

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. ORDER/NH/KL/2022-23/ 25356]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995.

In respect of
Aerrolink Ventures Private Limited
PAN AAKCA1497N
CIN U51909WB2011PTC171358

In the matter of Trading in Illiquid Stock Options on BSE

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as “SEBI”) observed large scale reversal of trades in stock options segment of Bombay Stock Exchange (hereinafter referred to as ‘BSE’). SEBI observed that such large scale reversal of trades in stock options lead to creation of artificial volume at BSE. In view of the same, SEBI conducted an investigation into the trading activities of certain entities in illiquid stock options at BSE for the period April 1, 2014 to September 30, 2015 (hereinafter referred to as ‘IP’).
2. Pursuant to investigation, it was observed that total 2,91,744 trades comprising substantial 81.40% of all the trades executed in stock options segment of BSE during the IP were non genuine trades. The aforesaid non-genuine trades resulted into creation of artificial volume in stock options segment of BSE during the IP. It was observed that one m/s Aerrolink Ventures Private Limited (PAN – AAKCA1497N) (hereinafter referred to as the ‘Noticee’) was one of the various entities who indulged in execution of reversal trades in stock options segment of BSE during the IP. Such trades were observed to be non-

genuine in nature and created false or misleading appearance of trading in terms of artificial volumes in stock options and therefore were alleged to be manipulative, deceptive in nature. In view of the same, it is alleged that the Noticee violated the provisions of Regulations 3(a), (b), (c), (d), 4(1) and 4 (2) (a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as 'PFUTP Regulations'). Therefore, SEBI initiated adjudication proceedings against the Noticee.

APPOINTMENT OF ADJUDICATING OFFICER

3. Shri Suresh B Menon was appointed as Adjudicating Officer in the matter, vide order dated July 27, 2021, under Section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "SEBI Act") read with Section 19 of the SEBI Act and Rule 3 of the 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 SEBI Act, the aforesaid alleged violations by Noticee. Pursuant to the superannuation of Shri Suresh B Menon, the undersigned was appointed as the AO in the matter vide order dated July 26, 2022.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice bearing reference no. EAD-1/SBM/VS/4187/2022 dated January 27, 2022 (hereinafter referred to as "SCN") was issued to the Noticee by the erstwhile AO under Rule 4(1) of the Adjudication Rules to show cause as to why an inquiry should not be initiated against him for the alleged violation of Regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of PFUTP Regulations, 2003 and why penalty should not be imposed under section 15HA of the SEBI Act for the violations alleged to have been committed by the

Noticee. Thereafter, vide post-SCN notice ref no SEBI/EAD2/NH/KL/2022/41390 dated August 10, 2022, the Noticee was informed about the SEBI Settlement Scheme 2022, commenced in terms of Regulation 26 of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 in the instant matter of Illiquid Stock Options. Further, in case, the Noticee do not wish to avail the facility under the SEBI Settlement Scheme, 2022, the Noticee was advised to file a reply to the SCN within 30 days of the receipt of the SCN.

5. I note that in the course of the proceedings, it has come on record that the status of the Noticee on the website of the Ministry of Corporate Affairs has been displayed as 'Strike-off', indicating that the Noticee has been struck-off from the records of the Register of Companies.
6. In this regard, it is noted that the Registrar of Companies, Kolkata has struck off and dissolved the Noticee with effect from February 03, 2022 from the register of companies in terms of the provisions of Section 248 (5) of the Companies Act, 2013 vide Public Notice (Form no. STK -7) bearing Notice No. ROC/WB/248(5)/STK-7/Drive-IV/2021/1 dated February 03, 2022.
7. The relevant provision of the Companies Act, 2013 are reproduced below for reference :

248. Power of Registrar to remove name of company from register of companies. -

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(5) At the expiry of the time mentioned in the notice, the Registrar may, unless cause to the contrary is shown by the company, strike off its name from the register of companies, and shall publish notice thereof in the Official Gazette, and on the publication in the Official Gazette of this notice, the company shall stand dissolved.

Effect of company notified as dissolved

250. Where a company stands dissolved under section 248, it shall on and from the date mentioned in the notice under sub-section (5) of that section cease to operate as a

company and the Certificate of Incorporation issued to it shall be deemed to have been cancelled from such date except for the purpose of realising the amount due to the company and for the payment or discharge of the liabilities or obligations of the company

8. Further, the details of Noticee such as 'date of incorporation' and 'Noticee name' as obtained from Ministry of Corporate Affairs (MCA) website have been verified with the PAN number of Noticee (AAKCA1497N) on the website of 'Income Tax Department' at the website's link viz. <https://eportal.incometax.gov.in/iec/foervices/#/pre-login/verifyYourPAN>
9. In view of the fact that the Noticee has been struck-off and liabilities in respect of the present proceedings had not accrued as on the date of dissolution of the Noticee, it would not be appropriate to determine liability against a company which no longer exists. Hence, the proceedings are hereby disposed of without going into the merits of the case. Should the Noticee stand revived or restored at any stage, a decision to initiate proceedings may be taken afresh at that stage.
10. 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, 2009), *inter-alia*, 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."

11. 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 February 03, 2022 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. After taking into consideration all the facts and circumstances of the case, 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 am of the view that the adjudication proceedings against the Noticee i.e. Aerrolink Ventures Private Limited (PAN: AAKCA1497N) are liable to be abated and the SCN dated January 27, 2022 stands disposed of.
13. Copy of this Adjudication Order is being sent to SEBI in terms of Rule 6 of the Adjudication Rules.

Date: March 31, 2023

N HARIHARAN

Place: Mumbai

ADJUDICATING OFFICER