BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OFINDIA

ADJUDICATION ORDER NO. EAD-7/BD/NR/2019-20/5815-5821

UNDER SECTION15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT,1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES,1995

In respect of

1. Nilesh Kapadia *(PAN: AABPK0356Q)* B-306, Oberoi Park View, Tower B Thakur Village, Nr. Thakur Cinema Kandivali(E), Mumbai – 400101.	2. Kalpana Kapadia *(PAN: AKVPK6646D)* B-306, Oberoi Park View, Tower B Thakur Village, Nr. Thakur Cinema Kandivali(E), Mumbai – 400101.
3. Rajiv Sanghvi *(PAN: AAVPS8908E)* Neelam Plot No. 5, 1st Lane Hindu Colony, Near Tilak Bridge Dadar (E), Mumbai – 400014.	4. Rajiv Sanghvi HUF *(PAN: AAAHR3188Q)* Neelam Plot No. 5, 1st Lane Hindu Colony, Near Tilak Bridge Dadar (E), Mumbai – 400014.
5. Sanjay Sanghvi *(PAN: AAIPS3640Q)* Neelam Plot No. 5, 1st Lane Hindu Colony, Near Tilak Bridge Dadar (E), Mumbai – 400014.	6. Sonal Sanghvi *(PAN: AYJPS9541D)* Neelam Plot No. 5, 1st Lane Hindu Colony, Near Tilak Bridge Dadar (E), Mumbai – 400014.
7. Dipti Mehta *(PAN: AHKPM9167B)* 501, 5th Floor, Pal Residency 358, Bhandarkar Road Matunga (C Rly.,) Mumbai – 400019.	

(*The aforesaid entities are hereinafter referred to by their respective names/serial numbers or collectively as "the Noticees")*

In the matter of front-running of HDFC Group's trades by Sanghvi Group and Kalpana Group

BACKGROUND

1. SEBI in its investigations during the period June 2000 and June 2010 (hereinafter, referred to as "**investigation period**") observed that Nilesh Kapadia, Rajiv Sanghvi, Rajiv Sanghvi HUF, Sanjay Sanghvi, Dipti Mehta and Sonal Sanghvi (collectively

referred to as '**Sanghvi Group**') and Nilesh Kapadia and Kalpana Kapadia (collectively referred to as '**Kalpana Group**') allegedly indulged in front-running of HDFC Group's trades, and thereby violated the provisions of Section 12A (a), (b) and (c) of Securities and Exchange Board of India Act, 1992 (hereinafter, referred to as "**SEBI Act**"), Regulations 3(a), (b), (c), (d) and 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as the "**PFUTP Regulations, 2003**").

2. The investigations revealed the following observations and allegations were noted in respect of the dealings of the Noticees:

SANGHVI GROUP

3. From the call records and transcripts pertaining to 30 suspected front running transactions submitted by HDFC vide its letter dated June 26, 2012 and July 11, 2012**,** it is observed that the instructions to trade in the scrips were given from the dealer room phone to the mobile number '9322228959' of Rajiv Sanghvi. The copy of Rajiv Sanghvi's letter dated December 24, 2008 received by SEBI on December 26, 2008 mentioned his mobile number as 9322228959**.** From the HDFC letter dated Mar 26, 2014, it is also observed that HDFC's Executive director and Chief Investment Officer and three Senior fund managers had identified the person's voice in the dealer room conversations with the mobile number '9322228959' as that of Nilesh Kapadia, Ex-Equities Dealer. He had been the equities dealer for HDFC AMC since June 2000 till 2010.

4. It is observed from the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) trade logs that the trades were executed in the trading account of Rajiv Sanghvi, Rajiv Sanghvi -HUF, Sanjay Sanghvi and Dipti Mehta. It was also observed that certain trades were executed in the trading account of Sonal Sanghvi. It is observed from the mobile call records of Nilesh Kapadia that Rajiv Sanghvi (9322228959) and Nilesh Kapadia (9820221553) were talking to each other for 333 times during the period August 06, 2007 to March 07, 2009.

5. It is observed from the audio conversation between Rajiv Sanghvi and Nilesh Kapadia, that Rajiv Sanghvi had reported the trades executed in the trading account

of Dipti Mehta viz., the buy traded quantity, buy average rate, sell traded quantity and sell average rate in five instances. It is observed that Dipti Mehta is connected to Sanghvi group.

6. From the above, it is observed that Nilesh Kapadia, Rajiv Sanghvi, Rajiv Sanghvi - HUF, Sonal Sanghvi, Sanjay Sanghvi and Dipti Mehta are connected with one another.

MODUS-OPERANDI

7. It is observed that the fund managers and portfolio managers of HDFC AMC execute the trades through the dealer Nilesh Kapadia, who had the discretion to execute the orders at any time during the day, depending on the traded volumes/prices.

8. It is observed that as a dealer of HDFC, Nilesh Kapadia had the information of HDFC's sell order details viz., scrip, quantity and price range and had the discretion of time. Based on this, Nilesh Kapadia had given instructions from the dealer room telephone to Rajiv Sanghvi's mobile phone 9322228959 to sell the shares of the same scrip which HDFC was going to sell. The shares were sold in one of the trading accounts of Sanghvi Group immediately i.e., before HDFC start selling in the same scrip. Subsequently, Nilesh Kapadia started selling the shares for HDFC in the same scrip through various brokers. The Sanghvi group entities bought the shares in their same trading accounts, to square-off the trades (sell). Most of the Sanghvi group entities buy was matched with HDFC's sell.

9. It is observed that the details of trade executed in the trading accounts of Rajiv Sanghvi, Rajiv Sanghvi -HUF, Sanjay Sanghvi, Sonal Sanghvi or Dipti Mehta, viz., traded quantity in the respective scrip and average traded price were informed by Rajiv Sanghvi to Nilesh Kapadia in coded words.

10. As a dealer of HDFC, Nilesh Kapadia had the information of HDFC's buy order details viz., scrip, quantity and price range and had the discretion of time. Based on this, it is observed that Nilesh Kapadia had given instructions from the dealer room telephone to Rajiv Sanghvi's mobile phone 9322228959 to buy the shares of the same scrip which HDFC was going to buy. The shares were bought in one of the trading accounts of Sanghvi Group immediately i.e., before HDFC start buying

either in the same scrip. Subsequently, Nilesh Kapadia started buying the shares for HDFC in the same scrip through various brokers. The Sanghvi group entities sold the shares in their same trading accounts, to square-off the trades (buy). Most of the Sanghvi group entities sell was matched with HDFC's buy.

11. It is observed that the details of the trades executed in the trading accounts of Rajiv Sanghvi, Rajiv Sanghvi -HUF, Sanjay Sanghvi, Sonal Sanghvi or Dipti Mehta viz., traded quantity in the respective scrip and average traded price were informed by Rajiv Sanghvi to Nilesh Kapadia.

12. An analysis of front running of Sanghvi Group are given below:

(i) Front running of HDFC trades in the scrip of Punj Lloyd by Dipti Mehta (BSE) and Sanjay Sanghvi (NSE) on June 05, 2007:
a. Nilesh Kapadia had given instruction to trade in the shares of Punj Lloyd on June 5, 2007.

(ii) It is observed that Nilesh Kapadia had instructed from the dealing room phone to Rajiv Sanghvi mobile phone 9322228959 on Jun 05, 2007 to buy 2 lakh shares of Punj Lloyd. The relevant extract of the audio conversation between Nilesh Kapadia and Rajiv Sanghvi is as under:

Start Time 14:35:33 – End Time 14:36:04 (Audio file no.:458732)

Rajiv Sanghvi: Hello.

Nilesh Kapadia: What is Punj Lloyd?

Rajiv Sanghvi: 232, 25.30

Nilesh Kapadia : You buy 200,000 BSE mein.

Rajiv Sanghvi: Okay.

(iii) It is observed from the trade log of Punj Lloyd on BSE on June 5, 2007 that the shares were bought in the trading account of Dipti Mehta from from 14:36:11 hours.

(iv) It is observed from the trade log of Punj Lloyd on NSE on June 5, .2007 that the shares were bought in the trading account of Sanjay Sanghvi from 14:36:18 hours

(v) It is observed that the purchase of Punj Lloyd shares in the both the trading accounts viz., Dipti Mehta. and Sanjay Sanghvi at BSE and NSE respectively, were started almost simultaneously and immediately after the instructions received from Nilesh Kapadia.

(vi) After the Punj Lloyd shares were bought at both the exchanges, Rajiv Sanghvi had given the status of the trades executed in the trading accounts of Dipti Mehta and Sanjay Sanghvi to Nilesh Kapadia. The following are the relevant audio conversations.

Start Time 14:41:26 – End Time 14:42:01(Audio file no.:458742)

Rajiv Sanghvi : Hello. Haan ho gaya 130 BSE, 233.33, 175 on NSE, 233.77.

Nilesh Kapadia: Aur hai na jagah? (Is there any scope).

Rajiv Sanghvi: Haan hai. (Yes)

Nilesh Kapadia : Aur kar lo 1 lakh. (Do about 1 lakh)

Rajiv Sanghvi: Okay.

(vii) It is observed from the BSE trade log that 1,30,000 shares @₹233.32 were bought in the trading account of Dipti Mehta, which was updated by Rajiv Sanghvi to Nilesh Kapadia in a coded words i.e., 130 BSE, 233.33. Similarly, it is observed from NSE trade log that 1,75,000 shares @ ₹233.77 were bought in the trading account of Sanjay Sanghvi, which was updated by Rajiv Sanghvi to Nilesh Kapadia in a coded words i.e., 175 on NSE, 233.77.

(viii) It is observed that further to Nilesh Kapadia instruction, additional shares were bought in the trading account of Sanjay Sanghvi and Dipti Mehta. The confirmation of the total bought quantity was updated by Rajiv Sanghvi to Nilesh Kapadia. The relevant conversations are given below:

Start Time 14:42:22 – End Time 14:43:30(Audio file no.:458743)

Rajiv Sanghvi : Hello.

Nilesh Kapadia: Ho gaya? (Has it done).

Rajiv Sanghvi : Haan 165 on BSE, 233.47 and 241 NSE, 233.95.

(ix) It is observed from BSE trade log that 1,65,000 shares @ Rs.233.47 were bought in the trading account of Dipti Mehta at 14:42:40. The trade details of bought quantity and the average buy rate has been confirmed by Rajiv Sanghvi to Nilesh Kapadia. These shares were bought between 14:36:11 and 14:42:40 hours.

(x) It is observed from NSE trade log that 2,40,869 shares @ ₹234.00 were bought in the trading account of Sanjay Sanghvi at 14:43:03 hours The trade details of bought quantity and the average buy rate has been confirmed by Rajiv Sanghvi to Nilesh Kapadia. These shares were bought between 14:36:18 and 14:46:20 hours.

(xi) It is observed that the above status was communicated by Rajiv Sanghvi to Nilesh Kapadia in a coded words i.e., the bought quantity of 1,65,000 shares @ ₹233.47 at BSE was communicated as 165 on BSE, 233.47 and the bought quantity of 2,40,869 shares @ ₹234 at NSE was communicated in a coded words as 241 NSE 233.95.

(xii) It is observed that Nilesh Kapadia had instructed Rajiv Sanghvi to put sell order at ₹236.50 in a coded word 36.50. Immediately, the sell order for the rate of ₹236.50 was placed in the Dipti Mehta's trading account at 14:43:49 hours and Sanjay Sanghvi's trading account at 14:43:51 hours. The relevant audio conversations are given below:

Start Time 14:42:22 – End Time 14:43:30(Audio file no.:458743 Contd..)

Nilesh Kapadia: Kya aa raha hai abhi? (What is the rate at this time).

Rajiv Sanghvi: Haan 235.70, 236.

Nilesh Kapadia : 36.50 me daal do. (Put it on 36.50)

(xiii) It is observed that Nilesh Kapadia had given instruction to the broker to buy the shares at ₹ 236.50 in coded words. It is further observed that already Nilesh Kapadia had instructed Rajiv Sanghvi to sell the shares at ₹236.50 i.e., Nilesh Kapadia had structured the trades between HDFC and the front runners.

Start Time 14:44:11– End Time 14:47:11(Audio file no.:458745)

Nilesh Kapadia: Ek kaam kar NSE pe lakh share lene daalo, BSE pe 1.50 lene daalo, 36.50 kar ke phataphat daalo. (Buy 1 lakh share on NSE and 1.50 lakh on BSE around 36.50 immediately)

Broker: Haan sir daalta hun. (okay will do it).haan aa gaya sir. (it has come)

(xiv) Accordingly, HDFC had bought 2,75,000 shares between 14:45:04 to 15:23:26 hours through the broker HSBC Securities & Capital Markets India Pvt.Ltd. Out of which 1,47,996 shares were matched Dipti Mehta's sell order who had entered sell order for 1,65,000 shares @ Rs.236.50 at 14:43:49.

(xv) Similarly, out of the sell order for 2,75,000 shares placed in the Sanjay Sanghvi's trading account at 14:43:51 hours, 53,682 shares were matched with HDFC trades. It is observed that after the completion of the purchase and sell of shares, Rajiv Sanghvi has given the consolidate update on the trading position to Nilesh Kapadia. The relevant conversations are given below:

Start Time 14:44:11– End Time 14:47:11 (Audio file no.: 458745)

Rajiv Sanghvi: NSE pe gaya, BSE bhi ho gaya, dono. (Yes it is done on both NSE and BSE)

Nilesh Kapadia : Kya average bolo. (Tell me the average)

Rajiv Sanghvi : 165, 233.47 and 236.50 and 2,40,000 at 233.96 and 236.50 clear.

(xvi) As per the trade log, 1,65,000 shares were bought at ₹233.47 and sold at ₹236.50 in the trading account of Dipti and the same was communicated by Rajiv Sanghvi to Nilesh Kapadia in a coded words 165, 233.47 and 236.50. Similarly 2,40,869 shares were bought at ₹234 and sold at ₹236.50 in the trading account of Sanjay Sanghvi and the same was communicated in a coded words 2,40,000 at 233.96 and 236.50.

(xvii) It is observed from the above that Sanghvi Group had front run HDFC trades and made a profit of ₹11 lakh. The summary of the trade details is given below:

Exchange	FR Name	Date	Scrip	Transaction Type	Buy TQ	Sell TQ	Buy AR	Sell AR	Profit*
BSE	DIPTI	5-Jun-07	PUNJLLOYD	BBS	1,65,000	1,65,000	233.47	236.50	5,00,008
NSE	SANJAY	5-Jun-07	PUNJLLOYD	BBS	2,40,869	2,40,869	234.00	236.50	6,02,853
Total									11,02,861

** Profit is calculated on actual rate instead of average rate(AR).*

(xviii) The examination of 40 instances identified revealed that Sanghvi Group indulged in 42 instances of front running (24 Buy-Buy-Sell Pattern and 18 Sell-Sell-Buy (SSB) Pattern).

