

**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**ORDER**

Under sections 11(1), 11(4)(d) and 11B of the Securities and Exchange Board of India Act, 1992 in the matter of front-running of trades by Mr. Manish Chaturvedi and others and Sharekhan Limited and its dealers

In respect of -

S.No	Name	Permanent Account Number
1.	Mr. Manish Chaturvedi	AGSPC0944K
2.	Ms. Laxmi Chaturvedi	AACPC3302M
3.	Mr. Manohar Chaturvedi	AACPC3301J
4.	M/s. Viraj Mercantile Private Limited	AADCV3852H
5.	M/s. Josh Trading Private Limited	AACCJ4233H
6.	Mr. Abhinandan Ranka	ATXPR8358Q
7.	M/s. Pinky Auto Finance Limited	AABCP1168J
8.	M/s. E Ally Consulting India Private Limited	AABCE5603P
9.	Mr. Sandeep Maloo	AFCPM7905F
10.	M/s. Shree Jaisal Electronics and Industries Limited	AACCS5723P
11.	Ms. Neeta Maloo	AFWPM2867G
12.	Mr. Bhavesh Gadhavi	AMMPG4969Q
13.	Ms. Madhu Chanda	ADGPC2308E
14.	Mr. Anandilal Chanda	AACPC9029K
15.	M/s. Anandilal Chanda HUF	AACHC8681B
16.	M/s. Sharekhan Limited	AAECS5096H

1. Securities and Exchange Board of India ("SEBI") conducted an investigation into the matter of suspected front-running by certain entities during the period March 01, 2009 to March 31, 2011 ("Investigation Period").
2. Investigations revealed that the trades in the accounts of persons/entities, namely, Ms. Laxmi Chaturvedi ('Laxmi'), M/s. Viraj Mercantile Private Limited ('Viraj'), M/s. Josh Trading Private Limited ('Josh'), M/s. Pinky Auto Finance Limited ('PAFL'), M/s. E Ally Consulting India Private Limited ('E Ally'), M/s. Shree Jaisal Electronics and Industries Limited ('Jaisal') and Mr. Bhavesh Gadhavi ('Bhavesh') [*hereinafter collectively referred to as "front-runners" or "clients of Sharekhan" and individually by their respective defined names*] were in the nature of front-running the orders/trades of the "Sterling Group" and that the subsequent orders placed by the front-runners matched almost completely with the orders placed by the Sterling Group.

3. The front-runners carried out their front-running activity predominantly through the stock broker, Sharekhan Limited ('**Sharekhan**') and their accounts at Sharekhan were handled by Madhu Chanda ('**Madhu**'), the branch/ relationship manager. Investigations also revealed that the trades of Sharekhan, Mr. Anandilal Chanda ('**Anandilal**') {**who is the husband of Ms. Madhu Chanda and had allegedly indulged in front-running through his account, his HUF's account and that of the proprietary account of Sharekhan**} and M/s. Anandilal Chanda HUF ('**Chanda HUF**') were ahead of trades of the above said seven clients of Sharekhan i.e., the front-runners. The three entities hereinafter collectively referred to as "Sharekhan and its dealers" and individually by their respective defined names.

4. The following entities constitute the "**Sterling Group**" whose orders were front-run –

- i. Abhi Ambi Financial Services Limited (**Abhi Ambi**)
- ii. Sterling Futures & Holidays Limited (**Sterling Futures**)
- iii. Ratha Infrastructure Private Limited (**Ratha**),
- iv. Baghmar Finlease Limited (**Baghmar**),
- v. Shanmuga Home Makers Private Limited
- vi. Siva Trade Consultancy Private Limited
- vii. Saravana Enterprises ('**Saravana**'),
- viii. Shanmuga Real Estate & Promoters Private Limited
- ix. VS Net Limited and
- x. Siva Projects Engineering & Enterprises Limited.

5. Mr. Manish Chaturvedi ('**Manish**') was an employee in the Sterling Group of Companies and his duties *inter alia* included carrying out technical as well as fundamental research for enabling investment decision by the management and placing of orders for buy/ sell in the identified scrips with the stock brokers on behalf of the Sterling Group. The Sterling Group has submitted that Manish was employed with the group from November 03, 2008 to November 08, 2011. Investigations revealed that Manish was generally placing orders with the stock brokers on behalf of the Sterling Group. As per the submissions made by entities of the Sterling Group, various stock brokers and their dealers, Manish was placing orders on behalf of the Sterling Group through the Group's stock brokers.

6. Therefore, brokers of the Sterling group were requested to provide voice recordings and transcripts for orders placed in Sterling Group accounts and also identify the person placing the orders over phone. HSBC InvestDirect Securities (India) Limited ('**HSBC**') and JM Financial Services Limited ("**JMFL**") have retrieved voice recordings pertaining to placement of certain orders in the accounts of the Sterling Group on a sample basis and provided the same to SEBI along with the transcripts of the recordings. Both HSBC and JMFL have identified the person placing orders in the account of Sterling Group as Manish.

7. Manish, during his employment with the Sterling Group, had knowledge of investments and the impending buy/ sell orders of the Group as Manish was placing orders with the brokers of the Sterling Group on behalf of the Group. Therefore, Manish was aware of the six parameters of impending orders i.e., 1. Exchange, 2. Trade Type (Buy/ Sell), 3. Scrip, 4. Order Time (including date), 5. Price and 6. Quantity) of the Sterling Group enabled him to carry out the front-running activity.

8. From the audio recordings provided by JMFL and HSBC, order execution took place for orders placed in 58 calls. Out of the orders through the 58 calls, it was found that Manish had placed orders through 56 calls and that orders placed through 40 calls matched with the orders of persons/entities, namely, E Ally, Jaisal, Laxmi and Bhavesh. Trades executed for orders placed through the remaining two calls by person(s) other than Manish did not match with any of the front-runners. Therefore, it is evident that the orders that were frontrun by the front-runners were placed by Manish on behalf of Sterling Group while those placed by others on behalf of the Sterling Group were not frontrun by the front-runners.

9. During the course of Investigation, Sharekhan and Manish were respectively requested to provide mobile bills of Madhu (9821637986) and Manish (9967051632, 9790967968 and 9987261632) for the entire investigation period. Sharekhan provided mobile bills of Madhu for the entire investigation period. However, Manish submitted mobile bills only for his number 9967051632 and 9790967968 for intermittent period. For his mobile number 9790967968, he provided bills for the period from August 26, 2009 to March 31, 2011 i.e., end of the investigation period. For his other mobile number i.e., 9967051632, he provided bills only for the period from April 02, 2010 to June 1, 2010 (2 Months), August 02, 2010 to September 1, 2010 (1 Month), November 02, 2010 to December 01, 2010 (1 Month), and January 02, 2010 to February 01, 2011(1 Month). Also, Manish did not provide any mobile bill for the number +91 9987261632 (a common number used at Manish's residence).

**10.** On an analysis of available mobile bills of Manish and Madhu (a dealer of the stock broker, Sharekhan), it is observed that **Manish** and **Madhu**, were frequently communicating with each other during the market hours. It was also observed that the orders placed in the accounts of the front-runners trading through Sharekhan were in synchronization with the call timings between Manish and Madhu. It was noted that during the aforesaid telecommunication between Manish and Madhu, no trading was observed in the personal trading account of Manish but trading was observed in the accounts of the front-runners mentioned at paragraph 2 as also in the accounts of Sharekhan and its dealers.

Further, based on location provided in the available mobile bills of Manish, it was observed that when he was not in Chennai (i.e., city of Sterling Group's office), he used to call up the brokers of the Sterling Group from his mobile / other numbers and place orders on behalf of the Sterling Group.

**11.** On analysis of call details and emails available on record, the trading pattern and the voice recordings of the orders placed for Sterling Group through JMFL and HSBC, the investigations observed the following *modus operandi*:

- a. Manish used to suggest scrips and the trade price to the management of the Sterling Group and seek approval for placing orders with stock brokers on behalf of the Sterling Group.
- b. Before placing orders in the accounts of the Sterling Group, Manish on the basis of the information available, used to place several orders through various accounts used for frontrunning in smaller quantities by calling up dealer(s) of front-runners.
- c. After execution of trades for a certain quantity, the dealer would usually call up Manish and inform him about the execution status (or) Manish would call up the dealer to check the status of order execution in front-runners' accounts.
- d. Upon the start of the call between the dealer and Manish after execution of certain quantity, a rush for executing more shares was observed in most cases. This is based on the fact that the orders were being placed at a better price and for higher quantities from the start of the call.

- e. During the continuation of the call/ immediately thereafter, orders were placed in the front-runners' accounts for exactly/ almost exactly squaring up the entire position. In the meantime, Manish used to place orders in the accounts of the Sterling Group companies. In most of the cases, the order price in the front-runners' account was far away from the market but was the same price as offered by the Sterling Group and therefore most of the orders in the front-runners' account got executed only upon entry of orders by the Sterling Group. Further, the orders placed by Manish for Sterling Group which were being front-run were generally in the nature of 'Immediate or Cancel orders' i.e., Manish instructed the dealer to delete the unexecuted order quantity after matching with orders of the front-runners.
- f. Madhu and Anandilal were dealers of Sharekhan and therefore had information of the orders of the seven clients of Sharekhan i.e., the front-runners. It was observed that the orders and trades in the accounts of Sharekhan and its dealers were placed to front-run the clients of Sharekhan i.e., the front-runners. However, the orders placed to square off the existing position in the accounts of Sharekhan and its dealers were either being placed immediately before the clients of Sharekhan i.e., front-runners and/or at a price better than that of the clients of Sharekhan. Due to the aforesaid strategy, most trades in the accounts of Sharekhan and its dealers were executed before the trades of the clients of Sharekhan.

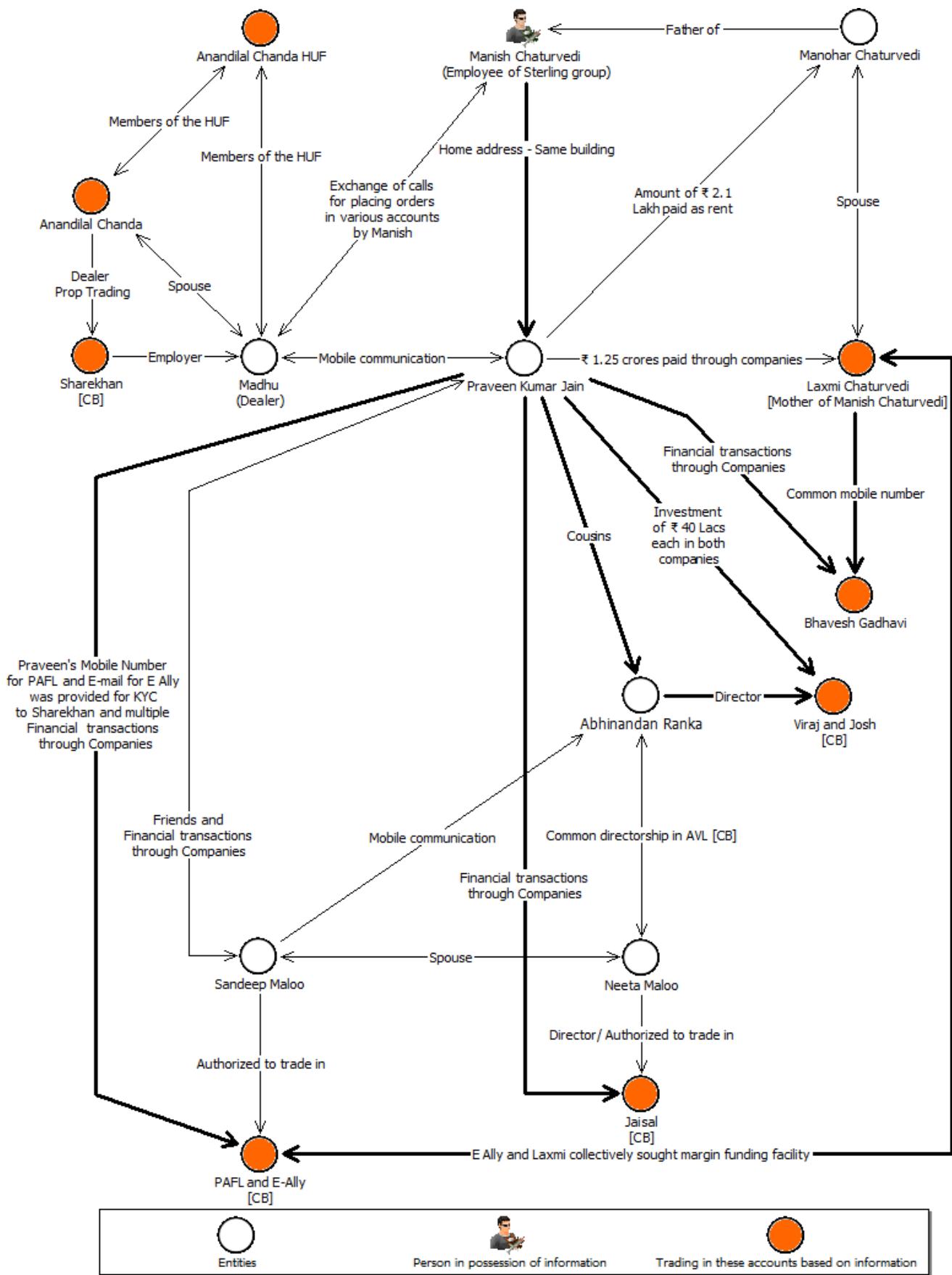
It would also be relevant to mention the observations of investigations based on the voice recording provided by JMFL that Manish wanted to place a sell order in the account of Abhi Ambi for 20,000 shares of ICICI bank on January 18, 2010 on **BSE**, despite the dealer mentioning that the rate on **NSE** was higher at ₹ 859 than that on BSE (₹ 858). The decision of Manish to sell on **BSE** and not on **NSE** was due to the fact that Manish had already short-sold in Bhavesh's account on **BSE**. Of the sell order of 20,000 shares of Abhi-Ambi, 13,000 shares were bought by Bhavesh (99.98% of day trading quantity by Bhavesh).

