



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

By Speed Post A.D.

DEPUTY GENERAL MANAGER &
ADJUDICATING OFFICER

SEBI/HO/IMD7/DM/DR/OW/19156/2021
August 12, 2021

KALA SUPPLIERS PVT LTD
201, MAHARSHI DEVENDRA ROAD,
1ST FLOOR, UNIT-II, KOLKATA WEST BENGAL 700007

Subject: Adjudication Proceedings in respect of Kala Suppliers Pvt Ltd 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 Kala Suppliers Pvt Ltd (hereinafter, referred to as "Noticee"), bearing PAN – AAECK1933H, 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 July 02, 2021 to inquire 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 July 06, 2021 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").

Page 1 of 4

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (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

SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.
Tel.: 2644 9950 / 4045 9950 (TVRS), 2644 9000 / 4045 9000 Fax : 2644 9019 to 2644 9022 Web : www.sebi.gov.in



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

22

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 trades through 3 (three) trades in 1 (one) unique contract, which led to generation of alleged artificial volume of 25,500 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 (which were also reversal trades in nature) 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 1 (one) Stock Options 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 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 (one) Stock Options 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 trades

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.	KOTB15FEB1470.00PE	216.99	12750	125	12750	100.00%	50%

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





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

8. The abovementioned reversal trades and volumes are illustrated through the dealings of Noticee in the one contract viz, "KOTB15FEB1470.00PE" during the investigation period, as follows:-
- (a) During the investigation period, 3 (three) trades for 25,500 units were executed by the Noticee in the said contract on 24/02/2015.
- (b) While dealing in the said contract on 24/02/2015, at 13:12:33:42 hrs the Noticee entered into buy trade with counterparty Shree Ganesh Metalik & Limited for 12,250 units at Rs. 217 per unit and at 13:13:57:13 hrs the Noticee entered into another buy trade with same counterparty Shree Ganesh Metalik & Limited for 500 units at Rs. 216.80 per unit. At 13:14:11:13 hrs, the Noticee entered into a sell trade with the same counterparty, for 12,750 units at Rs. 125 per unit.
- (c) The Noticee's 3 (three) trades while dealing in the above said contract during the investigation period allegedly generated artificial volume of 25,500 units, which made up 50% 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 entity 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 Noticee 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 Imposing Penalties by Adjudicating Officer) 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.
12. Your reply, if any, should reach the undersigned or through email at dipanjam@sebi.gov.in and dineshr@sebi.gov.in within 14 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.





अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

20

13. The Noticee may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulations, 2018. If the Noticee wish to opt for the settlement process, it may apply for the same in the manner given in the aforesaid regulations under intimation to the undersigned. Further, they may note that filing of settlement application does not confer any right to seek the settlement of the proceedings.
14. 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.

DIPANJAN MITRA
ADJUDICATING OFFICER

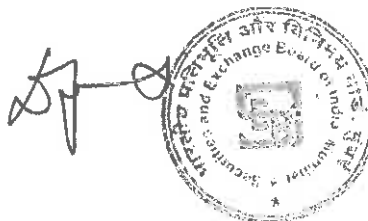


Enclosures: Documents relied upon are as follows:-

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 1 (one) Stock Options Contract in which Noticee allegedly executed reversal trades during the investigation period	1

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

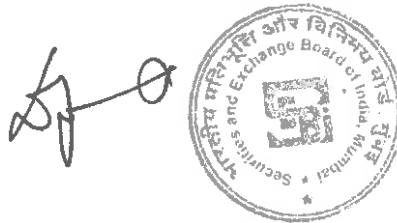
1. Whereas, Securities and Exchange Board of India (SEBI) has conducted examination trading in option on Individual stocks listed on Bombay Stock Exchange for possible violation of the provisions of the securities and Exchange Board of India Act, 1992 (hereinafter referred to as the 'SEBI Act') and various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

