



भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

By Speed Post A.D.

GENERAL MANAGER &
ADJUDICATING OFFICER

FPI&C/AT/AA/10356 /1/2022

March 11, 2022

APPU MARKETING AND MANUFACTURING LTD, [PAN: AAFCA1262N]
27, WESTON STREET, 5th FLOOR
ROOM NO-526, KOLKATA, WEST BENGAL

Subject: Adjudication Proceedings in respect of APPU MARKETING AND MANUFACTURING LTD 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 by Adjudicating Officer) Rules, 1995

1. Securities and Exchange Board of India (hereinafter, referred to as "SEBI") has initiated adjudication proceedings in respect of APPU MARKETING AND MANUFACTURING LTD (hereinafter, referred to as "Noticee"), bearing PAN – AAFCA1262N, 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 27, 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 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").

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





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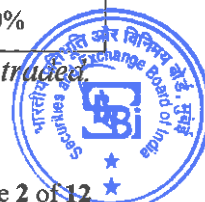
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4. Pursuant to investigation, it was observed that during the investigation period, a total of 2,91,744 trades comprising 81.41% of all the trades executed in BSE Stock Options Segment were trades which involved reversal of buy and sell positions by 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 2 trades in 1 unique contract, which led to generation of alleged artificial volume of 1,33,250 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 of Noticee in Stock Options segment of BSE during the investigation period are given in **Annexure B**, and details of all the reversal trades of the Noticee in Stock Option Segment of BSE during investigation period are given in **Annexure C**. An analysis of dealings of the Noticee in the Stock Options contracts in which the said Noticee allegedly executed reversal trades during the investigation period is given in **Annexure D**.
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 the Stock Options contracts 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.	MARU15APR340 0.00PEW4	40	66,625	10	66,625	100%	100%

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





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8. The abovementioned reversal trades and volumes are illustrated through the dealings of Noticee in the contract viz, "MARU15APR3400.00PEW4" during the investigation period, as follows:-
- (a) During the investigation period, 2 trades for 1,33,250 units were executed by the Noticee in the said contract on 30/03/2015.
- (b) While dealing in the said contract on 30/03/2015, at 11:44:13 hrs the Noticee entered into a buy trade with counterparty AARTI SPONGE AND POWER LIMITED for 66,625 units at Rs. 40/- per unit. At 11:44:19 hrs the Noticee entered into a sell trade with the same counterparty, for 66,625 units at Rs. 10/- per unit.
- (c) The Noticee's two trades while dealing in the abovesaid contract during the investigation period allegedly generated artificial volume of 1,33,250 units, which made up 100 % 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 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.
10. The aforesaid alleged violations, if established, make the Noticees 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 section 15HA of the SEBI Act.
12. Your reply, if any, should reach the undersigned or through email at amitt@sebi.gov.in and arpit_anand@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.
13. 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





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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.

Amit Tandon

AMIT TANDON
ADJUDICATING OFFICER

Enclosures: Documents relied upon are as follows: -

Annexure	Copy of relevant documents enclosed with this SCN	No. of pages
A.	Communique dated September 27, 2021 appointing Adjudicating Officer	3 (Pages 5 – 7)
B.	Extract of integrated trade log of all trades of Noticee in Stock Options segment of BSE during the investigation period i.e. April 1, 2014 to September 30, 2015	2 (Pages 8 – 9)
C.	Extract of integrated trade log of all reversal trades of Noticee in Stock Options segment of BSE during the investigation period i.e. April 1, 2014 to September 30, 2015	2 (Pages 10 – 11)
D.	Summary of dealings of Noticee in the Stock Options contracts in which Noticee allegedly executed reversal trades during the investigation period	1 (Page 12)



ANNEXURE A

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.



ANNEXURE A

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.

Bhavana R. K.