**12.** Before analyzing the trading pattern, it is pertinent to mention that the front-runners, personnel associated with them and **Manish** had connection/relationship and the same is tabulated below :

S. No.	Name of the Entity	Relationship/ Connection
1.	Mr. Manish Chaturvedi	Employee of the Sterling Group. As mentioned earlier, his duties <i>inter alia</i> included carrying out technical as well as fundamental research for enabling investment decision by the management and placing orders with the brokers on behalf of the Sterling Group.
2.	Ms. Laxmi Chaturvedi*	Mother of Manish
3.	Mr. Manohar Chaturvedi	Father of Manish, who was authorized to place orders in the account of Laxmi
4.	Mr. Bhavesh Gadhavi*	<ul style="list-style-type: none"> <li>a) Laxmi and Bhavesh shared common mobile number as per Know Your Client (KYC) submitted by stock broker Sharekhan (Laxmi - A/c. opened on June 08, 2009 and Bhavesh A/c. opened on June 11, 2009).</li> <li>b) Bhavesh also had financial transactions with companies connected to Mr. Praveen Kumar Jain ('Praveen') who stayed in the same building as Manish.</li> </ul>
5.	M/s. E Ally Consulting India Pvt Ltd.*	<ul style="list-style-type: none"> <li>a) E Ally and Laxmi (Manish's Mother) collectively sought margin funding facility from Sharekhan for trading in the scrip of Usher Agro Limited.</li> <li>b) E Ally had multiple financial transactions with companies connected to Praveen.</li> <li>c) As per KYC submitted by Sharekhan, E Ally shares common E-mail id with Praveen, who resides in the same building as Manish.</li> </ul>
6.	M/s. Viraj Mercantile Pvt Ltd.*	<ul style="list-style-type: none"> <li>a) Shareholder and director of the two companies was Mr. Abhinandan Ranka, who is cousin of Praveen (residing in the same building as Manish).</li> </ul>
7.	M/s. Josh Trading Pvt Ltd.*	<ul style="list-style-type: none"> <li>b) On March 30, 2011, certain companies in which Praveen was a director invested a sum of ₹40 Lakhs in Viraj and ₹40 Lakhs in Josh.</li> </ul>
8	M/s. Pinky Auto Finance Ltd.*	<ul style="list-style-type: none"> <li>a) It had multiple financial transactions with companies connected to Praveen</li> <li>b) As per KYC submitted by Sharekhan, shares common E-mail id with Praveen, who resides in the same building as Manish</li> </ul>
9.	M/s. Shree Jaisal Electronics And Industries Ltd.*	<ul style="list-style-type: none"> <li>a) Director of this entity was Ms. Neeta Maloo.</li> <li>b) The entity had multiple financial transactions with companies connected to Praveen (who resides in the same building as Manish).</li> </ul>
10	Mr. Sandeep Maloo	<ul style="list-style-type: none"> <li>a) He was controlling the securities market activities and is authorized to place orders in the accounts of PAFL and E Ally.</li> <li>b) He is a friend of Praveen and there are various financial transactions between the companies controlled by/directed by/connected to Sandeep and the companies controlled by/directed by/connected to Praveen.</li> </ul>
11	Ms. Neeta Maloo	<ul style="list-style-type: none"> <li>a) Wife of Mr. Sandeep Maloo and was a director in E Ally and Jaisal.</li> <li>b) She was authorized to place orders in the account of Jaisal</li> </ul>
12	Mr. Abhinandan Ranka	<ul style="list-style-type: none"> <li>a) He was a director of Viraj and submitted that he looked after all its share market activities.</li> <li>b) He is also a director of Josh. He had frequent communication with Mr. Sandeep Maloo over phone. He was authorized to place orders in the accounts of Viraj and Josh.</li> </ul>
13	Mr. Madhu Chanda	<ul style="list-style-type: none"> <li>a. Branch/ Customer Relationship Manager for the front-runners</li> <li>b. Spouse of Anandilal Chanda</li> </ul>
14	Mr. Anandilal Chanda*	Spouse of Madhu Chanda and dealer dealing in proprietary account of Sharekhan
15	M/s. Anandilal Chanda HUF*	HUF of Anandilal Chanda and Madhu Chanda
16	M/s. Sharekhan Limited*	Front-run its own clients i.e., front-runners and also acted as a broker for the front-runners

\* alleged front-runners

**Relevant connection amongst the front-runners and connected entities:**



[CB] - Corporate Bodies

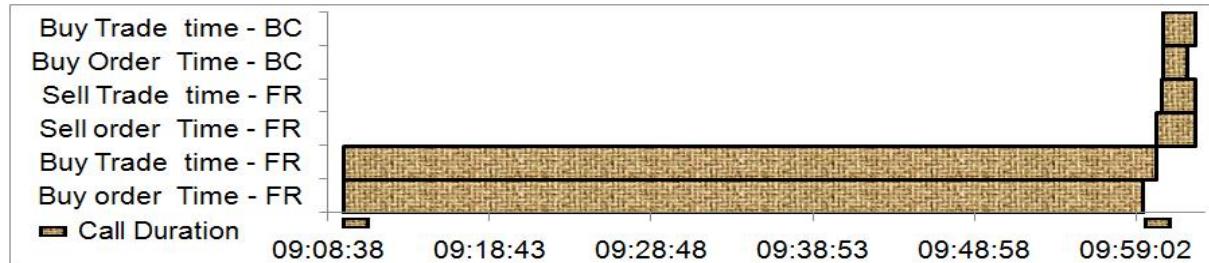
**13.** The manner of placing orders by the alleged front-runners, Sharekhan, its dealers and Chanda HUF, ahead of the orders from Sterling group and the manner of profiteering by squaring off trades with the Sterling group are explained in the following paragraphs.

**13.1 Relevant trading details of Bhavesh on April 09, 2010 in the Scrip Idea Cellular Limited on NSE - Tranche I**

Bhavesh				Abhi Ambi				
Tranche I	Total Buy Qty	Avg. Buy Price (₹)	Turnover (₹)	<u>Abbreviations Used</u>				
	5,91,337	67.82	40,107,067	B.O.T – Buy Order Time B.O.P – Buy Order Price B.T.T – Buy Trade Time B.T.P – Buy Trade Price				
	B.O.T	B.O.P (₹)	B.T.T	S.O.T – Sell Order Time S.O.P – Sell Order Price S.T.T – Sell Trade Time S.T.P – Sell Trade Price				
From	09:09:34	67.25	09:09:34	S.O.T – Sell Order Time S.O.P – Sell Order Price S.T.T – Sell Trade Time S.T.P – Sell Trade Price				
To	09:59:29	68.60	10:00:16	S.O.T – Sell Order Time S.O.P – Sell Order Price S.T.T – Sell Trade Time S.T.P – Sell Trade Price				
	Total Sell Qty	Avg. Sell Price (₹)	Turnover (₹)	Total Buy Qty	Avg. Buy Price (₹)	Turnover (₹)		
	5,85,420	68.30	3,99,83,763	11,00,000	68.28	7,51,11,133		
	S.O.T	S.O.P (₹)	S.T.T	S.T.P (₹)	B.O.T	B.O.P (₹)	B.T.T	B.T.P (₹)
From	10:00:17	67.90	10:00:38	67.90	10:00:45	68.30	10:00:45	68.00
To	10:02:41	68.30	10:02:42	68.35	10:02:11	68.30	10:02:41	68.30

- a. Manish placed a call to Madhu at 09:09:20 Hrs for 1 minute and 38 seconds and multiple buy orders were placed in Bhavesh's account from 09:09:34 Hrs to 09:59:29 Hrs. In 133 buy orders, aggregate quantity of 4,92,350 shares was placed at an average of 3,702 shares per order upto 09:57:12 Hrs.
- b. A call was placed by Madhu to Manish at 09:57:39 Hrs for 1 airtime pulse i.e., the call ended between 09:57:40 and 09:58:38 Hrs. Upon start of the call, **buy** orders of higher quantities were being placed at higher order price. In 16 buy orders between 09:57:52 and 09:59:29 Hrs, a total of 1,00,000 shares were ordered at an average of 6,250 shares per order. The price range for 16 buy orders prior to the call was in the range of ₹67.55 - ₹67.70 and from the start of the call was ₹67.75 - ₹68.00.
- c. Immediately thereafter, another call was made by Madhu to Manish at 09:59:36 Hrs and 18 **sell** orders for a total of 5,90,001 shares were placed from 10:00:17 to 10:02:41 Hrs with average sell order price of ₹68.30 and average sell order quantity of 32,523 shares per order. It was also observed that the sell order placement in Bhavesh's account started 28 seconds in advance to buy order entry by Abhi Ambi.
- d. Between 10:00:45 and 10:02:11 Hrs, 4 buy orders were placed by Abhi Ambi for a total of 11,00,000 shares at ₹68.30. All the orders were placed at the same order price as that of the sell order price in Bhavesh's Account i.e., ₹68.30. The LTP at the time of buy order entry by Abhi Ambi was ₹67.95, ₹68.05, ₹68.25 and ₹68.15. The fact that the order price in Bhavesh's account was away from LTP and same as that of Abhi Ambi with a small gap in order time, it is evident that the orders in Bhavesh's account were based on definite information of Abhi Ambi's orders.

- e. Total number of shares sold in Bhavesh's account in Tranche I was 5,85,420 shares in 59 trades. Out of which, 5,56,248 (95.02%) shares got matched with Abhi Ambi in 30 trades (average of 18,542 shares per trade) and the balance 29,172 shares got matched with others in 29 trades (average of 1,006 shares per trade).
- f. Two sell orders aggregating to sell of 5,917 shares placed for exactly squaring off the entire position have been ignored for the purpose of analysis. After execution of the aforesaid orders, the net position of the client was exactly squared.
- g. The above activity in the account of Bhavesh ('FR') and Sterling Group ('BC') along with the relevant calls between Manish and Madhu are depicted in the chart below:



From the chart above, it is observed that the major activity of the frontrunner i.e., Bhavesh happened just before the Sterling Group and the time taken by the frontrunner to buy shares from the market before the Sterling group is carried out over a relatively longer duration of time than the time taken for selling the shares by the frontrunner (majorly to the Sterling Group and smaller number of shares to other buyers in the market). It is observed that the sell order is being placed at a single instance/ within a few seconds and in most of the cases it executes only upon buy order entry by the Sterling Futures. Further, it is also observed that the calls exchanged between Manish and Madhu were in close proximity to the start of placement of buy/sell orders in the account of Bhavesh. Similar interpretations can be drawn for charts provided at subsequent pages.

- h. Similar observations were made for subsequent tranches on this trading day. The total trading activity in Bhavesh's account on April 09, 2010 is summarized below:

No. of Shares day traded	No. of shares matched with Sterling Group	Profit	% of Market Volume (Buyer and seller)
19,41,419 (3142 buy and 133 sell trades)	18,96,247 (97.67%) (48 sell trades of Bhavesh)	₹7,58,085	36.07%

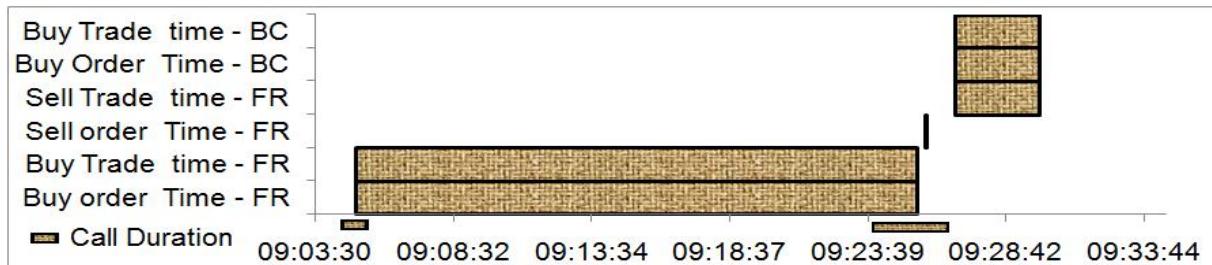
Though several calls were observed between Manish and Madhu near the timing of orders/ trades of Bhavesh, no trades were observed in Manish's account on April 09, 2010. Also from Madhu's mobile bills, it was observed that during the market hours no call/ SMS was placed to any number other than one call to an unknown number and 32 calls to Manish on 9967051632, 9987261632 and 9790967968. Therefore, it can be inferred that Manish communicated with Madhu for frontrunning the trades of the Sterling Group through Bhavesh's account.

**13.2 Relevant trading details of PAFL on May 12, 2010 – in the Scrip of Idea Cellular Limited on NSE - Tranche I and Tranche II**

PAFL				Sterling Futures			
Tranche I	Total Buy Qty	Avg. Buy Price (₹)	Turnover (₹)	Abbreviations Used			
	5,00,149	57.67	2,88,44,884	B.O.T – Buy Order Time B.O.P – Buy Order Price B.T.T – Buy Trade Time B.T.P – Buy Trade Price			
	B.O.T	B.O.P (₹)	B.T.T	B.T.P (₹)	S.O.T – Sell Order Time S.O.P – Sell Order Price S.T.T – Sell Trade Time S.T.P – Sell Trade Price		
From	09:04:56	57.30	09:04:57	57.30			
To	09:25:26	58.50	09:25:26	58.00			
	Total Sell Qty	Avg. Sell Price (₹)	Turnover (₹)	Total Buy Qty	Avg. Buy Price (₹)	Turnover (₹)	
	3,59,993	58.00	2,08,79,594	7,00,000	57.96	4,05,72,204	
	S.O.T	S.O.P (₹)	S.T.T	S.T.P (₹)	B.O.T	B.O.P (₹)	B.T.T
From	09:25:45	58.00	09:26:50	58.00	09:26:50	58.00	09:26:50
To	09:25:45	58.00	09:29:53	58.00	09:29:53	58.00	09:29:53
							58.00

- a) As per the mobile bills, Manish placed a call to Madhu at 09:04:34 Hrs and thereafter buy orders were being placed in PAFL's account from 09:04:56 Hrs to 09:25:26 Hrs. In 78 buy orders, an aggregate quantity of 3,10,000 shares was ordered at an average of 3,974 shares per order upto 09:23:01 Hrs.
- b) Madhu placed a call to Manish at 09:23:28 Hrs for 3 airtime pulses i.e., the call ended between 09:25:28 Hrs and 09:26:27 Hrs. It was observed that upon start of the call, buy orders of higher quantities were being placed at higher price. In 13 buy orders between 09:23:51 Hrs and 09:25:26 Hrs, a total of 2,00,000 shares were ordered at an average of 15,385 shares per order.
- c) Thereafter, a single sell order for 5,00,000 shares was placed in PAFL's account at 09:25:45 Hrs with sell order price of ₹58.00 when the market price/ Last Traded Price (LTP) was ₹57.85.
- d) Sterling Futures placed three buy orders, one each at 09:26:50 Hrs, 09:29:13 Hrs and 09:29:53 Hrs for 2,00,000, 4,00,000 and 1,00,000 shares respectively. All the three buy orders were placed at ₹58.00 i.e., the same order price as that of the sell order price in PAFL's account when LTP was ₹57.80, ₹57.65 and ₹57.85 respectively. A total of 3,35,936 shares had priority over orders placed by PAFL at the time of entry of the three orders by Sterling Futures.
- e) It was also observed that though the sell order in PAFL's account was placed 65 seconds prior to the start of buy order entry by Sterling Futures, the sell order in PAFL's account did not execute for 65 seconds from sell order entry and executed immediately upon buy order entry by Sterling Futures.. The fact that the order price in PAFL's account was away from the market price and same as that of Sterling Futures with a small gap in order time, it is evident that the orders in PAFL's account were based on definite information of orders of Sterling Futures.
- f) Total number of shares sold by PAFL in the first tranche was 3,59,993 in 10 trades. Out of which, 3,59,103 (i.e., 99.75%) shares got matched with Sterling Futures in just 8 trades (average of 44,888 shares per trade) and the balance 890 shares got executed with others in two trades (average of 445 shares).

- g) The above activity during Tranche I in the account of PAFL and Sterling Group ('BC') along with the relevant calls between Manish and Madhu are depicted in the chart below:



- h) As explained at point (d) above, 3,35,936 shares had priority over PAFL's order and other orders entered later but having priority over PAFL's order that got executed and matched with Sterling Futures. Therefore, PAFL's **sell** order for 1,40,007 (5,00,000-3,59,993) shares remained unexecuted. The unexecuted sell order quantity was deleted at 09:50:41 Hrs and the balance 1,40,156 shares [5,00,149-3,59,993] **buy quantity** at the end of this tranche was sold completely to Sterling Futures in Tranche 2 i.e., at 09:52:53 Hrs, as per the details below:

### Tranche II

PAFL				Sterling Futures			
Tranche II	Total Buy Qty	Avg. Buy Price (₹)	Turnover (₹)	Abbreviations Used			
	1,60,500	57.69	92,59,392	B.O.T – Buy Order Time S.O.T – Sell Order Time B.O.P – Buy Order Price S.O.P – Sell Order Price B.T.T – Buy Trade Time S.T.T – Sell Trade Time B.T.P – Buy Trade Price S.T.P – Sell Trade Price			
	1,40,156	Balance in hand – from Tranche 1					
	B.O.T	B.O.P (₹)	B.T.T	B.T.P (₹)			
From	09:42:33	57.55	09:42:33	57.55			
To	09:52:09	58.20	09:52:09	57.90			
Total Sell Qty		Avg. Sell Price (₹)	Turnover (₹)		Total Buy Qty	Avg. Buy Price (₹)	Turnover (₹)
	3,00,000	57.90	1,73,70,000		4,00,000	57.89	2,31,55,686
	S.O.T	S.O.P (₹)	S.T.T	S.T.P (₹)	B.O.T	B.O.P (₹)	B.T.T
From	09:52:26	57.90	09:52:53	57.90	09:52:53	57.90	09:52:53
To	09:52:26	57.90	09:52:53	57.90	09:52:53	57.90	09:52:54
							57.90

- a) After the end of Tranche I, Manish placed a call to Madhu at 09:42:06 and multiple buy orders were once again being placed in PAFL's account from 09:42:33 to 09:52:09. In total, 18 buy orders aggregating to 65,500 shares were placed at an average of 3,639 shares per order upto 09:48:55.
- b) Another call was placed by Manish to Madhu at 09:49:15 which lasted for 3 minutes and 41 seconds i.e., upto 09:52:56. It was observed that upon start of the call, buy orders of higher quantities were being placed at higher order price. In 6 buy orders between 09:50:59 and 09:52:09, a total of 1,00,000 shares were ordered at an average of 16,667 shares per order.
- c) Immediately thereafter, a single sell order for 3,00,000 shares was placed at 09:52:26 with sell order price of ₹ 57.90 when the LTP was ₹ 57.75.