(xix) The details of the 24 instances Buy-Buy-Sell (BBS) of front running activities by Sanghvi Group and the profit made (calculated on actual rate on squared-off quantity) are as under:

SANGHVI'S GROUP - BBS PATTERN

S.N.	Exchange	Type	Date	Scrip Name	Client Name	Institution name	FR Buy Qty	HDFC Buy Qty	Sell Qty (Squared-off)	Matched quantity	Matching %	Profit in Rs.
1	BSE	BBS	5-Jun-07	PUNJLLOYD	DIPTI	HDFC MF	165,000	275,000	165,000	147,996	89.69	500,007.85
2	BSE	BBS	13-Jun-	NESTLE LTD	DIPTI	HDFC MF	4,153	230,000	4,153	1,652	39.78	18,513.00
3	NSE	BBS	23-May-	ASHOKLEY	RAJIV	HDFC MF	650,000	2,750,00	650,000	596167	91.72	916,325.25
4	BSE	BBS	28-Aug-	ISMT LTD	RAJIV	HDFC MF	5,500	300,000	8,089	2,500	30.91	8,775.15
5	BSE	BBS	18-Jan-	BIOCON LTD	RAJIV	HDFC MF	9,000	305,013	9,000	7,000	77.78	91,498.89
6	BSE	BBS	22-Feb-	ZEE ENTER	RAJIV	HDFC MF	4,010	280,000	4,010	4,010	100.00	7,350.40
7	NSE	BBS	2-Aug-07	SUZLON	RAJIV	HDFC AMC	13,813	66,000	13,813	7,019	50.81	344,940.60
8	NSE	BBS	7-Aug-07	SUZLON	RAJIV	HDFC MF	25,798	187,000	25,798	22,124	85.76	697,216.49
9	NSE	BBS	8-Aug-07	MPHASIS	RAJIV	HDFC MF	62,101	275,000	62,101	61,379	98.84	191,023.60

10	NSE	BBS	8-Aug-07	MARICO	RAJIV	HDFC MF	102,020	195,000	102,020	101,019	99.02	122,174.84
11	NSE	BBS	5-Jun-07	PUNJLLOYD	SANJAY	HDFC MF	240,869	350,000	240,869	53,682	22.29	602,852.79
12	BSE	BBS	2-Aug-07	SUZLON	SANJAY	HDFC AMC	7,000	24,000	7,000	2,000	28.57	155,864.70
13	BSE	BBS	7-Aug-07	SUZLON	SANJAY	HDFC MF	13,800	80,000	13,800	13,007	94.25	342,328.55
14	BSE	BBS	8-Aug-07	MPHASIS	SANJAY	HDFC MF	64,112	125,000	64,112	64,112	100.00	181,453.85
15	BSE	BBS	8-Aug-07	MARICO	SANJAY	HDFC MF	53,500	105,000	53,500	45,000	84.11	68,124.80
16	BSE	BBS	9-Aug-07	SUZLONENE	SANJAY	HDFC MF	28,005	40,000	28,005	28,005	100.00	439,934
17	BSE	BBS	10-Aug-	SUZLON	SANJAY	HDFC MF	30,112	57,000	29,937	28,940	96.67	376,066.25
18	BSE	BBS	5-Sep-07	SUZLON	SANJAY	HDFC MF	20,029	40,000	20,029	20,029	100.00	185,264.35
19	BSE	BBS	6-Sep-07	GUJAR IN	SANJAY	HDFC MF	142,500	400,000	140,000	116,601	83.29	217,409.24
20	BSE	BBS	13-Jul-05	ISMT LTD	SONAL	HDFC MF	175,504	622,701	175,504	174,504	99.43	653,374.60
21	BSE	BBS	18-Apr-	TATA ELXSI	SONAL	HDFC MF	27,700	60,500	27,700	27,400	98.92	307,591.50
22	NSE	BBS	2-Jun-06	FINANTECH	SONAL	HDFC-Portfolio	3,850	13,077	3,850	3,850	100.00	373,486.10
23	BSE	BBS	22-Jun-	AIAENG	SONAL	HDFC MF	9,000	25,500	9,000	4,730	52.56	271,651.09
24	NSE	BBS	22-Jun-	AIAENG	SONAL	HDFC MF	10,200	24,500	10,200	10,107	99.09	239,254.09
SANGHVI'S GROUP – BBS PATTERN - PROFIT												73,12,481.58

(xx) The details of the 18 instances (SSB) of front running activities by Sanghvi Group and the profit made (calculated on actual rate on squared-off quantity) are as under:

SANGHVI'S GROUP - SSB PATTERN

S.N.	Exchange	Type	Date	Scrip Name	Client Name	Institution name	FR Sell Qty	HDFC Sell Qty	Buy Qty (Squared-off)	Matched quantity	Matching %	Profit in Rs.
1	NSE	SSB	13-Feb-07	TULIP	SONAL	HDFC MF	12,000	142,000	12,000	12,000	100.00	158,123.40
2	BSE	SSB	21-Aug-07	SUNTV	SANJAY	HDFC AMC	40,000	164,198	40,000	39,069	97.67	391,572.19
3	BSE	SSB	20-Aug-07	MAHARASH	SANJAY	HDFC MF	26,969	47,500	26,969	26,370	97.78	127,150.34
4	BSE	SSB	2-Aug-07	WIPRO	SANJAY	HDFC AMC	35,200	145,925	35,200	34,409	97.75	181,599.15
5	BSE	SSB	1-Aug-07	SUNTV	SANJAY	HDFC MF	15,000	16,100	15,000	14,120	94.13	63,647.15
6	NSE	SSB	5-Jun-07	DISHTV	SANJAY	HDFC MF	55,759	540,000	55,759	47,805	85.74	76,179.54
7	NSE	SSB	5-Jun-07	EICHERMO	SANJAY	HDFC MF	3,653	12,750	3,653	2,504	68.55	15,863.39
8	NSE	SSB	1-Jun-07	DISHTV	SANJAY	HDFC MF	71,000	504,334	71,000	71,000	100.00	232,575.15
9	NSE	SSB	14-May-07	CIPLA	SANJAY	HDFC MF	240,686	690,000	240,686	240,686	100.00	327,966.35
10	NSE	SSB	13-Feb-07	ASHOKLEY	RAJIV- HUF	HDFC AMC	350,000	1,200,00	350,000	347,167	99.19	444,850.65
11	BSE	SSB	13-Feb-07	ASHOKLEY	RAJIV- HUF	HDFC AMC	231,000	755,415	231,000	66,751	28.90	291,609.25
12	BSE	SSB	13-Feb-07	TULIP	RAJIV- HUF	HDFC MF	50,299	119,022	50,299	50,299	100.00	119,861.75
13	NSE	SSB	13-Feb-07	TULIP	RAJIV- HUF	HDFC MF	57,077	142,000	57,077	55,624	97.45	116,368.90
14	NSE	SSB	2-Aug-07	WIPRO	RAJIV	HDFC AMC	30,500	150,000	30,500	30,400	99.67	150,276.89
15	NSE	SSB	1-Aug-07	SUNTV	RAJIV	HDFC AMC	39,213	47,650	39,213	39,213	100.00	179,715.70
16	BSE	SSB	5-Jun-07	EICHERMO	DIPTI	HDFC MF	3,702	9,300	3,702	2,852	77.04	17,737.89
17	BSE	SSB	1-Jun-07	DISHTV	DIPTI	HDFC MF	49,186	317,722	49,186	49,186	100.00	161,249.50
18	BSE	SSB	18-Apr-07	PRAJ INDUSTR	DIPTI	HDFC-Portfolio	20,000	70,645	20,000	20,000	100.00	133,588.15
SANGHVI'S GROUP – SSB PATTERN - PROFIT												31,89,935.34

(xxi) The entity-wise profit made by Sanghvi Group entities is as under:

Client Name	BBS Pattern		SSB Pattern		Total	
	No. of Instances	Profit in Rs.	No. of Instances	Profit in Rs.	No. of Instances	Profit in Rs.
DIPTI	2	5,18,521	3	3,12,576	5	8,31,096
RAJIV	8	23,79,305	2	3,29,993	10	27,09,298
RAJIV- HUF	-	-	4	9,72,691	4	9,72,691
SANJAY	9	25,69,298	8	14,16,553	17	39,85,851
SONAL	5	18,45,357	1	1,58,123	6	20,03,481
Grand Total	24	73,12,482	18	31,89,935	42	1,05,02,417

(xxii) It is observed that Sanjay Sanghvi had front run in 17 instances and made a profit of ₹39,85,851, Sonal Sanghvi had front run in 6 instances (profit of ₹20,03,481), Rajiv Sanghvi had front run in 10 instances (profit of ₹27,09,298), Rajiv Sanghvi -HUF had front run in 4 instances (profit of ₹9,72,691) and Dipti Mehta had front run in 5 instances (profit of ₹8,31,096). In total, 42 instances of front run the HDFC trades and made a profit of ₹1,05,02,416.92. In total, Sanghvi Group had made a profit of Rs.1.05 crore in 42 front running instances.

(xxiii) It is observed from the audio conversation records that out of the 42 instances, in 29 instances Nilesh Kapadia had instructed Rajiv Sanghvi to buy/sell before HDFC trades. From the examination of trade and order logs it is observed that the trades confirmed by Rajiv Sanghvi to Nilesh Kapadia were all executed in the trading accounts of Sonal Sanghvi / Rajiv Sanghvi / Rajiv Sanghvi -HUF / Sanjay Sanghvi / Dipti Mehta. The trade confirmation details given by Rajiv Sanghvi such as quantity and average rate are matching with trades of Sonal Sanghvi / Rajiv Sanghvi / Rajiv Sanghvi -HUF / Sanjay Sanghvi / Dipti Mehta.

(xxiv) The available call data in 29 instances revealed that how these front running trades were executed. In the case of 13 instances, where audio conversation records are not available, it is observed from the trading pattern that similar modus-operandi was followed by Sonal Sanghvi , Rajiv Sanghvi , Rajiv Sanghvi -HUF and Sanjay Sanghvi (family members) and Nilesh Kapadia to front run HDFC trades.

(xxv) It is observed that the matching trades with HDFC trades in 42 instances cannot be co-incidence. From the matching of trades in the trading accounts of Sonal Sanghvi / Rajiv Sanghvi / Rajiv Sanghvi -HUF / Sanjay Sanghvi / Dipti Mehta, the time of trade execution and the conversation time and traded quantity communicated by Rajiv Sanghvi to Nilesh Kapadia it is observed that Nilesh Sanghvi, Sonal Sanghvi, Rajiv Sanghvi , Rajiv Sanghvi -HUF, Sanjay Sanghvi and Dipti Mehta had acted together as a group.

(xxvi) It is observed that the 42 front running instances were not the natural trades of Sonal Sanghvi, Rajiv Sanghvi , Rajiv Sanghvi -HUF, Sanjay Sanghvi and Dipti Mehta.. It is observed that these trades had disturbed the market equilibrium and normal price discovery mechanism of stock exchanges.

(xxvii) Since, Nilesh Kapadia had instructed to execute these trades to front run HDFC trades, it is observed that HDFC had lost the price advantage in these trades and the profit made in the trading accounts of Sonal Sanghvi, Rajiv Sanghvi, Rajiv Sanghvi -HUF, Sanjay Sanghvi and Dipti Mehta in these trades is the loss of price advantage to the HDFC.

(xxviii) It is observed that these trades were executed in fraudulent manner by Nilesh Kapadia, Sonal Sanghvi , Rajiv Sanghvi, Rajiv-HUF, Sanjay Sanghvi and Dipti Mehta who had acted in concert, to defraud HDFC. It is observed that these trades had created false or misleading appearance of the trading in the securities market.

KALPANA GROUP

13. It is observed from the Investigation committee report submitted by HDFC AMC that 100 suspected front running transactions by Kalpana Kapadia, wife of Nilesh Kapadia (Kalpana Group) were traced. The modus operandi of the front run trade by Kalpana Group is as under:

(i) The fund managers executed the trades through the dealer Nilesh Kapadia, who had the discretion to execute the orders at any time during the day, depending on the traded volumes/prices.

(ii) The audio conversation records were not available for these front running instances. However, the Noticees in a relationship of husband and wife, the information of HDFC trades between them can be exchanged in many ways.

(iii) The examination of the trade log details revealed that out of 100 suspected front running transactions identified by the committee report, in 93 instances Kalpana Kapadia front run HDFC trades and matched with HDFC trades while squaring-off her trades. It could not have been possible to match HDFC's trades by Kalpana Kapadia on 93 instances unless Nilesh Kapadia and Kalpana Kapadia have prior understanding among themselves. Therefore, there was communication of information existed between Nilesh Kapadia and Kalpana Kapadia.

(iv) Two trading patterns of front running viz., Sell-Sell-Buy and Buy-Buy-Sell were observed in the front running HDFC trades by Kalpana Group.

(v) Sell-Sell-Buy (SSB): As a dealer of HDFC, Nilesh Kapadia had the information of HDFC’s sell order details viz., scrip, quantity, price range and discretion of time. Therefore, before HDFC placed its sell order, Kalpana Kapadia had executed her sell transactions for the same scrip. When HDFC placed its sell order, Kalpana Kapadia had executed her buy transactions around the same time so that her buy orders could match with HDFC's sell orders and squaring-off her sell transactions with a profit.

(vi) Buy-Buy-Sell (BBS): As a dealer of HDFC, Nilesh Kapadia had the information of HDFC's buy order details viz., scrip, quantity, price range and discretion of time. Therefore, before HDFC placed its buy order, Kalpana Kapadia had executed her buy transactions for the same scrip. When HDFC placed its buy order, Kalpana Kapadia had executed her sell transactions around the same time so that her sell orders could match with HDFC's buy orders and squaring-off her buy transactions with profit.

(vii) Sell-Sell-Buy (SSB). It is observed that Kalpana Kapadia had sold 43,156 shares of BEML at NSE on June 10, 2003 between 10:07:51 and 10:29:27 hours. HDFC had sold 65,000 shares of BEML on the same day at NSE between 10:33:22 and 10:40:56 hours. It was observed that before HDFC had started selling the shares of BEML, Kalpana Kapadia had started buying the shares of BEML.

