BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO: Order/SBM/VS/2021-22/15195)

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:

Advantech Traders Private Limited

(PAN NO.: AAJCA7150R)

156 Rabindra Sarani,

Kolkata, West bengal-700007

In the matter of

Dealing in illiquid stock options at BSE

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') observed large scale reversal of trades in the Stock Options segment of the Bombay Stock Exchange (hereinafter referred to as '**BSE'**) leading to the alleged creation of artificial volume in the stock options segment. In this regard, SEBI conducted an investigation into the trading activity in the illiquid Stock Options segment at BSE for the period April 01, 2014 to September 30, 2015 (hereinafter referred to as '**Investigation Period**').

2. It was observed during the course of investigation that a total of 2,91,643 trades comprising 81.38% of all the trades executed in the Stock Options Segment by various entities at BSE during the investigation period were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract on the same day. It was also observed that the aforesaid trades resulted into alleged creation of artificial volume to the tune of 826.21 crore units or 54.68% of the total market volume in the Stock Options segment of BSE during the investigation period. In view of the large scale reversal of trades that were observed in the illiquid Stock Options segment at BSE, it is alleged that these trades were non-genuine in nature.

3. It was observed that Advantech Traders Private Limited (hereinafter referred to as '**Noticee**') was one of the various entities which had indulged in the execution of the non-genuine trades in the Stock Options Segment at BSE during the above referred investigation period. It was observed that Noticee had entered into reversal trades with its counterparties which involved squaring off transactions with significant difference in sell value and buy value of the transactions. It was therefore alleged that Noticee had executed the reversal trades, which were non-genuine in nature and have created false or misleading appearance of trading in terms of creation of artificial volume in the Stock Options segment at BSE and therefore, it is alleged that the Noticee has violated the provisions of regulations 3(a), (b), (c), (d) and regulation 4(1), 4(2) (a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations**'). In view of the above reasons, adjudication proceedings have been initiated against the Noticee under the provisions of section 15 HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**').

APPOINTMENT OF ADJUDICATING OFFICER

4. The undersigned was appointed as the Adjudicating Officer, vide communique dated July 27, 2021 under section 19 read with section 15-I of the SEBI Act read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') to inquire into and adjudge under the provisions of section 15HA of the SEBI Act the aforementioned alleged violation of the provisions of law by the Noticee.

SHOW CAUSE NOTICE, HEARING AND REPLY

5. Show Cause Notice ref. EAD1/SBM/VS/4181/2022 dated January 27, 2022 (hereinafter referred to as '**SCN**') was issued to the Noticee in terms of rule 4 of the Adjudication Rules requiring the Noticee to show cause as to why an inquiry should not be held against it and why penalty, if any, should not be imposed on the Noticee under the provisions of section 15HAof the SEBI Act

6. The SCN issued to the Noticee, inter alia, mentioned/alleged the following-
   a. *It is further noted that said alleged non-genuine trades were not restricted to any specific contract or between any specific set of entities. It is noted that Noticee was one of the various persons/ entities which were indulged in execution of such alleged non-genuine trades in Stock Options Segment of BSE during the Investigation*

period. Following points deals with the dealings of Noticee during the Investigation period and allegations against its execution of non-genuine trades.

b. *For the purpose of illustration of non-genuine trades and creation of artificial volume by the Noticee, details of trading done by the Noticee in the contract viz. "PFCL15MAR320.00CE" on March 04, 2015 is given below:*

Date	Buyer	Seller	Buy Order Time	Sell Order Time	Trade Time	Trade Rate (₹)	Trade Quantity
04/03/2015	Advantech Traders Private Limited	Mahaveer Prasad Bidada HUF	13:52:43	13:52:43	13:52:43	4.7	86000
04/03/2015	Mahaveer Prasad Bidada HUF	Advantech Traders Private Limited	13:52:38	13:52:38	13:52:38	1.2	86000
04/03/2015	Priyanka Bidada	Advantech Traders Private Limited	13:53:01	13:53:01	13:53:01	1.7	100000
04/03/2015	Advantech Traders Private Limited	Priyanka Bidada	13:53:05	13:53:05	13:53:05	4.7	100000

c. *It is observed from the table above that the trades entered by the Noticee in the contract of "PFCL15MAR320.00CE" on March 04, 2015, with its counterparties viz. Mahaveer Prasad Bidada HUF and Priyanka Bidada were reversed between the Noticee and the same counterparty on the same day resulting in reversal of trades which are, prima facie, considered to be as non-genuine. Therefore, in the process artificial volume in the stock option contract at BSE has been generated by the Noticee through such non-genuine trades. From the table above, it is observed that the artificial volume created as no. of units reversed in non-genuine trades is 3,72,000 units comprising both volume of initial trade and volume of reversal trade, while not considering the volume which is not reversed. In the process, it is observed that the Noticee had made a loss of ₹6,01,000/-.*

d. *It is further observed from the trade data of the Noticee that it has allegedly entered into non-genuine trades in 1 contract wherein it executed a total of 4 trades all of which were, prima facie, non-genuine trades. In view of this, it is alleged that such fraudulent trades of the Noticee had resulted into creation of artificial volume of total 3,72,000 units.*

e. *In this regard, details of all the alleged non-genuine trades of the Noticee in Stock Option Segment of BSE during relevant period are attached as* ***Annexure-B****. From the perusal of the trade data of the alleged non-genuine trades of the Noticee, it is observed that Noticee has allegedly executed non-genuine trades in 1 contract. The total volume of 3,72,000 units generated by the Noticee in this 1 contract due to its alleged non-genuine trades was artificial volume generated by the Noticee in the stock option segment of BSE. These alleged non-genuine trades, executed by Noticee in above contract, had significant differential in buy rates and sell rates considering that the trades were reversed on same day.*

f. *Further, summary of dealings of Noticee in 1 Stock Options contract in which it had allegedly executed non genuine trades during the relevant period is enclosed as* **Annexure-C**. *The details of artificial volume generated by the Noticee through the alleged non-genuine trades are mentioned in the table below:*