BHAVANA RAVIKUMAR
GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA



ANNEXURE A

S. No.	Case ID	Case Name	PAN Number	Entity Name	AO Name
261	210008211	ISO at BSE-APPU MARKETING AND MANUFACTURING LTD	AAFCA1262N	APPU MARKETING AND MANUFACTURING LTD	Amit Tandon



ANNEXURE - B

Extract of Integrated trade log of all trades of Noticee in Stock Option segment of BSE during the investigation period

TRADE_DATE	30/03/2015	30/03/2015
SCRIPCODE	837418	837418
clnt_pan	AAFCA1262N	AAECA7235N
clnt_name	APPU MARKETING AND MANUFACTURING LTD	AARTI SPONGE AND POWER LIMITED
cp_pan	AAECA7235N	AAFCA1262N
cp_name	AARTI SPONGE AND POWER LIMITED	APPU MARKETING AND MANUFACTURING LTD
ORDER_NO	1427692851035006001	1427692851035006003
CP_ORDER_NO	1427692851035006000	1427692851035006002
TRADEID	5417	5782
ORDER_TIME	11:44:13.703190	11:44:19.566572
CP_ORDER_TIME	11:44:13.666164	11:44:19.503534
TRADE_TIME	11:44:13.703190	11:44:19.566572
ORDER_LMTIME	11:44:13.703190	11:44:19.566572
CP_ORDER_LMTIME	11:44:13.666164	11:44:19.503534
TRADE_RATE	40	10
TRADE_VALUE	229190000	227191250
ORDER_RATE	40	10
CP_ORDER_RATE	40	10
ORDER_LMRATE	40	10
CP_ORDER_LMRATE	40	10
TRADED_QTY	66625	66625
ORDER_QTY	66625	66625
CP_ORDER_QTY	66625	66625
ORDER_AVLQTY	66625	66625
CP_ORDER_AVLQTY	66625	66625
ORDER_LMQTY	66625	66625
CP_ORDER_LMQTY	66625	66625
MEMBER_NO	6551	4034
MEMBER_NAME	GIRIRAJ STOCK BROKING PVT. LTD.	BAHUBALI FOREX PVT LTD
OLD_CLIENT		
MODIFIED_CLIENT	A086	BF489
CP_MEMBER_NO	4034	6551



ANNEXURE - B

Extract of Integrated trade log of all trades of Noticee in Stock Option segment of BSE during the investigation period

CP_MEMBER_NAME	BAHUBALI FOREX PVT LTD	GIRIRAJ STOCK BROKING PVT. LTD.
CP_OLD_CLIENT		
CP_MODIFIED_CLIENT	BF489	A086
TERMINALID	902	902
USER_NAME	Vinay Jajodia	
LOCATION_ADDRESS	190, JAMUNA LAL BAJAJ STREET KOLKATA WEST BENGAL 700007	
CP_TERMINALID	902	902
CP_USER_NAME		Vinay Jajodia
CP_LOCATION_ADDRESS		190, JAMUNA LAL BAJAJ STREET KOLKATA WEST BENGAL 700007
ORDER_AUD	A	A
CP_ORDER_AUD	A	A
ORDER_TYPE	L	L
CP_ORDER_TYPE	L	L
LOCATIONID	7000070001001012	7000070001003012
CP_LOCATIONID	7000070001003012	7000070001001012
SCRIPNAME	MARU15APR3400.00PEW4	MARU15APR3400.00PEW4
EXPIRY	2015-04-23	2015-04-23
STRIKEPRICE	3400	3400
SERIES	EQD	EQD
MKT_TYPE	N	N



ANNEXURE - C

Extract of Integrated trade log of all reversal trades of Noticee in Stock Option segment of BSE during the investigation period