(viii) After HDFC started selling the shares, Kalpana Kapadia had immediately started buying the shares at 10:37:16 hours. Kalpana Kapadia had bought 43,156 shares between 10:37:16 and 10:52:02 hours. Out of 43,156 shares bought by Kalpana Kapadia, 37,803 shares were matched with the sell trades of HDFC i.e.,87.60% of the buy trades of Kalpana Kapadia matched with HDFC sell trades.

(ix) It is observed that the Kalpana group had made a profit of ₹85,239 by indulging front run of HDFC trades. The summary of the trade details is as under:

Sell Qty	HDFC Sell Qty	Buy Qty	Sell AR	Buy AR	Profit*	Matched volume	Matched %	Sell Start Time	Sell End Time	HDFC Sell Start Time	HDFC Sell End Time	Buy Start Time	Buy End Time
43,156	65,000	43,156	85.98	84.00	85,238.80	37,803	87.60	10:07:51	10:29:27	10:33:22	10:40:56	10:37:16	10:52:02

** Profit is calculated on actual rate instead of average rate(AR).*

(x) In Similar modus-operandi, Kalpana Kapadia had front run the HDFC trades in 34 more instances (SSB pattern).

(xi) Buy-Buy-Sell(BBS) It is observed that Kalpana Kapadia had bought 2,15,066 shares @ Rs.13.29 of Syndicate bank on 02.05.2002 between 12:26:16 and 14:07:05. HDFC had started buying 3,67,005 shares of Syndicate Bank on the same day between 14:06:20 and 15:28:36. It was observed that before HDFC had started buying the shares of the Syndicate bank, Kalpana Kapadia had started buying the shares of Syndicate Bank.

(xii) After HDFC started buying the shares, Kalpana Kapadia had sold 2,15,066 shares between 14:07:23 and 14:19:56. The entire shares sold by Kalpana Kapadia was matched with HDFC buy trades.

(xiii) Kalpana group had made a profit of ₹ 1,20,074 by front running HDFC trades. The summary of the trade details is as under:

Buy Qty	HDFC Buy Qty	Sell Qty	Buy AR	Sell AR	Profit*	Matched volume	Matched %	Buy Start Time	Buy End Time	HDFC Buy Start Time	HDFC Buy End Time	Sell Start Time	Sell End Time
2,15,066	3,67,005	2,15,066	13.29	13.85	1,20,074	2,15,066	100	12:26:16	14:07:05	14:06:20	15:28:36	14:07:23	14:19:56

** Profit is calculated on actual rate instead of average rate(AR).*

(xiv) In Similar modus-operandi, Kalpana Kapadia had front run the HDFC trades in 57 more instances (BBS pattern).

(xv) In total, 35 instances of SSB and 58 instances of BBS front running pattern were observed. Most of the Kalpana Kapadia's trades were matched with HDFC's trades including 100% matching in 33 instances.

(xvi) The details of the 58 instances (BBS) of front running activities by Kalpana Group and the profit made (calculated on actual rate on squared-off quantity) is as under:

S. N.	Exchange	Transaction Type	Date	Scrip Name	FR Buy Qty	HDFC Buy Qty	Sell Qty (Squared-off)	Matched Qty	Matched %	Profit in ₹
1	NSE	BBS	01-Nov-01	MTNL	9,000	22,770	9,000	727	8.08	18,002.50
2	NSE	BBS	02-Nov-01	HINDPETRO	8,500	25,000	8,500	8,499	99.99	6,554.75
3	NSE	BBS	08-Nov-01	MTNL	6,456	14,119	6,456	1,619	25.08	9,978.25
4	NSE	BBS	28-Nov-01	HINDPETRO	3,951	18,433	3,951	3,951	100.0	5,514.20
5	NSE	BBS	28-Nov-01	BHEL	5,000	23,392	5,000	4,950	99.00	4,672.65
6	NSE	BBS	29-Nov-01	HINDPETRO	15,000	43,144	15,000	13,418	89.45	22,071.10
7	NSE	BBS	29-Nov-01	GODREJCP	10,000	25,458	10,000	10,000	100.0	12,529.75
8	NSE	BBS	14-Dec-01	ASHOKLEY	5,000	11,914	5,000	4,875	97.50	6,250.00
9	NSE	BBS	19-Dec-01	ASHOKLEY	12,000	35,788	12,000	12,000	100.0	13,990.50
10	NSE	BBS	20-Mar-02	UCALFUEL	3,631	4,481	3,631	3,631	100.0	7,168.25
11	NSE	BBS	20-Mar-02	HEROHOND	2,000	4,000	2,000	2,000	100.0	4,659.70
12	NSE	BBS	27-Mar-02	UCALFUEL	2,185	2,858	2,185	2,185	100.0	937.00
13	NSE	BBS	29-Apr-02	SYNDIBANK	1,10,16	2,16,16	1,10,165	1,10,16	100.0	59,222.60
14	NSE	BBS	30-Apr-02	SYNDIBANK	68,000	2,12,21	68,000	68,000	100.0	34,570.75
15	NSE	BBS	02-May-02	SYNDIBANK	2,15,06	3,67,00	2,15,066	2,15,06	100.0	1,20,074.9
16	NSE	BBS	22-May-02	HIMATSEIDE	7,725	12,000	7,725	7,725	100.0	36,835.25
17	NSE	BBS	22-May-02	DRREDDY	3,000	6,000	3,000	1,484	49.47	17,195.90
18	NSE	BBS	13-Jun-02	CENTENKA	17,063	37,050	17,063	16,063	94.14	29,659.10
19	NSE	BBS	24-Jul-02	SHASUNCHE	8,018	11,136	8,018	7,950	99.15	16,519.05
20	NSE	BBS	25-Jul-02	SHASUNCHE	40,863	59,349	40,863	40,763	99.76	84,294.45
21	NSE	BBS	26-Jul-02	SHASUNCHE	5,501	9,854	5,501	5,501	100.0	5,169.40
22	NSE	BBS	30-Jul-02	JBCHEPHAR	7,780	13,457	7,780	7,780	100.0	18,667.00
23	NSE	BBS	30-Jul-02	SHASUNCHE	5,000	12,241	5,000	4,900	98.00	5,361.40
24	NSE	BBS	30-Aug-02	HDFC	4,000	9,500	4,000	3,337	83.43	11,933.85
25	NSE	BBS	22-Oct-02	COSMOFILM	30,000	55,000	30,000	23,406	78.02	62,369.80
26	NSE	BBS	28-Jan-03	PAPERPROD	1,978	2,670	1,978	1,978	100.0	5,583.00

27	NSE	BBS	30-Jan-03	PAPERPROD	5,000	14,441	5,000	5,000	100.0	7,702.55
28	NSE	BBS	21-Mar-03	ASHOKLEY	1,772	1,24,55	1,772	1,772	100.0	1,874.00
29	NSE	BBS	23-May-03	IPCL	27,175	99,136	22,175	22,174	100.0	20,076.23
30	NSE	BBS	28-May-03	GAIL	90,000	3,03,50	90,000	54,838	60.93	1,69,207.5
31	NSE	BBS	28-May-03	BEML	24,700	74,976	19,700	19,230	97.61	11,834.36
32	NSE	BBS	06-Jun-03	J&KBANK	28,774	34,181	28,646	28,246	98.60	84,845.53
33	NSE	BBS	09-Jun-03	J&KBANK	11,157	37,000	11,185	10,777	96.35	24,726.78
34	NSE	BBS	26-Jun-03	MAHSEAMLE	18,600	78,545	18,000	17,800	98.89	35,891.66
35	NSE	BBS	11-Jul-03	IOC	6,044	39,000	6,044	1,463	24.21	49,540.85
36	NSE	BBS	16-Jul-03	NATIONALU	99,661	4,05,00	99,661	11,729	11.77	3,18,783.7
37	NSE	BBS	17-Jul-03	BEL	10,192	20,308	10,192	4,050	39.74	20,750.85
38	NSE	BBS	24-Jul-03	BHEL	49,120	1,62,00	49,120	31,086	63.29	1,21,747.0
39	NSE	BBS	28-Jul-03	CENTURYTE	55,000	11,23,6	50,000	33,740	67.48	2,94,288.9
40	NSE	BBS	30-Jul-03	CORPBANK	10,000	3,05,00	10,000	6,812	68.12	14,206.75
41	NSE	BBS	01-Aug-03	BEL	10,075	40,162	10,075	8,279	82.17	57,029.05
42	NSE	BBS	04-Aug-03	IPCL	12,500	1,50,00	12,500	3,874	30.99	34,406.00
43	NSE	BBS	13-Aug-03	CORPBANK	14,706	1,37,00	11,000	9,636	87.60	48,394.04
44	NSE	BBS	19-Aug-03	GAIL	5,000	2,55,00	5,000	650	13.00	9,000.00
45	NSE	BBS	25-Aug-03	CORPBANK	9,562	3,10,00	9,562	3,510	36.71	18,713.90
46	NSE	BBS	03-Sep-03	GNFC	795	10,33,0	795	795	100.0	6,876.75
47	NSE	BBS	10-Sep-03	GNFC	13,663	1,45,00	13,663	12,036	88.09	34,569.60
48	NSE	BBS	01-Oct-03	INDORAMA	10,000	2,75,00	10,000	5,000	50.00	43,510.65
49	NSE	BBS	06-Oct-03	INDORAMA	6,480	2,55,00	6,480	6,362	98.18	29,160.00
50	NSE	BBS	15-Oct-03	BANKBAROD	8,936	10,10,0	8,936	902	10.09	55,247.60
51	NSE	BBS	15-Oct-03	VIJAYABANK	70,000	10,00,0	48,228	25,000	51.84	2,943.12
52	NSE	BBS	24-Oct-03	INDORAMA	25,044	1,58,19	25,044	10,604	42.34	1,05,848.2
53	NSE	BBS	28-Nov-03	DIVISLAB	2,500	20,500	2,500	344	13.76	1,37,128.8
54	NSE	BBS	20-Feb-04	ASHOKLEY	45,557	2,60,00	45,557	42,620	93.55	2,15,255.8
55	NSE	BBS	17-Mar-04	FEDERALBN	50,268	3,50,00	50,268	17,767	35.34	5,33,243.3
56	NSE	BBS	18-Mar-04	FEDERALBN	22,510	1,82,58	22,510	16,475	73.19	2,00,362.2
57	NSE	BBS	19-Mar-04	TVTODAY	17,115	1,90,00	17,115	5,000	29.21	2,40,995.9
58	NSE	BBS	22-Mar-04	IOB	1,16,46	5,59,33	1,16,467	54,427	46.73	2,52,580.6
KALPANA'S GROUP - BBS PATTERN - PROFIT										38,20,527.66

KALPANA'S GROUP - BBS PATTERN

(xvii) The details of the 35 instances (SSB) of front running activities by Kalpana Group and the profit made (calculated on actual rate on squared-off quantity) is as under:

KALPANA'S GROUP - SSB PATTERN

S. N.	Exchange	Transaction Type	Date	Scrip Name	FR Sell Qty	HDFC Sell Qty	Buy Qty (Squared-off)	Matched Qty	Matched %	Profit IN ₹
1	NSE	SSB	09-Nov-01	CIPLA	2,000	7,000	2,000	1,467	73.35	4,647.6
2	NSE	SSB	18-Jan-02	SHREECEM	3,265	39,100	3,265	2,765	84.69	5,470.0
3	NSE	SSB	21-Jan-02	SHREECEM	17,500	97,053	17,500	17,244	98.54	21,412.
4	NSE	SSB	25-Feb-02	UNICHEMLAB	4,964	6,600	4,964	3,645	73.43	12,996.
5	NSE	SSB	26-Feb-02	GUJRATGAS	9,618	18,565	9,618	9,518	98.96	77,791.
6	NSE	SSB	26-Feb-02	UNICHEMLAB	2,500	9,000	2,500	2,500	100.0	9,796.5
7	NSE	SSB	04-Mar-02	NAVNETPUBL	1,896	8,347	1,896	1,896	100.0	11,305.
8	NSE	SSB	08-Mar-02	BEL	35,000	75,000	35,000	17,324	49.50	98,031.

9	NSE	SSB	08-Mar-02	GUJRATGAS	3,000	3,815	3,000	3,000	100.0	23,982.
10	NSE	SSB	14-Mar-02	ASHOKLEY	50,000	90,000	50,000	49,950	99.90	19,987.
11	NSE	SSB	19-Mar-02	NAVNETPUBL	1,105	2,115	1,105	1,105	100.0	4,420.5
12	NSE	SSB	17-Apr-02	TATAPOWER	32,170	1,11,48	32,170	31,915	99.21	38,768.
13	NSE	SSB	30-Apr-02	SWARAJENG	1,464	1,616	1,464	1,464	100.0	7,321.8
14	NSE	SSB	06-May-	BEL	5,000	26,000	5,000	4,644	92.88	3,332.7
15	NSE	SSB	22-May-	L&T	6,077	13,006	5,984	4,069	68.00	4,488.0
16	NSE	SSB	07-Jun-02	SWARAJENG	784	793	784	784	100.0	3,339.2
17	NSE	SSB	11-Jun-02	SWARAJENG	3,282	3,938	3,282	3,282	100.0	15,147.
18	NSE	SSB	12-Jun-02	SWARAJENG	1,184	2,600	1,184	1,184	100.0	8,185.0
19	NSE	SSB	13-Jun-02	CIPLA	1,667	5,752	1,667	1,645	98.68	11,914.
20	NSE	SSB	13-Jun-02	SWARAJENG	790	2,549	790	790	100.0	5,622.5
21	NSE	SSB	14-Jun-02	SWARAJENG	2,187	3,147	2,187	2,187	100.0	11,132.
22	NSE	SSB	17-Jun-02	SWARAJENG	1,637	4,232	1,637	1,637	100.0	9,122.7
23	NSE	SSB	18-Jun-02	SWARAJENG	5,537	11,186	5,537	5,537	100.0	30,242.
24	NSE	SSB	05-Jul-02	CENTENKA	14,240	15,046	14,240	2,527	17.75	15,315.
25	NSE	SSB	21-Aug-02	BHEL	18,995	50,000	18,995	18,281	96.24	31,194.
26	NSE	SSB	30-Dec-02	COSMOFILMS	10,000	41,202	10,000	10,000	100.0	24,561.
27	NSE	SSB	22-Jan-03	SHASUNCHEM	6,340	77,487	6,340	6,093	96.10	27,722.
28	NSE	SSB	05-May-	JBCHEPHARM	4,517	17,167	4,517	4,517	100.0	10,100.
29	NSE	SSB	06-May-	JBCHEPHARM	10,445	31,153	10,445	10,445	100.0	31,420.
30	NSE	SSB	30-May-	MRO-TEK	17,254	80,756	17,254	17,254	100.0	17,126.
31	NSE	SSB	03-Jun-03	IPCL	32,779	1,54,70	32,779	32,279	98.47	32,942.
32	NSE	SSB	10-Jun-03	BEML	43,156	65,000	43,156	37,803	87.60	85,238.
33	NSE	SSB	12-Jun-03	BEML	38,089	1,68,64	48,089	46,564	96.83	56,608.
34	NSE	SSB	28-Aug-03	IOC	10,930	4,30,00	10,930	8,910	81.52	80,803.
35	NSE	SSB	23-Jan-04	ITC	2,201	1,05,06	2,201	511	23.22	52,273.
KALPANA'S GROUP - SSB PATTERN - PROFIT										9,03,764.99

(xviii) It is observed from the table above that Kalpana Kapadia was front running HDFC in 93 instances through BBS and SSB pattern and made a profit of ₹47,24,293.

