



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

By Registered Post A.D./ Email

ADJUDICATING OFFICER

SEBI/HO/EFD1/DRA1/OW/P/2021/30344/1

October 28, 2021

VALUEADDED MERCHANTS PRIVATE LIMITED [PAN: AACCV7295D]

52, WESTON STREET, KOLKATA, WEST BENGAL, 700012

Subject: Adjudication Proceedings in respect of Valueadded Merchants 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) Rules, 1995

1. Securities and Exchange Board of India (hereinafter, referred to as “SEBI”) has initiated adjudication proceedings in respect of Valueadded Merchants Private Limited (hereinafter, referred to as “Noticee”), bearing PAN – AACCV7295D, 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 September 20, 2021, 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 September 27, 2021 informing the appointment of the undersigned as Adjudicating Officer is placed at **Annexure A**.

सेबी भवन, प्लॉट सं. सी 4-ए, “जी” ब्लॉक, बान्द्रा कुर्ला कॉम्प्लेक्स, बान्द्रा (पूर्व), मुंबई - 400 051.

दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर.एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in

Page 1 of 5

SEBI Bhavan, Plot No. C4-A, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.

Tel.: 2644 9950 / 4045 9950 (IVRS), 2644 9000 / 4045 9000 Fax : 2644 9019 to 2644 9022 Web : www.sebi.gov.in



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Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
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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 81.4% 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 (*trades where an entity reverses its buy or sell positions in a contract with subsequent sell or buy position with the same counter party during the same day*) 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 trades through 2 trades in 1 unique contract, which led to generation of alleged artificial volume of 10,00,000 units. These trades of the Noticee involved reversal with the same counterparty on the same day, but at different prices. Copy of the relevant extracts of trade log containing the details of all the reversal trades of Noticee in Stock Options segment of BSE during the investigation period is enclosed as **Annexure B**.
6. The trades entered by the Noticee were reversed on the same day with same counterparty 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 1 Stock Options contract in which the said Noticee allegedly executed reversal trades during the investigation period, is as follows:-



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

Summary of dealings in contracts wherein the Noticee executed reversal trades

S. No.	Contract Name	Avg. Buy Rate (₹)	Total Buy Volume (no. of units)	Avg. Sell Rate (₹)	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.	IOBL15MAR48.00C EW3	2.35	500000	0.35	500000	100	26.6

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

The abovementioned reversal trades and volumes are illustrated through the dealings of Noticee in the one contract viz, "IOBL15MAR48.00CEW3" during the investigation period, as follows:-

- During the investigation period, 2 trades for 10,00,000 units were executed by the Noticee in the said contract on February 26, 2015.
- While dealing in the said contract on February 26, 2015, at 12:34:24 hrs, the Noticee entered into 1 sell trade with counterparty Ashok Ganeshlal Porwal, for 5,00,000 units at ₹ 0.35 per unit. At 12:44:12 hrs, the Noticee entered into a buy trade with the same counterparty for 5, 00,000 units at ₹ 2.35 per unit.
- The Noticee's two trades while dealing in the above said contract during the investigation period allegedly generated artificial volume of 10,00,000 units, which made up 26.6 % of total market volume in the said contract during this period.



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

8. 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.
9. The aforesaid alleged violations, if established, make the Noticee liable for monetary penalty under section 15HA of the SEBI Act, which reads as under:
- “Penalty for fraudulent and unfair trade practices.***
- 15HA. 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.”*
10. 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 Imposing Penalties) Rules, 1995 read with section 15-I of the SEBI Act, and why penalty should not be imposed under section 15HA of the SEBI Act.
11. Your reply, if any, should reach the undersigned by post or through email at ribaby@sebi.gov.in and sumanm@sebi.gov.in within 21 days from the date of receipt of this Notice, failing which it shall be presumed that you have no reply to submit and the matter would be further proceeded with on the basis of the evidence available on record in terms of sub-rule (7) of Rule (4) of the Adjudication Rules. You may also indicate whether you desire a personal hearing in the matter.
12. 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.



ROBIN JOSEPH BABY
ADJUDICATING OFFICER



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
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Enclosures: Documents relied upon are as follows:-

Annexure	Copy of relevant documents enclosed with this SCN
A	Communique dated September 27, 2021
B	Integrated trade log of all reversal trades of Noticee in Stock Option segment of BSE during the investigation period i.e., April 1, 2014 to September 30, 2015



21

SECURITIES AND EXCHANGE BOARD OF INDIA
Order communicating appointment of Adjudicating Officer

1. Whereas, Securities and Exchange Board of India (SEBI) has conducted examination into the trading in options 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 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, vide Order dated September 20, 2021, appointed certain Division Chiefs as Adjudicating Officers to enquire into and adjudge under Section 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.



21

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6. The Adjudicating Officers shall enquire into and adjudicate upon the alleged violation as stated above and if the Adjudicating Officers are satisfied that the entities have become liable for penalty, may impose penalty, as they think fit, in terms of Rule 5 of the SEBI Rules and provisions of Sections 15HA of the SEBI Act.

Dated at Mumbai, this 27th day September 2021.

