BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO.: Order/VA/VS/2022-23/23070)

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:
M/s. Ganesh Stockist Private Limited
PAN No: AAECG5266F
123, Brb Basu Road, 1st Floor Hare Street,
Kolkata, West Bengal-700001

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 2,91,744 trades comprising 81.40% of all the trades executed in the Stock Options Segment 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 M/s. Ganesh Stockist 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 Trading 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 15HA 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 June 28, 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. SEBI/HO/ISD/ISD_ISD/P/OW/2021/23125/1 dated September 08, 2021 (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. The SCN issued to the Noticee, *inter alia*, mentioned/alleged the following-
    a. *It is observed from the trade log of the Noticee that it had entered into non-genuine trades in 1 contract wherein it executed a total of 2 trades all of which were, prima facie, non-genuine trades.*
    b. *The total volume of 3,42,000 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.*

6. The SCN was served upon the Noticee through email, however, the SCN sent through speed post, returned undelivered with remarks '*insufficient address'*. Subsequently, efforts were made to deliver SCN through Affixture/Hand Delivery, the SCN could not be served upon the Noticee by way of affixture as the Noticee could not be found at last known address of it. Thereafter, a letter bearing ref. SEBI/HO/ISD/ISD-PoD-1/P/OW/2022/43230/1 dated August 12, 2022 was issued to Noticee through email and Speed Post. In the said email and letter, 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 said letter. The letter was served upon the Noticee through email however, said letter also retuned undelivered with remarks 'A.C.N.L.R.T.S' (addressee could not be located, returned to sender).

CONSIDERATION OF ISSUES AND FINDINGS

7. I find that the SCN dated September 08, 2021 and letter dated August 12, 2022 which were issued to the Noticee had been sent through email and Speed Post, there is no record to suggest that SCN and said letter could not be delivered to Noticee through email, however, SCN and letter sent through Speed Post had returned undelivered and effort was made to deliver the SCN by way of affixture, which could also not be affixed at the last available address of the Noticee. Pursuant to that, 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 December 28, 2021. As per the Public Notice (Form No. STK-5), which was downloaded from the MCA website, a list of 6,690 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. 5775 under CIN No U51909WB2011PTC171194). 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 striking off of companies under section 248 (1) of the Companies Act, 2013 of the following Companies in Annexure - "A",*
>
> *1. Notice is hereby given that the Registrar of Companies has a reasonable cause to believe that –*

The following companies mentioned in Annexure - "Am (List of 6,690 nos. of companies enclosed) have not been carrying on any business or operation for a period of two immediately preceding financial years and have not made any application within such period for obtaining the status of dormant company under section 455 of the Companies Act, 2013.

And, therefore, proposes to remove/ strike off the names of the above mentioned companies ii-om the register of companies and dissolve them unless a cause is shown to the contrary, within thirty days from the date of this notice.

2. Any person objecting to the proposed removal/ striking off of name of the companies from the register of companies may send &/ her objection to the office address mentioned here above within thirty days from the date of publication of this notice.

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., groopcompany@yahoo.com
    c. Form No. MGT-7 and Company Master Data of MCA captured the same date of incorporation of the Company/ Noticee which is December 26, 2011
    d. Form No. MGT-7 and Company Master Data of MCA depicts same Authorised Capital and Paid up Capital which is ₹46,00,000/- and ₹45,56,500/-, respectively.

   In view of the above and also the observations made in the STK-5 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 December 28, 2021 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. 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 December 28, 2021 as per the RoC notification, I conclude that the present adjudication proceedings initiated against the Noticee vide SCN dated September 08, 2021 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. M/s. Ganesh Stockist Private Limited vide SCN dated September 08, 2021.

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

Date: March 24, 2023
Place: Mumbai

VERSHA AGARWAL
ADJUDICATING OFFICER