- d) Sterling Futures placed a buy order at 09:52:53 for 4,00,000 shares at the same order price as that of the sell order price in PAFL's account i.e., ₹ 57.90. The LTP at the time of buy order of Sterling Futures was ₹ 57.70 and despite this an order was placed at ₹ 57.90.
- e) It was also observed that though the sell order in PAFL's account was placed 27 seconds prior to the start of buy order entry by Sterling Futures, the sell order in PAFL's account did not execute for 27 seconds from sell order entry and executed immediately upon buy order entry by Sterling Futures. The fact that the order price in PAFL's account was away from LTP and same as that of Sterling Futures with a small gap in order time, it is evident that the orders in PAFL's account were based on definite information of orders of Sterling Futures.
- f) Total number of shares sold in the second tranche was 3,00,000 (placed in single order) which got executed in 10 trades and matched entirely (i.e., 100.00%) with Sterling Futures.
- g) A buy order of 1 share and a sell order of 657 shares placed for exactly squaring off the entire position has been ignored for the purpose of analysis. After execution of the aforesaid orders, the net position of the client was exactly squared.

Similar *modus operandi* was observed in the investigations in other tranches for the same day. Summary of such trades is tabulated below:

No. of Shares day traded	No. of shares matched with Sterling Group	Profit	% of Market Volume (Buyer and seller)
18,22,838 (3261 buy and 120 sell trades)	17,83,385 (97.84%) (37 sell trades of PAFL)	₹6,13,742	17.47%

Though several calls were observed between Madhu and Manish near the timing of orders/ trades of PAFL, no trades were observed in Manish's account on that date. Further, from Madhu's mobile bills, it was observed that during the market hours no call/ SMS were placed to any number other than calls to Manish (19 calls on 9967051632 and 1 call on 9967031632 at 09:02:37 Hrs). Therefore, it can be inferred that Manish communicated with Madhu for frontrunning the trades of the Sterling Group through PAFL's account. Manish also placed several calls to Sterling Group and its employees who were punching orders on behalf of the group.

### 13.3 Relevant trading details of E Ally and Laxmi on November 18, 2010 in the scrip of Idea Cellular Ltd. on NSE

A unique pattern was observed whereby Laxmi and E Ally were observed to be short-selling for a considerable time and later squaring off their positions almost entirely in a few seconds by matching their orders with that of the Sterling Group. It is noted that Laxmi had day traded a total of 5,54,407 shares (5,54,229 matched with the Sterling Group) and made a profit of ₹2,59,135/- and E Ally day traded 3,03,000 shares matching 100% with Sterling Group and earning a profit of ₹89,247/. A summary of the trades during different time period of the day on this scrip day<sup>1</sup>, is tabulated below:

Client	Short sell trade time (Hrs)	Buy trade time (Hrs)	Sell Quantity*	Buy Quantity	Profit	% matched with Sterling Group
Laxmi	09:15:13-09:24:31	09:24:37-09:24:48	1,08,719	1,05,178	91,152	99.91%
Laxmi	09:27:59-09:36:26	09:38:31-09:38:42	81,575	85,116		
<b>Laxmi</b>	<b>12:36:55-12:58:50</b>	<b>13:02:15-13:02:32</b>	<b>2,48,037</b>	<b>2,50,000</b>	<b>1,06,818</b>	<b>100.00%</b>
<b>E Ally</b>	<b>12:59:04-13:01:45</b>	<b>13:02:15-13:02:32</b>	<b>3,03,000</b>	<b>3,03,000</b>	<b>89,247</b>	<b>100.00%</b>
Laxmi	13:12:32-13:19:39	13:19:44-13:19:46	30,338	30,345	9,453	100.00%
Laxmi	13:40:45-13:46:26	13:46:43-13:46:50	83,768	83,768	51,122	100.00%
	Total		8,55,437	8,57,407	3,47,792	99.98%

\*Excluding the small quantity trades executed beyond the timing of tranche for achieving exact square-off.

Each line item in the above table is identified as a separate tranche. For example: the Tranche I in this case is from 09:15:13 to 09:24:48 and Tranche II is from 09:27:59 to 09:38:42 and so on.

**Tranche III** (in the bold font in the above table) matched with sell orders placed in the account of Abhi Ambi between 13:02:15 Hrs and 13:02:32 Hrs. The relevant order and trade details of the tranche highlighted above are tabulated below:

Laxmi and E Ally				Abhi Ambi			
Tranche III	Total Sell Qty	Avg. Sell Price (₹)	Turnover (₹)	Abbreviations Used			
	5,51,037	69.96	3,85,48,240	B.O.T – Buy Order Time B.O.P – Buy Order Price B.T.T – Buy Trade Time B.T.P – Buy Trade Price			
	S.O.T	S.O.P (₹)	S.T.T S.T.P (₹)	S.O.T – Sell Order Time S.O.P – Sell Order Price S.T.T – Sell Trade Time S.T.P – Sell Trade Price			
From	12:36:47	69.65	12:36:55 69.65				
To	13:01:45	70.20	13:01:45 70.20				
	Total Buy Qty	Avg. Buy Price (₹)	Turnover (₹)	Total Sell Qty	Avg. Sell Price (₹)	Turnover (₹)	
	5,53,000	69.60	3,84,88,800	7,64,919	69.63	5,32,57,509	
	B.O.T	B.O.P (₹)	B.T.T B.T.P (₹)	S.O.T	S.O.P (₹)	S.T.T	S.T.P (₹)
From	13:01:55	69.60	13:02:15 69.60	13:02:15	69.60	13:02:15	70.10
To	13:02:08	69.60	13:02:32 69.60	13:02:32	69.60	13:02:45	69.60

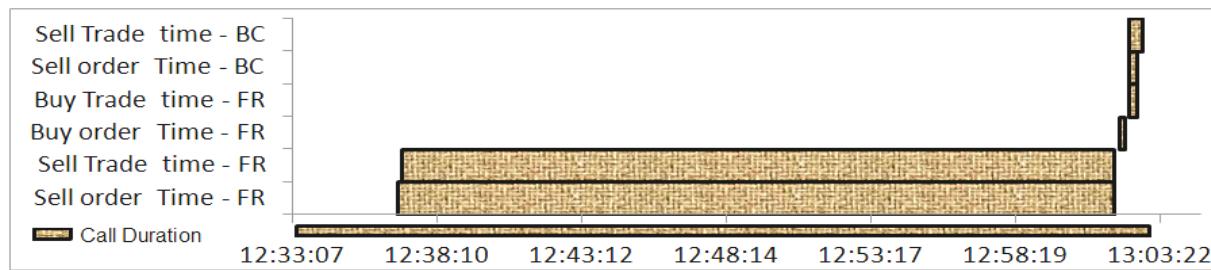
Inference from the above table along with synchronization of relevant calls between Manish - Madhu and Manish - JMFL and relevant extracts of audio transcripts are provided below:

<sup>1</sup> Scrip Days is defined as a count of scrips and days on which client has traded. For example, if the client trades on everyday in scrip X from 1.1.2015 to 2.1.2015 and scrip Y from 1.1.2015 to 3.1.2015, the number of scrip days is 5.

Call Time as per bill	Adjusted time@	Duration (MM:SS)	Summary of observations with adjusted call timings and trade log timings																								
12:34:48	12:33:08	30:00	Manish (9967051632) called Madhu which ended at 13:03:08 A total of 66 sell orders were placed in Laxmi's account from 12:36:47-12:58:50 and 2,48,037 shares were sold at an average of ₹70.00.																								
12:58:38	12:56:58	03:53	Manish (9967051632) called JMFL (044-42255603) while call placed to Madhu was online. Manish enquired with JMFL dealer about number of shares of Idea available in Abhi Ambi account and put the <b>call on hold</b> .																								
			A total of 27 sell orders were placed in E Ally's account from 12:59:04-13:01:45 where 3,03,000 shares were sold at an average of ₹69.89 #																								
13:02:49	13:01:09	02:13	JMFL called Manish (9790967968) while the call by Manish (9967051632) to Madhu was online and Manish was heard to be talking in the background. Relevant extract of transcript provided by JMFL: " <b>Manish: Hold (From Background Manish talking to someone : 50 50 thousand you put...69.60...69.6.sell 50 thousand... 69.60 rak.) Hello</b> " This substantiates that Manish was placing orders through different accounts and also his submissions that he was using above-mentioned two mobile numbers.																								
			Buy orders placed at ₹69.60 in Laxmi's account for 2,50,000 shares at 13:01:55 and in E Ally's account for 3,00,000 and 3,000 shares at 13:01:57 and 13:02:08 respectively *																								
			The relevant extract of the transcript of the recording for call between Manish and dealer of JMFL is as under-																								
			<table border="1"> <tr><td>Manish:</td><td>Sell 4 lakhs Idea 69.60</td></tr> <tr><td>Dealer</td><td>Haan sir 4 lakh in NSE sir ?</td></tr> <tr><td>Manish:</td><td>Hunn</td></tr> <tr><td>Dealer</td><td>In NSE at what rate sir?</td></tr> <tr><td>Manish:</td><td>69.60</td></tr> <tr><td>Dealer</td><td>69.60</td></tr> <tr><td>Manish:</td><td>If executed again you put in 4 lakhs</td></tr> <tr><td>Dealer</td><td>Yeah sir 4 lakhs got sold sir, so I can sell another 4 lakhs?</td></tr> <tr><td>Manish:</td><td>Hunn</td></tr> <tr><td>Dealer</td><td>Same 69.60 I'm placing sir</td></tr> <tr><td>Manish:</td><td>If pending then cancel</td></tr> <tr><td>Dealer^</td><td>Haan sir I cancel it, 35,081.. Totally aa..7 ,64,919 shares got sold sir at 69.63</td></tr> </table> <p><b>^The sale of 7,64,919 shares and deletion of order for 35,081 as stated by the dealer is corroborated by the data as per trade and order log</b></p>	Manish:	Sell 4 lakhs Idea 69.60	Dealer	Haan sir 4 lakh in NSE sir ?	Manish:	Hunn	Dealer	In NSE at what rate sir?	Manish:	69.60	Dealer	69.60	Manish:	If executed again you put in 4 lakhs	Dealer	Yeah sir 4 lakhs got sold sir, so I can sell another 4 lakhs?	Manish:	Hunn	Dealer	Same 69.60 I'm placing sir	Manish:	If pending then cancel	Dealer^	Haan sir I cancel it, 35,081.. Totally aa..7 ,64,919 shares got sold sir at 69.63
Manish:	Sell 4 lakhs Idea 69.60																										
Dealer	Haan sir 4 lakh in NSE sir ?																										
Manish:	Hunn																										
Dealer	In NSE at what rate sir?																										
Manish:	69.60																										
Dealer	69.60																										
Manish:	If executed again you put in 4 lakhs																										
Dealer	Yeah sir 4 lakhs got sold sir, so I can sell another 4 lakhs?																										
Manish:	Hunn																										
Dealer	Same 69.60 I'm placing sir																										
Manish:	If pending then cancel																										
Dealer^	Haan sir I cancel it, 35,081.. Totally aa..7 ,64,919 shares got sold sir at 69.63																										
			The two sell orders of Abhi Ambi were placed at 13:02:15 and 13:02:32 where 72.30% of quantity sold was matched with the buy orders of the two front-runners (100% of shares bought by front-runners).																								
#			When JMFL placed a call to Manish (9790967968), he was observed to be talking in the background asking the other person to sell 50,000 and a sell order was observed in E Ally's account for the same quantity.																								
*			About 20 seconds in advance to order placed in Abhi Ambi's account at ₹69.60, Manish mentioned "69.60" in the background which is the time when the buy orders were placed in the account of the two front-runners (Laxmi and E Ally).																								
@			Based on the analysis and comparison of time of start of call, time (seconds) to place orders after start of the call and the time as per the exchange log at order entry, it was observed that the time as per Airtel's bill is in advance to the NSE timing by approximately 100 seconds and by 4 seconds to Loop mobile time. Therefore, the adjusted time is accordingly provided in a separate column.																								

From the above, it is evident that Manish had placed orders with stock broker (JMFL) on behalf of Abhi Ambi and therefore was aware of all six parameters of impending transaction required for front running i.e., Scrip (Idea), rate (₹69.60), trade type (sell), quantity (8,00,000) shares, time as (13:02:15 and 13:02:32 Hrs) and exchange (NSE). Therefore, it is evident that Manish was in possession of the impending shares transaction of the Sterling Group. Further, as per details of calls made by Manish to Madhu at a time proximate to the order timings in the account of Laxmi and E Ally and the voice heard in the background in the recording provided by JMFL corroborated with the order and trade data in the account of E Ally, establishes that Manish was front-running the trades of the Sterling Group on the basis of information in his possession.

The trading activity in the accounts of Laxmi and E Ally ('FR') and Sterling Group ('BC') along with the relevant calls between Manish and Madhu are depicted in the chart below:



### **13.4 Relevant trading details of Laxmi on November 19, 2010 in the scrip of Idea Cellular Ltd. on NSE**

On November 19, 2010, Laxmi had day traded a total of 15,98,972 (15,86,464 matched with the Sterling Group) shares and made a profit of ₹ 11,91,427 in the scrip of Idea. Laxmi was observed to be short-selling and later squaring off her position on the aforesaid scrip day in five tranches and the same is summarized below:

Short sell trade time (Hrs)	Buy trade time (Hrs)	Sell Quantity*	Buy Quantity	Profit	% matched with Sterling Group
09:16:10-09:38:24	09:38:56-09:39:18	5,52,478	5,52,000	5,41,198	99.89
<b>10:08:06-10:25:35</b>	<b>10:26:01-10:26:06</b>	<b>92,336</b>	<b>92,336</b>	<b>60,537</b>	<b>100.00</b>
10:39:56-11:32:35	11:33:06-11:33:18	4,47,478	3,79,876	1,99,882	99.20
11:35:24-11:53:16	11:52:11-11:52:22	54,398	1,20,000		
12:10:45-12:16:47	12:17:14-12:17:26	4,52,282	4,52,000	3,89,153	98.86
Total		15,98,972	15,96,212	11,90,770	99.39

\* Small quantity trades executed beyond the tranche timing for achieving square-off have been excluded.