TRADE_DATE	30/03/2015	30/03/2015
SCRIPCODE	837418	837418
clnt_pan	AAFCA1262N	AAECA7235N
clnt_name	APPU MARKETING AND MANUFACTURING LTD	AARTI SPONGE AND POWER LIMITED
cp_pan	AAECA7235N	AAFCA1262N
cp_name	AARTI SPONGE AND POWER LIMITED	APPU MARKETING AND MANUFACTURING LTD
ORDER_NO	1427692851035006001	1427692851035006003
CP_ORDER_NO	1427692851035006000	1427692851035006002
TRADEID	5417	5782
ORDER_TIME	11:44:13.703190	11:44:19.566572
CP_ORDER_TIME	11:44:13.666164	11:44:19.503534
TRADE_TIME	11:44:13.703190	11:44:19.566572
ORDER_LMTIME	11:44:13.703190	11:44:19.566572
CP_ORDER_LMTIME	11:44:13.666164	11:44:19.503534
TRADE_RATE	40	10
TRADE_VALUE	229190000	227191250
ORDER_RATE	40	10
CP_ORDER_RATE	40	10
ORDER_LMRATE	40	10
CP_ORDER_LMRATE	40	10
TRADED_QTY	66625	66625
ORDER_QTY	66625	66625
CP_ORDER_QTY	66625	66625
ORDER_AVLQTY	66625	66625
CP_ORDER_AVLQTY	66625	66625
ORDER_LMQTY	66625	66625
CP_ORDER_LMQTY	66625	66625
MEMBER_NO	6551	4034
MEMBER_NAME	GIRIRAJ STOCK BROKING PVT. LTD.	BAHUBALI FOREX PVT LTD
OLD_CLIENT		
MODIFIED_CLIENT	A086	BF489
CP_MEMBER_NO	4034	6551



ANNEXURE - C

Extract of Integrated trade log of all reversal trades of Noticee in Stock Option segment of BSE during the investigation period

CP_MEMBER_NAME	BAHUBALI FOREX PVT LTD	GIRIRAJ STOCK BROKING PVT. LTD.
CP_OLD_CLIENT		
CP_MODIFIED_CLIENT	BF489	A086
TERMINALID	902	902
USER_NAME	Vinay Jajodia	
LOCATION_ADDRESS	190, JAMUNA LAL BAJAJ STREET KOLKATA WEST BENGAL 700007	
CP_TERMINALID	902	902
CP_USER_NAME		Vinay Jajodia
CP_LOCATION_ADDRESS		190, JAMUNA LAL BAJAJ STREET KOLKATA WEST BENGAL 700007
ORDER_AUD	A	A
CP_ORDER_AUD	A	A
ORDER_TYPE	L	L
CP_ORDER_TYPE	L	L
LOCATIONID	7000070001001012	7000070001003012
CP_LOCATIONID	7000070001003012	7000070001001012
SCRIPNAME	MARU15APR3400.00PEW4	MARU15APR3400.00PEW4
EXPIRY	2015-04-23	2015-04-23
STRIKEPRICE	3400	3400
SERIES	EQD	EQD
MKT_TYPE	N	N



ANNEXURE - D

Summary of dealings of Noticee in the Stock options contracts in which Noticee allegedly executed reversal trades during the investigation period

A	S. No.	1
B	PAN	AAFCA1262N
C	SCRIPNAME	MARU15APR3400.00PEW4
D	Buy Quantity	66625
E	Buy Value	2665000
F	Average Buy rate	40
G	Sell Quantity	66625
H	Sell Value	666250
I	Average Sell rate	10
J	Number of non genuine trades executed by Entity in the Contract	2
K	Total number of trades executed by the Entity in the Contract	2
L	Total number of trades executed in the contract	2
M	Artificial volume generated by Entity in the Contract	133250
N	Total volume generated by Entity in the Contract	133250
O	Total volume in the Contract	133250
P	% of Non - Genuine trades of Entity in the contract to Entity's Total trades in the Contract ($J*100/K$)	100
Q	% of Non - Genuine trades of Entity in the contract to Total trades in the Contract ($J*100/L$)	100
R	% of Artificial Volume generated by Entity in the contract to Entity's Total Volume in the Contract ($M*100/N$)	100
S	% of Artificial Volume generated by Entity in the contract to Total Volume in the Contract ($M*100/O$)	100

