



**BEFORE THE ADJUDICATING OFFICER  
SECURITIES AND EXCHANGE BOARD OF INDIA  
[ADJUDICATION ORDER NO. Order/JS/DP/2025-26/32235]**

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**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 Mercantiles Private Limited  
(PAN: AABCG2552M)**

**In the matter of dealings in Illiquid Stocks Options on BSE**

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**BACKGORUND OF THE CASE**

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) observed large scale reversal of trades in the Illiquid Stock Options (hereinafter also referred to as “**ISO**”) on BSE Ltd. (hereinafter referred to as “**BSE**”) leading to creation of artificial volume. In view of the same, SEBI conducted an investigation into the trading activities of certain entities in ISO on BSE for the period starting from April 1, 2014 to September 30, 2015 (hereinafter referred to as “**IP**”).
2. Investigation by SEBI revealed that during the IP, a total of 2,91,744 trades comprising 81.41% of all the trades executed in stock options segment of BSE were trades involving reversal of buy and sell positions by the clients and counterparties in a contract. In these trades, entities reversed their buy or sell position in a contract with subsequent sell or buy position with the same counterparty. These reversal trades were alleged to be non-genuine as they lacked basic trading rationale and allegedly portrayed false or misleading appearance of trading leading to creation of artificial volume in those contracts. In view of the same, such reversal trades were alleged to be deceptive and manipulative in nature.
3. During the IP, 14,720 entities were found to have executed non-genuine trades in BSE’s stock options segment. It was observed that Galaxy Mercantiles Private



Limited (hereinafter referred to as the “**Noticee**”) was one of the entities who indulged in execution of reversal trades in stock options segment of BSE during the IP. Its trades were alleged to be non-genuine in nature which created false or misleading appearance of trading in terms of artificial volumes in stock options. Therefore, its trades were alleged to be manipulative and deceptive in nature. In view of the same, SEBI initiated adjudication proceedings against the Noticee for alleged violation of 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**”).

#### **APPOINTMENT OF ADJUDICATING OFFICER**

4. Pursuant to transfer of the case from erstwhile Adjudicating Officer (hereinafter referred to as “**AO**”), the undersigned was appointed as AO in the matter vide order dated April 04, 2025, under section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the “**SEBI Act**”) read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “**Rules**”), to inquire into and adjudge under the provisions of section 15HA of the SEBI Act for the alleged violations by the Noticee.

#### **SHOW CAUSE NOTICE, REPLY AND HEARING**

5. A Show Cause Notice dated August 11, 2022 (hereinafter referred to as “**SCN**”) was issued to the Noticee under rule 4(1) of Rules to show cause as to why an inquiry should not be held and penalty, if any, should not be imposed upon it for the alleged violations of the provisions of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the PFUTP Regulations. Noticee was further informed that SEBI had introduced a Settlement Scheme, i.e., SEBI Settlement Scheme, 2022 (hereinafter referred to as “**Settlement Scheme 2022**”) in terms of regulation 26 of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as “**Settlement Regulations**”). It was informed that the Settlement



Scheme 2022 provides a one-time opportunity to the entities against whom proceedings were initiated and appeals against the said proceedings were pending to settle the proceedings. The scheme commenced from August 22, 2022 and remained open for a period of 3 months. Later, the applicable period of the Settlement Scheme 2022 was extended to January 21, 2023 by SEBI. However, the SCN issued to Noticee by Speed Post Acknowledgement Due (hereinafter referred to as “**SPAD**”) returned undelivered.