Of the recordings made available by JMFL, recording for order placed in Abhi Ambi's account at 10:26:01 Hrs is available and a call was also observed by Manish to JMFL (from the available mobile bills of Manish) during the relevant time. The relevant order and trade details of tranche II highlighted above are tabulated below:

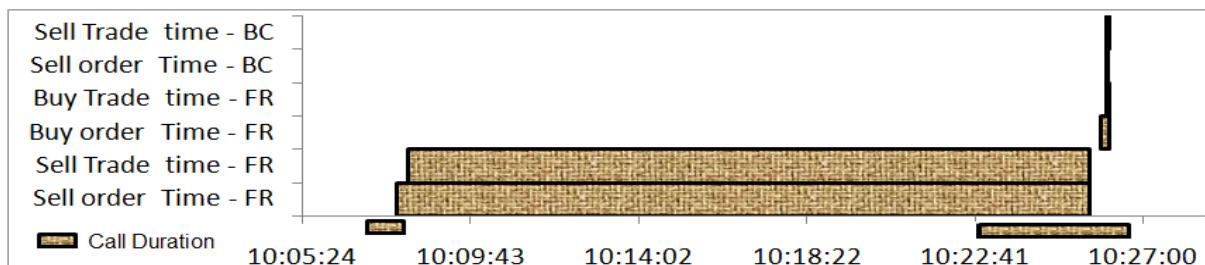
	Laxmi				Abhi Ambi			
Tranche II	Total Sell Qty	Avg. Sell Price (₹)	Turnover (₹)		Abbreviations Used			
	92,336	70.76	65,33,291		B.O.T – Buy Order Time S.O.T – Sell Order Time B.O.P – Buy Order Price S.O.P – Sell Order Price B.T.T – Buy Trade Time S.T.T – Sell Trade Time B.T.P – Buy Trade Price S.T.P – Sell Trade Price			
	S.O.T	S.O.P (₹)	S.T.T	S.T.P (₹)				
From	10:07:49	70.00	10:08:06	70.15				
To	10:25:35	71.05	10:25:35	71.05				
	Total Buy Qty	Avg. Buy Price (₹)	Turnover (₹)		Total Sell Qty	Avg. Sell Price (₹)	Turnover (₹)	
	92,336	70.10	64,72,754		1,10,925	70.10	77,75,920	
	B.O.T	B.O.P (₹)	B.T.T	B.T.P (₹)	S.O.T	S.O.P (₹)	S.T.T	S.T.P (₹)
From	10:25:52	70.10	10:26:01	70.10	10:26:01	70.10	10:26:01	70.10
To	10:26:06	70.10	10:26:06	70.10	10:26:01	70.10	10:26:07	70.15

Inference of the table above along with synchronization of relevant calls between Manish - Madhu and Manish - JMFL and relevant extracts of audio transcripts (JMFL):

Call Time as per bill	Adjusted time@	Duration (MM:SS)	Summary of observations with adjusted call timings and trade log timings												
10:09:02	10:07:22	00:33	Manish (9967051632) called Madhu which ended at 10:07:55. After the start of the call, sell orders were placed in the account of Laxmi from 10:07:50-10:25:35 where 92,336 shares were sold at an average of ₹ 70.76												
10:26:20	10:24:40	01:56	Manish (9967051632) called Madhu which ended at 10:26:36. After the start of the call, placement of sell orders in Laxmi's account was stopped and buy orders were placed from 10:25:52-10:26:06 for 92,336 shares at ₹ 70.10.												
10:27:11	10:25:31	04:11	<p>Manish (9967051632) called JMFL (044-42255612) which ended at 10:29:42. The relevant extracts of the audio transcripts provided by JMFL is reproduced:</p> <table border="1"> <tr> <td>Man<b>h</b></td> <td><i>yaa, You please sell 1 and half lacs @ 70.10 idea</i></td> </tr> <tr> <td>Dealer</td> <td><i>1 and half lac sir ?</i></td> </tr> <tr> <td>Manish</td> <td><i>Yaa</i></td> </tr> <tr> <td>Dealer</td> <td><i>70.</i></td> </tr> <tr> <td>Manish</td> <td><i>10.....Pending Cancelled</i></td> </tr> <tr> <td>Dealer</td> <td><i>Pending cancelled....sir...yes sir...cancelled sir....sir now total of a 9,65,998* has been sold sir....at the average rate of a 70.24</i></td> </tr> </table> <p><b>*The sale of 9,65,998 shares at an average of ₹ 70.24 as stated by the dealer is corroborated by the data as per trade log</b></p> <p>Of the sell order placed for 1,50,000 shares at 10:26:01, a total of 1,10,925 shares were sold in Abhi Ambi's account (of which 92,336 shares i.e., 83.24% matched with Laxmi in 8 trades which was 100% of shares bought by Laxmi in this tranche). Thereafter, the balance unexecuted order quantity of 39,075 shares in Abhi Ambi's account was cancelled.</p>	Man <b>h</b>	<i>yaa, You please sell 1 and half lacs @ 70.10 idea</i>	Dealer	<i>1 and half lac sir ?</i>	Manish	<i>Yaa</i>	Dealer	<i>70.</i>	Manish	<i>10.....Pending Cancelled</i>	Dealer	<i>Pending cancelled....sir...yes sir...cancelled sir....sir now total of a 9,65,998* has been sold sir....at the average rate of a 70.24</i>
Man <b>h</b>	<i>yaa, You please sell 1 and half lacs @ 70.10 idea</i>														
Dealer	<i>1 and half lac sir ?</i>														
Manish	<i>Yaa</i>														
Dealer	<i>70.</i>														
Manish	<i>10.....Pending Cancelled</i>														
Dealer	<i>Pending cancelled....sir...yes sir...cancelled sir....sir now total of a 9,65,998* has been sold sir....at the average rate of a 70.24</i>														

From the above, it is clear that Manish had placed orders with broker (JMFL) on behalf of Abhi Ambi and therefore he was aware of all six parameters of impending transaction required for front running i.e., Name of the scrip (Idea), trade type (sell), quantity (1,50,000) shares, rate (₹ 70.10), time as (10:26:01 Hrs) and the exchange (NSE). Therefore, it is evident that Manish was in possession of the impending sale of shares by the Sterling Group. Further, as per details of calls between Manish and Madhu at a time proximate to the order timings in the account of Laxmi corroborated with the order and trade data in the account of Laxmi, establishes that Manish was front-running the trades of the Sterling Group on the basis of information in his possession.

The above activity in the account of Laxmi ('FR') and Sterling Group ('BC') along with the relevant calls between Manish and Madhu are depicted in the chart below:



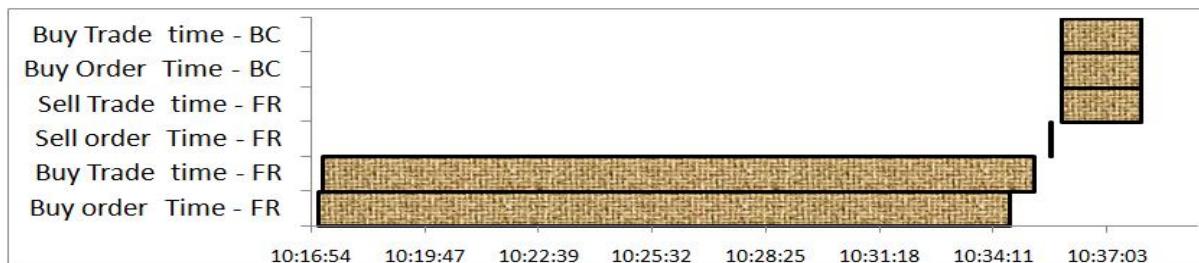
**13.5 Relevant trading details of E Ally on December 10, 2010 in the scrip of KSOIL on NSE –**

**Tranche I**

	E Ally			Ratha			
	Total Buy Qty	Avg. Buy Price (₹)	Turnover (₹)	<u>Abbreviations Used</u>			
	2,50,816	32.40	81,26,387	B.O.T – Buy Order Time B.O.P – Buy Order Price B.T.T – Buy Trade Time B.T.P – Buy Trade Price			
From	B.O.T	B.O.P (₹)	B.T.T	B.T.P (₹)	S.O.T	S.O.P – Sell Order Price	S.T.T – Sell Trade Time
10:17:04	32.20		10:17:11	32.20			S.T.P – Sell Trade Price
To							
10:34:34	32.85		10:35:12	32.85			
	Total Sell Qty	Avg. Sell Price (₹)	Turnover (₹)	Total Buy Qty	Avg. Buy Price (₹)	Turnover (₹)	
	2,50,000	32.85	82,12,500	5,25,000	32.84	1,72,39,740	
	S.O.T	S.O.P (₹)	S.T.T	S.T.P (₹)	B.O.T	B.O.P (₹)	B.T.T
10:35:36		32.85	10:35:53	32.85	10:35:53	32.85	10:35:53
To							
10:35:36	32.85		10:37:55	32.85	10:37:55	32.85	10:44:21
							32.85

- a. Buy orders were placed in E Ally's account from 10:17:04 to 10:34:34 Hrs. As per the mobile bills, Madhu called Manish at 10:24:59 and 10:28:29 Hrs for 1 and 2 airtime pulse(s) respectively. The total shares (2,50,816) were bought in 41 buy orders [436 trades], with order quantity ranging between 50 and 29,000 shares.
- b. A single sell order for 2,50,000 shares was placed in E Ally's account at 10:35:36 Hrs with sell order price of ₹ 32.85 when the LTP was ₹ 32.80.
- c. Ratha started placing buy orders at 10:35:53 Hrs and ordered for 5,25,000 shares in 12 orders with buy order price same as that of the sell order price of E Ally i.e., ₹ 32.85. The LTP at the time of aforesaid orders of Ratha was in the range of ₹ 32.75 to ₹ 32.85. The sell order in E Ally's account was placed just 17 seconds before Ratha started placing buy orders.
- d. The total number shares sold by E Ally in the first tranche was 2,50,000 in 50 trades. Out of the above, 2,44,617 shares (i.e., 97.85%) got matched with Ratha in just 20 trades. A sell order aggregating to 816 shares placed at 10:38:35 Hrs for exactly squaring off the entire position has been ignored for the purpose of analysis. After execution of the aforesaid order, the net position of the client was exactly squared.

The above activity in the account of E-Ally ('FR') and Sterling Group ('BC') is depicted in the chart below:



Similar observations were made for subsequent tranches. A summary of E Ally's trades in KSOIL (NSE) on December 10, 2010 is tabulated below:

No. of Shares day traded	No. of shares matched with Sterling Group	Profit	% of Market Volume (Buyer and seller)
29,77,779 (4111 Buy and 735 sell trades)	22,80,680* (76.59%) (140 sell trades of E Ally)	₹ 14,41,202	13.39%

\*Includes a sum of 464 (1 trade) shares which has not been analyzed due to the insignificant number.

Since, Manish's mobile is not available for the relevant day, analysis has been provided considering limited details of calls placed by Madhu to Manish (9987261632). Though Madhu dialled Manish on 9987261632 for 27 times near the timing of trades of E Ally and was charged for 81 minutes (airtime pulse) during the market hours, no trades were observed in Manish's account on that date. Also from Madhu's mobile bills, it was observed that during market hours only two calls and two SMSes were placed to other numbers other than the 27 calls to Manish on 9987261632 and 4 calls to 9967031632. Therefore, it can be inferred that Manish spoke to Madhu for frontrunning the trades of the Sterling Group through E-Ally's account.

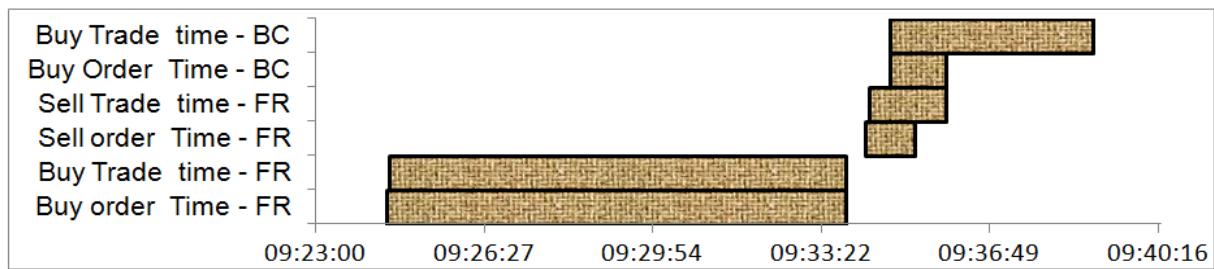
### 13.6 Relevant trading details of Viraj on December 13, 2010 in the scrip of KSOIL on NSE – Tranche I

Viraj				Ratha			
Tranche I	Total Buy Qty	Avg. Buy Price (₹)	Turnover (₹)		Abbreviations Used		
	8,02,000	40.03	3,21,04,688		B.O.T – Buy Order Time	S.O.T – Sell Order Time	S.O.P – Sell Order Price
	B.O.T	B.O.P (₹)	B.T.T	B.T.P (₹)	B.T.T – Buy Trade Time	S.T.T – Sell Trade Time	S.T.P – Sell Trade Price
From	09:24:26	39.55	09:24:30	39.55	B.T.P – Buy Trade Price	S.T.P – Sell Trade Price	
To	09:33:51	40.50	09:33:51	40.50			
	Total Sell Qty	Avg. Sell Price (₹)	Turnover (₹)		Total Buy Qty	Avg. Buy Price (₹)	Turnover (₹)
	8,02,000	40.45	3,24,40,900		11,00,000	40.52	4,45,71,287
	S.O.T	S.O.P (₹)	S.T.T	S.T.P (₹)	B.O.T	B.O.P (₹)	B.T.T
From	09:34:16	40.45	09:34:21	40.40	09:34:46	40.45	09:34:46
To	09:34:52	40.45	09:35:54	40.45	09:35:54	41.00	09:38:55
							40.35

- a. **Buy** orders were placed in Viraj's account from 09:24:26 to 09:33:51 Hrs. A total of 36 buy orders placed during this period for 8,02,000 shares (average order quantity of 22,278 shares) resulting into 758 trades (average trade quantity of 1,058 shares).
- b. At 09:34:16 Hrs, a **sell** order was placed in Viraj's account for 645,000 shares which was followed by another sell order at 09:34:52 Hrs for 1,57,000 shares at the same order price of ₹40.45. While buy orders placed in Viraj's account were placed for smaller number of shares, the sell orders of large quantities in Viraj's account indicates that the trades in the account were carried out on the basis of prior information of trades of Ratha.
- c. Three **buy** orders were placed by Ratha (Sterling Group), one each at 09:34:46 Hrs, 09:35:33 Hrs and 09:35:54 Hrs for 3,00,000, 4,00,000 and 4,00,000 shares respectively. All the three orders were placed at ₹40.45 i.e., the same price at which sell orders were placed in Viraj's account. The LTP at

the time of buy order placed by Ratha was ₹40.40, ₹40.30 and ₹40.35 respectively. The start of entry of sell orders in Viraj's account was 30 seconds in advance to the start of buy orders being placed by Ratha. The buy order price was later increased to 41.00 for 1,45,110 shares in the third buy order of Ratha.

- d. The total number of shares sold by Viraj in the first tranche were 8,02,000 in 137 trades. Of which, 722,753 (i.e., 90.34%) shares got matched with Ratha in 21 trades (average of 34,417 shares per trade) while the balance 77,247 shares got matched in 116 trades with other clients (average of 666 shares per trade). A buy order placed in Viraj's account at 09:36:09 Hrs and a sell order at 09:35:17 Hrs for 1 share each has not been considered in the analysis above. At the end of this tranche, the net position of the client was squared off exactly.
- e. The above trading activity in the account of Viraj ('FR') and Sterling Group ('BC') is depicted in the chart below:



- f. Similar observations are noted in the subsequent tranches also. The scrip-day's total trading activity in Viraj's account is summarized below:

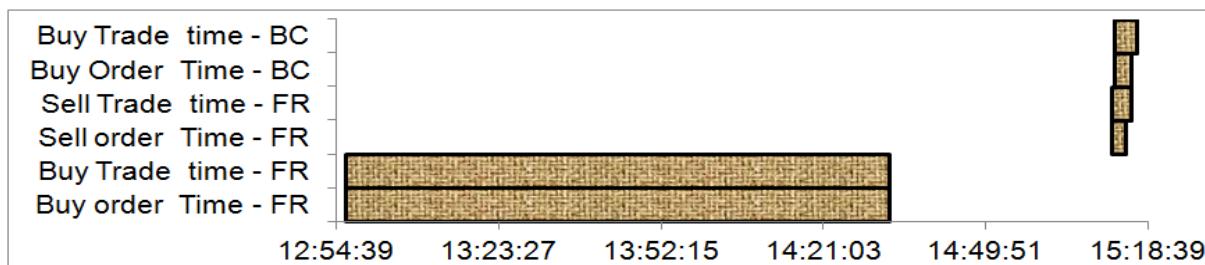
No. of Shares day traded	No. of shares matched with Sterling Group	Profit	% of Market Volume (Buyer and seller)
23,92,237 (2585 buy and 483 sell trades)	20,06,134 (83.86%) (115 sell trades of Viraj)	₹10,95,507	12.60%

Though Madhu dialled Manish on 9987261632 for 9 times near the timing of orders/ trades of Viraj and charged for 21 minutes (airtime pulse) during the market hours, no trades were observed in Manish's account on December 13, 2010. Also from Madhu's mobile bills, it was observed that during the market hours no calls were placed to other numbers other than the 9 calls to Manish on 9987261632 and 2 calls to 9967031632. Therefore, it can be inferred that Manish spoke to Madhu for frontrunning the trades of the Sterling Group through Viraj's account.

