, a scheme of Tata AIF, a SEBI registered Alternative Investment Fund during the period of December 01, 2019 to August 10, 2020. Based on the findings of the preliminary examination, SEBI passed an *ad Interim Ex Parte Order* dated August 07, 2020 directing the Applicants to deposit in the escrow account, the proceeds that were observed to have been made from engaging in front running the trades of Tata Absolute Return Fund. Vide the aforesaid order, the Applicants were also restricted from accessing the securities market till further

directions. The directions were confirmed by the *Confirmatory Order* dated June 30, 2021. Based on the findings in the *Interim Order* dated August 07, 2020, SEBI conducted a detailed investigation in the matter and initiated enforcement proceedings for the alleged violations as stated at paragraph 1.

- 2.2 Ms. Falguni Ketan Parekh, the only working partner in Labdhi Enterprises, a partnership firm, was responsible for managing the affairs of the firm including placing orders in the securities market. The notice to show cause dated May 27, 2022 alleged that Ms. Falguni Ketan Parekh had access to non-public information of all impending orders of the Tata Absolute Return Fund and on the basis of that information, trades had been executed from the trading account of Labdhi Enterprises in the equity derivatives segment during the period January 15, 2020 to May 28, 2020. During this period, the trades executed from the trading account of Labdhi Enterprises had consistently front run the impending orders of Tata Absolute Return Fund. The notice to show cause dated May 27, 2022 alleged that by virtue of the aforesaid action, the Applicants had made a profit of Rs. 16,92,095.
3. Pursuant to the receipt of the settlement application, the authorized representatives of the Applicants had a meeting with the Internal Committee of SEBI on September 26, 2022. Thereafter, the Applicants vide letter dated September 27, 2022, proposed the revised settlement terms to settle the enforcement proceedings pending against them.
4. The matter was placed before the High Powered Advisory Committee (“**HPAC**”) in its meeting held on October 20, 2022 wherein it considered the revised settlement terms proposed by the Applicants and recommended the case for settlement upon payment of Rs.50,70,000/- (Rupees Fifty Lakh Seventy Thousand only) as settlement amount along with the disgorgement of Rs. 16,92,095 (Rupees Sixteen Lakh Ninety Two Thousand Ninety Five only) as wrongful gains on a joint and several liability basis. The Applicants informed about the remittance of the aforesaid settlement amount of Rs.50,70,000/- (Rupees Fifty Lakh Seventy Thousand only) on November 17, 2022 and SEBI has confirmed credit of the same. Furthermore, as noted from the facts stated in

the notice to show cause, the disgorgement amount has already been impounded and transferred in the escrow account in favour of SEBI by the Applicants in compliance with *ad Interim Ex Parte Order* dated August 07, 2020.

5. On the basis of the facts above stated, in exercise of the powers conferred under Section 15JB read with Section 19 of the Securities and Exchange Board of India Act, 1992 and in terms of Regulations 23 read with Regulation 28 of the Settlement Regulations, it is hereby ordered that the proceedings that have been initiated for the alleged violations as mentioned at paragraph 1 above are settled *qua* the Applicants as per the following terms:
- i.* this Order disposes of the proceedings that may be initiated for the said violations as mentioned above, in respect of the Applicants;
  - ii.* SEBI shall not initiate enforcement action against the Applicants for the said violations; and
  - iii.* passing of this Order is without prejudice to the right of SEBI under Regulation 28 of the Settlement Regulations to initiate enforcement actions including commencing proceedings against the Applicants, if SEBI finds that:
    - (a) any representation made by the Applicants in the present settlement proceedings is subsequently found to be untrue;
    - (b) the Applicants have breached any of the clauses/ conditions of undertakings/ waivers filed during the present settlement proceedings; and
    - (c) there was a discrepancy while arriving at the settlement terms.
6. This Settlement Order is passed on this 2<sup>nd</sup> day of December, 2022 and shall come into force with immediate effect.
7. In terms of Regulation 25 of the Settlement Regulations, a copy of this Order shall be sent to the Applicants and shall also be published on the website of SEBI.

-Sd/-

**ANANTH NARAYAN G.**  
**WHOLE TIME MEMBER**

-Sd/-

**ASHWANI BHATIA**  
**WHOLE TIME MEMBER**