S. No.	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (no. of units)	Avg. Sell Rate (₹)	Total Sell Volume (no. of units)	% of Non Genuine trades of Noticee in the contract to Noticee's Total trades in the Contract	% of Non Genuine trades of Noticee in the contract to Total trades in the Contract	% 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	PFCL15MAR320.00CE	4.7	186000	1.47	186000	100	18.18	100	12.81

g. *In view of the foregoing, it is alleged that the Noticee, by indulging in execution of reversal trades in Stock Options with same entities on the same day, which were non-genuine in nature, has created false or misleading appearance of trading in the aforementioned contracts traded in the option segment of BSE. In view of the fact that these options contracts were illiquid in nature, having very small volume in trading, the Noticee allegedly created artificial volumes in stock options which was manipulative and deceptive in nature. Therefore, in view of above, it is alleged that the Noticee has violated Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003.*

CONSIDERATION OF ISSUES AND FINDINGS

7. I find that the Show Cause Notice dated January 27, 2022 which was issued to the Noticee had returned undelivered with remark *"Addressee moved"*. Therefore, during the course of the proceeding, the status/address of the Noticee was ascertained from the Ministry of Corporate Affairs (MCA) website. It was observed that the name of the Noticee has been struck off from the list of companies by the Registrar of Companies, Kolkata (RoC) as on October 25, 2019. As per the Public Notice (Form No. STK-7), which was downloaded from the MCA website, a list of 5,521 companies were attached as per the Notification issued by ROC, Kolkata in terms of sub-section (1) of section 248 of the Companies Act, 2013. I find that the name of the Noticee was mentioned in the said list (at sl.no. 4053 under CIN No U74999WB2011PTC166357). The Notification downloaded from the Ministry of Corporate Affairs (MCA), Government of India, (www.mca.gov.in) website inter alia, mentioned the following:

"In the matter of Companies Act, 2013 and 5521 no. of Companies as per list attached as Annexure "A".

This is with respect to this office's Notice No. ROCKolkata248(1) even dated and Notice in form STK-% No. ROC/WB/STK5/Drive-III/2019/1 issue don dated 05.09.2019. Notice is hereby published that pursuant to sub-section (5) of Section 248 of the Companies Act, 2013 the name of 5521 no. of Companies as per list attached as Annexure "A" have this day i.e. 25th day of October, 2019 been struck off from the Register of the companies and thee said companies are dissolved.

8. Further, the details of the Noticee as mentioned by it in the Annual Return (Form No. MGT-7) filed by the Noticee with ROC in terms of section 92 of the Companies Act, 2013 was verified with the Master Data as available on the MCA website and in this regard, the following observations are made:
    a. The PAN details of the Noticee matched with the CIN number mentioned in the MCA database.
    b. Form No. MGT-7 and Company Master Data of MCA contains the same email id of the Noticee i.e., rocwork2012@gmail.com
    c. Form No. MGT-7 and Company Master Data of MCA captured the same date of incorporation of the Company/ Noticee which is August 12, 2011.
    d. Form No. MGT-7 and Company Master Data of MCA depicts same Authorised Capital and Paid up Capital which is ₹13,50,000/- and ₹13,18,990/-, respectively.

    In view of the above and also the observations made in the STK-7 report, which is discussed above, it is clear that the name of the Noticee has been stuck- off from the ROC list w.e.f October 25, 2019 and the Noticee also stands dissolved from the said date.

9. It is an established fact that when a company's name is struck-off from the RoC list and the company is also dissolved, then it is a non-existing company and the adjudication proceedings against the non-existing company is thus nullity. In this context, I would like to draw reference to a judgment of the Hon'ble Delhi High Court in the matter of Commissioner of *Income Tax (CIT) vs Vived Marketing Services (P) Ltd., ITA NO. 273/2009 dated September 17, 20*09 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."*

10. Further, Black's Law Dictionary explains 'dissolution' as termination or winding up. It further clarifies that the dissolution of a corporation is the termination of its legal existence. Strike off essentially means removing the name of the company from the Register maintained by the Registrar of Companies. It is like closure of the company and the company will not be in existence after being struck-off and cannot perform any operations.

11. I also note that as on the date of issuance of the SCN to the Noticee i.e January 27, 2022, the Noticee's name has been stuck-off from the ROC list and the company was not in existence at the relevant time when the SCN was issued to it. 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 also 'dissolved' as on October 25, 2019 as per the RoC notification, I conclude that the present adjudication proceedings initiated against the Noticee vide SCN dated January 27, 2022 cannot be proceeded with.

ORDER

12. In view of the above observations/findings and in exercise of the powers conferred upon me under section 15I of the SEBI Act read with rule 5 of the Adjudication Rules, I hereby dispose of the Adjudication Proceedings initiated against the Noticee viz. Advantech Traders Private Limited vide SCN dated January 27, 2022.

13. In terms of rule 6 of the Adjudication Rules, copies of this order are sent to the Noticee and also to SEBI.

Date: February 25, 2022
Place: Mumbai

SURESH B MENON
ADJUDICATING OFFICER