**13.7 Relevant trading details of Josh on February 10, 2011 in the scrip of KSOIL on NSE**

Josh				Ratha				
	Total Buy Qty	Avg. Buy Price (₹)	Turnover (₹)	Abbreviations Used				
	6,27,122	32.46	2,03,58,502	B.O.T – Buy Order Time B.O.P – Buy Order Price B.T.T – Buy Trade Time B.T.P – Buy Trade Price				
	B.O.T	B.O.P (₹)	B.T.T	S.O.T – Sell Order Time S.O.P – Sell Order Price S.T.T – Sell Trade Time S.T.P – Sell Trade Price				
From	12:56:05	31.50	12:56:08	S.O.T – Sell Order Time S.O.P – Sell Order Price S.T.T – Sell Trade Time S.T.P – Sell Trade Price				
To	14:32:35	32.85	14:32:38	S.O.T – Sell Order Time S.O.P – Sell Order Price S.T.T – Sell Trade Time S.T.P – Sell Trade Price				
	Total Sell Qty	Avg. Sell Price (₹)	Turnover (₹)	Total Buy Qty	Avg. Buy Price (₹)	Turnover (₹)		
	6,27,122	33.98	2,13,07,880	7,67,148	33.99	2,60,71,861		
	S.O.T	S.O.P (₹)	S.T.T	S.T.P (₹)	B.O.T	B.O.P (₹)	B.T.T	B.T.P (₹)
From	15:12:06	33.75	15:12:06	33.75	15:12:29	34.00	15:12:29	33.75
To	15:14:28	34.00	15:15:37	34.10	15:15:37	34.00	15:16:28	34.00

- a. **Buy** orders were placed in Josh's account from 12:56:05 to 14:32:35 Hrs. During this time, a total of 613 buy orders were placed for 9,62,160 shares. However, there were 554 orders where execution took place and a total of 7,40,110 (original order quantity) shares at an average of 1,336 shares per order were placed in Josh's account with order quantities ranging from 5 shares to 15,000 shares. The aforesaid buy orders translated into 1,708 trades in which 6,27,122 shares were bought at average buy price of ₹32.46 and an average of 367 shares per trade (ranging between 1 and 8,000 shares per trade).
- b. No activity was seen in Josh's account from 14:32:39 to 15:12:05 Hrs. Thereafter, two **sell** orders at ₹33.75 were placed in Josh's account, one at 15:12:06 Hrs for 25,000 shares at 15:12:13 Hrs for 35,000 shares. Between 15:12:24 and 15:13:31 Hrs, a total of ten sell orders for 6,90,000 shares were placed at ₹34.00. At 15:12:24 Hrs, i.e., when the sell order was placed at ₹34.00, the LTP was ₹33.75. A final sell order was placed by Josh at 15:14:28 Hrs for 5,301 shares at ₹34.00. In all, thirteen sell orders were placed for 7,55,301 shares at an average of 58,100 shares per sell order.
- c. Josh entered its first sell order 23 seconds in advance to the start of buy order by Ratha i.e., 15:12:29 Hrs and the time gap between the next sell order of Josh i.e., at 15:12:24 Hrs for 1,00,000 shares and the first buy order of Ratha was only 5 seconds. Four orders of Ratha for 2,00,000 shares each were placed between 15:12:29 and 15:15:37 Hrs at ₹34.00 (LTP ₹33.70, ₹33.85, ₹33.85 and ₹33.75 respectively).
- d. In 13 sell orders placed by Josh, it was observed that in four orders of Josh, all trades matched with Ratha. Further, in 11 of the 13 orders, trade quantity matched with the Sterling Group was 86% and above.
- e. The above activity of in the account of Josh ('FR') and Sterling Group ('BC') is depicted in the chart below:



f. The total trading activity in Josh's account on the above said date in the scrip is summarized below:

No. of Shares day traded	No. of shares matched with Sterling Group	Profit	% of Market Volume (Buyer and seller)
6,27,122 (1708 buy and 157 sell trades)	5,69,502 (90.81%) (93 sell trades of Josh)	₹9,49,379	15.49%

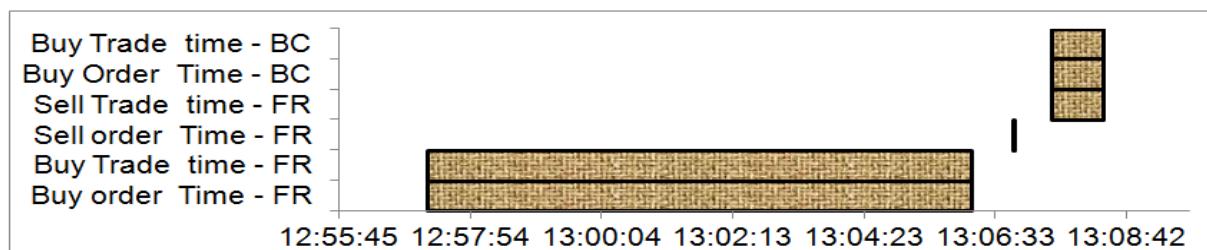
### 13.8 Relevant trading details of Jaisal on December 15, 2010 in the scrip of KSOIL on NSE

	Jaisal			Ratha			
	Total Buy Qty	Avg. Buy Price (₹)	Turnover (₹)	Abbreviations Used			
	3,85,089	49.10	1,89,07,456	B.O.T – Buy Order Time B.O.P – Buy Order Price B.T.T – Buy Trade Time B.T.P – Buy Trade Price			
	B.O.T	B.O.P (₹)	B.T.T	B.T.P (₹)			
From	12:57:11	48.65	12:57:11	48.65			
To	13:06:08	49.50	13:06:08	49.40			
	Total Sell Qty	Avg. Sell Price (₹)	Turnover (₹)	Total Buy Qty	Avg. Buy Price (₹)	Turnover (₹)	
	3,85,000	49.65	1,91,15,250	6,00,000	49.64	2,97,81,213	
	S.O.T	S.O.P (₹)	S.T.T	S.T.P (₹)	B.O.T	B.O.P (₹)	B.T.T
From	13:06:49	49.65	13:07:28	49.65	13:07:28	49.65	13:07:28
To	13:06:49	49.65	13:08:18	49.65	13:08:18	49.65	13:08:18
							49.55

a. **Buy** orders were being placed in Jaisal's account from 12:57:11 till 13:06:08 Hrs. During this time, a total of 54 buy orders for a total of 4,24,000 shares were placed. However, ignoring those orders where no trades took place, 51 buy orders with order quantities ranging from 2,000 shares to 60,000 shares for 4,09,000 shares at an average of 8,020 shares per order were placed. The 51 buy orders translated into 480 trades and 3,85,089 shares were bought in Jaisal's account at an average buy price of ₹49.10 and an average of 802 shares per trade.

- b. Thereafter at 13:06:49 Hrs, a single **sell** order was placed in Jaisal's account for 3,85,000 shares (vis-à-vis to the average number of shares ordered in Jaisal's account i.e., 8,020 shares) at ₹49.65 when the LTP was ₹49.40. The large single sell order placed in Jaisal's account at 13:06:49 Hrs was just 39 seconds in advance to the start of buy orders placed by Ratha.
- c. Ratha placed three **buy** orders at ₹49.65 for 2,00,000 shares each at 13:07:28 Hrs, 13:07:41 Hrs, 13:08:18 Hrs when the LTP was ₹49.55, ₹49.55 and ₹49.60 respectively. As the sell order price demanded by Jaisal was higher than the market price and at exactly the same price as offered by Ratha, the sell order of Jaisal started executing only upon buy order entry by Ratha and completed upon the last order entered by Ratha.

- d. The total number of shares sold by Jaisal was 3,85,000 in 44 trades, out of which 2,73,352 shares (i.e., 71.00%) got matched with Ratha in 8 trades. The balance shares i.e., 1,11,648 got executed with other buyers in the market in 36 trades at an average of 3,101 shares per trade as against the average of 34,169 shares sold to Ratha per trade.
- e. Post this transaction, a sell order of 89 shares was placed in Jaisal's account at 13:08:50 Hrs for exactly squaring off the position has not been considered in the analysis above. At the end of this tranche, the net position of the client was squared off exactly.
- f. The above activity of Jaisal ('FR') and Sterling Group ('BC') is depicted in the chart:



- g. The scrip-day's total trading activity in Jaisal's account is summarized below:

No. of Shares day traded	No. of shares matched with Sterling Group	Profit	% of Market Volume (Buyer and seller)
3,85,089 (480 buy and 45 sell trades)	2,73,441 (71.01%) (9 sell trades of Jaisal)	₹,12,213	1.33%

14. I also note the observations of Hon'ble SAT in the case of Vibha Sharma vs. SEBI (Appeal No. 27 of 2013), where the Hon'ble SAT has observed that '*Perfect matching of trade of Appellant no. 1 and CBI on 14 days, out of 40 days of investigation period of 40 days, in statistically very significant and hence study for larger number of days to see matching, was not required.*' In view of the same, I am of the considered view that the case information provided above and the analysis provided above along with a summary of trading, matching and profits derived by the front-runners from such impugned transactions are sufficient for explaining the *modus operandi* of the front runners.

**15. Summary of trading, matching and profits derived by the front-runners during the investigation period:**

An analysis of total number of scrip days traded by the front-runners, number of scrip days common with Sterling group, quantum of trading and profits on scrip days common with that of the Sterling group, etc is tabulated below:

S. No	Particulars	Bhavesh	E Ally	Jaisal	Josh	Laxmi	PAFL	Viraj	Total
1	Total no. of scrip days traded by the front-runners	162	311	97	162	2,241	63	171	2,961
2	No. of scrip days out of 1 above, common with Sterling group	106	98	62	48	489	53	31	726
3	Profits on scrip days common with Sterling group (in ₹) <sup>#</sup>	1,16,08,648	1,35,82,034	7,97,105	62,29,972	3,94,37,783	56,57,075	68,38,600	8,41,51,217
4	Total profits on other scrip days (not common with Sterling group) (in ₹)	8,00,180	-8,60,152	10,508	15,52,281	14,83,547	7,362	7,90,794	37,84,519
5	% of no. of shares day traded on common days to total no. of shares day traded during the investigation period	96.10	90.62	96.76	48.53	97.87	99.83	51.86	84.22
6	% of matching with Sterling Group compared to total no. of share day traded by the front-runners on common days	87.87	88.13	61.55	74.10	90.11	95.56	76.80	87.45
7	% of no. of trades matching with Sterling Group with same order price to total no. of trades matched	87.07	97.38	17.67	91.46	86.93	85.43	93.42	88.98
8	% of average no. of shares per trades with Sterling Group to average no. of shares per trade with others	9,743.73	1,769.9	731.5	1,004.54	5,760.07	7,622.02	847.3	3,064.63
9	% of average value of trades with Sterling Group to average value of trade with others	8,221.54	2,076.29	722.45	1,647.18	5,633.53	7,129.06	1,534.78	3,774.18
10	% of average turnover on scrip days common with Sterling Group to average turnover on other scrip days	854.85	1,521.12	346.41	379.34	7,550.63	2,174.04	773.2	2,771.74

# Without considering losses incurred.

Note: Profits have been calculated as the difference in weighted average buy and sell price multiplied by the number of shares day traded on respective scrip days.

**16. From the above table, the following observations are drawn:**

- (a) The seven clients have traded on 2,961 scrip days of which 726 scrip days are common with that of the Sterling Group. However, the profit earned on common scrip days amounts to ₹8,41,51,217 as against the profit of ₹37,84,519 made on the other scrip days.
- (b) It was observed that the 84.22% of number of shares day traded during the investigation period were on scrip days common with the Sterling Group.
- (c) Further, of the shares day traded on the scrip days common with the Sterling Group, 87.45% of the number of shares day traded matched with Sterling Group.

- (d) Out of the total number of trades matched with the Sterling Group, 88.98% of number of trades matched were ordered at the same price by the front-runners as that of the Sterling Group
- (e) The huge variation in the average number of shares and value per trade with the Sterling Group as against the others in the market indicates that the orders placed by the front-runners were placed to match the orders of the Sterling Group.
- (f) The front-runners traded significantly in the market on scrip days common with the Sterling Group. Further, the value of trades/ number of shares traded and the average amount of profit earned by the front-runners on the scrip days common with the Sterling Group is much higher than that on other scrip days.

**17.** Based on the trading analysis explained in the paragraphs above, the manner of trading/order placement pattern observed, timing and duration of phone calls, matching of trades with the Sterling Group and the significant difference between the average value/quantity of trades of the front-runners that matched with the Sterling Group vis-à-vis the others and the amount of unfair gains earned by them and considering the fact that all the seven front-runners were connected/ related to Manish and summary of trading of the seven front-runners brings out that their major trading activity and profits earned was on scrip days that were common with that of the Sterling Group. Considering the activity of the front-runners on the common scrip days, about 87.45% of number of shares day traded by the front-runners matched with the Sterling group, which is not be possible without information of orders of the Sterling Group. Therefore, it is evident that the trading in the accounts of the front-runners was based on information of impending orders of the Sterling Group with an intention to square-off by matching with the orders of Sterling Group and that the front-runners have front-run the Sterling Group.

**18. Amount of ill-gotten gains made by the front-runners and the interest thereon:**

Due to the trading based on prior information of trades of Sterling Group, the front-runners have resulted in loss to other investors/ deprived the investors from profits and have unlawfully benefitted. Profits made by the frontrunner across various scrips on scrip days common with that of the Sterling Group during the investigation period is tabulated below. Further, as the alleged gains were made during the period March 2009 - March 2011, it becomes reasonable and necessary to levy an interest at 12% simple interest per annum from the date on which such profits were earned. The amount of interest is calculated and provided in the table below:

Scrip	Front-runner							
	Bhavesh	E Ally	Jaisal	Josh	Laxmi	PAFL	Viraj	Total (₹)
Aban Offshore Ltd	11,10,345	17,98,910	23,121	2,64,678	43,52,284	9,91,459	1,69,014	87,09,811
Arihant Foundation & Housing Ltd						43,888		43,888
Cairn India Ltd	14,19,323	626			6,78,021	34,313		21,32,283
D B Realty Ltd		25,00,327	83,731	30,33,717	37,012		13,66,795	70,21,582
DLF Ltd	1,76,984	11,80,957	64,605		41,59,876	2,69,103	5,36,778	63,88,303
Edelweiss Financial Services Ltd					5,381			5,381
Hanung Toys & Textiles Ltd		82,009	33,149	1,97,566	9,23,169		72,375	13,08,268
Hindalco Industries Ltd		38,521		1,54,665	1,86,638		2,49,188	6,29,012
Hotel Leela Venture Ltd,					45,056			45,056
Housing Development & Infrastructure Ltd					58,927			58,927
ICICI Bank Ltd	16,692	2,78,116			2,05,817	1,94,527		6,95,152
Idea Cellular Ltd	20,25,402	26,14,359	36,009	50,289	91,91,587	26,59,918	74,058	1,66,51,622
Indian Hotels Co Ltd	8,67,987				8,51,976			17,19,963
Jet Airways (India) Ltd	34,26,989	4,90,280	33,749	1,05,168	67,25,772	73,363	24,775	1,08,80,096
JSW Steel Ltd					37,330			37,330
KSOils Ltd		27,48,911	3,96,114	17,77,167	4,75,378	17,689	36,24,124	90,39,383
Karuturi Global Ltd			2,011	200	1,33,723		8,856	1,44,790
Larsen & Toubro Ltd					2,49,606			2,49,606
Pipavav Defence and Offshore Eng Ltd		2,05,237	46,250		10,18,434			12,69,921
Reliance Communications Ltd	4,70,450	9,74,334	66,434		40,91,864	11,01,050		67,04,132
Reliance Infrastructure Ltd	1,85,506				6,96,736	1,49,750		10,31,992
Ruchi Soya Industries Ltd	5,52,778	6,69,447	10,207	2,42,561	14,22,276		7,12,637	36,09,906
Solvay Pharma India Ltd	2,35,489				1,64,412			3,99,901
Sujana Towers Ltd					9,966			9,966
Suzlon Energy Ltd	5,56,392				18,42,733	95,826		24,94,951
The Indian Hotels Co Ltd	1,04,062							1,04,062
Unitech Ltd,	3,70,001		1,725	4,03,961	8,74,962	26,189		16,76,838
Videocon Industries Ltd	78,386				3,77,266			4,55,652
Yes Bank Ltd	11,862				6,21,581			6,33,443
<b>Total</b>	<b>1,16,08,648</b>	<b>1,35,82,034</b>	<b>7,97,105</b>	<b>62,29,972</b>	<b>3,94,37,783</b>	<b>56,57,075</b>	<b>68,38,600</b>	<b>8,41,51,217</b>
<b>Simple Interest @12% p.a</b>	<b>78,03,004</b>	<b>75,85,021</b>	<b>4,44,479</b>	<b>33,26,096</b>	<b>2,48,31,640</b>	<b>35,06,173</b>	<b>37,44,554</b>	<b>5,12,40,967</b>
<b>Grand Total</b>	<b>1,94,11,652</b>	<b>2,11,67,055</b>	<b>12,41,584</b>	<b>95,56,068</b>	<b>6,42,69,423</b>	<b>91,63,248</b>	<b>1,05,83,154</b>	<b>13,53,92,184</b>

Profits have been calculated as the difference in weighted average buy and sell price multiplied by the number of shares day traded on respective scrip day without considering losses.