(xix) It is observed that Kalpana had traded ahead of HDFC trades and reversed the majority of the trades with HDFC in 93 instances which cannot be a co-incidence. From the repeated pattern it is observed that Kalpana Kapadia and Nilesh Kapadia had together front run the HDFC trades. Further, Kalpana Kapadia 's husband Nilesh Kapadia was the dealer of HDFC who executed the trades for HDFC. These trades were not the natural trades of Kalpana Kapadia. These trades were executed only with an intention to square-off by matching with HDFC's forthcoming trades at profit. As stated earlier, most of the square-off trades were matched with HDFC trades. These trades could not have executed without communication between Nilesh and Kalpana. In the absence of trades of Kalpana Kapadia, HDFC and the other investors could have obtained the better price. These trades had disturbed the market equilibrium and normal price discovery mechanism of stock exchanges.

(xx) Since, Kalpana Group had front run HDFC trades, HDFC had lost the price advantage in these trades and the profit made in the trading accounts of

Kalpana Kapadia, is the loss of price advantage to the HDFC. These trades were executed in fraudulent manner by Nilesh Kapadia and Kalpana Kapadia who had acted in concert, to defraud HDFC. These trades had created false or misleading appearance of the trading in the securities market.

14. It is observed that Sanghvi Group viz., Nilesh Kapadia, Rajiv Sanghvi, Rajiv Sanghvi-HUF, Sanjay Sanghvi, Sonal Sanghvi and Dipti Mehta had front run HDFC trades in 42 instances and made the profit of ₹1,05,02,417.Kalpana Group viz., Nilesh Kapadia and his wife Kalpana Kapadia had front run HDFC trades in 93 instances and made a profit of ₹47,24,293.

15. It is, therefore, alleged that Nilesh Kapadia, Kalpana Kapadia, Rajiv Sanghvi, Rajiv Sanghvi-HUF, Sanjay Sanghvi, Sonal Sanghvi, and Dipti Mehta.have violated Section 12A (a), (b) and (c) of SEBI Act, 1992, Regulations 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations, 2003. The relevant provisions of law read as under:

APPOINTMENT OF ADJUDICATING OFFICER

16. SEBI, vide order / communique dated January 31, 2017, in terms of Section 19 read with Section 15I(1) and (2) of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter, referred to as "**SEBI Adjudication Rules**") appointed Shri D Sura Reddy as an Adjudicating Officer to inquire into and adjudge the alleged violations of aforesaid regulations in respect of Noticee, and if satisfied that penalty is liable, impose such penalty deemed fit in terms of Rule 5 of SEBI Adjudication Rules, 1995 and Section 15HA of SEBI Act. Pursuant to internal restructuring, vide order / communique dated April 27, 2018, Shri Jeevan Sonparote was appointed as the Adjudicating Officer in the present matter. Consequent upon transfer of Shri Jeevan Sonparote, the undersigned has been appointed as the Adjudicating Officer vide communique dated September 30, 2019.

SHOW CAUSE NOTICE, WRITTEN SUBMISSIONS, PERSONAL HEARING

17. The erstwhile Adjudicating Officer viz., Shri D Sura Reddy issued a common Show Cause Notice dated April 11, 2017 (hereinafter referred to as "**SCN**") to the Noticees mentioning the aforementioned allegations against the Noticees and requiring them to show cause within 14 days of receipt of the SCN, as to why an inquiry should not be held and penalty be not imposed under Section 15HA of SEBI Act for the aforesaid alleged violations against them.

Kalpana Group

18. As regards to Nilesh Kapadia and Kalpana, the SCN was not delivered through SPAD, and subsequently same was delivered through affixture on 15/07/2017. Vide notice dated 26/10/2017 delivered through affixture, Nilesh Kapadia and Kalpana Kapadia were provided with opportunity of hearing on 9/11/2017.

19. Vide letter dated 07/11/2017, Authorised Representative (AR) of the Nilesh Kapadia and Kalpana Kapadia informed that the above Noticees did not receive the SCN, and requested to provide the same and also grant the Noticees opportunity to inspect the originals of the documents. Subsequently, vide letter dated 10/11/2017 addressed to the AR, a copy of SCN was provided and also it was advised to provide the present address of the Noticees.

20. Vide letter dated 17/11/2017 addressed to the AR of Noticee, an opportunity was provided for inspection of documents in the matter, and it was advised to avail the inspection before 17/12/2017 after fixing mutually convenient time after approaching Enforcement Department, SEBI. The AR of the Noticee, vide letter dated 28/11/2017 confirmed to avail the inspection on 15/12/2017.

21. Vide Noticee dated 22/12/2017 sent to the Noticees and their AR, an opportunity of hearing was provided to Nilesh Kapadia and Kalpana Kapadia on 09/01/2018. In reply to the same, vide e-mail and letter dated 08/01/2018, AR of the above Noticees informed that inspection of document for Kalpana Group is scheduled on 09/11/2018 and subsequent to the same, detailed and comprehensive reply will be filed for the Kalpana Group. It was also informed by the AR that they are representing both the Kalpana Group and Sahghvi Group mentioned in the SCN, and requested to postpone / reschedule the hearing scheduled on 09/01/2018.

Sanghvi Group

22. The SCN was not delivered to Dipti Mehta. The SCN was delivered to other group entities viz, Rajiv Sanghvi, Rajiv Sanghvi HUF, Sanjay Sanghvi and Sonal Sanghvi. The AR of the above Noticees (except Dipti Mehta), vide letter dated June 15, 2017 denied the allegations in respect of the Noticees, and requested for inspection of originals of the records provided in the SCN.

23. Vide letter dated 12/07/2017 addressed to the above Noticees, the Noticees were provided with the opportunity of inspection of documents to be carried out latest by

28/07/2017, at a mutually convenient time after approaching Enforcement Department of SEBI.

24. Vide letter dated 25/07/2017, AR of the above Noticees made the following key submissions:

"Allegations made in the SCN were denied. Present proceedings is consequent to an ad-interim ex-parte order of the WTM dated June 17, 2010 whereby SEBI for the first time alleged that Noticees have committed an offence of front running the orders / trades of HDFC Mutual Fund.

…….

……Keep the proceedings in abeyance till disposal of appeal…..

25. I note that Enforcement Department of SEBI, on 08/08/2017 informed that the Noticees have not approached for the requested inspection of documents.

26. Vide notice dated 26/10/2017, above Noticees were provided an opportunity of hearing on 09/11/2017. The AR of the above Noticees, vide letter dated 07/11/2017, reiterated the submissions made in its aforementioned letter dated 25/07/2017 and once again requested to keep the proceedings in abeyance till final disposal of the pending appeal which is part heard.

27. Vide notice dated 22/12/2017, another opportunity of hearing was provided to above Noticees on 09/01/2018. In reply to the same, vide e-mail and letter dated 08/01/2018, AR of the above Noticees informed that inspection of document for Kalpana Group is scheduled on 09/11/2018 and subsequent to the same, detailed and comprehensive reply will be filed for the Kalpana Group. It was also informed by the AR that they are representing for both the Kalpana Group and Sahghvi Group mentioned in the SCN, and requested to postpone / reschedule the hearing scheduled on 09/01/2018.

28. As gathered from the Enforcement Department of SEBI, inspection of documents was availed by AR of the Noticees on 09/01/2018, however, no reply was filed under the present proceedings. In this regard, vide letter dated February 5, 2019 addressed to the AR of the Noticees (except Dipti Mehta), they were informed about change in the Adjudicating Officer by the erstwhile Adjudicating Officer viz., Shri Jeevan Sonparote and the Noticees were advised to submit their reply to the SCN.

29. After seeking extension of time to reply to the SCN, which was acceded to, the Noticees submitted their replies to the SCN.

30. AR of Nilesh Kapadia and Kalpana Kapadia submitted their reply vide letter dated March 1, 2019, which had following key submissions:

"A. Preliminary Submissions

1. At the outset and without prejudice to anything stated hereinafter, our clients deny all the allegations and charges made against them in the Show Cause Notice dated April 11, 2017 ("the said SCN"); nothing contained in the said SCN may be construed as having been accepted or admitted by our clients merely on account of non-traverse and unless specifically accepted or admitted by them.

2. At the further outset, our clients submit that the impugned trades and the alleged illegal acts of our clients took place during the period June 2000 to June 2010 i.e. almost 18 years ago and the said SCN is issued more than 5 years after the trades came to the knowledge of SEBI. Therefore, the present proceedings are vitiated by delay and laches and on this ground alone, the present proceedings ought to be terminated as against our clients.

3. Our clients further submit that SEBI has already initiated proceedings against them under Sections 11,11(1) and 11B of the Securities and Exchange Board of India Act, 1992 ("the SEBI Act") for the very same actions by our clients as set out in the said SCN and final orders have been passed against our clients by Whole Time Members of SEBI in 2016 and 2018 prohibiting them from accessing the securities market and disgorging the profits allegedly made by them. The present proceedings now seek to impose a monetary penalty against our clients, which amounts to punishing them repeatedly for the same offence i.e. double jeopardy; this is impermissible in law. The present proceedings ought to be terminated and withdrawn against our clients on this ground also. Without prejudice to the aforesaid submission, our clients adopt the replies and written submissions filed by them to Show Cause Notice dated February 14, 2017 to the said SCN and request that the said replies and their contents may be considered as part of their present reply. Copies of the said reply/written submissions are annexed hereto and collectively marked as Annexure A for the sake of convenience.

B. <u>Paragraph wise submissions</u>

4. With reference to paragraphs 1 & 2 of the said SCN, our clients submit that the appointment of the Adjudicating Officer and the investigation conducted by SEBI are a matter of record. However, our clients deny that they have acted in violation of the provisions of the SEBI Act or the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003 ("PFUTP Regulations") or any other provision of law as falsely alleged or otherwise.

5. With reference to paragraphs 3 to 13 of the said SCN, our client Nilesh Kapadia submit as under: -

(a) Our client Nilesh Kapadia submits that he did not give any instructions

to Rajiv Sanghvi as erroneously alleged or otherwise. He only suggested that certain quantities of some scrips be bought at prevailing market prices. It was entirely up to Rajiv Sanghvi whether to follow the advice of Nilesh Kapadia or not to.

(b) Our client Nilesh Kapadia does not once mention to Rajiv Sanghvi that he will be placing orders inthe scrips suggested by him on behalf of HDFC Mutual Fund; Nilesh Kapadia himself never traded in any of the scrips. More importantly, it is not shown by SEBI that Nilesh Kapadia derived any benefit from the trades executed by Rajiv Sanghvi in his own account or the accounts of Dipti Mehta, Sanjay Sanghvi, Rajiv Sanghvi HUF and Sona! Sanghvi. Since Rajiv Sanghvi was not aware of the impending orders of HDFC Mutual Fund, it is erroneous to allege that he front ran the trades of the Mutual Fund.

(c) Our client Mr. Nilesh Kapadia was a dealer with HDFC Mutual Fund from June 2000 to June 2010 i.e. the Investigation Period. During the said period of 10 years, he has carried out thousands of trades in behalf of the said Mutual Fund; of these 100 trades done during the period November 2001 to March 2004 and 42 trades done during the period June 2006 to September 2007 i.e. a total of 142 instances are allegedly irregular.

(d) It is correct that our client Nilesh Kapadia had several conversations with his Rajiv Sanghvi on telephone and that some of these conversations related to the upcoming trades of HDFC Mutual Fund. However, these need to be seen in the light of our client's role as a dealer in a very large mutual fund. In a mutual fund, an equity dealer's job is to execute instructions given by fund managers to buy or sell shares of listed companies. The sale or purchase by a mutual fund is usually in significant quantities and therefore, often a dealer is required to co-ordinate with regular traders in the market to ensure that orders placed by him are executed.

(e)Therefore, it. cannot be said that the conversations between our client, Nilesh Kapadia .and Rajiv Sanghvi per se are evidence of any wrong doing. It is possible to interpret those conversations as an effort by our client to create "space" in the market for the orders to be placed by him on behalf of the mutual fund.

(f) It is erroneous to allege that Nilesh Kapadia was connected with Rajiv Sanghvi, Dipti Mehta, Sanjay Sanghvi, Rajiv Sanghvi HUF and Sonal Sanghvi merely because Rajiv Sanghvi had placed orders as per the suggest ions given by Nilesh Kapadia in their respective trading accounts.

(g) It is not alleged by SEBI that the orders of HDFC Mutual Fund were matched or synchronized with those of Dipti Mehta, Sanjay Sanghvi, Rajiv Sanghvi HUF and Sonal Sanghvi in a fraudulent manner.

6. With reference to paragraph 13 of the said SCN, our client Nilesh Kapadia submits as under: -

(a) Our client repeats, reiterates and denies that he gave any instructions to Rajiv Sanghvi as erroneously alleged or otherwise; he only gave suggestions regarding certain scrips, which were accepted and acted upon by Rajiv Sanghvi. The details of how and in what manner the orders were placed by Rajiv Sanghvi was never informed to our client and he is/was not concerned with the same.

(b) It is pertinent to note that the orders placed by HDFC Mutual Fund were satisfied by the orders placed by the various persons and entities belonging to the Sanghvi Group (please see tables on pages 11&12 of the said SCN); this validates our client's contention that by giving tips to Rajiv Sanghvi, he had arranged for the orders of the Mutual Fund to be executed.

(c) Our client repeats, reiterates and submits that he never informed Rajiv Sanghvi about the impending orders if HDFC Mutual Fund, rather he had only sought to create a market depth for his orders so that they would be executed in full or at least substantially. Iit is pertinent to note that our client made no profit out of the trades done by Rajiv Sanghvi and he did not trade in any of the shares for which he placed orders on behalf of HDFC Mutual Fund.

