By Speed Post A.D.

GENERAL MANAGER &
ADJUDICATING OFFICER

IMD/DOF3/P/OW/2021/27080/1
October 05 , 2021

GILT COMMODITIES PRIVATE LIMITED, [PAN: AADCG7443H]
7, WATERLOO STREET
1ST FLOOR, KOLKATA
KOLKATA WEST BENGAL-700069

Subject: Adjudication Proceedings in respect of Gilt Commodities Private Limited in the matter of dealings in Illiquid Stock Options at BSE: Show Cause Notice under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995

1. Securities and Exchange Board of India (hereinafter, referred to as "**SEBI**") has initiated adjudication proceedings in respect of Gilt Commodities Private Limited (hereinafter, referred to as "Noticee"), bearing PAN – AADCG7443H, for allegedly violating Regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices related to Securities Markets) Regulations, 2003 (hereinafter, referred to as "PFUTP Regulations, 2003"), in the matter of trading in illiquid stock options on the Bombay Stock Exchange Ltd. ("**BSE**").

2. The undersigned was appointed as Adjudicating Officer vide order dated May 31, 2018, to enquire into and adjudge under Section 15 HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the "**SEBI Act**"), the alleged violations by the Noticee. A copy of the communiqué dated June 04, 2018 appointing the undersigned as Adjudicating Officer is placed at **Annexure A**.

3. As part of ongoing surveillance, SEBI came across large scale reversal of trades in Stock Options segment of the BSE. Subsequently, SEBI conducted an investigation into the trading activity in illiquid Stock Options at BSE (hereinafter, referred to as "**investigation**")

for the period between April 1, 2014 to September 30, 2015 (hereinafter referred to as "**Investigation Period**").

4. Pursuant to investigation, it was observed that during the investigation period, a total of 2,91,744 trades comprising 81.41% of all the trades executed in BSE Stock Options Segment were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract. The reversal trades involved squaring off transactions, but with significant difference in the sell value and buy value of the transactions. The aforesaid reversal trades allegedly resulted into generation of artificial volumes.

5. The Noticee was one of the entities which indulged in reversal trades which allegedly created false and misleading appearance of trading, generating artificial volumes in the Stock Options Segment of BSE during the investigation period. The Noticee is alleged to have engaged in reversal trade through 02 (two) trades in 01 (one) unique contract, which led to generation of alleged artificial volume of 88000 units. These trades of the Noticee involved reversal with the same counterparty on the same day, but at different prices. Details of all the trades of Noticee in Stock Options segment of BSE during the investigation period are given in **Annexure B**. An analysis of dealings of the Noticee in 01 (one) Stock Option contract in which the said Noticee allegedly executed reversal trades during the investigation period is given in **Annexure C**.

6. The trades entered by the Noticee were reversed on the same day with same counterparties at a substantial price difference without any basis for significant change in the contract price which indicates that these trades are artificial and are non- genuine in nature.

7. A summary of dealings of Noticee in Stock Option contract in which the said Noticee allegedly executed reversal trades during the investigation period, is as follows:-



Summary of dealings in contracts wherein the Noticee executed reversal trade

S. No.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1.	NHPC15JUL26.00 PEW2	5.8	44000	3.75	44000	100%	7.27

Note: *"Unit" refers to lot size in contract multiplied by number of contracts traded.*

8. The abovementioned reversal trade and volumes are illustrated through the dealings of Noticee in one contract viz, "NHPC15JUL26.00PEW2" during the investigation period, as follows:-

   (a) During the investigation period, 02 (two) trades for 88000 units were executed by the Noticee in the said contract on 26/06/2015.

   (b) While dealing in the said contract on 26/06/2015, at 15:00:43.68 hrs, the Noticee entered into a sell trade with counterparty POOJA BHARATBHAI PATEL for 44000 units at Rs. 3.75 per unit. At 15:11:13.79 hrs the Noticee entered into a buy trade/reversal trade with the same counterparty for 44000 units at Rs. 5.8 per unit.

   (c) The Noticee's two trades while dealing in the abovesaid contract during the investigation period allegedly generated artificial volume of 88000 units, which made up 7.27% of total market volume in the said contract during this period.

9. In view of the foregoing, it is alleged that Noticee, by indulging in execution of non-genuine reversal of trades in Stock Options with same entities on the same day, created false and misleading appearance of trading in stock options and therefore allegedly violated Regulation 3(a),(b),(c),(d), 4(1), 4(2)(a) of PFUTP Regulations, 2003.

10. The aforesaid alleged violations, if established, make the Noticees liable for monetary penalty under section 15HA of the SEBI Act.

11. You are, therefore, called upon to show cause as to why an inquiry should not be held against you in terms of Rule 4 of the SEBI (Procedure for holding Inquiry and

13. Further, you are required to keep the undersigned informed about the change in your correspondence address, if any, till the conclusion of the proceedings. You are also required to submit a photocopy of your PAN card and contact details viz. Telephone numbers / Fax numbers / e-mail IDs and details of contact persons for records.