6. Vide email dated September 20, 2023, Noticee submitted that it would like to participate in the settlement scheme. Since, the Settlement Scheme 2022 was already over, the adjudication proceedings in the matter was resumed.
7. Subsequently, a post SCN intimation (PSI) dated March 06, 2024 was issued to the Noticee, wherein it was stated that SEBI had offered another Settlement Scheme, i.e., SEBI Settlement Scheme, 2024 (hereinafter referred to as “**Settlement Scheme 2024**”) in terms of regulation 26 of Settlement Regulations. The applicable period of the scheme was March 11, 2024 to May 10, 2024. Later, the Settlement Scheme 2024 was extended till June 10, 2024 by SEBI vide Public Notice dated May 08, 2024. The second PSI was issued to the Noticee through SPAD and email.
8. Noticee vide letter dated December 09, 2024, filed reply to the SCN, *inter alia*, submitting the following:
  - (a) *Noticee was not aware of the counterparty. The orders were placed through stock brokers and based on the commercial wisdom in ordinary course of business;*
  - (b) *No alert or warning was issued by BSE;*
  - (c) *While trading in an illiquid option there are more chances of getting the trade squared off with the same party. Noticee as an investor asked its broker to buy or sell which it did on Noticee’s behalf on the Exchange Platform. They were not in a position to see the screen or the broker could not identify with whom the deal got punched as the details were not shared on the screen by the exchange. Since the trading system is anonymous, it will be very naive to draw conclusion that the parties knew each other.*



9. Pursuant to appointment of the undersigned as AO, a final opportunity of hearing was granted to Noticee vide hearing notice dated December 09, 2025. The said hearing notice was issued by SPAD/email and the hearing notice issued by email was served upon the Noticee.
10. Noticee vide letter dated December 23, 2025 filed further reply to the SCN and submitted the following:
- (a) *There is a considerable delay in the issuance of notice (August 11, 2022) and the date of alleged transaction(s) somewhere in the year 2015, i.e., there is a delay of more than six years in the initiation of the proceedings under the SEBI Act. For the same, Noticee relied upon orders of Hon'ble Securities Appellate Tribunal in the matter of Ashok Shivlal Rupani v. SEBI and Mr. Rakesh Kathotia & Ors. v. SEBI;*
  - (b) *Noticee had taken this trade from the trading terminals having online mechanism on the anonymous trading platform of the stock exchange and by no stretch of imagination Noticee would be aware of the counterparty;*
  - (c) *Noticee executed trades independently based on commercial wisdom in ordinary course of business and no adverse inference should be drawn;*
  - (d) *While trading in an illiquid options there are more chances of getting the trade squared off with the same party. Noticee as an investor asked its stock broker to buy or sell which stock broker did on Noticee's behalf on the exchange platform. They were not in a position to see the screen or the broker could not identify with whom the deal got punched as the details were not shared on the screen by the exchange. Since the trading system is anonymous, it will be very naive to draw conclusion that the parties knew each other;*
  - (e) *In the matter of Govindji Gupta and others (Order No. MC/DSS/2019-20/6209-6214), the Adjudicating Officer had considered a time difference upto five minutes between two trades and also difference in order prices, to be significant and recorded the following:  
"There was huge order time gap between the both legs of orders placed by the Noticee and his counterparties. In most of the Instances (more than 90% of the orders) there were time gap of 10 seconds to 5 minutes. Thus, the structured trades could not have been said to be intentional. In this regard, while 10 seconds is a very small-time difference between orders, I find the argument on difference in order prices acceptable as a trade cannot be intended to match in a structured manner with difference in order prices."*
  - (f) *Noticee's trades do not fit into the definition of fraud since SEBI failed to provide for any factual evidence to prove that the Noticee's' trade led to*



- increase in volume, or manner adopted was fraudulent, hence, such allegations are refuted;*
- (g) No alert / warning / caution, etc. of any sort was issued by BSE / SEBI at the time of carrying out of such trades despite BSE and SEBI having state of the art surveillance system;*
  - (h) Therefore, the question of imposing penalty under SEBI Act does not arise;*
  - (i) Noticee relied upon the orders of Hon'ble SAT in the matters of Jagruti Securities v. SEBI, Kishor V. Gandhi v. SEBI and S.P.J. Stock Brokers Pvt. Ltd. v. SEBI stating that for creation of artificial volume the connection between the counter parties is required to be established;*
  - (j) In Dhvani Darshan Kothari & Anr. v. SEBI, Hon'ble SAT held that purchasing off market and selling online to the same counterparty may raise a strong suspicion that the transfer may not be genuine but further held that reasons have to be recorded to show as to how the trades were manipulative or fraudulent and that one transfer cannot make it circular / reversal or synchronized nor execution of one trade would be treated at par with the trades executed by other entities which was large in number;*
  - (k) Noticee also relied upon the order of Hon'ble SAT in the matter of Yogi Sungwon (India) Ltd. v. SEBI on imposition of penalty which should not be harsh and excessive. Noticee submitted that the power and discretion is vested in an AO under section 15I of SEBI Act.*