(d) The allegation that the trades of Rajiv Sanghvi and others disturbed market equilibrium and the normal price discovery mechanism is not substantiated by any details or particulars.

(e) Regarding the allegation that HDFC Mutual Fund had lost "price advantage" on account of the trades of Rajiv Sanghvi and others, our client submits that in the absence of those trades, it may have been possible only to partially execute the orders of HDFC Mutual Fund; which in turn would have been equally, if not more prejudicial to the Mutual Fund and its investors. SEBI has not considered this in its investigation or in the said SCN.

(f) Without prejudice to the above, it is submitted that the profits made by Rajiv Sanghvi, Dipti Mehta, Sanjay Sanghvi, Rajiv Sanghvi HUF and Sona I Sanghvi have been disgorged by various orders of the Whole Time Members of SEBI and our client has been penalized by debarment from the market and from being gainfully employed in the securities market. A further monetary penalty will not only be an instance of double jeopardy but will also be a disproportionate punishment for the alleged violation.

7. With reference to paragraph 14 of the said SCN, our clients submit as. under:

(a) It is erroneous to presume that Nilesh Kapadia shared the information relating to the orders to be placed by him on behalf of HDFC Mutual Fund with his wife Kalpana Kapadia. Such a presumption cannot . be drawn merely on account of their relationship as spouses of each other. The law does not presume that a wife is aware of every plan or imminent action of her husband or vice versa. In the absence of any communication between Nilesh Kapadia and his wife Kalpana Kapadia, such a presumption is baseless, misplaced and unsubstantiated.

(b) It is erroneous to allege that the relationship between a husband and wife is a fiduciary one. Per Black's Law Dictionary 10th Ed. A Fiduciary Relationship is

"a relationship in which one person is under a duty to act for the benefit of the other in matters within the scope of the relationship ... Fiduciary Relationships usually arise in one of four

situations: (1) when one person places trust in the faithful integrity of the other, who as a result gains superiority or influence over the first; (2) when one person assumes control and responsibility over another; (3) when one person has a duty to act for or give ad vice to another on matters falling within the scope of the relationship; or (4) when there is a specific relationship that has been traditionally recognized as involving fiduciary duties, as with a lawyer and client or a stock broker and a customer". It is not shown in the said SCN that Nilesh Kapadia had control and responsibility for the actions of his wife, including trading in shares; it is also not shown that there was any advice given by Nilesh Kapadia in respect of trades done by Kalpana Kapadia and traditionally, the relationship between a husband and wife has not been recognized as involving fiduciary duties.

(c) In his capacity as equity dealer for HDFC Mutual Fund for the period 2000 to 2010, Nilesh Kapadia places hundreds of thousands of orders and of these only 93 are alleged to have matched with orders placed by Kalpana Kapadia and these orders are restricted to the Financial Years 2001-02 to 2003-04. It is illogical to assume that Kalpana Kapadia would front run the orders of HDFC Mutual Fund only for 2-3 years and then stop doing so when there is no change in the circumstances that allegedly prompted her to do so - that her husband was the dealer of HDFC Mutual Fund.

(d) The allegation that the trades of Kalpana Kapadia disturbed market equilibrium and the normal price discovery mechanism and that HDFC Mutual Fund had lost "price advantage" on account of her trades is not substantiated by any details or particulars.

(e) Without prejudice to the above, it is submitted that the profits made by Kalpana Kapadia have been disgorged by various orders of the Whole Time Members of SEBI and our clients has been penalized by debarment from the market and from being gainfully employed in the securities market. A further monetary penalty will not only be an instance of double jeopardy but will also be a disproportionate punishment for the alleged violation.

8. In view of the above, our client denies that (1) they bought or sold the shares of the Company in a fraudulent manner, or (2) used any manipulative e or deceptive device or contrivance in connection with the purchase .and sale of the shares of the Company in contravention of the provisions of the Securities and Exchange Board of India Act, 1992 ("the SEBI Act") or the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995 ("FUTP 1995") or the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations 2003 ("FUTP Regulations"), or (3) employed any device, scheme or artifice to defraud in connection with their sale of the shares of the Company on the BSE or (4) engaged in any practice or course of business that operated as a fraud or deceit on any person in connection with their dealing in the shares of the Company or otherwise. Therefore, our client denies that they have violated the provisions of Regulation 3(a) to (d) or 4(1) of the PFUTP Regulations or the provisions of S.12 A (a) to (c) of the SEBI Act.

9. Therefore, our clients pray that they may be discharged from the present proceedings and from the said SCN and an order may be passed accordingly. Our clients also request that they may be granted an opportunity to be heard in person before any orders are passed in the matter. Our clients also crave leave to make further submissions and to refer to and rely upon various decisions of SEBI, the Hon'ble Securities Appellate Tribunal, the Hon'ble Supreme Court of India and other courts as and when produced."

31. AR of Rajiv Sanghvi, Rajiv Sanghvi HUF, Sanjay Sanghvi and Sonal Sanghvi submitted their reply vide letter dated March 8, 2019, which had following key submissions:

1. At the outset and without prejudice to anything stated hereinafter, our clients deny all the allegations and charges made in the said SCN; nothing contained therein may be considered as having been accepted or admitted by our clients merely on account of non-traverse and u n less specifically admitted.

2. At the further outset, our clients submit that there trades which are the subject matter of SEBI 's investigation and the present proceedings took place between April 2006 and September 2007 i.e. almost 12-13 years ago and the said SCN is issued more than 5 years after the trades cam e to the knowledge of SEBI. Therefore, the present proceedings are vitiated by delay and laches and on this ground a l one, the present proceedings ought to be terminated as against them.

3. Our clients further submit that SEBI has a l read y initiated proceedings against them under Sections 11, 11(1) and 11B of the Securities and Exchange Board of India Act, 1992 ("the SEBI Act") for the very trades by them as set out in the said SCN and final orders have been passed against them by Whole Time Members of SEBI in 2016 and 2018 inter alia prohibiting them from accessing the securities market an d disgorging the profits allegedly made by them from the impugned trades. The present proceedings now seek to impose a monetary penalty against them, which amounts to punishing them repeatedly for the same offence; this amounts to double jeopardy, which is impermissible in law. The present proceedings ought to be terminated and withdrawn against them on this ground also in this regard, we would also like to point out that The said SCN does not set out the proposed monetary penalty to be imposed on them for the violations alleged to have been com mitted by them; In Gorkha Security Services vs Government (NCT of Delhi & Others) (2014) 9 SCC 1Q5 the Hon'ble Supreme Court of India set out the two requirements that a show cause notice should meet to fulfil the requirements of principles of natural justice viz: -

- *a. The material/grounds to be stated which according to the department necessitates an action*
- *b. Particular penalty/action which is proposed to be taken.*

It is clear from the above that the said SCN does not set out the particular penalty which is proposed to be imposed and therefore, the said Show Cause Notice does not fulfil the requirements of the Principles of Natural Justice and therefore, ought

to be wit hd raw n. A copy of the aforesaid judgement of the Hon'ble Supreme Court is annexed hereto and marked as Annexure "A".

4. Our clients submit that the impugned trades were done by them based inter alia on tips given to Mr. Rajiv Sanghvi by Mr. Nilesh Kapadia and based on the market as they saw and understood it. Mr. Kapadia and Mr. Sanghvi are childhood friends and the tips that he gave were based on that friend ship and had no reason to suspect any illegality or irregularity i n the same. They trusted the advice given by Mr. Kapadia since he was a well experienced dealer/trader in shares and was a senior level dealer with HDFC Mutual Fund. However, at no point of time did Mr. Kapadia ever tell them that their trades would be followed by trades by HDFC Mutual Fund; therefore, it is erroneous to allege that they front ran the trades of H DFC Mutual Fu n d as falsely alleged or otherwise.

5. Without prejudice to the aforesaid submission, our clients adopt the replies and written submissions filed by the m to Show Cause Notice dated February 14, 2017 to the said SCN and request that the said replies and their contents may be considered as part of the present reply. Copies of the said reply/written submission s are annexed hereto and collectively marked as Annexure "R" for the sake of convenience.

6. With reference to paragraphs 1 & 2 of the said SCN, our clients submit that while the order appointing the Adjudicating Officer and change thereof is a matter of record, they deny that they have violated the provisions of Section 12A of the Securities and Exchange Board of India Act, 1992 ("the SEBI Act") or Regulations 3 or 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003 ("FUTP Regulations") as falsely alleged or otherwise.

7. With reference to paragraphs 3 to 13 of the said SCN, our clients submit as under: -

(a)Our client submit that Mr. Nilesh Kapadia did not issue any instructions to them to trade in the scrips set out in tables on pages 10 & 11 of the said SCN. They repeat, reiterate and submit that all he gave was tips and advice to Mr. Rajiv Sanghvi, based on which he traded in his own account and we traded in our respective accounts.

(b)Our clients repeat, reiterate and submit that M r. Nilesh Kapadia did not inform any of them that their trades would be preceded or succeeded by trades of HDFC Mutual Fund. Therefore, the allegation that they front ran the trades of the Mutual Fund is erroneous and false.

(c) Our clients have done thousands of trades during the Financial Years 2006-07 and 2007-08; only 42 trades in 22 scrips have been alleged by SEBI to be irregular/illegal on the erroneous ground that these trades front ran those of HDFC Mutual Fund.

(d) Admittedly, our clients submit that their orders were not synchronized with those of HDFC Mutual Fund and any matching of orders was only coincidental.

(e) Our clients deny that their trades disturbed market equilibrium and the normal price discovery mechanism of the stock exchanges; they further deny that HDFC Mutual Fund lost any price advantage as falsely alleged or otherwise and submit that the said bald allegations are not supported by any details or particulars.

(f) Without prejudice to the above, it is submitted by our clients that the profits made by them have been disgorged by various orders of the Whole Time Members of SEBI. A further monetary penalty will not only be an instance of double jeopardy but will also be a disproportionate punishment for the alleged violations.

8. In view of the above, our clients deny that they bought or .sold the shares of the Company in a fraudulent manner, or that they used any manipulative or deceptive device or contrivance in connection with the purchase and sale of the shares of the Company in contravention of the provisions of the SEBI Act or the FUTP Regulations 2003 or that they employed any device, scheme or artifice to defraud in connection with their sale of the shares of the Company on the BSE or that they engaged in any practice or course of business that operated as a fraud or deceit on any person in connection with their dealing in the shares of the Company or otherwise. Therefore, our clients deny that they have violated the provisions of Regulation 3 (a) to (d) or 4(1) of the PFUTP Regulations or the provisions of S.12 A (a) to (c) of the SEBI Act.

9. Considering the aforesaid submissions, our clients pray that they may be discharged from the present proceedings and from the said SCN an d an order may be passed accordingly. They further request that they may be granted an opportunity to be heard in person before any orders are passed in the matter. They also crave leave to make further submissions and to refer to and rely upon various decisions of SEBI, the Hon'ble Securities Appellate Tribunal, the Hon'ble Supreme Court of India and other courts as and when produced"

32. The Noticees (except Dipti Mehta) were provided with an opportunity of hearing on March 13, 2019. Among the above Noticees, for Kalpana Group, hearing was attended by AR and Nilesh Kapadia, and for Sanghvi Group, hearing was attended by AR and Sanjay Sanghvi. In the hearing before the erstwhile Adjudicating Officer viz., Shri Jeevan Sonparote, the Noticee and their AR reiterated the submissions already made in reply dated March 1, 2019 (for Kalpana Group) and in reply dated March 8, 2019 (for Sanghvi Group).

33. As per records, the SCN and hearing notice were delivered to address of Dipti Mehta through affixture, however, no response was received with respect to the SCN. In this regard, the details of alternate address were gathered. Vide notice dated February 5, 2019 issued to Dipti Mehta at the alternate address, while providing a copy of the SCN, the Noticee was advised to reply to the SCN latest by February 22, 2019, and also an opportunity of hearing was provided on February 26, 2019.

34. Vide e-mail dated February 18, 2019, it was informed that Dipti Mehta has appointed authorised representative to represent her in the hearing scheduled on February 26, 2019. In the above hearing, AR of the Dipti Mehta made oral submissions and sought permission to file written submissions in the matter before March 11, 2019, which was acceded to.

35. AR of Dipti Paras Mehta, submitted reply vide letter and e-mail dated March 20, 2019, which had following key submissions:

(a) "Our client is a housewife. She has not carried out any transactions personally. Her father-in-law Shri Chandrakant Mehta has carried out all the transactions in her account. Our client is not aware of any transactions at all. She does not even know what front running transaction is. She is not part of Sanghvi group. She does not know anybody from Sanghvi Group personally. She has not met anybody from Sanghvi group. She or her father-in-law have neither received any amount from Sanghvi group nor have they paid any amount to Sanghvi group. There is no off market transaction between them & Sanghvi group. They have neither received nor delivered any shares to & from Sanghvi Group. There is no evidence of any connection between them & Sanghvi group. There is no mobile or Telephonic communication between them & Sanghvi Group. Our client's father-in-law used to follow transactions of Rajiv Sanghvi at the office of the Sub-broker.

(b) Similarly, our client & her father-in-law does not know Mr.Nilesh Kapadia. There was no communication whatsoever between them. Our client or her father-in-law has not received any information from Mr.Nilesh Kapadia in respect of HDFC Mutual Fund trades.

(c) Our client had reported all the amount of profit in her Income-tax records & paid tax on the same. Our client has paid brokerage & all other statutory charges on the transactions. Our client has paid back total amount of disgorgement together with interest upon the same to SEBI. Thus, our client has suffered losses in terms of payment of brokerage amount, statutory charges & income-tax as profits were considered by SEBI without taking into account payment of the same by our client. Our client has never been subjected to any disciplinary action by SEBI in the past.

(d) In view of what is submitted herein above, our client requests for leniency in the matter. Our client shall be highly obliged for the same."

36. Consequent upon transfer of the instant Adjudication case to the undersigned, the Noticees were once again provided an opportunity of personal hearing scheduled on November 7, 2019, which was communicated vide letter dated October 23, 2019.

37. The Noticee 7 i.e., Dipti Mehta vide email dated November 4, 2019 submitted that she has nothing to say in the instant matter. In respect of the remaining Noticees, the AR vide email dated November 5, 2019 sought adjournment of personal hearing to any date on or after November 19, 2019, which was acceded to. Accordingly, AR of the Noticees 1 to 6 appeared before me on November 19, 2019 and reiterated the submissions made by the Noticees on various dates.