Interest has been calculated from the date of transaction to July 30, 2015.

## 19. Trading by Sharekhan and its dealers

- (a) All the seven front-runners whose trading pattern has been detailed above, carried out majority of their front-running activity during the investigation period through Sharekhan and more than 80% of their collective ill-gotten profits by the front-runners was earned by trading through Sharekhan. At Sharekhan, the front-runners were serviced by Madhu who was the branch manager and also dealer/relationship manager for the front-runners. Further, Anandilal (husband of Madhu) was also a dealer of Sharekhan and was observed to be trading in the account Sharekhan. It was observed that trades in the accounts of Anandilal Chanda and his HUF account and in the account of Sharekhan (Proprietary Account) were in advance to the trades of the seven clients of Sharekhan (i.e., the alleged front-runners).

(b) It was observed that the trades of Sharekhan and its dealers was similar in pattern as that of the clients of Sharekhan and the eventual trade to square off in the accounts of Sharekhan and its dealers was immediately in advance to the trades of clients of Sharekhan. As the clients of Sharekhan (the alleged front-runners) were frontrunning and matching their trades with the Sterling Group and as the trading in the accounts of Sharekhan and its dealers was based on the orders/trades in the accounts of clients of Sharekhan, the trades of Sharekhan and its dealers also matched with the Sterling Group i.e., the same counter-party as that of the clients of Sharekhan. Analysis of trading pattern of the Sharekhan and its dealers is provided in the paragraphs below.

**20. Summary of trading and matching of trades of Sharekhan (all dealers) during the investigation period:**

During the investigation period, trades in the proprietary account of Sharekhan (by all dealers) that matched with the Sterling Group are tabulated below:

Particulars	Sharekhan – All dealers – Trades matched with Sterling Group					
	BSE			NSE		
	Number of trades	Trade Quantity	Trade Value (₹)	Number of trades	Trade Quantity	Trade Value (₹)
1. Total trades of Sharekhan	167	12,32,071	20,90,03,106	3,162	42,04,321	64,55,31,571
		100 scrip days			394 scrip days	
2. Out of 1, Sharekhan's trade on those scrip days where trades of clients of Sharekhan also matched with the Sterling Group	153 (92%)	11,36,526 (92%)	19,82,70,583 (95%)	2,646 (84%)	33,06,130 (79%)	52,55,43,991 (81%)
		95 scrip days			251 scrip days	
3. Out of 2, trades of Sharekhan and other frontrunners that executed at the same instance	138 (90%)	10,73,882 (94%)	18,60,48,117 (94%)	2,012 (76%)	25,06,077 (76%)	36,70,51,490 (70%)
		90 Scrip days			213 Scrip days	

At BSE, there were 100 scrip days where 167 trades between Sterling group and Sharekhan (all dealers) matched during the investigation period. Out of the above, on 95 scrip days, all trades of Sharekhan (all dealers) that matched with Sterling Group were either within the same second or with a maximum difference of 31 seconds from the trade time the clients of Sharekhan with the Sterling Group. On the balance 5 scrip days, it was observed that there was neither any trade in the proprietary account of Sharekhan with the dealer name as Anandilal Chanda nor any trade of the clients of Sharekhan that matched with the Sterling Group.

Similarly, at NSE, there were 394 scrip days where 3,162 trades between Sterling Group and Sharekhan (all dealers) matched during the investigation period. Of the 394 scrip days, on 213 scrip days, trades of Sharekhan (all dealers) matched with the Sterling Group at the same time as that of the clients of Sharekhan.

It was observed that in majority of cases, the dealer name for the trades of Sharekhan on BSE was Anandilal Chanda and on NSE was with Dealer ID as 23107 on NSE, the analysis provided below is restricted to trades with the said dealer name/ Dealer ID. Therefore, unless otherwise specified, the usage of term "trades in the account of Sharekhan/ trades of Sharekhan" shall hereinafter mean to refer to trades in the account of Sharekhan only with the '**Dealer ID as 23107 (on NSE)**' which was being used by Anandilal Chanda during the investigation period (as submitted by Sharekhan) and dealer name as '**Anandilal Chanda (on BSE)**'. Further, the term "clients of Sharekhan" is meant to refer only the seven frontrunners mentioned at Paragraph number 2 above.

## **21. ANALYSIS OF TRADES OF SHAREKHAN AND ITS DEALERS VIS-A-VIS TRADING IN THE ACCOUNTS OF CLIENTS OF SHAREKHAN**

### **21.1 Summary of scrip days analyzed**

A sample of 10 scrip days (5 each on NSE and BSE) was taken where trades of Sharekhan and that of one of the seven clients of Sharekhan matched with the Sterling Group. A summary of the analysis of trades of Sharekhan of the aforesaid 10 scrip days is tabulated below:

Front-running by Sharekhan on Sell side						Front-running by Sharekhan on Buy side					
Exch	Date	Scrip	Qty Day traded	Matching Qty	Clients of Sharekhan*	Exch	Date	Scrip	Qty Day traded	Matching Qty	Clients of Sharekhan*
NSE	27-Aug-10	KSOils	5,000	5,000	Laxmi	BSE	16-Sep-09	Hotel Leela	17,003	17,000	Laxmi
BSE	4-Feb-10	Unitech	4,000	4,000	Laxmi	NSE	3-Aug-10	Ruchi Soya	2,500	2,500	E Ally
NSE	10-May-10	RELIInfra	1,000	1,000	Laxmi	BSE	23-Nov-09	Jet Airways	2,100	2,100	Laxmi
NSE	17-May-10	RELIInfra	400	400	PAFL	BSE	31-May-10	Suzlon	2,000	2,000	PAFL
BSE	6-Jan-10	Solvay Pharma	150	150	Bhavesh	NSE	28-Sep-10	Aban	200	200	E Ally

\* Client of Sharekhan who was front-running the trades of the Sterling Group through Sharekhan on the aforesaid scrip day and eventually got front-run by Sharekhan. Except for Unitech on 04-Feb-2010, on all other scrip days Anandilal was also frontrunning the trades of clients of Sharekhan either through his account or his HUF account.

From the table above, it is seen that 100% of shares day traded by Sharekhan matched with the Sterling Group (*except for 3 shares on September 16, 2009*). Considering the above mentioned matching of trades, analysis for trading by Sharekhan with reference to the trading activity of the front-runners was carried out on sample basis for five scrip days and the same is summarized below:

Summary of scrip days analyzed for Sharekhan														
Date	Scrip (on BSE)	Buy trades of Sharekhan with Sterling Group			Buy Trades of Sharekhan with Others				Total Buy/ day trading qty by Sharekhan	Match %	Profit (₹)	Sell trades of Sharekhan with others		
		Total Buy qty	No.of orders of Sharek-han	No. of Trades	Total buy qty	Max buy qty per trade	No.of orders of Sharek-han	No.of Trades				Max. sell qty per trade	No. of Trades (trade qty)	No. of orders of Sharek-han
		1	2	3	4	5	6	7				10	11	12
17-Sep-09	Jet	14,620	3	3	1,924	500	10	20	16,544	88.37%	75,465	500	138 (16,544)	67
23-Jul-09	Aban	7,500	3	3	4,695	500	12	56	12,195	61.50%	47,206	720	128 (12,195)	29
21-Aug-09	Aban	7,500	1	1	836	364	4	16	8,336	89.97%	40,775	716	70 (8,336)	23
17-Sep-09	IndHotel	51,000	3	3	24,714	3,185	17	36	75,714	67.36%	29,541	3,600	165 (75,714)	62
5-Aug-09	Aban	11,954	6	6	3,295	300	19	59	15,249	78.39%	20,681	600	238 (15,249)	84
	<b>Total</b>	<b>92,574</b>	<b>16</b>	<b>16</b>	<b>35,464</b>		<b>62</b>	<b>187</b>	<b>1,28,038</b>	<b>72.30%</b>	<b>2,13,668</b>		<b>739(128,038)</b>	<b>265</b>

From the table above, it can be seen that major quantity of shares matched with the Sterling Group and there was one order for every trade that matched with the Sterling Group vis-à-vis multiple order for buy trades of Sharekhan from others in the market. Further, Sharekhan sold shares to others in the market in small numbers with multiple orders as against the large number of shares sold by it to Sterling group in least number of trades and orders. Of the scrip days analyzed on a sample basis, it was observed that on September 17, 2009 in the scrip of Jet Airways, Sharekhan made a profit of Rs. 75,465. Trading analysis of the same is detailed below.

## 21.2 Relevant trading details of Sharekhan on September 17, 2009 – Jet Airways (BSE)

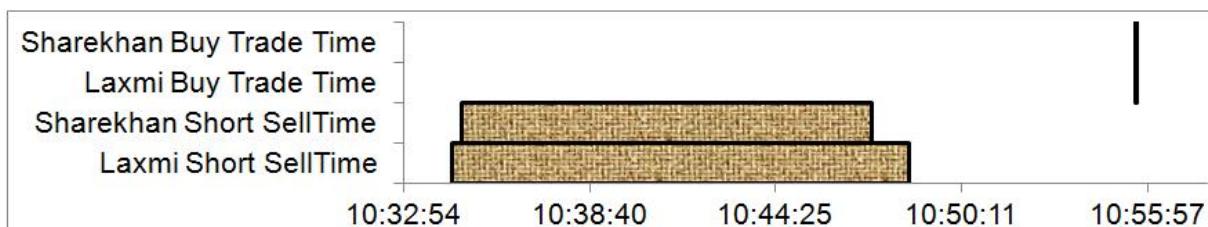
On this scrip day, Bhavesh and Laxmi were observed to be front-running the trades of Abhi Ambi through Sharekhan. Therefore, trades of Sharekhan have been analysed with reference to the trading activity in Bhavesh and Laxmi's account.

**Tranche I:** Laxmi placed her first sell order at 10:34:24 Hrs and Sharekhan's first sell order was entered at 10:34:39 Hrs i.e., within 15 seconds from the time Laxmi placed her first sell order. Laxmi entered sell orders till 10:48:32 Hrs, Sharekhan till 10:47:35 Hrs and Bhavesh till 10:54:27 Hrs.

During the said scrip day, first buy order by Bhavesh was placed at 10:54:50 Hrs for 10,000 shares and by Laxmi at 10:54:57 Hrs for 30,116 shares. At 10:54:26 Hrs (i.e., 24/31 seconds before Bhavesh and Laxmi), Sharekhan placed a buy order for 3,300 shares at ₹ 270.40. The trade timings of Laxmi and Sharekhan are tabulated below:

Entity name	Short sell start time	Short sell stop time	Short sell Qty	Buy trade start time	Buy trade stop time	Buy Qty
Laxmi	10:34:24	10:48:33	30,116	10:55:33	10:55:33	24,514
Sharekhan	10:34:40	10:47:23	2,653	10:55:33	10:55:33	3,300

The entire order quantity of Sharekhan (3,300 shares) got matched with Abhi Ambi in a single trade at 10:55:33 Hrs i.e., immediately before Laxmi's trade for 24,514 shares and Bhavesh's trade for 10,000 shares. Laxmi could buy only 24,514 shares as against the buy order quantity of 30,116. The balance quantity of shares short in Laxmi's account (5,602 shares) could not be bought immediately and the order was then deleted at 10:56:50 Hrs. This non-execution of Laxmi's order can be partly attributed to the Sharekhan's trade that matched with Abhi Ambi thereby causing breach of trust and causing loss to clients of Sharekhan. Timings of above trades of Laxmi and Sharekhan are depicted in the chart below:



After the aforesaid transaction, Sharekhan achieved perfect square off by **buying** 647 shares from other sellers in the market till 11:06:42 Hrs.

**Tranche II:** After the end of Tranche I, Bhavesh indulged in short selling from 11:08:13 Hrs and Sharekhan also started placing sell orders from 11:08:20 Hrs i.e., within 7 seconds from the time Bhavesh started placing sell orders.

At 11:27:26 Hrs, Bhavesh placed a buy order at ₹280.20 to square his position and Sharekhan who entered a buy order at 11:21:34 Hrs for 3,500 shares at ₹ 278.55 gradually modified the price and quantity upwards and the last modification was at 11:27:57 Hrs when the order quantity was revised to 4,100 (including the executed quantity for this order) and the price to ₹ 282.00. The trade timings of Bhavesh and Sharekhan are tabulated below:

Entity name	Short sell start time	Short sell stop time	Short sell Qty	Buy trade start time	Buy trade stop time	Buy Qty
Bhavesh	11:08:13	11:27:00	37,020	11:28:08	11:28:08	34,514
Sharekhan	11:08:24	11:24:58	3,100	11:27:41	11:28:08	4,100

Of the modified order of Sharekhan, 3,820 shares matched in a single trade with Abhi Ambi immediately before Bhavesh's trade which took place with a gap of less than 0.004 seconds. At 11:28:35, Bhavesh deleted the unexecuted order quantity of 2,506 shares, the non-execution of which can be attributed to the trading of Sharekhan. Timings of above trades of Bhavesh and Sharekhan are depicted in the chart below:



**Tranche III:** Bhavesh achieved exact square-off by buying 2,506 shares by 11:29:57 Hrs and sell orders were placed in his account from 11:50:48 Hrs (gap of about 20 minutes). Similar to the pattern in Bhavesh's account, it was seen that there was no activity in Sharekhan's account also for about 20 minutes between 11:30:52 and 11:50:53 Hrs (except for deleting two orders at 11:31:08 and 11:31:09). Thereafter, Sharekhan again started placing sell orders from 11:50:54 Hrs i.e., within 6 seconds from the time Bhavesh started placing sell orders.

By 12:21:11 Hrs, Sharekhan was short on 5,517 shares and Bhavesh was short on 70,000 shares. Details of relevant **buy** orders of both the clients which matched with Abhi Ambi are tabulated below:

Txn Time	Event	Client	Price	Volume	Value	LTP
12:08:17.301701	Enter	Sharekhan	297.55	550	1,63,653	302.20
12:08:20.899736	Amend	Sharekhan	297.55	5,500	16,36,525	302.00
12:10:17.12841	Amend	Sharekhan	297.55	6,200	18,44,810	304.60
12:15:25.434406	Amend	Sharekhan	297.55	7,000	20,82,850	305.50
12:20:45.984842	Amend	Sharekhan	297.55	7,500	22,31,625	306.90
12:21:31.5324	Amend	Sharekhan	298.10	7,500	22,35,750	309.05
12:21:39.480232	Enter	Bhavesh	297.10	35,000	1,03,98,500	310.30
12:21:48.720589	Enter	Bhavesh	297.15	35,000	1,04,00,250	310.30
12:21:49.921317	Amend	Sharekhan	297.55	7,500	22,31,625	310.85
12:21:54.615413	Trade	Sharekhan	297.55	7,500	22,31,625	297.55
12:21:54.616518	Trade	Bhavesh	297.15	35,000	1,04,00,250	297.45
12:21:54.617187	Trade	Bhavesh	297.10	23,592	70,09,183	297.10
12:29:56.205548	Delete	Bhavesh	297.10	11,408	33,89,317	309.00

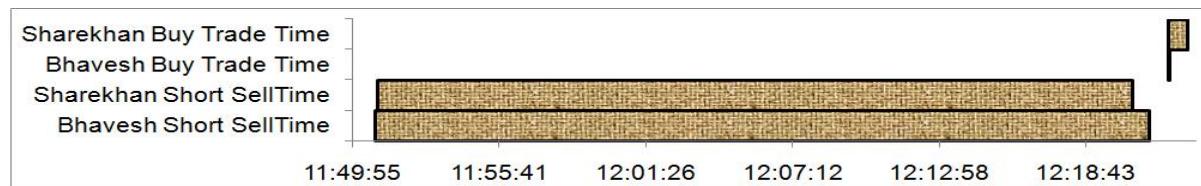
It was observed that though Sharekhan placed a buy order much before Bhavesh, the same did not execute and Sharekhan kept increasing the buy order quantity despite the fact that the market price was continuously going up and no trades were getting executed at the buy order price offered by Sharekhan which was much lower than the prevailing market price. At 12:21:31 Hrs, Sharekhan increased the price it offered for its single sell order of 7,500 shares from 297.55 to 298.10.

