BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: Order/AK/BS/2023-24/ 25913)

UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995.

IN RESPECT OF
CONEFLOWER PRIVATE LIMITED
(PAN: AAECC7690M)
IN THE MATTER OF DEALINGS IN ILLIQUID STOCK OPTIONS AT BSE

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as **'SEBI'**) had conducted an investigation into large scale reversal of trades in Stock Options segment of the Bombay Stock Exchange (hereinafter referred to as '**BSE**') during the period of April 01, 2014 to September 30, 2015 (hereinafter referred to as **'investigation period'**).

2. Pursuant to investigation, it was observed that during the investigation period, there were trades executed in BSE Stock Options Segment involving reversal of buy and sell positions by clients and counterparties in the same contract. The reversal trades involved squaring off trades (either buy or sell), with significant difference in the price. Coneflower Private Limited (hereinafter referred to as **'Noticee'**) was one among the entities who indulged in reversal trades, which allegedly created false and misleading appearance of trading thereby generated artificial volumes in the Stock Options Segment of BSE during the investigation period. The trades entered in the unique contracts were reversed on the same day with same counterparties, at a price difference which had no underlying basis

and without an intention of performing it or there being a change of ownership / rights in the contracts. These factors indicated that these trades were allegedly artificial and non- genuine in nature.

APPOINTMENT OF ADJUDICATING OFFICER

3. In this connection, SEBI had initiated adjudication proceedings against Noticee, under SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **'Adjudication Rules'**) for allegedly violating Regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as **'PFUTP Regulations'**), in the matter of trading in illiquid stock options at BSE and appointed Ms. Geetha G. as Adjudicating Officer under Section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **'SEBI Act'**) to inquire into and adjudge the alleged violations by Noticee and determine whether penalty under Section 15HA of the SEBI Act is liable to be imposed. Pursuant to transfer of Ms. Geetha G. to other department, vide order dated September 19, 2022, undersigned was appointed as Adjudicating Officer in the instant matter.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice dated August 10, 2022 (hereinafter referred to as **'SCN'**) was served on the Noticee, in terms of the provisions of rule 4 of the Adjudication Rules read with Section 15-I of the SEBI Act, requiring the Noticee to show cause as to why an inquiry should not be held in terms of Rule 4 of the Adjudication Rules read with section 15-I of the SEBI Act, and penalty, if any, should not be imposed on Noticee under Section 15HA of the SEBI Act for the aforesaid alleged contraventions done by Noticee. In the SCN, the Noticee was informed about the SEBI Settlement Scheme, 2022, in terms of Regulation 26 of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 in the matter of Illiquid Stock Options and in case, Noticee do not wish to avail of the

facility under the SEBI Settlement Scheme, 2022, Noticee was advised to file a reply to the SCN within 30 days of the receipt of the SCN.

5. Vide hearing notice dated March 14, 2023, Noticee was granted opportunity of hearing on April 12, 2023. However, no reply to SCN was filed and Noticee failed to appear for hearing on the scheduled date of hearing.

6. Thereafter, during the course of adjudication proceedings, Ms. Manisha Rawat, representative of Noticee, vide email dated April 21, 2023 informed that name of the company “Coneflower Private Limited” has been struck off the Register of companies in March 2019 and forwarded form “STK-7” along with copy of master data from MCA website.

7. Before proceeding further in the matter on merit, it would be in the fitness of things to first decide as to whether pursuant to “Strike off” status in MCA records, present adjudication proceedings against Noticee would continue or abate.

8. I note that Form No. STK -7 is issued by Office of Registrar of Companies (ROC) in terms of sub-section (5) of section 248 of the Companies Act, 2013 and rule 9 of the Companies (Removal of Names of companies from the Register of Companies) Rules, 2016. Form No. STK-7 “Notice of Striking Off and Dissolution” dated March 19, 2019, *inter-alia,* mentioned the following:

   “In the matter of Companies Act, 2013 and of M/s Coneflower Private Limited, CIN U70109DL2012PTC232176
   This is with reference to this office’s Notice No. ROCDelhi/248(2)/029052/2018 dated 12.11.2018 application (Form STK 2) dated 14.06.2018 vide SRN G89545669 and notice in form STK 5 issued on dated NA. Notice is hereby published that pursuant to sub-section (5) of Section 248 of the Companies Act, 2013 the name of M/s CONEFLOWER PRIVATE LIMITED has this day of March been struck off the register of companies and the said Company is dissolved.”

9. In view of the above, I note that name of Noticee has been struck off the register of companies and consequently the Noticee stands dissolved with effect from March 19, 2019. It is an established fact that when a company's name is "struck-off" from ROC records and the company is dissolved, it is a non-existing company and the adjudication proceedings against the non-existing company is thus nullity. In view of the foregoing, I am of the view that the instant adjudication proceedings against the Noticee is liable to be abated without going into the merits of the case.

10. In this context, I would also like to draw reference to a judgment of the Hon'ble Delhi High Court in the case of **Commissioner of Income Tax (CIT) vs Vived Marketing Services (P) Ltd**., ITA NO. 273/2009 dated September 17, 2009 in which it was held that –

    "When the Assessing Officer passed the order of assessment against the respondent company, it had already been dissolved and struck off the register of the Registrar of companies under Section 560 of the Companies Act. In these circumstances, the Tribunal rightly held that there could not have been any assessment order passed against the company which was not in existence as on that date in the eyes of law it had already been dissolved. We are of the opinion that the view taken by the Tribunal is perfectly valid and in accordance with law."

11. I note that Black's Law Dictionary explains 'dissolution' as termination or winding up. I also note that such dissolution of a company amounts to termination of its legal existence. I further note that as per Section 248 of the Companies Act, 2013, "strike off" essentially means removing the name of the company from the Register maintained by the ROC. It amounts to closure of the company and the company ceases to exist in the eyes of law after being struck-off.

12. I also note that as on the date of issuance of the SCN to the Noticee i.e. August 10, 2022, the Noticee's name has been stuck-off from the ROC records and

Noticee company was not in existence. Therefore, in view of the facts and circumstances noted in the preceding paragraphs and also the fact that the Noticee's name has been struck-off from the RoC list and hence dissolved, I conclude that the present adjudication proceedings initiated against the Noticee vide SCN dated August 10, 2022 cannot be proceeded with.

ORDER

13. In view of the foregoing, I am of the view that the instant adjudication proceedings against the Noticee are liable to be abated and SCN dated August 10, 2022 issued against Noticee viz. Coneflower Private Limited is disposed of accordingly.

14. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is sent to Noticee and also to Securities and Exchange Board of India.

Place: Mumbai **AMIT KAPOOR**

Date: April 26, 2023 **ADJUDICATING OFFICER**