CONSIDERATION OF ISSUES AND FINDINGS

38. It is alleged in the SCN that the Noticees acted as a group to front run HDFC trades and defrauded the HDFC investors, thereby violated the provisions of Section 12 A (a), (b) and (c) of SEBI Act and Regulation 3 (a), 3 (b), 3 (c) 3 (d) and 4(1) of SEBI (PFUTP) Regulations, 2003.

39. After perusal of the material available on record, I have the following issues for consideration viz.,

I. Whether the Noticees have violated the provisions of Section 12 A (a), (b) and (c) of SEBI Act and Regulation 3 (a), 3 (b), 3 (c) 3 (d) and 4(1) of SEBI (PFUTP) Regulations, 2003?

II. Whether the Noticee is liable for monetary penalty under Section 15HA of the SEBI Act?

III. If so, what quantum of monetary penalty should be imposed on the Noticee?

FINDINGS

40. On perusal of the material available on record and giving regard to the facts and circumstances of the case and submissions of the Noticees, I record my findings hereunder.

ISSUE I: Whether the Noticees have violated the provisions Section 12 A (a), (b) and (c) of SEBI Act and Regulation 3 (a), 3 (b), 3 (c) 3 (d) and 4(1) of SEBI (PFUTP) Regulations, 2003?

41. Before moving forward, it is pertinent to refer to the relevant provisions of Section 12 A (a), (b) and (c) of SEBI Act and Regulation 3 (a), 3 (b), 3 (c) 3 (d) and 4(1) of SEBI (PFUTP) Regulations, 2003:

SECTION 12A OF THE SEBI ACT

"Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control"

12A. No person shall directly or indirectly—

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

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

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

REGULATIONS 3 AND 4(1) OF THE SEBI (PFUTP) REGULATIONS

" 3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

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

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

*(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities. ……..***"**

42. Before I go into the merits of the case, I would like to first deal with the contentions raised by the Noticees regarding the delay in initiation of the instant Adjudication proceedings and the multiple enforcement actions resulting in double jeopardy, for the same cause of violations.

43. The Noticees 1 to 6 in their submissions stated that there is a great delay in issuance of SCN for the alleged violations which is not explained and has caused great prejudice to them. I note that as all the documents and records relied upon have been provided to Noticees and also sufficient opportunities to defend their charges were also provided in accordance with provisions of law and therefore I am of the view the no prejudice has been caused to them. In this connection, I deem it appropriate to refer to the observations made by Hon'ble SAT in the matter of Vaman Madhav Apte & Ors. Vs. SEBI vide Order dated March 04, 2016, which reads as follows

"Argument of the appellants that the proceedings initiated against the appellants suffer from gross delay and laches and, therefore, the impugned order is liable to be quashed and set aside is without any merit, because firstly, neither the SEBI Act nor the regulations framed thereunder prescribe any time limit for initiating proceedings against the persons who have violated the securities laws. Secondly, neither the SEBI Act nor the regulations framed thereunder provide that if there is delay in initiating proceedings, no action can be taken against the person who has committed violations of the securities laws."

44. It is no doubt true that no period of limitation is prescribed in the Act or the Regulations for issuance of a show cause notice or for completion of the Adjudication Proceedings. The Hon'ble Supreme Court in Government of India vs, Citedal Fine Pharmaceuticals, Madras and Others, [AIR (1989) SC 1771] held that in the absence of any period of limitation, the authority is required to exercise its powers within a reasonable period. What would be the reasonable period would depend on the facts of each case and that no hard and fast rule can be laid down in this regard as the determination of this question would depend on the facts of each case. This proposition of law has been consistently reiterated by the Hon'ble Supreme Court in Bhavnagar University v.Palitana Sugar Mill (2004) Vol.12 SCC

670, State of Punjab vs. Bhatinda District Coop. Milk P. Union Ltd (2007) Vol.11 SCC 363 and Joint Collector Ranga Reddy Dist. & Anr. vs. D. Narsing Rao & Ors. (2015) Vol. 3 SCC 695. The Hon'ble Supreme Court recently in the case of Adjudicating Officer, SEBI vs. Bhavesh Pabari (2019) SCC Online SC 294 held:

"There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc."

45. In the light of the facts of cases, aforesaid observations of the Hon'ble Supreme Court and Hon'ble SAT, I conclude that delay in issuance of SCN to the Noticees was not unreasonable and did not cause any prejudice to them when sufficient time and opportunities were given to them to inspect documents, file replies to SCN and hearing notices in terms of defending the alleged charges.

46. The Noticees in their submissions stated that they are subjected to multiple enforcement actions under Section 11 (1), 11 (4) & 11 B of SEBI Act besides the instant Adjudication proceedings for the same cause of alleged violations. Therefore, the Noticee contended that the instant proceedings be quashed, as it would amount to double jeopardy.

47. In this connection, I draw reference to the Order of the Hon'ble Supreme Court in Shriram Mutual Fund & Anr. {Appeal (civil) 9523-9524 of 2003}, which held that Adjudication proceedings under SEBI Act are civil proceedings. I also deem it appropriate to mention the Hon'ble SAT's observations in the matter of Sunita Gupta Vs. SEBI in the Appeal No. 193 of 2016 decided on April 21, 2017, which reads as under:

"Where a person violates the provisions contained in the SEBI Act and the regulations made thereunder, then, SEBI is empowered to initiate penalty proceedings against that person under Chapter VIA of SEBI Act and also issue directions in the interests of investors or securities market as it deems fit under Chapter IV of SEBI Act. Thus, the powers conferred on the Board under Chapter IV are independent from the powers to impose penalty under Chapter VIA of SEBI Act. Accordingly, in the present case, since the appellant had indulged in synchronized/ circular trades in gross violation of SEBI Act/ PFUTP Regulations and the same was detrimental to the interests of the investors and securities

market, the Board deemed it fit to issue direction under Chapter IV in addition to the penalty imposed under Chapter VIA of SEBI Act. Therefore, in the facts of present case, initiation of proceedings under Chapter IV even after initiating proceedings under Chapter VIA cannot be faulted.

48. Therefore, in light of the above, the principle of double jeopardy does not apply to the present proceedings, as the proceedings under Chapter VIA of SEBI Act and Chapter IV of SEBI Act are independent and accordingly I find no merit in the argument put forth by the Noticees

49. Considering that directions issued under Section 11B of SEBI Act and Adjudication proceedings are independent and separate as mentioned in above paras, I see no reason to keep the instant proceedings in abeyance. Accordingly, I am proceeding to dispose of the matter on merits.

50. I note that HDFC AMC manages the assets of the HDFC Mutual Fund and get their deals executed through a common dealing desk within the AMC which mostly receives these orders through computerized systems and then allocates them to various stock brokers. The dealer has the discretion to execute the orders at any time during the day, depending on the traded volumes/prices. I note that Nilesh Kapadia, Assistant Vice President–Equities of HDFC AMC has been its equities dealer since June 2000 till 2010.

51. It is alleged in the SCN that the Noticees 2 to 7 executed trades on the basis of tips received from the Noticee 1, who was a dealer of HDFC AMC, in the scrips in which the trades were to be placed on behalf of HDFC AMC. This manner of trading carried out by the Noticees is known as *"front running".* In this connection, I deem it appropriate to reproduce the following portion from the Order dated November 9, 2012 of the Hon'ble SAT in the matter of Dipak Patel Vs. SEBI:

"……
As per the Major Law Lexicon by P Ramanatha Aiyar (4th Edition 2010), "front running" is defined as under: —
Front running. Buying or selling securities ahead of a large order so as to benefit from the subsequent price move.

This denotes persons dealing in the market, knowing that a large transaction will take place in the near future and that parties are likely to move in their favour.
The illegal private trading by a broker or market-maker who has prior knowledge of a forthcoming large movement in prices. (Investment)//

The Black's Law Dictionary (Ninth Edition) defines the term "front running" as under:

"front-running, n. Securities. A broker's or analyst's use of non-public information to acquire securities or enter into options or futures contracts for his or her own benefit, knowing that when the information becomes public, the price of the securities will change in a predictable manner. This practice is illegal. Front-running can occur in many ways. For example, a broker or analyst who works for a brokerage firm may buy shares in a company that the firm is about to recommend as a strong buy or in which the firm is planning to buy a large block of shares".

It will thus be seen that if a person trades in stocks or other investments having knowledge of the upcoming transaction by a third party which is likely to affect the market price of the investment, the person can be said to be doing front running.

……"

52. I note from the call records and transcripts, that the instructions to trade in the scrips were given from the dealer room phone to the mobile number (i.e. 9322228959) of Rajiv Sanghvi. I also note that HDFC's Executive director & Chief Investment Officer and three Senior fund managers had identified the person's voice in the dealer room conversations with the mobile number '9322228959' as Nilesh Kapadia, former Equities Dealer.

53. It was observed from the mobile call records of Nilesh Kapadia that Rajiv Sanghvi (9322228959) and Nilesh Kapadia (9820221553) were talking to each other for 333 times during the period August 06, 2007 to March 07, 2009. Rajiv is the Karta of Rajiv Sanghvi-HUF, husband of Sonal Sanghvi and brother of Sanjay Sanghvi. I note from the audio conversations between Rajiv Sanghvi and Nilesh Kapadia that Rajiv Sanghvi had reported the details of trades executed in the trading account of Dipti Mehta such as the buy traded quantity, buy average rate, sell traded quantity and sell average rate in five instances. It could not have been possible to report Dipti Mehta's trading details by Rajiv Sanghvi to Nilesh Kapadia on repeated instances unless they have prior understanding and coordination amongst themselves. Further, I take a note of the fact that it cannot be a coincidence that

reporting of only Dipti Mehta's trades details to Nilesh Kapadia by Rajiv Sanghvi when so many entities had traded in the respective scrips on various dates. It is therefore established that Dipti Mehta is connected to the Sanghvi group.

54. I note from the evidence collected in the form of telephonic call records and the transcript of conversations between Nilesh Kapadia and Rajiv Sanghvi, which reflects that, Nilesh Kapadia was tipping off Rajiv Sanghvi before placing the orders for HDFC AMC and Rajiv Sanghvi was trading on the basis of the same. I also note that Rajiv Sanghvi was also reporting back to Nilesh Kapadia on the quantity executed by him, price details etc., The aforesaid tipping and confirmations between Nilesh Kapadia and Rajiv Sanghvi are admitted facts.

55. I note that two trading patterns of front running viz., Buy-Buy-Sell (BBS) and Sell-Sell-Buy (SSB) by the Noticees belonging to Sanghvi Group were observed, which are explained hereunder:

Buy-Buy-Sell (BBS): The Noticee 1 had the information of HDFC's buy order details viz., scrip, quantity and price range and had the discretion of time for placing such orders. Based on this, the Noticee 1 had given instructions from the dealer room telephone to mobile number of the Noticee 3 to buy the shares of the same scrip which HDFC was going to buy, which were bought by the Noticee 3 in one of the trading accounts of Noticees 3, 4, 5, 6 and 7, before HDFC start buying in the same scrip. Subsequently, the Sanghvi Group entities sold the shares in their trading accounts in order to square-off the trades (buy). I note that most of the buy orders of Sanghvi group entities matched with HDFC's sell orders.

Sell-Sell-Buy (SSB): The Noticee 1 had the information of HDFC's sell order details viz., scrip, quantity and price range and had the discretion of time for placing such orders. Based on this, the Noticee 1 had given instructions from the dealer room telephone to mobile number of the Noticee 3 to sell the shares of the same scrip which HDFC was going to sell, which were sold by the Noticee 3 in one of the trading accounts of Noticees 3, 4, 5, 6 and 7, before HDFC start selling in the same scrip. Subsequently, the Sanghvi Group entities bought the shares in their trading

accounts in order to square-off the trades (sell). I note that most of the sell orders of Sanghvi group entities matched with HDFC's buy orders.

56. I note that the Noticees who are collectively known as Sanghvi group had indulged in 42 instances of front running (24 BBS Pattern and 18 SSB Pattern). It is an admitted fact that based on the tip-off from Nilesh Kapadia, Rajiv Sanghvi executed trades in the trading account of five connected entities viz. Rajiv Sanghvi, Rajiv Sanghvi-HUF, Sanjay Sanghvi, Sonal Sanghvi and Dipti Mehta.

57. In the light of the frequency of the calls, the timings and the traded volumes, it is established that the trades were carried out by the Noticees 3,4,5,6 and 7 on the basis of the tips of the Noticee 1. It would be pertinent to note that in all these trading days, there was extremely high percentage of the "matching trades" of the trades by the Noticees 3, 4, 5 6 and 7 against the orders of HDFC AMC. This kind of "matching trades" of the trading can never be a sheer coincidence and it is the result of the pre-meditated plan of the Noticees. Even assuming for a moment that the transcripts are not to be taken as evidence, the pattern of telephonic call on the said 19 trading days, the manner of orders that were placed and the trades that were executed by the Noticees concerned, the high degree of matching the orders of HDFC AMC by the Noticees 3, 4, 5, 6 and 7 as discussed above, would lead to preponderance of a high degree of probability of tipping by the Noticee no.1 and the subsequent trades executed by the other Noticees based on such tips and thereby profiteering. Therefore, I find no merit in the submissions made by the Noticees 3, 4, 5, 6 and 7 that they were unaware of the impending large transactions by the Mutual Fund.