Thereafter, Bhavesh placed two orders for 35,000 shares each at 12:21:39 Hrs and 12:21:49 Hrs for ₹ 297.10 and ₹ 297.15 respectively despite the fact that the market price was ₹ 310.30. Immediately, Sharekhan once again reduced the buy price from ₹ 298.10 to ₹ 297.55 against the market price which had reached ₹ 310.90. Thereafter, Abhi Ambi's sell order came in and the entire buy order quantity of Sharekhan and Bhavesh got executed in one and two trades respectively. The trade timings of Bhavesh and Sharekhan are tabulated below:

Entity name	Short sell start time	Short sell stop time	Short sell Qty	Buy trade start time	Buy trade stop time	Buy Qty
Bhavesh	11:50:48	12:21:11	70,000	12:21:55	12:21:55	58,592
Sharekhan*	11:50:54	12:20:32	6,817	12:21:55	12:22:42	7,517

\* One standalone buy trade of 500 shares at 11:54:19 has not been considered in the table above.

As observed in other instances, the order of Sharekhan got executed before its clients and finally the order quantity in Sharekhan's client account (Bhavesh) that could not be executed (11,408 Shares) had to be deleted and the non-execution of which can be partly attributed to Sharekhan's trading. Timings of above trades of Bhavesh and Sharekhan are depicted in the chart below:



Between 12:08:17 (time of buy order entry in the table at previous page) and 12:21:32 Hrs (time of last amendment by Sharekhan before Bhavesh's order in the previous table), several sell orders were placed by Sharekhan and the same is tabulated below:

Order time	Order Qty	Order Price	LTP
12:13:55.574997	200	304.8	304
12:15:45.961623	200	305	305.4
12:16:06.430796	35	305.8	304.9
12:20:21.11819	200	306	306.8
12:20:26.14462	200	306.4	307
12:20:31.517044	100	307	307

It is observed from the table above that the sell orders placed by Sharekhan were near the market price since the strategy was to go short on more number of shares as the dealer knew that a big sell order will come to market in a short time. In contrast to the buy order price which was much away from the market price, the sell order price was near the market price.

During the day, Sharekhan in three buy trades for 14,620 shares (3,300 + 3,820 + 7,500) with Abhi Ambi and 20 buy trades with others (quantity ranging between 1-500 shares per trade) aggregating to 1,924 shares bought a total of 16,544 shares. The average buy quantity per trade was 4,873 shares with Abhi Ambi as against 96 shares with other clients. The table below captures all trades of Abhi Ambi with front-runners/ Sharekhan and its dealers:

Tranche	TRADE ID	TRADE TIME	Quantity	Client
1	1360	10.55.32.659059	3,300	Sharekhan
	1366	10.55.32.661777	10,000	Bhavesh
	1367	10.55.32.662060	24,514	Laxmi
2	3556	11.28.07.615506	3,820	Sharekhan
	3571	11.28.07.619561	34,514	Bhavesh
3	16522	12.21.54.615413	7,500	Sharekhan
	16524	12.21.54.615981	2,000	Anandilal Chanda
	16526	12.21.54.616518	35,000	Bhavesh
	16528	12.21.54.617187	23,592	Bhavesh

From the table above, it is observed that all trades of Sharekhan that matched with Abhi Ambi matched less than one second in advance to the trades of clients of Sharekhan.

In addition to the trading pattern examined above, I have considered the submission made by Sharekhan with regard to the trading carried out in its proprietary account that it primarily carries out arbitrage within cash and futures segment and hence each position in the cash segment has an equal and opposite position in the Futures segment and is completely hedged. There is no directional trading carried out. However, on the scrip day detailed above (i.e., Jet Airways on September 17, 2009), it is noted that there was no trade in the futures segment and therefore the aforesaid submissions are nothing but apparent afterthought.

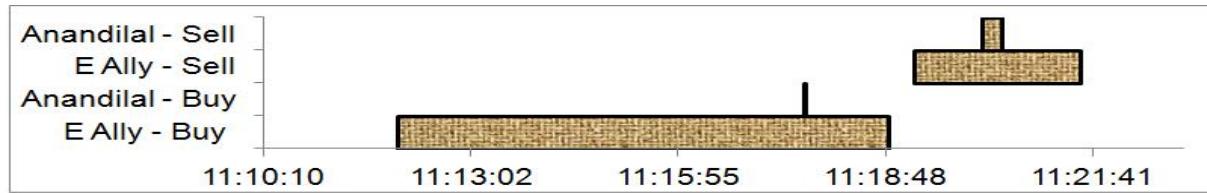
Further, I note that the trading pattern of Sharekhan on other four scrip days also depicts similar pattern.

### 21.3 Relevant trading details of Anandilal on December 15, 2010 – KSOIL(NSE):

	Anandilal			E Ally				
	Total Buy Qty	Avg. Buy Price (₹)	Turnover (₹)	Total Buy Qty	Avg. Buy Price (₹)	Turnover (₹)		
	15,000	44.90	6,73,500	1,90,307	44.88	85,40,416		
	B.O.T	B.O.P (₹)	B.T.T	B.T.P (₹)	B.O.T	B.O.P (₹)	B.T.T	B.T.P (₹)
From	11:17:19	44.90	11:17:40	44.90	11:11:36	44.50	11:12:00	44.50
To	11:17:19	44.90	11:17:41	44.90	11:18:45	45.50	11:18:50	45.50
	Total Sell Qty	Avg. Sell Price (₹)	Turnover (₹)	Total Sell Qty	Avg. Sell Price (₹)	Turnover (₹)		
	15,000	45.65	6,84,750	1,90,000	45.70	86,83,000		
	S.O.T	S.O.P (₹)	S.T.T	S.T.P (₹)	S.O.T	S.O.P (₹)	S.T.T	S.T.P (₹)
From	11:19:52	45.65	11:20:08	45.65	11:19:10	45.70	11:19:11	45.70
To	11:19:52	45.65	11:20:25	45.65	11:19:10	45.70	11:21:16	45.70
B.O.T – Buy Order Time/ B.O.P – Buy Order Price/ B.T.T – Buy Trade Time/ B.T.P – Buy Trade Price S.O.T – Sell Order Time/ S.O.P – Sell Order Price/ S.T.T – Sell Trade Time/ S.T.P – Sell Trade Price								

- a. A buy order was placed at 11:17:19 Hrs for 15,000 shares in Anandilal's account and the same got executed in 11 trades at an average of 1,364 shares per trade. After execution of the above buy order, no buy/ sell order was placed for next 2 minutes. It was noted that E Ally was placing buy orders through Sharekhan from 11:11:36 Hrs and continued till 11:18:45 Hrs and placed a sell order at 11:19:10 Hrs for 1,90,000 shares at ₹ 45.70.

- b. At 11:19:52 Hrs, a sell order was placed in Anandilal's account for 15,000 shares at ₹ 45.65 when the LTP was ₹ 45.45. Though, Anandilal entered the sell order 42 seconds after E Ally, trade of Anandilal executed before trades of E Ally since the sell order price of Anandilal was ₹ 45.65 and that of E Ally was ₹ 45.70.
- c. E Ally sold 1,90,000 shares in this tranche at ₹ 45.70. Subsequently, E Ally placed a sell order for 307 shares was placed at 11:21:30 Hrs to achieve square-off and therefore the same has not been considered for analysis.
- d. The total number of shares sold in Anandilal's account in first tranche was 15,000 in 13 trades, of which 6,948 (i.e., 46.32%) shares in single trade matched with Ratha (i.e., the same entity which was front-run by E Ally through Sharekhan) while the balance 8,052 shares got matched with other clients in 12 trades. At the end of this tranche, the net position of Anandilal was exactly squared. The above trade timings of Anandilal and E Ally are depicted in the chart below:



- e. Similar observations were made for subsequent tranches. The scrip-day's total trading activity in Anandilal's account is summarized below:

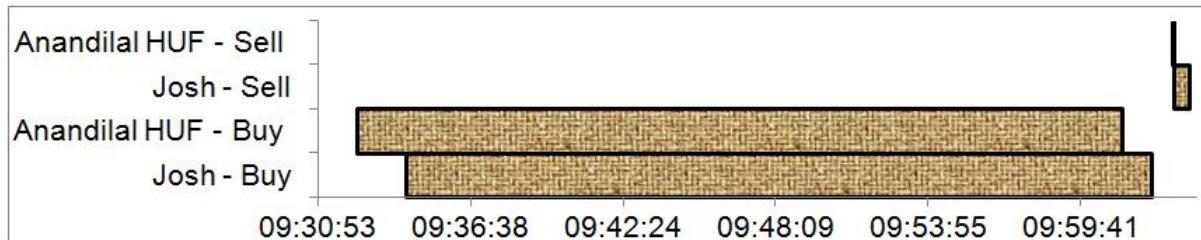
No. of Shares day traded	No. of shares matched with Sterling Group	Profit
61,000 (86 buy and 23 sell trades)	44,948 (73.69%) (3 sell trades of Anandilal)	₹ 2,888

## 21.4 Relevant trading details of Chanda HUF on December 15, 2010 – KSOIL(NSE):

	Chanda HUF				Josh			
	Total Buy Qty	Avg. Buy Price ₹	Turnover ₹		Total Buy Qty	Avg. Buy Price ₹	Turnover ₹	
	30,000	41.94	12,58,164		1,19,603	41.84	50,04,771	
	B.O.T	B.O.P ₹	B.T.T	B.T.P ₹	B.O.T	B.O.P ₹	B.T.T	B.T.P ₹
From	09:32:19	41.60	09:32:19	41.60	09:29:07	41.55	09:34:11	41.60
To	10:01:13	42.05	10:01:21	42.05	10:02:18	42.15	10:02:18	42.15
	Total Sell Qty	Avg. Sell Price ₹	Turnover ₹		Total Sell Qty	Avg. Sell Price ₹	Turnover ₹	
	30,000	42.25	12,67,500		1,19,603	42.30	50,59,207	
	S.O.T	S.O.P ₹	S.T.T	S.T.P ₹	S.O.T	S.O.P ₹	S.T.T	S.T.P ₹
From	10:03:08	42.25	10:03:07	42.25	10:03:08	42.30	10:03:09	42.30
To	10:03:08	42.25	10:03:08	42.25	10:03:08	42.30	10:03:46	42.30

B.O.T – Buy Order Time/ B.O.P – Buy Order Price/ B.T.T – Buy Trade Time/ B.T.P – Buy Trade Price  
S.O.T – Sell Order Time/ S.O.P – Sell Order Price/ S.T.T – Sell Trade Time/ S.T.P – Sell Trade Price

- a. Buy orders were being placed in Chanda HUF account from 09:32:19 to 10:01:13 Hrs. Since both Madhu and Anandilal were dealers of Sharekhan and are husband and wife, inference for the trade pattern is drawn from the mobile bills of Madhu Chanda. A call was placed by Madhu to Manish at 09:29:05 Hrs for 30 airtime pulse i.e., call ended between 09:58:05 and 09:59:04 Hrs. In 19 buy orders, total of 31,800 shares were ordered. Of the above, 30,000 shares got executed in 86 trades i.e., an average of 349 shares per Chanda HUF's buy trade.
  
- b. Continuous buy orders were also observed in Josh's account through Sharekhan from 09:29:07 Hrs till 10:02:18 Hrs before entering a sell order at 10:03:07 Hrs at ₹ 42.30.
  
- c. A call was placed by Madhu to Manish at 09:59:05 Hrs for 10 airtime pulse i.e., the call ended between 10:08:05 and 10:09:04 Hrs. At 10:03:07 Hrs, single sell order for 30,000 shares was placed in Chanda HUF's account with sell order price of ₹ 42.25 after the entry of sell order in the account of Josh at ₹ 42.30.
  
- d. The sell order in Chanda HUF account was placed just 1 second before sell order placed by Josh and Chanda HUF's order got executed before the order of Josh.
  
- e. The total number of shares sold by Chanda HUF in the first tranche was 30,000 in 10 trades. Of which 29,967 shares (i.e., 99.89%) in 9 trades matched with Ratha i.e., the same entity which was front-run by Josh through Sharekhan. At the end of this tranche, client's net position was exactly squared. The above trade timings of Anandilal HUF and Josh are depicted in the chart below:



- f. Similar observations were made for subsequent tranches. The scrip-day's total trading activity in Chanda HUF's account is summarized below:

No. of Shares day traded	No. of shares matched with Sterling Group	Profit
202,556 (604 buy and 111 sell trades)	1,56,067 (77.05%) - 43 sell trades by Anandilal HUF	₹ 98,579

**22. Summary of trading by Sharekhan (trades with Dealer ID as 23107 (on NSE) and dealer name as 'Anandilal Chanda (on BSE)').:**

A summary of gross day trading done and the daily realized profit/loss by Sharekhan for scrip days when the trades of both Sharekhan and the front-runners(while trading through Sharekhan) matched with the Sterling Group ('common scrip days') vis-à-vis other scrip days is tabulated:

Particulars	Gross amount of Trading		Net Profit	
	BSE	NSE	BSE	NSE
Scrip Days on which trades of both Sharekhan and clients of Sharekhan matched with Sterling Group	54,64,69,148 (94 Scrip Days)	1,33,41,62,102 (227 Scrip Days)	14,10,105 (94 Scrip Days)	9,08,709 (227 Scrip Days)
Of 1 above, Scrip Days on which matching of trades of Sharekhan with Sterling Group took place in the same second as that of clients of Sharekhan	53,04,98,365 (89 Scrip Days)	1,23,09,55,737 (190 Scrip Days)	13,92,532 (89 Scrip Days)	7,80,169 (190 Scrip Days)
Other Scrip days	2,10,26,57,377 (1554 Scrip Days)	5,70,40,47,734 (3008 Scrip Days)	(86,816) (1554 Scrip Days)	(23,24,077) (3008 Scrip Days)
	Avg per Scrip day 13,53,061	Avg per Scrip day 18,96,292	Avg per Scrip day (56)	Avg per Scrip day (773)
<b>Total</b>	<b>2,64,91,26,525</b>	<b>7,03,82,09,836</b>	<b>13,23,289</b>	<b>(14,15,368)</b>

From the table above, average volumes and profits per scrip day were observed to be higher on common scrip days as compared to lower turnover and losses incurred on other scrip days. Further, of the common scrip days, it was observed that majority of profit was on the scrip days when the trades of Sharekhan matched at the same time as that of its clients and the average turnover was also higher. It is noted from the investigation report that the day-trading by the captioned dealer in the proprietary account of Sharekhan on scrip days where trades of Sharekhan matched with the Sterling Group resulted in gross profits of ₹ 30,83,807.

A table capturing an analysis of trades of Sharekhan that matched with Sterling group vis-à-vis the trades of the clients of Sharekhan is tabulated below:

S. No	Particulars	Number of Trades		
		BSE	NSE	Total
1	All trades of Sharekhan (all dealers) that matched with Sterling Group	167	3,162	3,329
2	Trades of Sharekhan (all dealers) matching with Sterling Group at the same instance as that of the clients of Sharekhan	138 (83%)	2,012 (64%)	2,150 (65%)
3	Of 2 above, number of trades executed before the trades of the clients of Sharekhan (in terms of sequence) due to the order placement pattern followed by Sharekhan	132 (96%)	1,822 (91%)	1,954 (91%)
4	Of 1 above, Number of trades of Sharekhan with dealer name as Anandilal Chanda - BSE/ dealer USER ID – 23107 – NSE that matched with Sterling Group	143 (86%)	1,993 (63%)	2,136 (64%)
5	Of 4 above, Number of trades of Sharekhan that matched with Sterling Group at the same instance as that of the clients of Sharekhan	129 (90%)	1,790 (90%)	1,919 (90%)

## **22.1 Summary of trading vis-à-vis the submissions of Sharekhan and consideration of the same**

A total of 3,329 trades matched between the Sterling Group and Sharekhan (considering trades by all dealers). Of the said 3,329 trades, 2,150 trades (65%), matched with the Sterling Group with the same trade time as that of the clients of Sharekhan. Further, even within the same second, 1,954 trades of 2,150 trades (i.e., 91%) trades executed in advance to its own clients.