4



Bhavana . R.K
BHAVANA RAVIKUMAR
GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA



21

3058	210017285	ISO at BSE- AAYUSH CHANDAK	AOSPC2643B	AAYUSH CHANDAK	Robin Joseph Baby
3059	210018330	ISO at BSE- AAYUSH GANERIWALA	BHYPG3708D	AAYUSH GANERIWALA	Robin Joseph Baby
3060	210015749	ISO at BSE- AAYUSH KHEMKA	AGFPK9220P	AAYUSH KHEMKA	Robin Joseph Baby

BOL

3061	210007188	ISO at BSE- VADHER UPENDRABHAI VRAJLAL HUF	AABHV9185L	VADHER UPENDRABHAI VRAJLAL HUF	Robin Joseph Baby
3062	210018214	ISO at BSE- VAIBHAV BALDEWA	BEMPB8761A	VAIBHAV BALDEWA	Robin Joseph Baby
3063	210006430	ISO at BSE- VAIBHAV NIDHI	AAATT6384Q	VAIBHAV NIDHI	Robin Joseph Baby
3064	210007931	ISO at BSE-vaibhav agarwal huf	AACHV4749M	vaibhav agarwal huf	Robin Joseph Baby
3065	210017882	ISO at BSE- VAIBHAV JAIN	AWMPJ9373M	VAIBHAV JAIN	Robin Joseph Baby
3066	210007246	ISO at BSE- VAIDEHI NIDHI HUF	AABTV0890J	VAIDEHI NIDHI HUF	Robin Joseph Baby
3067	210014993	ISO at BSE- VAISHALI KAUSHAL	AEUPK1894G	VAISHALI KAUSHAL	Robin Joseph Baby
3068	210016435	ISO at BSE- VAISHALI BEN SOHAM THAKKAR	AJCPT8029K	VAISHALI BEN SOHAM THAKKAR	Robin Joseph Baby
3069	210011885	ISO at BSE- VAISHALI HITESH MEHTA	AAOPM0816A	VAISHALI HITESH MEHTA	Robin Joseph Baby
3070	210017456	ISO at BSE- VAISHALI JIGNESH SHAH	AQRPS0426K	VAISHALI JIGNESH SHAH	Robin Joseph Baby
3071	210006433	ISO at BSE- VAISHALI PERIWAL FAMILY TRUST	AAATV5045Q	VAISHALI PERIWAL FAMILY TRUST	Robin Joseph Baby
3072	210018466	ISO at BSE- VAISHNABI RASTOGI	BNJPR4926B	VAISHNABI RASTOGI	Robin Joseph Baby
3073	210018162	ISO at BSE- VAISHNAVI SINHA	BDCPS6693D	VAISHNAVI SINHA	Robin Joseph Baby
3074	210008272	ISO at BSE- VALUABLE COMMODITIES TRADE PRIVATE LIMITED	AADCV6935D	VALUABLE COMMODITIES TRADE PRIVATE LIMITED	Robin Joseph Baby
3075	210007572	ISO at BSE- VALUEADDED MERCHANTS PRIVATE LIMITED	AACCV7295D	VALUEADDED MERCHANTS PRIVATE LIMITED	Robin Joseph Baby
3076	210017423	ISO at BSE- VANADA GOLECHA JAIN	AQHPJ7873M	VANADA GOLECHA JAIN	Robin Joseph Baby
3077	210016639	ISO at BSE- VANDANA BIHANI	AKEPB3802F	VANDANA BIHANI	Robin Joseph Baby



2

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3078	210014434	ISO at BSE- VANDANA GUPTA	ADTPG9374P	VANDANA GUPTA	Robin Joseph Baby
3079	210013255	ISO at BSE- VANDANA JHAJHARIA	ACGPJ0477Q	VANDANA JHAJHARIA	Robin Joseph Baby
3080	210015006	ISO at BSE- VANDANA MALPANI	AEUPM7592R	VANDANA MALPANI	Robin Joseph Baby
3081	210017063	ISO at BSE- VANDANA PALRIWAL	AMIPP0399K	VANDANA PALRIWAL	Robin Joseph Baby
3082	210014062	ISO at BSE- VANDANA RATHI	ADEPR1625F	VANDANA RATHI	Robin Joseph Baby



9

Annexure - B

S. No.	TRAD E_DAT	SCRIPCO PANNO	CLIENT NAME	CP_PA NNO	CP_CLI ENTNA ME	ORDER_ NO	CP_OR DER_N O	TRADE ID	ORD ER_T IME	CP_O RDER TIM E	TRAD E_TIM E	TRAD E_RAT E	TRADE_VAL UE	TRADED _QTY	ORDER_Q TY	CP_ORD ER_QTY	SCRIPN AME	EXPIRY DATE	STRIK EPRIC E
			VALUE ADDED MERCH ANTS PRIVATE																
					ASHOK GANES		14249		12:4	12:44									
					HLAL	1424925	25367		4:12	12:9	12:44								
					PORW	3678900	89000		9863	8633	12:98								
64425	26/02 /2015	848594 5D	LIMITE D	AZPP 0618C	AL	06003	6002	64095	60	4	6360	2.35	25175000	500000	500000	500000	IOBL15 MAR48 .00CE W3	2015- 03-19	4800
			ASHOK GANES																
					ADDE D		14249		12:3	12:34									
					MERC	1424925	25367		4:24	12:45	12:34								
					HANTS	3678900	89000		5865	8282	24:58								
64424	26/02 /2015	848594 8C	PORW AL	AACCV 7295D	PRIVA	06001	6000	58092	91	1	6591	0.35	24175000	500000	500000	500000	IOBL15 MAR48 .00CE W3	2015- 03-19	4800



21