58. The details of the 24 instances (BBS) of front running activities by Sanghvi Group and the profit made (calculated on actual rate on squared-off quantity) is given below

SANGHVI'S GROUP - BBS PATTERN

S.N.	Exchange	Type	Date	Scrip Name	Client Name	Institution name	FR Buy Qty	HDFC Buy Qty	Sell Qty (Squared-off)	Matched quantity	Matching %	Profit in ₹
1	BSE	BBS	5-Jun-07	PUNJLLOYD	DIPTI	HDFC MF	165,000	275,000	165,000	147,996	89.69	500,007.85
2	BSE	BBS	13-Jun-	NESTLE LTD	DIPTI	HDFC MF	4,153	230,000	4,153	1,652	39.78	18,513.00
3	NSE	BBS	23-May-	ASHOKLEY	RAJIV	HDFC MF	650,000	2,750,00	650,000	596167	91.72	916,325.25

4	BSE	BBS	28-Aug-	ISMT LTD	RAJIV	HDFC MF	5,500	300,000	8,089	2,500	30.91	8,775.15
5	BSE	BBS	18-Jan-	BIOCON LTD	RAJIV	HDFC MF	9,000	305,013	9,000	7,000	77.78	91,498.89
6	BSE	BBS	22-Feb-	ZEE ENTER	RAJIV	HDFC MF	4,010	280,000	4,010	4,010	100.00	7,350.40
7	NSE	BBS	2-Aug-07	SUZLON	RAJIV	HDFC AMC	13,813	66,000	13,813	7,019	50.81	344,940.60
8	NSE	BBS	7-Aug-07	SUZLON	RAJIV	HDFC MF	25,798	187,000	25,798	22,124	85.76	697,216.49
9	NSE	BBS	8-Aug-07	MPHASIS	RAJIV	HDFC MF	62,101	275,000	62,101	61,379	98.84	191,023.60
10	NSE	BBS	8-Aug-07	MARICO	RAJIV	HDFC MF	102,020	195,000	102,020	101,019	99.02	122,174.84
11	NSE	BBS	5-Jun-07	PUNJLLOYD	SANJAY	HDFC MF	240,869	350,000	240,869	53,682	22.29	602,852.79
12	BSE	BBS	2-Aug-07	SUZLON	SANJAY	HDFC AMC	7,000	24,000	7,000	2,000	28.57	155,864.70
13	BSE	BBS	7-Aug-07	SUZLON	SANJAY	HDFC MF	13,800	80,000	13,800	13,007	94.25	342,328.55
14	BSE	BBS	8-Aug-07	MPHASIS	SANJAY	HDFC MF	64,112	125,000	64,112	64,112	100.00	181,453.85
15	BSE	BBS	8-Aug-07	MARICO	SANJAY	HDFC MF	53,500	105,000	53,500	45,000	84.11	68,124.80
16	BSE	BBS	9-Aug-07	SUZLONENE	SANJAY	HDFC MF	28,005	40,000	28,005	28,005	100.00	439,934
17	BSE	BBS	10-Aug-	SUZLON	SANJAY	HDFC MF	30,112	57,000	29,937	28,940	96.67	376,066.25
18	BSE	BBS	5-Sep-07	SUZLON	SANJAY	HDFC MF	20,029	40,000	20,029	20,029	100.00	185,264.35
19	BSE	BBS	6-Sep-07	GUJAR IN	SANJAY	HDFC MF	142,500	400,000	140,000	116,601	83.29	217,409.24
20	BSE	BBS	13-Jul-05	ISMT LTD	SONAL	HDFC MF	175,504	622,701	175,504	174,504	99.43	653,374.60
21	BSE	BBS	18-Apr-	TATA ELXSI	SONAL	HDFC MF	27,700	60,500	27,700	27,400	98.92	307,591.50
22	NSE	BBS	2-Jun-06	FINANTECH	SONAL	HDFC-Portfolio	3,850	13,077	3,850	3,850	100.00	373,486.10
23	BSE	BBS	22-Jun-	AIAENG	SONAL	HDFC MF	9,000	25,500	9,000	4,730	52.56	271,651.09
24	NSE	BBS	22-Jun-	AIAENG	SONAL	HDFC MF	10,200	24,500	10,200	10,107	99.09	239,254.09
SANGHVI'S GROUP – BBS PATTERN - PROFIT												73,12,481.58

59. The details of the 18 instances (SSB) of front running activities by Sanghvi Group and the profit made (calculated on actual rate on squared-off quantity) are as under:

SANGHVI'S GROUP - SSB PATTERN

S.N.	Exchange	Type	Date	Scrip Name	Client Name	Institution name	FR Sell Qty	HDFC Sell Qty	Buy Qty (Squared-off)	Matched quantity	Matching %	Profit in ₹.
1	NSE	SSB	13-Feb-07	TULIP	SONAL	HDFC MF	12,000	142,000	12,000	12,000	100.00	158,123.40
2	BSE	SSB	21-Aug-07	SUNTV	SANJAY	HDFC AMC	40,000	164,198	40,000	39,069	97.67	391,572.19
3	BSE	SSB	20-Aug-07	MAHARASH	SANJAY	HDFC MF	26,969	47,500	26,969	26,370	97.78	127,150.34
4	BSE	SSB	2-Aug-07	WIPRO	SANJAY	HDFC AMC	35,200	145,925	35,200	34,409	97.75	181,599.15
5	BSE	SSB	1-Aug-07	SUNTV	SANJAY	HDFC MF	15,000	16,100	15,000	14,120	94.13	63,647.15
6	NSE	SSB	5-Jun-07	DISHTV	SANJAY	HDFC MF	55,759	540,000	55,759	47,805	85.74	76,179.54
7	NSE	SSB	5-Jun-07	EICHERMO	SANJAY	HDFC MF	3,653	12,750	3,653	2,504	68.55	15,863.39
8	NSE	SSB	1-Jun-07	DISHTV	SANJAY	HDFC MF	71,000	504,334	71,000	71,000	100.00	232,575.15
9	NSE	SSB	14-May-07	CIPLA	SANJAY	HDFC MF	240,686	690,000	240,686	240,686	100.00	327,966.35
10	NSE	SSB	13-Feb-07	ASHOKLEY	RAJIV- HUF	HDFC AMC	350,000	1,200,00	350,000	347,167	99.19	444,850.65
11	BSE	SSB	13-Feb-07	ASHOKLEY	RAJIV- HUF	HDFC AMC	231,000	755,415	231,000	66,751	28.90	291,609.25
12	BSE	SSB	13-Feb-07	TULIP	RAJIV- HUF	HDFC MF	50,299	119,022	50,299	50,299	100.00	119,861.75
13	NSE	SSB	13-Feb-07	TULIP	RAJIV- HUF	HDFC MF	57,077	142,000	57,077	55,624	97.45	116,368.90
14	NSE	SSB	2-Aug-07	WIPRO	RAJIV	HDFC AMC	30,500	150,000	30,500	30,400	99.67	150,276.89
15	NSE	SSB	1-Aug-07	SUNTV	RAJIV	HDFC AMC	39,213	47,650	39,213	39,213	100.00	179,715.70
16	BSE	SSB	5-Jun-07	EICHERMO	DIPTI	HDFC MF	3,702	9,300	3,702	2,852	77.04	17,737.89
17	BSE	SSB	1-Jun-07	DISHTV	DIPTI	HDFC MF	49,186	317,722	49,186	49,186	100.00	161,249.50
18	BSE	SSB	18-Apr-07	PRAJ INDUSTR	DIPTI	HDFC-Portfolio	20,000	70,645	20,000	20,000	100.00	133,588.15
SANGHVI'S GROUP – SSB PATTERN - PROFIT												31,89,935.34

60. The entity-wise profit made by Sanghvi Group entities is as under:

Client Name	BBS Pattern		SSB Pattern		Total	
	No. of Instances	Profit in Rs.	No. of Instances	Profit in Rs.	No. of Instances	Profit in ₹
DIPTI	2	5,18,521	3	3,12,576	5	8,31,096
RAJIV	8	23,79,305	2	3,29,993	10	27,09,298
RAJIV- HUF	-	-	4	9,72,691	4	9,72,691
SANJAY	9	25,69,298	8	14,16,553	17	39,85,851
SONAL	5	18,45,357	1	1,58,123	6	20,03,481
Grand Total	24	73,12,482	18	31,89,935	42	1,05,02,417

61. I note from the above table that Sanjay Sanghvi had front run in 17 instances and made a profit of ₹39,85,851, Sonal Sanghvi had front run in 6 instances (profit of ₹20,03,481), Rajiv Sanghvi had front run in 10 instances (profit of ₹27,09,298), Rajiv Sanghvi -HUF had front run in 4 instances (profit of ₹9,72,691) and Dipti Mehta had front run in 5 instances (profit of ₹8,31,096). In total, 42 instances of front run the HDFC trades and made a profit of ₹1,05,02,416.92. In total, Sanghvi Group had made a profit of ₹1.05 crore in 42 front running instances.

62. As regards the alleged front running transactions of Kapadia group viz., Nilesh Kapadia and Kalpana Kapadia, I note that Kalpana Kapadia is wife of Nilesh Kapadia. I note that two trading patterns of front-running as observed in respect of the Sanghvi Group trades, were also observed in Kapadia group trades also. I note that in respect of 93 instances (58 instances in BBS pattern and 35 instances in SSB pattern), Kalpana Kapadia front run HDFC trades and matched HDFC trades while squaring-off her trades. I note that in most of the Kalpana Kapadia's trades were matched with HDFC's trades including 100% matching in 33 instances.

63. The details of the 58 instances (BBS) of front running activities by Kalpana Group and the profit made (calculated on actual rate on squared-off quantity) is as under:

KALPANA'S GROUP - BBS PATTERN

S. N.	Exchange	Transaction Type	Date	Scrip Name	FR Buy Qty	HDFC Buy Qty	Sell Qty (Squared-off)	Matched Qty	Matched %	Profit in ₹
1	NSE	BBS	01-Nov-01	MTNL	9,000	22,770	9,000	727	8.08	18,002.50
2	NSE	BBS	02-Nov-01	HINDPETRO	8,500	25,000	8,500	8,499	99.99	6,554.75
3	NSE	BBS	08-Nov-01	MTNL	6,456	14,119	6,456	1,619	25.08	9,978.25
4	NSE	BBS	28-Nov-01	HINDPETRO	3,951	18,433	3,951	3,951	100.0	5,514.20

5	NSE	BBS	28-Nov-01	BHEL	5,000	23,392	5,000	4,950	99.00	4,672.65
6	NSE	BBS	29-Nov-01	HINDPETRO	15,000	43,144	15,000	13,418	89.45	22,071.10
7	NSE	BBS	29-Nov-01	GODREJCP	10,000	25,458	10,000	10,000	100.0	12,529.75
8	NSE	BBS	14-Dec-01	ASHOKLEY	5,000	11,914	5,000	4,875	97.50	6,250.00
9	NSE	BBS	19-Dec-01	ASHOKLEY	12,000	35,788	12,000	12,000	100.0	13,990.50
10	NSE	BBS	20-Mar-02	UCALFUEL	3,631	4,481	3,631	3,631	100.0	7,168.25
11	NSE	BBS	20-Mar-02	HEROHOND	2,000	4,000	2,000	2,000	100.0	4,659.70
12	NSE	BBS	27-Mar-02	UCALFUEL	2,185	2,858	2,185	2,185	100.0	937.00
13	NSE	BBS	29-Apr-02	SYNDIBANK	1,10,16	2,16,16	1,10,165	1,10,16	100.0	59,222.60
14	NSE	BBS	30-Apr-02	SYNDIBANK	68,000	2,12,21	68,000	68,000	100.0	34,570.75
15	NSE	BBS	02-May-02	SYNDIBANK	2,15,06	3,67,00	2,15,066	2,15,06	100.0	1,20,074.9
16	NSE	BBS	22-May-02	HIMATSEIDE	7,725	12,000	7,725	7,725	100.0	36,835.25
17	NSE	BBS	22-May-02	DRREDDY	3,000	6,000	3,000	1,484	49.47	17,195.90
18	NSE	BBS	13-Jun-02	CENTENKA	17,063	37,050	17,063	16,063	94.14	29,659.10
19	NSE	BBS	24-Jul-02	SHASUNCHE	8,018	11,136	8,018	7,950	99.15	16,519.05
20	NSE	BBS	25-Jul-02	SHASUNCHE	40,863	59,349	40,863	40,763	99.76	84,294.45
21	NSE	BBS	26-Jul-02	SHASUNCHE	5,501	9,854	5,501	5,501	100.0	5,169.40
22	NSE	BBS	30-Jul-02	JBCHEPHAR	7,780	13,457	7,780	7,780	100.0	18,667.00
23	NSE	BBS	30-Jul-02	SHASUNCHE	5,000	12,241	5,000	4,900	98.00	5,361.40
24	NSE	BBS	30-Aug-02	HDFC	4,000	9,500	4,000	3,337	83.43	11,933.85
25	NSE	BBS	22-Oct-02	COSMOFILM	30,000	55,000	30,000	23,406	78.02	62,369.80
26	NSE	BBS	28-Jan-03	PAPERPROD	1,978	2,670	1,978	1,978	100.0	5,583.00
27	NSE	BBS	30-Jan-03	PAPERPROD	5,000	14,441	5,000	5,000	100.0	7,702.55
28	NSE	BBS	21-Mar-03	ASHOKLEY	1,772	1,24,55	1,772	1,772	100.0	1,874.00
29	NSE	BBS	23-May-03	IPCL	27,175	99,136	22,175	22,174	100.0	20,076.23
30	NSE	BBS	28-May-03	GAIL	90,000	3,03,50	90,000	54,838	60.93	1,69,207.5
31	NSE	BBS	28-May-03	BEML	24,700	74,976	19,700	19,230	97.61	11,834.36
32	NSE	BBS	06-Jun-03	J&KBANK	28,774	34,181	28,646	28,246	98.60	84,845.53
33	NSE	BBS	09-Jun-03	J&KBANK	11,157	37,000	11,185	10,777	96.35	24,726.78
34	NSE	BBS	26-Jun-03	MAHSEAMLE	18,600	78,545	18,000	17,800	98.89	35,891.66
35	NSE	BBS	11-Jul-03	IOC	6,044	39,000	6,044	1,463	24.21	49,540.85
36	NSE	BBS	16-Jul-03	NATIONALU	99,661	4,05,00	99,661	11,729	11.77	3,18,783.7
37	NSE	BBS	17-Jul-03	BEL	10,192	20,308	10,192	4,050	39.74	20,750.85
38	NSE	BBS	24-Jul-03	BHEL	49,120	1,62,00	49,120	31,086	63.29	1,21,747.0
39	NSE	BBS	28-Jul-03	CENTURYTE	55,000	11,23,6	50,000	33,740	67.48	2,94,288.9
40	NSE	BBS	30-Jul-03	CORPBANK	10,000	3,05,00	10,000	6,812	68.12	14,206.75
41	NSE	BBS	01-Aug-03	BEL	10,075	40,162	10,075	8,279	82.17	57,029.05
42	NSE	BBS	04-Aug-03	IPCL	12,500	1,50,00	12,500	3,874	30.99	34,406.00
43	NSE	BBS	13-Aug-03	CORPBANK	14,706	1,37,00	11,000	9,636	87.60	48,394.04
44	NSE	BBS	19-Aug-03	GAIL	5,000	2,55,00	5,000	650	13.00	9,000.00
45	NSE	BBS	25-Aug-03	CORPBANK	9,562	3,10,00	9,562	3,510	36.71	18,713.90
46	NSE	BBS	03-Sep-03	GNFC	795	10,33,0	795	795	100.0	6,876.75
47	NSE	BBS	10-Sep-03	GNFC	13,663	1,45,00	13,663	12,036	88.09	34,569.60
48	NSE	BBS	01-Oct-03	INDORAMA	10,000	2,75,00	10,000	5,000	50.00	43,510.65
49	NSE	BBS	06-Oct-03	INDORAMA	6,480	2,55,00	6,480	6,362	98.18	29,160.00
50	NSE	BBS	15-Oct-03	BANKBAROD	8,936	10,10,0	8,936	902	10.09	55,247.60
51	NSE	BBS	15-Oct-03	VIJAYABANK	70,000	10,00,0	48,228	25,000	51.84	2,943.12
52	NSE	BBS	24-Oct-03	INDORAMA	25,044	1,58,19	25,044	10,604	42.34	1,05,848.2
53	NSE	BBS	28-Nov-03	DIVISLAB	2,500	20,500	2,500	344	13.76	1,37,128.8
54	NSE	BBS	20-Feb-04	ASHOKLEY	45,557	2,60,00	45,557	42,620	93.55	2,15,255.8
55	NSE	BBS	17-Mar-04	FEDERALBN	50,268	3,50,00	50,268	17,767	35.34	5,33,243.3
56	NSE	BBS	18-Mar-04	FEDERALBN	22,510	1,82,58	22,510	16,475	73.19	2,00,362.2
57	NSE	BBS	19-Mar-04	TVTODAY	17,115	1,90,00	17,115	5,000	29.21	2,40,995.9
58	NSE	BBS	22-Mar-04	IOB	1,16,46	5,59,33	1,16,467	54,427	46.73	2,52,580.6
KALPANA'S GROUP - BBS PATTERN - PROFIT										38,20,527.66