I note that Sharekhan was informed about the fact that the trades in the account of Sharekhan (by dealer Anandilal Chanda), Anandilal and Chanda HUF while trading through Sharekhan was in a way that the buy or sell activity in these accounts was in advance to seven identified clients of Sharekhan and Sharekhan was asked to provide its comments on the same.

In response to the above, Sharekhan submitted as follows:

*"At the outset, we request you to note that we carry out proprietary trading as a part of our treasury operations, which is primarily in the nature of arbitrage between the cash and the F&O segments. We do not intend to carry out any positional trading in this process. Any position taken in either the cash or the F&O segment is intended to have a corresponding equal and opposite position in the other segment. We have a surveillance system to ensure that the positions are hedged and there is no material position which is open. We have contracted approximately 30 dealers to carry out this activity."*

However, I observe that of the 3,329 trades that Sharekhan (all dealers) matched with Sterling Group, 64% or 2,136 trades were with dealer - **Anandilal Chanda - BSE/ dealer USER ID – 23107 – NSE** making him the single largest dealer to match maximum number of trades with the Sterling Group. Also considering the 2,150 trades of Sharekhan (all dealers) that matched with the Sterling Group with same trade time as one of the clients of Sharekhan, 1,919 trades (89%) were concentrated with said dealer. As against the 89% concentration by the said dealer, trades of Sharekhan that matched with the Sterling Group on scrip days other than the common scrip days were spread across various dealers and concentration with Anandilal Chanda was only 12%.

With regard to the specific comments sought, Sharekhan mentioned that it carries out voluminous arbitrage transactions through dealers and requested for further specific information to provide comments on the same. Sharekhan also submitted that the overall average approximate annual volume was ₹ 30,000 Crores and it is highly impossible to ascertain the specific trades that have been alleged to be in advance of the clients' trades.

In this regard, I note that Sharekhan was provided with the following:

- a. Names of the specific clients of Sharekhan who have been front-run
- b. The fact that the front-running took place in the proprietary account of Sharekhan Limited (with identified dealer id and dealer name)
- c. The fact that the front-running took place in the account of Mr. Anandilal Chanda and his HUF while trading through Sharekhan Limited.

I also note from the investigation report that the gross value of trading in the account of Sharekhan by the identified dealer in the cash segment was ₹ 968.73 Crores of which ₹ 188.06 (0.63% of overall annual volume of ₹ 30,000 Crores in the account of Sharekhan as submitted by it) was subject matter of the investigation i.e., scrip days on which trades in the proprietary account of Sharekhan by the said dealer trading and the seven identified clients of Sharekhan Limited had same trade time. Therefore, Sharekhan, on the basis of above information and the trade timings for all the aforesaid entities available with it, could have provided its comments, which it chose not to provide.

## **22.2 Summary of trading, matching and profits derived by Dealer of Sharekhan – Anandilal and Chanda HUF during the investigation period**

As the dealer was frontrunning the clients of Sharekhan and the clients of Sharekhan were frontrunning the Sterling Group, the trades of the dealer of Sharekhan matched with the same counter-party as that of the clients of Sharekhan i.e., Sterling Group. Analysis of total number of scrip days traded by the dealer, number of scrip days common with Sterling group, quantum of trading and profits on scrip days common with that of the Sterling group, etc is tabulated below:

S. No	Particulars	Anandilal	Chanda HUF	Total
1	Total no. of scrip days traded by the dealers	1,460	471	1,707
2	No. of scrip days out of 1 above, common with Sterling group	472	339	603
3	Total profits on scrip days common with Sterling group (in ₹) <sup>#</sup>	17,85,952	22,42,528	40,28,480
4	Total profits on other scrip days (i.e., not common with Sterling group) (in ₹)	82,266	15,823	98,089
5	% of no. of shares day traded on common days to total no. of shares day traded during the investigation period	85.63	97.11	92.83
6	% of matching with the Sterling Group compared to total no. of share day traded by the front-runners on common days	70.30	57.47	61.88
7	% of no. of trades matching with Sterling Group with same order price/ order price difference of ₹ 0.05 to total no. of trades matched	61.63	78.65	75.38
8	% of average no. of shares per trades with Sterling Group to average no. of shares per trade with others	1,174.49	524.40	651.72
9	% of average value of trades with Sterling Group to average value of trade with others	1174.35	491.00	628.98
10	% of average turnover on scrip days common with Sterling Group to average turnover on other scrip days	1091.82	1418.06	2066.13

#Without considering losses incurred

Note: Profits have been calculated as the difference in weighted average buy and sell price multiplied by the number of shares day traded on respective scrip days.

23. From the above table, the following observations are drawn:
- (a) The dealer of Sharekhan have traded on 1,707 scrip days of which 603 scrip days are common with that of the Sterling Group. However, the amount of profit earned on common scrip days amounts to ₹40,28,480 as against a profit of ₹98,089 on the other scrip days.
  - (b) It was observed that the 92.83% of number of shares day traded during the investigation period were on scrip days common with the Sterling Group.
  - (c) Further, of the shares day traded on the scrip days common with the Sterling Group, 61.88% of the number of shares day traded matched with Sterling Group.
  - (d) As explained in the modus operandi, in majority of the orders, the order price in the accounts of clients of Sharekhan was same as that of the Sterling Group and the order price of dealers of Sharekhan were same as that of the clients of Sharekhan or with a difference of ₹ 0.05. Out of the total number of trades matched with the Sterling Group, 75.38% of number of trades executed by the dealers was ordered at the same price or a price difference of ₹ 0.05 as that of the Sterling Group.
  - (e) The huge variation in the average number of shares and value per trade with the Sterling Group (same counter-party as that of the clients of Sharekhan) as against the others in the market indicates that the orders placed by the dealers were placed based on orders of clients of Sharekhan.
  - (f) The value of trades/ number of shares traded and the average amount of profit earned by the front-runners on the scrip days common with the Sterling Group and the clients of Sharekhan is much higher than that on other scrip days.

Considering the observations of Hon'ble SAT in the case of *Vibha Sharma vs. SEBI* (Appeal No. 27 of 2013), I am of the view that at this stage the analysis of the trading pattern of Sharekhan and its dealers, the summary of trading provided above, the amounts of undue profits derived from such impugned transactions, are sufficient for establishing that Sharekhan and its dealers have front run the clients of Sharekhan and also sufficient to explain the *modus operandi* of Sharekhan and its dealer.

**24.** Based on the analysis provided in the paragraphs above, it is clear that the clients of Sharekhan were front-run by Sharekhan, Anandilal and Chanda HUF based on information of trading in these accounts. Trading based on prior information of trades of the clients of the Sharekhan has resulted in loss to other investors/ deprived the investors from profits and have unlawfully benefitted Sharekhan and its dealers. Profits made by Sharekhan Limited (for trades by Anandilal Chanda) and its dealer across various scrips days common with that of the Sterling Group during the investigation period is tabulated below. Further, as the alleged gains were made during the period March 2009 - March 2011, it becomes reasonable and necessary to levy an interest at 12% simple interest per annum from the date on which such profits were earned. The amount of interest is calculated and provided in the table below:

Scrip	Sharekhan	Anandilal	Chanda HUF	Total (₹)
Aban Offshore Ltd	4,38,541	2,01,125	3,07,547	9,47,212
Arihant Foundation & Housing Ltd	71		1,090	1,161
Cairn India Ltd	1,46,999	43,310	25,256	2,15,565
DLF Ltd	2,14,874	93,731	2,29,026	5,37,632
Hanung Toys & Textiles Ltd	44,437	6,188	98,881	1,49,506
Hindalco Industries Ltd	3,803		260	4,063
Hotel Leela Venture Ltd.,	11,969	4,235		16,204
Housing Development & Infrastructure Ltd	-	13,097		13,097
ICICI Bank Ltd.	1,951	9,300	10,484	21,735
Idea Cellular Ltd	6,38,461	3,35,371	6,75,299	16,49,131
Indian Hotels Co. Ltd	2,97,702	1,30,413		4,28,116
Jet Airways (India) Ltd	5,87,939	3,82,063	71,897	10,41,900
JSW Steel Ltd	-	3,067	1,777	4,844
K.S.Oils Ltd.	71,509	88,297	3,31,006	4,90,812
Karuturi Global Ltd	-	6,667	8,650	15,317
Larsen & Toubro Ltd	12,527	30,247	583	43,356
Oriental Bank of Commerce	-	410		410
Pipavav Defence and Offshore Eng Ltd	6,352	17,205	35,786	59,343
Reliance Communications Ltd	2,17,857	1,86,461	2,49,375	6,53,693
Reliance Infrastructure Ltd	1,18,140	19,853	19,204	1,57,197
Ruchi Soya Industries Ltd.	68,608	63,084	1,13,193	2,44,885
Solvay Pharma India Ltd.	8,189	7,740		15,929
Suzlon Energy Ltd	73,038	57,974	41,131	1,72,143
Tata Steel Limited	-	322		322
Unitech Ltd.,	61,626	16,428	21,340	99,394
Videocon Industries Ltd	48,529	43,566		92,095
Yes Bank Ltd.	10,684	25,797	742	37,224
<b>Total</b>	<b>30,83,807</b>	<b>17,85,952</b>	<b>22,42,528</b>	<b>71,12,287</b>
<b>Simple Interest @ 12% p.a.</b>	<b>20,10,087</b>	<b>11,75,017</b>	<b>13,11,802</b>	<b>44,96,906</b>
<b>Grand Total</b>	<b>50,93,894</b>	<b>29,60,969</b>	<b>35,54,329</b>	<b>1,16,09,193</b>

Profits have been calculated as the difference in weighted average buy and sell price multiplied by the number of shares day traded on respective scrip day without considering losses.  
Interest has been calculated from the date of transaction to July 30, 2015.

**25.** I note that the persons/entities are aware of the investigations as also the likely findings of the investigation, in the light of the evidences gathered and the statements given during the investigation. All these factors point to the possibility that the persons/ entities involved may divert the unlawful gains. Therefore, in order to prevent such persons/ entities from diverting the funds and to safeguard the interests of securities market, it becomes necessary for SEBI to take urgent preventive steps of impounding and retaining the proceeds by way of an *interim* measure.

**26.** Accordingly, as an interim measure, an ad-interim ex-parte Order for impounding under section 11(4)(d) of the Securities and Exchange Board of India Act, 1992 needs to be issued against –

- (a) Manish who allegedly used the information of the proposed trades by the Sterling Group to front-run the Sterling Group,
- (b) the front runners viz. Laxmi, Viraj, Josh, PAFL, E Ally, Jaisal and Bhavesh, who benefitted monetarily from such alleged front-running and
- (c) the individuals (Manohar Chaturvedi, Sandeep Maloo, Neeta Maloo, Abhinandan Ranka) who were responsible for trading in the accounts of the respective front-runners.
- (d) Madhu, Anandilal and Chanda HUF.
- (e) Sharekhan Limited

**27.** Considering that the front-runners and the entities involved in the case are connected to each other directly/ indirectly (as explained in this order) and collaborated with each other in engaging in the unfair practice of front-running and thereby deriving undue profits through their trades, it is pertinent to make these 12 **persons/entities (mentioned at sr. nos. 1-12 in the Table at 1<sup>st</sup> page of this Order)**, jointly and severally, liable for deriving undue profits from such alleged fraudulent and unfair conduct and trades. As discussed above, Madhu Chanda has used/passed information of the orders placed by clients of Sharekhan. The two dealers (Madhu and Anandilal) of Sharekhan are husband and wife and therefore the unfair gains made by them, by collaborating with each other, in the accounts of Anandilal and Chanda HUF by front-running the clients of Sharekhan also needs to be impounded jointly and severally from Madhu, Anandilal and Chanda HUF. Further, Sharekhan Limited is also liable for the undue gains made in its Proprietary Account through trades carried out through dealer, Anandilal.

**28.** In view of the foregoing, in order to protect the interest of the investors and the integrity of the securities market, I, in exercise of the powers conferred upon me by virtue of section 19 read with sections 11(1), 11(4)(d) and 11B of the SEBI Act, 1992, hereby -

- (a) Impound the unlawful gains of a sum of ₹ 13,53,92,184/- (**alleged gain of ₹ 8,41,51,217/- + interest of ₹ 5,12,40,967/-**) jointly and severally from persons/entities tabulated below:

S.No	Name	Permanent Account Number
1	Manish Chaturvedi	AGSPC0944K
2	Laxmi Chaturvedi	AACPC3302M
3	Manohar Chaturvedi	AACPC3301J
4	Viraj Mercantile Private Limited	AADCV3852H
5	Josh Trading Private Limited	AACCJ4233H
6	Abhinandan Ranka	ATXPR8358Q
7	Pinky Auto Finance Limited	AABCP1168J
8	E Ally Consulting India Private Limited	AABCE5603P
9	Sandeep Maloo	AFCPM7905F
10	Shree Jaisal Electronics and Industries Limited	AACCS5723P
11	Neeta Maloo	AFWPM2867G
12	Bhavesh Gadhavi	AMMPG4969Q

- (b) Impound the unlawful gains of a sum of ₹ 65,15,298/- (**alleged gain of ₹ 40,28,480/- + interest of ₹ 24,86,819/-**) jointly and severally from persons tabulated below:

S.No	Name	Permanent Account Number
1	Madhu Chanda	ADGPC2308E
2	Anandilal Chanda	AACPC9029K
3	Anandilal Chanda HUF	AACHC8681B

- (c) Impound the unlawful gains of a sum of ₹ 50,93,894/- (**alleged gain of ₹ 30,83,807/- + interest of ₹ 20,10,087/-**) from **Sharekhan Limited (PAN - AAEC5096H)**.

**29.** The Banks and Depositories are directed that no debit shall be made, without permission of SEBI, in respect of the bank accounts and demat accounts, held jointly or severally, by all the entities tabulated in **Paragraph 28 (a) and (b) above**. The Banks and the Depositories are directed to ensure that all the above directions are strictly enforced.

**30.** The persons/entities tabulated in **Paragraph 28 (a) and (b) above** are also directed not to dispose off or alienate any of their assets/properties/securities, till such time the amounts mentioned in paragraph 28 (a) and (b) are credited to an escrow account {“**Escrow Account in Compliance with SEBI Order dated July 31, 2015 – A/c (in the name of the respective persons/entities)**”} created specifically for the purpose in a Nationalized Bank. The escrow account/s shall create a lien in favour of SEBI and the monies kept therein shall not be released without permission from SEBI. After the said monies are deposited in the escrow account, SEBI shall communicate to the Banks and Depositories to defreeze the accounts.

These 15 persons/entities are directed to provide, within 7 days of this order, a full inventory of all their assets and properties and details of all their bank accounts, demat accounts and holdings of shares/securities, if held in physical form and details of companies in which they hold substantial or controlling interest.

**31.** As **Sharekhan Limited** is a stock broker and may have numerous obligations towards the clearing corporations for trades on a daily basis, immediate freezing of the bank and demat accounts of the stock broker may result in hardship for the investors in the market. Therefore, its bank and demat accounts are not ordered to be frozen for debits immediately, subject to it depositing the amount to be impounded i.e., ₹ 50,93,894/- in an interest bearing escrow account {“**Escrow Account in Compliance with SEBI Order dated July 31, 2015 – A/c Sharekhan Limited**”} opened in a Nationalized Bank within a period of 7 days of passing of this Order. The escrow account shall create a lien in favour of SEBI and the monies kept therein shall not be released without the permission from SEBI.

In case, Sharekhan Limited fails to comply with the above conditions –

- (a) Sharekhan’s Bank and demat accounts shall be frozen for debits; and
- (b) Sharekhan Limited shall also be restrained from disposing off or alienating any of its assets/properties/securities, till such time an Escrow account, as mentioned above, is funded with the requisite amount.

**32.** The above direction shall come into force with immediate effect.

**33.** This Order is without prejudice to the right of SEBI to take any other action that may be initiated against the 16 persons/entities covered under this Order, in accordance with law. The persons/ entities against whom this Order has been passed may file their replies to SEBI within 21 days from the date of receipt of this order, if they so desire. They may also indicate in their replies whether they wish to avail an opportunity of personal hearing in the matter.

**PRASHANT SARAN  
WHOLE TIME MEMBER  
SECURITIES AND EXCHANGE BOARD OF INDIA**

**Date:** July 31, 2015  
**Place:** Mumbai