11. The Authorised Representative (AR) of the Noticee, Mr. Gautam Agarwal, Chartered Accountant appeared for the hearing and reiterated the submissions made vide reply dated December 23, 2025. The AR further submitted that there was a delay in initiating the proceedings and further no loss or harm was caused to investors due to the trades executed by the Noticee.

### **CONSIDERATION OF ISSUES AND FINDINGS**

12. I have perused the allegations levelled against the Noticee in the SCN and the material available on record. In the instant matter, the following issues arise for consideration and determination:

- I. Whether the Noticee violated the provisions of regulations 3(a), (b), (c), (d) and 4(1) and 4(2)(a) of PFUTP Regulations?
- II. Do the violations, if any, on part of the Noticee attract monetary penalty under section 15HA of SEBI Act?



III. If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act?

13. In this regard, it is pertinent to refer to the relevant provisions of PFUTP Regulations which are alleged to have been violated by the Noticee, as under:

***“3. Prohibition of certain dealings in securities***

*No person shall directly or indirectly –*

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;*
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognised stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognised stock exchange;*
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognised stock exchange in contravention of the provisions of the Act or the rules and the regulations made thereunder.”*

***“4. Prohibition of manipulative, fraudulent and unfair trade practices***

- (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*
- (2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:-*
  - (a) indulging in an act which creates false or misleading appearance of trading in the securities market;”*

14. Before proceeding in the matter, I would like to deal with the preliminary issue raised by Noticee. Noticee has submitted that there was a delay in issuing SCN in the matter. Noticee has relied upon the orders of Hon'ble SAT in the matter of Ashok Shivlal Rupani v. SEBI and Mr. Rakesh Kathotia & Ors. v. SEBI to advance its arguments.

15. In this regard, it is noted that pursuant to a preliminary examination conducted in the Illiquid Stock Options matter, Interim order was passed by SEBI on August 20, 2015 which was confirmed vide orders dated July 30, 2016 and August 22, 2016. Meanwhile, SEBI initiated a detailed investigation relating to stock options segment



of BSE which was completed in the year 2018. The investigation revealed that 14,720 entities were involved in executing non-genuine trades in BSE's stock option segment during the investigation period. The proceedings initiated vide the aforementioned Interim Order were disposed of vide Final Order dated April 05, 2018 also considering that appropriate action was initiated against the said 14, 720 entities in a phased manner. During the course of hearing in the case of R. S. Ispat Ltd v. SEBI, Hon'ble SAT, vide its order dated October 14, 2019, *inter alia*, observed that "SEBI may consider holding a Lok Adalat or adopting any other alternative dispute resolution process with regard to the Illiquid Stock Options".

16. Hence, a Settlement Scheme was framed under the SEBI (Settlement Proceedings) Regulations, 2018, which provided one-time opportunity for settlement of proceedings in the Illiquid Stock Options matter. The said scheme was kept open from August 01, 2020 till December 31, 2020. Adjudication proceedings were initiated against those entities who did not avail the opportunity of settlement.

17. It is further noted that there are no timelines prescribed in the SEBI Act, 1992 for the purpose of identifying trades as non-genuine. In this regard, it is pertinent to note that, in the matter of SEBI v. Bhavesh Pabari (2019) SCC Online SC 294, the Hon'ble Supreme Court of India has, *inter alia*, held that:

*"There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc."*

18. Therefore, as can be seen from the narration of facts in the foregoing paragraphs, I note that there has been no delay in issuance of SCN as alleged by the Noticee.