64. The details of the 35 instances (SSB) of front running activities by Kalpana Group and the profit made (calculated on actual rate on squared-off quantity) is as under:

KALPANA'S GROUP - SSB PATTERN

S. N.	Exchange	Transaction Type	Date	Scrip Name	FR Sell Qty	HDFC Sell Qty	Buy Qty (Squared-off)	Matched Qty	Matched %	Profit IN ₹
1	NSE	SSB	09-Nov-01	CIPLA	2,000	7,000	2,000	1,467	73.35	4,647.6
2	NSE	SSB	18-Jan-02	SHREECEM	3,265	39,100	3,265	2,765	84.69	5,470.0
3	NSE	SSB	21-Jan-02	SHREECEM	17,500	97,053	17,500	17,244	98.54	21,412.
4	NSE	SSB	25-Feb-02	UNICHEMLAB	4,964	6,600	4,964	3,645	73.43	12,996.
5	NSE	SSB	26-Feb-02	GUJRATGAS	9,618	18,565	9,618	9,518	98.96	77,791.
6	NSE	SSB	26-Feb-02	UNICHEMLAB	2,500	9,000	2,500	2,500	100.0	9,796.5
7	NSE	SSB	04-Mar-02	NAVNETPUBL	1,896	8,347	1,896	1,896	100.0	11,305.
8	NSE	SSB	08-Mar-02	BEL	35,000	75,000	35,000	17,324	49.50	98,031.
9	NSE	SSB	08-Mar-02	GUJRATGAS	3,000	3,815	3,000	3,000	100.0	23,982.
10	NSE	SSB	14-Mar-02	ASHOKLEY	50,000	90,000	50,000	49,950	99.90	19,987.
11	NSE	SSB	19-Mar-02	NAVNETPUBL	1,105	2,115	1,105	1,105	100.0	4,420.5
12	NSE	SSB	17-Apr-02	TATAPOWER	32,170	1,11,48	32,170	31,915	99.21	38,768.
13	NSE	SSB	30-Apr-02	SWARAJENG	1,464	1,616	1,464	1,464	100.0	7,321.8
14	NSE	SSB	06-May-	BEL	5,000	26,000	5,000	4,644	92.88	3,332.7
15	NSE	SSB	22-May-	L&T	6,077	13,006	5,984	4,069	68.00	4,488.0
16	NSE	SSB	07-Jun-02	SWARAJENG	784	793	784	784	100.0	3,339.2
17	NSE	SSB	11-Jun-02	SWARAJENG	3,282	3,938	3,282	3,282	100.0	15,147.
18	NSE	SSB	12-Jun-02	SWARAJENG	1,184	2,600	1,184	1,184	100.0	8,185.0
19	NSE	SSB	13-Jun-02	CIPLA	1,667	5,752	1,667	1,645	98.68	11,914.
20	NSE	SSB	13-Jun-02	SWARAJENG	790	2,549	790	790	100.0	5,622.5
21	NSE	SSB	14-Jun-02	SWARAJENG	2,187	3,147	2,187	2,187	100.0	11,132.
22	NSE	SSB	17-Jun-02	SWARAJENG	1,637	4,232	1,637	1,637	100.0	9,122.7
23	NSE	SSB	18-Jun-02	SWARAJENG	5,537	11,186	5,537	5,537	100.0	30,242.
24	NSE	SSB	05-Jul-02	CENTENKA	14,240	15,046	14,240	2,527	17.75	15,315.
25	NSE	SSB	21-Aug-02	BHEL	18,995	50,000	18,995	18,281	96.24	31,194.
26	NSE	SSB	30-Dec-02	COSMOFILMS	10,000	41,202	10,000	10,000	100.0	24,561.
27	NSE	SSB	22-Jan-03	SHASUNCHEM	6,340	77,487	6,340	6,093	96.10	27,722.
28	NSE	SSB	05-May-	JBCHEPHARM	4,517	17,167	4,517	4,517	100.0	10,100.
29	NSE	SSB	06-May-	JBCHEPHARM	10,445	31,153	10,445	10,445	100.0	31,420.
30	NSE	SSB	30-May-	MRO-TEK	17,254	80,756	17,254	17,254	100.0	17,126.
31	NSE	SSB	03-Jun-03	IPCL	32,779	1,54,70	32,779	32,279	98.47	32,942.
32	NSE	SSB	10-Jun-03	BEML	43,156	65,000	43,156	37,803	87.60	85,238.
33	NSE	SSB	12-Jun-03	BEML	38,089	1,68,64	48,089	46,564	96.83	56,608.
34	NSE	SSB	28-Aug-03	IOC	10,930	4,30,00	10,930	8,910	81.52	80,803.
35	NSE	SSB	23-Jan-04	ITC	2,201	1,05,06	2,201	511	23.22	52,273.
KALPANA'S GROUP - SSB PATTERN - PROFIT										9,03,764.99

65. It is observed from the table above that Kalpana Kapadia was front running HDFC in 93 instances through BBS and SSB pattern and made a profit of ₹47,24,293. I note that Kalpana Kapadia had traded ahead of HDFC trades and reversed the majority of the trades with HDFC in 93 instances which cannot be a co-incidence. From the repeated pattern I note that Kalpana Kapadia and Nilesh Kapadia had

together front run the HDFC trades. Further, Kalpana Kapadia 's husband Nilesh Kapadia was the dealer of HDFC who executed the trades for HDFC, who had prior knowledge of HDFC's orders. I note that in a relationship of husband and wife, the information which is privy to someone, can be exchanged in many ways between them. It is reasonably concluded from the facts and circumstances of the case and the preponderance of probability, which suggests that these trades cannot be in the normal course but were executed with the knowledge of impending trades of HDFC and thereby to derive profits by squaring off the trades when HDFC entered the market with its orders. As noted earlier, most of the square-off trades were matched with HDFC trades, which would not have been executed without communication between Nilesh Kapadia and Kalpana Kapadia.

66. I note from the above trading pattern of the Noticees that by indulging into front running the Noticees had disturbed the market equilibrium and normal price discovery mechanism of stock exchanges, besides creating false or misleading appearance of the trading in the securities market. I also note that since, Nilesh Kapadia had instructed other Noticees to front run HDFC trades, the trades and the profits made in the trading accounts of Sonal Sanghvi, Rajiv Sanghvi, Rajiv Sanghvi -HUF, Sanjay Sanghvi, Dipti Mehta and Kalpana Kapadia were at the cost of HDFC and also in apparent violation of trust, confidence and code of conduct prescribed by HDFC it to its dealers. Such conduct on the part of institutional dealer is highly detrimental for orderly conduct of institutional trades in market and if unchecked will erode the confidence of institutions and investors. Given the facts of the case in terms of high volumes, multiple trading days, large number of trades, very proximate trade timing coupled with the admitted fact of receiving tips from the HDFC AMC Dealer which is also evidenced by the call records, I have no doubt in concluding that the three appellants were 'front-running' the HDFC AMC orders. Accordingly, I conclude that the Noticee have violated the provisions of Section 12 A (a), (b) and (c) of SEBI Act and Regulation 3 (a), 3 (b), 3 (c) 3 (d) and 4(1) of SEBI (PFUTP) Regulations, 2003.

ISSUE II: Whether the Noticee is liable for monetary penalty under Section 15HA of the SEBI Act?

67. It is established from the aforesaid findings that Nilesh Kapadia as the equity dealer of HDFC AMC had the prior knowledge of HDFC's trades, which he passed on to Rajiv Sanghvi, and Noticee 2 (i.e., Kalpana Kapadia, wife of Nilesh Kpadia), who then bought shares at a lesser price and sold shares at higher price, which would have otherwise been available to HDFC. I note that that at the time when HDFC's order was placed, the Noticees sold their shares squaring off their positions thereby reaping the almost riskless profits. In this situation, because of Noticees' front running transactions, they made profits as their squaring off trades matched with HDFC and also with other investors in the market. Had the Noticees (possessed with the information of forthcoming trades of HDFC) not traded, the price advantage or the depth of the market would have been available to both HDFC and general investors, and therefore the general investors also lost because of the front running transactions of the Noticees. Thus, it is established that the Noticees had indulged in front running of HDFC's trades and thereby violated the provisions of Section 12 A (a), (b) and (c) of SEBI Act and Regulation 3 (a), 3 (b), 3 (c) 3 (d) and 4(1) of SEBI (PFUTP) Regulations, 2003, which is liable for monetary penalty under Section 15HA of the SEBI Act. The provisions of Section 15HA of SEBI Act are reproduced hereunder:

Section 15HA of SEBI Act - Penalty for fraudulent and unfair trade practices

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

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

68. While determining the quantum of monetary penalty under Section 15 A (b) of SEBI Act, I have considered the factors stipulated in Section 15-J of SEBI Act, which reads as under:

Section 15J - Factors to be taken into account by the Adjudicating Officer

While adjudging quantum of penalty under Section 15 - I, the Adjudicating Officer shall have due regard to the following factors, namely:

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default.

69. I am of the view that front running is a fraud against the securities market as a whole and not only against the specific person, whose trades have been front run. The person, who does front running, makes profit not only at the expense of the person being front run but also at the expense of other investors in the market who incidentally suffer loss because of the transactions of the front runner. I note from the findings of the investigation the profit earned by the Noticees by way of front-running, which are reproduced hereunder:

Name of the Noticee	**Total Profit in ₹**
Dipti Mehta	8,31,096
Rajiv Sanghvi	27,09,298
Rajiv Sanghvi HUF	9,72,691
Sanjay Sanghvi	39,85,851
Sonal Sanghvi	20,03,481
Kalpana Kapadia	47,24,203
Total	**1,52,26,620**

70. I note from the above table that the Noticees 2 to 7 have made a profit of ₹ 1,52,26,620. In this connection, I note from the submissions made by the Noticee 2 to 7 that they remitted the ill-gotten profits made by them along with interest in compliance with various disgorgement Orders of the Hon'ble WTM. Having disgorged the ill-gotten profits along with interest, I consider it appropriate to

consider the same as relevant factor while deciding the quantum of penalty in respect of these Noticees. Accordingly, I deem it appropriate to impose such penalty against the Noticees 2 to 7, which acts as a deterrent to the Noticees and to others against indulging in such fraudulent, deceptive and manipulative practise, which erodes the trust and confidence of investors in the securities market

71. I note that the Noticee 1 Nilesh Kapadia in the capacity of dealer of HDFC AMC had misused his position and tipped-off before placing the orders for HDFC to the Noticees 3, 4, 5, 6 and 7, who had made unlawful gains. I also note that the information of HDFC's trades was privy to the knowledge of the Noticee 1, which was communicated to his wife viz., Kalpana Kapadia (Noticee 2) and accordingly aided his wife to make unlawful gains. I am of the view that it is obligatory on the part of the Noticee 1 to maintain utmost confidentiality of nature of his task while working as a dealer of HDFC AMC, which he failed to maintain and thus breached the trust and confidence reposed by HDFC AMC in particular and unitholders HDFC Mutual Fund in general. Therefore, I consider the manipulative, deceptive and fraudulent activity orchestrated by the Noticee 1 serious enough and deem it appropriate to impose such penalty on the Noticee 1, which acts as a deterrent to the Noticee and to others in protecting the interest of investors in securities market.

ORDER

72. After taking into consideration the nature and gravity of the violations established in the preceding paragraphs and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act, 1992 read with Rule 5 of the SEBI Adjudication Rules, 1995, I hereby impose the following penalties on all the Noticees under Section 15HA of the SEBI Act, 1992, for indulging in front-running.

Sl. No.	Name of the Noticee	Penalty amount in ₹ and words
1	Nilesh Kapadia	₹ 25,00,000 (Rupees Twenty five lakhs only)
2	Kalpana Kapadia	₹ 10,00,000 (Rupees Ten lakhs only)
3	Rajiv Sanghvi	₹ 10,00,000 (Rupees Ten lakhs only)
4	Rajiv Sanghvi HUF	₹ 10,00,000 (Rupees Ten lakhs only)
5	Sanjay Sanghvi	₹ 10,00,000 (Rupees Ten lakhs only)
6	Sonal Sanghvi	₹ 10,00,000 (Rupees Ten lakhs only)
7	Dipti Mehta	₹ 10,00,000 (Rupees Ten lakhs only)

73. The said penalty imposed on the Noticees, as mentioned above, shall commensurate with the violation committed and acts as a deterrent factor for the Noticees and others in protecting the interest of investors.

74. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favor of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR through online payment facility available on the SEBI website **www.sebi.gov.in** on the following path by clicking on the payment link.

ENFORCEMENT → Orders → Orders of AO → PAY NOW

75. The Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department-I, DRA-III, SEBI, in the format as given in table below:

Case Name	
Name of Payee	
Date of payment	
Amount Paid	
Transaction No	
Bank Details in which payment is made	
Payment is made for	Penalty

76. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under Section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

77. In terms of Rule 6 of the SEBI Adjudication Rules, copies of this order are sent to the Noticees and also to SEBI.

Date: November 29, 2019 **B J DILIP**

Place: Mumbai **Adjudicating Officer**