

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/SM/S./2023-24/27769]

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

In respect of

Galaxy Enterprises Private Limited (Galaxy Enterprises)

[PAN: AAFFH7794Q]
[CIN: U74999MH2003PTC057452]

In the matter of Trading 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 Galaxy Enterprises Private Limited (earlier known as Galaxy Enterprises and 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 15 HA 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 September 30, 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 AND REPLY

5. Show Cause Notice ref. EAD-10/SM/S./38983/2022 dated August 08, 2022 (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 15HA of the SEBI Act
6. I find that the SCN sent to the Noticee through digitally signed email had been duly served. Thereafter, for the purposes of serving the SCN by SPAD, I have ascertained the current address/status of the Noticee from the records available at the Ministry of Corporate Affairs (MCA) website. As per the records available at the Ministry of Corporate Affairs (MCA) website on the date of this order, the name of the Noticee has been struck off from the list of companies by the Registrar of Companies, Mumbai ("**ROC**") and the status of the Noticee is shown as "struck off".
7. I observe that as per the Public Notice (Form No. STK-7 ref. no. ROC-MUM/Section 248/2017/STK-7/2 dated July 10, 2017), issued by RoC in terms of sub-section (5) of section 248 of the Companies Act, 2013 and rule 9 of the Companies (Removal of Names of companies from the Register of Companies) Rules, 2016, the name of the Noticee was mentioned in the said list of struck off entities (at Sl. No. 4735 under CIN U74999MH2003PTC057452). As per the said Public Notice, Noticee had been struck off from the register of companies and consequently the Noticee stands dissolved. I find that the instant adjudication proceeding against the Noticee was initiated on August 08, 2022, i.e., after the date on which Noticee was struck off by MCA.
8. It is an established fact that when a company is dissolved and its name is struck-off from the ROC list, it ceases to exist and adjudication proceedings against a non-existing company are thus a nullity. I note that Black's Law Dictionary explains 'dissolution' as termination or winding up. I also note that such dissolution of a company amounts to the termination of its legal existence. I further note that as per Section 248 of the Companies Act, 2013, "strike off" essentially means removing the name of the company from the Register maintained by the ROC. It amounts to

closure of the company and the company ceases to exist in the eyes of law after being struck-off. In this context, I would like to draw reference to the 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, 2009 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."*

9. As on the date of issuance of the SCN to the Noticee i.e August 08, 2022, the Noticee's name has been struck-off from the ROC list and the company was not in existence. Therefore, in view of the facts and circumstances noted in the preceding paragraphs, I conclude that the present adjudication proceedings initiated against the Noticee vide SCN dated August 08, 2022 cannot be proceeded with.

ORDER

10. 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. Galaxy Enterprises Private Limited (earlier known as Galaxy Enterprises) vide SCN dated August 08, 2022.

11. In terms of rule 6 of the Adjudication Rules, copies of this order are sent to the Noticee and also to SEBI.

Date: June 27, 2023
Place: Mumbai

SOMA MAJUMDER
ADJUDICATING OFFICER