19. Now I proceed to adjudicate the issues raised by the Noticee with respect to the merits of the case.



**Issue No. 1: Whether the Noticee violated the provisions of regulations 3(a), (b), (c), (d) and regulation 4(1) and 4(2)(a) of PFUTP Regulations?**

20. I note that it was alleged in the SCN that the Noticee, while dealing in the stock options contract on BSE during the IP, had executed reversal trades which were allegedly non-genuine trades and the same had resulted in generation of artificial volume in stock options contract on BSE. The said reversal trades were alleged to be non-genuine trades as they were not executed in the normal course of trading, lacked basic trading rationale, led to false or misleading appearance of trading in terms of generation of artificial volumes and hence, were deceptive and manipulative.

21. From the documents on record, it is noted that the Noticee was one of the entities who had executed non-genuine reversal trades and created artificial volume of 2,40,000 units through two trades leading to one reversal trade in one stock options contract during the IP. The summary of trades is given below:

**Table No. 1**

<b>Contract name</b>	<b>Avg. buy rate (₹)</b>	<b>Total buy volume (no. of units)</b>	<b>Avg. sell rate (₹)</b>	<b>Total sell volume (no. of units)</b>	<b>% of Artificial volume generated by the Noticee in the contract to Noticee's Total volume in the contract</b>	<b>% of Artificial volume generated by the Noticee in the contract to Total volume in the contract</b>
HDIL15MAR115.00CE	1.35	120000	0.05	120000	100%	5.86%

22. On March 24, 2015, the Noticee, at 11:45:01.308191 hours, entered into a buy trade in a contract, viz., 'HDIL15MAR115.00CE' with counterparty 'Krishnamurari Enterprises Private Limited' for 1,20,000 units at ₹1.35/- per unit. On the same day,



at 12:03:43.151781 hours, Noticee entered into a sell trade of same contract with the same counterparty for 1,20,000 units at ₹0.05/- per unit. It is noted that the Noticee while dealing in the said contract, executed a total of two trades (one buy trade and one sell trade) with same counterparty, viz., Krishnamurari Enterprises Private Limited on the same day and with significant price difference in buy and sell rates. It is observed that the Noticee's two trades, while dealing in the aforesaid contract, generated an artificial volume of 2,40,000 units, which made up to 5.86% of total market volume in the said contract during the IP.

23. Noticee in its defence has submitted that impugned trades were executed on the exchange platform of BSE and BSE did not issue and observation for the same. The Noticee further submitted that the trades were executed on anonymous and transparent trading platform of the exchange, no connection between the counterparty and the Noticee had been established. Noticee also contended that it had no knowledge of the counterparty. Noticee has further contended the these trades do not constitute fraud as mentioned in the PFUTP Regulations. Noticee has relied upon orders of Hon'ble SAT in the matter of Jagruti Securities v. SEBI, Kishor V. Gandhi v. SEBI and S.P.J. Stock Brokers Pvt. Ltd. v. SEBI and stated that there needs to be a connection with the counterparty or mischievous meeting of minds between the counterparties to allege fraudulent trades .

24. In this connection, I note that the non-genuineness of the transactions executed by the Noticee is evident from the fact that there was no commercial basis as to why, within eighteen minutes, the Noticee reversed the position with the same counterparty with price difference of Rs. 1.30 on the same day. The fact that the transactions in a particular contract were reversed with the same counterparties indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. Since these trades were done in illiquid options contract, there was negligible trading in the said contract and hence, there was no price discovery in the strictest terms. The variation in prices of the said contract, within a few minutes, is a clear indication that there was pre-determination in the prices by the



counterparties while executing the trades. The fact that the transactions in a particular contract were reversed with the same counterparty for the same quantity of units, indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price.

25. Noticee has relied upon the order of AO in the matter of Govindji Gupta and Others wherein the AO had held that while ten seconds is a very small-time difference between orders, the argument on difference in order prices is acceptable as a trade cannot be intended to match in a structured manner with difference in order prices. The said case is distinguishable from the current facts of the case as there was a considerable difference in the order prices. However, in the present case, Noticee had placed the buy order at Rs. 1.35 whereas the counterparty had placed the order at Rs. 1.40. The order price difference was Rs. 0.05. Further, in the sell order placed by the Noticee, the order price of the Noticee and counterparty matched at Rs. 0.05, there was no order price difference. Additionally, in the present matter, the Noticee's order quantity also matched with the counterparty. Therefore, I do not find any merit in the submission of the Noticee.