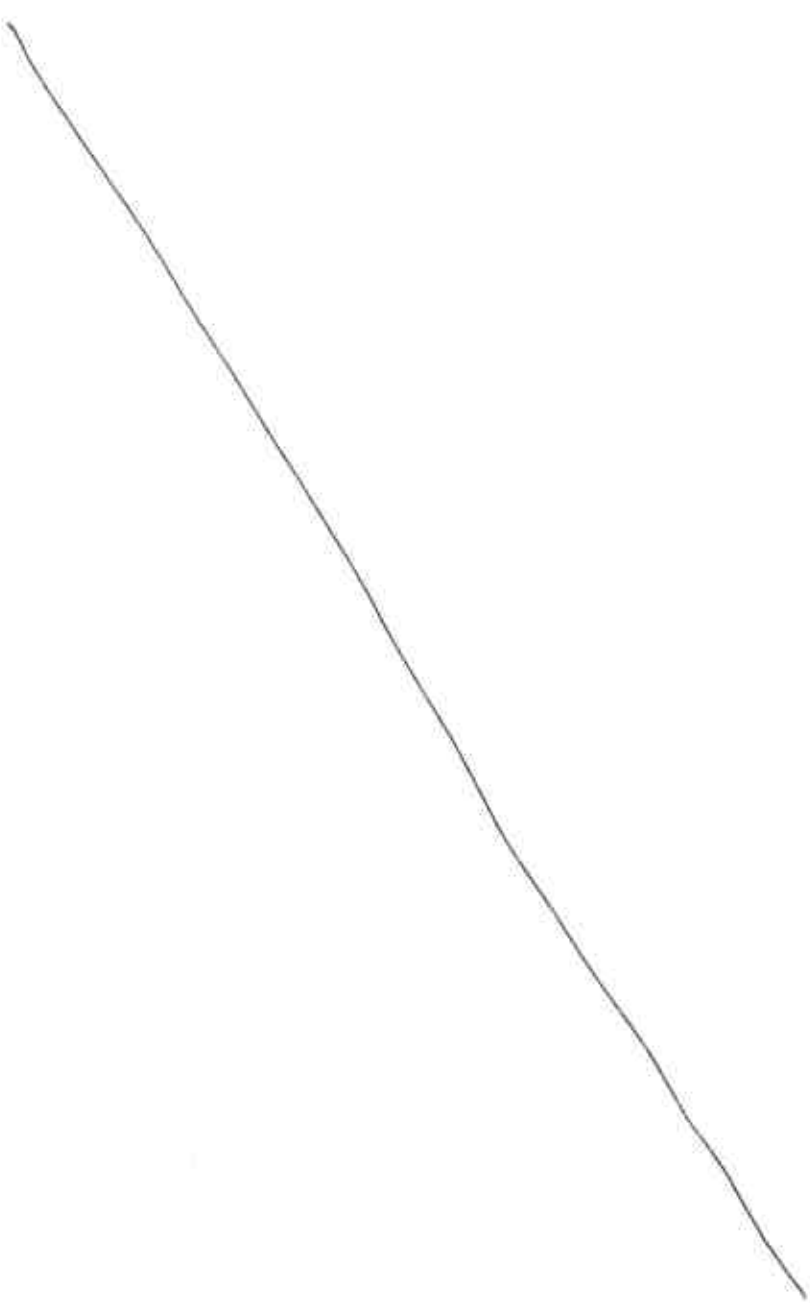


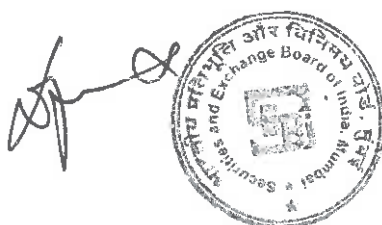
into and adjudicate upon the alleged violation as stated above and if the Adjudicating Officers are satisfied that the entities have become liable to penalty, may impose penalty, as they think fit, in terms of Rule 5 of the SEBI Rules and provisions of Sections 15 HA of the SEBI Act.

Dated at Mumbai, this 6th day of July 2021.

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



S. No.	Case ID	Case Name	PAN Number	Entity Name	AO Name
					
725	210008747	ISO at BSE-KALA SUPPLIERS PVT LTD	AAECK1933H	KALA SUPPLIERS PVT LTD	Dipanjana Mitra



TRADE DATE	SCRIPT CODE	clnt_pan	clnt_name	cp_pan	cp_name	ORDER_NO	CP_ORDER_NO	TRADE_ID	ORDER_TIME	CP_ORDER_TIME	TRADE_TIME	TRADE_RATE	LTP_ATE	LTP_RATE	CP_ORDER_RATE	ORDER_RATE	TRADE_VALUE	ORDER_RATE	CP_ORDER_RATE	CP_OR_DERL TP	TRADE_D_QTY	ORDER_QTY	CP_ORDER_QTY	MEMBER_NAME	CP_MEMBER_NAME	CP_ORDER_RTYPE	CP_ORDER_RTYPE	CP_ORDER_EXPIRY	STRIK PRICE
24/02/2015	833929	AAHCS1277R	SHREE GANESH METALIK & LIMITED	AAECK1933H	KALA SUPPLIERS PVT LTD	1424762790008005008	1424762790008005006	652837455	13:14:11.1	13:14:11.03	13:14:11.137455	125.0	0.0		125.0	125.0	20336250.0	125.0	125.0	216.8	12750	25500	12750	GEOMETRY VANIYA PVT. LTD.	GIRIRAJ STOCK BROKING PVT. LTD.	L	L	KOTB1SFE 2015-02-26	147000.0
24/02/2015	833929	AAECK1933H	KALA SUPPLIERS PVT LTD	AAHCS1277R	SHREE GANESH METALIK & LIMITED	1424762790008005001	1424762790008005002	663222655	13:12:33.4	13:12:33.42	13:12:33.424069	217.92	73.6		217.0	17000.0	20665750.0	217.0	217.0	217.0	12250	12250	25500	GEOMETRY VANIYA PVT. LTD.	GIRIRAJ STOCK BROKING PVT. LTD.	L	L	KOTB1SFE 2015-02-26	147000.0
24/02/2015	833929	AAECK1933H	KALA SUPPLIERS PVT LTD	AAHCS1277R	SHREE GANESH METALIK & LIMITED	1424762790008005003	1424762790008005005	673638140	13:13:57.0	13:13:57.13	13:13:57.138146	216.81	-0.2	-0.09	216.8	217.0	843400.0	216.8	216.8	216.8	500	500	1000	GEOMETRY VANIYA PVT. LTD.	GIRIRAJ STOCK BROKING PVT. LTD.	L	L	KOTB1SFE 2015-02-26	147000.0



15

ANNEXURE C

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	% of reversal trades of Entity's Total Volume 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
AAECK1933H	KOTB15FEB1470.00PE	216.99	12750	2766650	125	12750	1593750	3	3	3	6	25500	51000	100	50	100	100	50



Handwritten signature or initials.