Bithin Mahanta

BITHIN MAHANTA
ADJUDICATING OFFICER

Enclosures: Documents relied upon are as follows:-

Annexure	Copy of relevant documents enclosed with this SCN	No. of pages
A	Communique dated July 06, 2021 appointing Adjudicating Officer	3
B	Extract of integrated trade log of all trades of Noticee in Stock Option segment of BSE during the investigation period i.e, April 1, 2014 to September 30, 2015	1
C	Summary of dealings of Noticee in 01 Stock Options contract in which Noticee allegedly executed reversal trades during the investigation period	1

Annexure - A

SECURITIES AND EXCHANGE BOARD OF INDIA

Order communicating appointment of Adjudicating Officer

1. Whereas, Securities and Exchange Board of India (**SEBI**) has conducted examination trading in option on individual stocks listed on Bombay Stock Exchange for possible violation of the provisions of the securities and Exchange Board of India Act, 1992 (hereinafter referred to as the '**SEBI Act**') and various Rules and Regulations made there under.

2. Whereas, the Competent Authority is *prima facie* of the view that there are grounds to adjudicate upon the alleged violations of provisions of Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003 by certain entities.

3. The Competent Authority has, therefore, in exercise of the powers conferred upon her under Section 19 of the SEBI Act read with Section 15 I(1) of the SEBI Act and Rule 3 of securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 ("hereinafter referred as the '**SEBI Rules**') read with section 19 of the SEBI Act appointed certain Division Chiefs as Adjudicating Officers vide Order dated July 02, 2021 to enquire into and adjudge under Sections 15HA SEBI Act the alleged violations by the entities.

4. The list of the entities against whom adjudication is approved and the names of the respective Adjudicating Officers who are appointed to adjudicate against these entities is enclosed as **Annexure**.

5. The said proceedings of appointment are hereby being communicated to the Adjudicating Officers who shall conduct the Adjudication Proceedings in the manner specified under Rule 4 of the of the SEBI Rules read with sub-section (1) and (2) of Section 15 I of SEBI Act. The Adjudicating Officers shall enquire

S. No.	Case ID	Case Name	PAN Number	Entity Name	AO Name
548	210008095	ISO at BSE-GILT COMMODITIES PRIVATE LIMITED	AADCG7443H	GILT COMMODITIES PRIVATE LIMITED	Bithin Mahanta

Annexure -B

sno	245100	245101
TRADE_DATE	26/06/2015	26/06/2015
SCRIPCODE	834036	834036
clnt_pan	BZEPP9739F	AADCG7443H
clnt_name	POOJA BHARATBHAI PATEL	GILT COMMODITIES PRIVATE LIMITED
cp_pan	AADCG7443H	BZEPP9739F
cp_name	GILT COMMODITIES PRIVATE LIMITED	POOJA BHARATBHAI PATEL
ORDER_NO	1435299788974009004	1435299788974009012
CP_ORDER_NO	1435299788974009005	1435299788974009011
TRADEID	17988	18709
ORDER_TIME	15:00:43.688766	15:11:14.389929
CP_ORDER_TIME	15:00:44.170842	15:11:13.797069
TRADE_TIME	15:00:44.170842	15:11:14.389929
ORDER_LMTIME	15:00:43.688766	15:11:14.389929
CP_ORDER_LMTIME	15:00:44.170842	15:11:13.797069
TRADE_RATE	3.75	5.8
LTP_RATE	0.15	2.05
LTP_PERCENT	4.17	54.67
TRADE_VALUE	1309000.0	1399200.0
ORDER_RATE	3.75	5.9
CP_ORDER_RATE	3.75	5.8
ORDER_LMRATE	3.75	5.9
CP_ORDER_LMRATE	3.75	5.8
ORDER_LTP	6.1	5.8
CP_ORDER_LTP	3.75	3.75
TRADED_QTY	44000	44000
ORDER_QTY	44000	44000
CP_ORDER_QTY	44000	44000
ORDER_AVLQTY	44000	44000
CP_ORDER_AVLQTY	44000	44000
ORDER_LMQTY	44000	44000
CP_ORDER_LMQTY	44000	44000
MEMBER_NO	197	6494
MEMBER_NAME	NETWORTH STOCK BROKING LTD.	4A SECURITIES LIMITED
OLD_CLIENT		
MODIFIED_CLIENT	877419	DLG05
CP_MEMBER_NO	6494	197
CP_MEMBER_NAME	4A SECURITIES LIMITED	NETWORTH STOCK BROKING LTD.



PAN	SCRIPNAME	Wt Avg Buy rate(in ₹)	Buy Quantity	Buy Value (in ₹)	Wt Avg Sell rate(in ₹)	Sell Quantity	Sell Value (in ₹)	Number of reversal trades executed by Entity in the Contract	Total number of trades executed by the Entity in the Contract	Total number of trades executed in the Contract	Artificial volume generated by Entity in the Contract	Total volume generated by Entity in the Contract	Total volume in the Contract	% of reversal trades of Entity in the Contract to Entity's Total trades in the Contract	% of reversal trades of Entity in the Contract to Total trades in the Contract	% of Artificial Volume generated by Entity in the Contract to Entity's Total Volume in the Contract	% of Artificial Volume generated by Entity in the Contract to Total Volume in the Contract
AADCG7443H	NHPC15JUL26.00PEW2	5.8	44000	255200	3.75	44000	165000	2	2	4	88000	88000	1210000	100%	50%	100%	7.27%

Annexure - C