26. It is further noted that direct evidence is not forthcoming in the present matter as regards to meeting of minds or collusion with other entities, *inter alia*, the counterparties or agents/fronts. However, trading behaviour as noted above make it clear that aforesaid non-genuine trades could not have been possible without meeting of minds at some level. Thus, submissions of Noticee is devoid of merit. Noticee has relied upon the order of Hon'ble SAT in the matter of Dhvani Darshan Kothari & Anr. v. SEBI that reasons have to be recorded to show as to how the trades were manipulative or fraudulent and one transfer cannot make circular / reversal or synchronized or execution of one trade would be treated at par with the trades executed by other entities which was large in number.

27. I note that the trades executed by Noticee in the contract were reversal trades, in which the buy and sell orders were executed with substantial difference without any



trading strategy. The trading pattern shows perfect matching of price, quantity and time. In my view, such matching of orders is too much of a coincidence. In this regard, considering the same in toto along with attendant circumstances, it is discernible that the aforesaid reversal trades were non-genuine.

28. I note that it cannot be a mere coincidence that the Noticee could match its trades with the same counterparty with whom it had undertaken first leg of the respective trades. It is further noted that direct evidence is not forthcoming in the present matter as regards to meeting of minds or collusion with other entities, *inter alia*, the counterparties or agents/fronts. However, trading behaviour as noted above makes it clear that aforesaid non-genuine trades could not have been possible without meeting of minds at some level.

29. In this regard, reference is drawn to the judgement of Hon'ble Supreme Court in the matter of *SEBI v. Kishore R Ajmera* (AIR 2016 SC 1079), wherein it was held that:

*"...According to us, knowledge of who the 2<sup>nd</sup> party / client or the broker is, is not relevant at all. While the screen based trading system keeps the identity of the parties anonymous it will be too naïve to rest the final conclusions on the said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming...in the absence of direct proof of meeting of minds elsewhere in synchronized transactions, the test should be one of preponderance of probabilities as far as adjudication of civil liability arising out of the violation of the Act or provision of the Regulations is concerned. The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors. The illustrations are not exhaustive.*

*It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion."*



30. Therefore, applying the ratio of the above judgment, it is observed that the execution of trades by the Noticee in the options segment with such precision in terms of order placement, time, price, quantity, etc., and also the fact that the transactions were reversed with the same counterparty clearly indicates a prior meeting of minds with a view to execute the reversal trades at a pre-determined price. The only reason for the wide variation in prices of the same contract, within few seconds was a clear indication that there was pre-determination in the prices by the counterparties when executing the trades. Thus, the nature of trading, as brought out above, clearly indicates an element of prior meeting of minds and therefore, a collusion of the Noticee with its counterparty to carry out the trades at pre-determined prices.

31. It is also relevant to refer to judgement of the Hon'ble SAT in the matter of *Ketan Parekh v. SEBI*<sup>1</sup>, wherein it was held that:

*"In other words, if the factum of manipulation is established it will necessarily follow that the investors in the market had been induced to buy or sell and that no further proof in this regard is required. The market, as already observed, is so wide spread that it may not be humanly possible for the Board to track the persons who were actually induced to buy or sell securities as a result of manipulation and law can never impose on the Board a burden which is impossible to be discharged. This, in our view, clearly flows from the plain language of Regulation 4 (a) of the Regulations."*

32. In this regard, further reliance is placed on judgment of Hon'ble Supreme Court in the matter of *SEBI v. Rakhi Trading Private Limited*, decided on February 8, 2018 on similar factual circumstances, which, *inter alia*, stated as under:

*"Considering the reversal transactions, quantity, price and time and sale, parties being persistent in number of such trade transactions with huge price variations, it will be too naive to hold that the transactions are through screen-based trading and hence anonymous. Such conclusion would be over-looking the prior meeting of minds involving synchronization of buy and sell order and not negotiated deals as per the board's circular. The impugned transactions are manipulative/deceptive device to create a desired loss and/or profit. Such synchronized trading is violative of transparent norms of trading in securities..."*

33. Therefore, the trading behaviour of the Noticee confirms that such trades were not normal, indicating that the trades executed by the Noticee were not genuine trades

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<sup>1</sup> Ibid.



and being non-genuine, created an appearance of artificial trading volumes in respective contract. In view of the above, I find that the allegation of violation of regulations 3(a), (b), (c) and (d), 4(1), 4(2)(a) of PFUTP Regulations by the Noticee stands established.

**Issue No. 2: Do the violations, if any, on part of the Noticee attract monetary penalty under section 15HA of SEBI Act?**

34. In the findings made in foregoing paragraphs, it has been established that the Noticee executed non-genuine reversal trades, which created false and misleading appearance of trading, thereby generated artificial volumes in the stock options segment of BSE during the IP, therefore, Noticee violated the provisions of regulations 3(a), (b), (c) and (d) and regulation 4(1) and 4(2)(a) of the PFUTP Regulations.

35. Therefore, considering the above findings and the judgement of Hon'ble Supreme Court in the matter of *SEBI v. Shriram Mutual Fund [2006] 68 SCL 216 (SC)* decided on May 23, 2006, wherein it was held that "*In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must be made by the defaulter with guilty intention or not.*", I am convinced that it is a fit case for imposition of monetary penalty under the provisions of section 15HA of 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.”*



**Issue No. 3: If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act?**

36. While determining the quantum of penalty under section 15HA of the SEBI Act, the following factors as stipulated in section 15J of the SEBI Act are taken into account-

***“Factors to be taken into account while adjudging quantum of penalty.***

*15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely:*

- 
- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
  - (b) the amount of loss caused to an investor or group of investors as a result of the default;*
  - (c) the repetitive nature of the default.”*

37. As established above, the trades by the Noticee were non-genuine in nature and created a misleading appearance of trading in the aforesaid contract. I note that when the impact of artificial volume created by the two counterparties is seen as a whole, it is not possible, from the material on record, to quantify the amount of disproportionate gain or unfair advantage resulting from the artificial trades between the counterparties or the consequent loss caused to investors as a result of the default. Further, the material available on record does not demonstrate any repetitive default on the part of the Noticee. However, considering that the two non-genuine trades entered by the Noticee in one options contract led to creation of artificial volumes which had the effect of distorting the market mechanism in the stock options segment of BSE, I find that the aforesaid violations were detrimental to the integrity of securities market, which should be dealt with suitable penalty. Noticee has relied upon the order of Hon’ble SAT in the matter of Yogi Sungwon (India) Ltd. v. SEBI with respect to discretion of AO while imposing penalty. The observations of Hon’ble SAT have been taken into consideration for imposition of penalty.



## ORDER

38. Taking into account the facts and circumstances of the case, material available on record, findings hereinabove and factors mentioned in section 15J of the SEBI Act, in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Rules, I hereby impose monetary penalty of ₹5,00,000/- (Rupees Five Lakh only) on the Noticee (Galaxy Mercantiles Private Limited) under section 15HA of SEBI Act for the violation of regulations 3(a), (b), (c) and (d), 4(1), 4(2)(a) of PFUTP Regulations. I am of the view that the said penalty is commensurate with the violations committed by Noticee.

39. The Noticee shall remit/pay the said amount of penalty within 45 days of receipt of this order by following the path at SEBI website [www.sebi.gov.in](http://www.sebi.gov.in):

**ENFORCEMENT >Orders >Orders of AO> PAYNOW;**

40. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties of Noticee.

41. In terms of the provisions of rule 6 of the Rules, a copy of this order is being sent to the Noticee and to SEBI.

**Place: Mumbai**  
**Date: March 20, 2026**

**JAI SEBASTIAN**  
**ADJUDICATING OFFICER**