BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/JS/YK/2024-25/31788]

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:
Sankat Mochan Holdings Private Limited
(PAN: AAECS8505M)

In the matter of dealing in Illiquid Stocks Options on BSE

FACTS OF THE CASE IN BRIEF

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**"), observed large scale reversal of trades in the Illiquid Stock Options (hereinafter 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 "**Investigation Period/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 counter party. These reversal trades were alleged to be non-genuine as they lacked basic

trading rationale and allegedly portrayed a 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 Sankat Mochan Holdings 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. The Noticee 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 to the case from erstwhile Adjudicating Officer (hereinafter referred to as "**AO**"), the undersigned was appointed as AO in the matter vide communiqué 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. Based on the findings by SEBI, a Show Cause Notice dated August 05, 2022 (hereinafter referred to as "**SCN**") was issued by erstwhile AO 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.

6. It was alleged in the SCN that the Noticee was indulged in reversal and non-genuine trades and details of the trades including the trade dates, name of the counterparties, time, price and volume etc., were provided to the Noticee as Annexure to the SCN.

7. Vide Part B of above referred SCN, Noticee was 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 further informed that the Settlement Scheme, 2022 provided a one-time opportunity to the entities against whom proceedings had been initiated and appeals against the said proceedings are pending. The Settlement Scheme 2022 commenced from August 22, 2022 and closed on November 21, 2022. The digitally signed SCN through e-mail dated August 05, 2022 was served upon the Noticee which did not bounce back. Later, the applicable period of the Settlement Scheme 2022 was extended to January 21, 2023 by SEBI. However, Noticee did not avail the Settlement Scheme 2022. Consequently, the adjudication proceedings against the Noticee were resumed.

8. It is noted that the Noticee did not file reply to the SCN. In the interest of natural justice, an opportunity of personal hearing was granted by erstwhile AO to the Noticee on April 13, 2023, vide hearing notice dated March 15, 2023 which is issued to the Noticee through e-mail and Speed Post Acknowledgement Due (hereinafter referred to as **"SPAD"**). However, the Noticee failed to appear for the scheduled hearing on April 13, 2023. Thereafter, vide e-mail dated May 31, 2023,

Authorised Representative (hereinafter referred to as **"AR"**) of the Noticee, viz., Mr. Prateek Kohli, Company Secretary, *inter alia*, stated as under:

The company in receipt of the letter above-mentioned and have taken note of the same. It is pertinent from the letter that an opportunity of being heard was provided to the company on 13.04.2023 at Mumbai or by any other means.

We would like to give a brief backdrop of the said company to you.

This company came to the control of the current management in the month of October 2022 and before that it was under management dispute and a Case for the same was going on in the Hon'ble National Company Law Tribunal, Kolkata Bench. It was a part of the Group of Companies which eventually got divided by way of a settlement agreement and the current management got control of this companies. Furthermore, this letter was received by the company recently only and it was a shock to see that any such activity of Illiquid Stock Trading is done by the company. It is requested to your good office to provide the company with the details of such trading as the company has no record of the same.

9. Subsequently, vide e-mail dated June 02, 2023, AR of the Noticee, *inter alia*, stated as under:

   ……..the company hereby humbly prays that in future if any opportunity comes for entering into a settlement procedure by way of a settlement scheme then the company would like to opt for the same and till that time no adverse order be passed against the company.

10. Subsequently, a Post SCN Intimation (hereinafter referred to as **"PSI"**) dated March 06, 2024, was issued to the Noticee by erstwhile AO wherein it was informed to the Noticee that SEBI had introduced another Settlement Scheme, i.e., SEBI Settlement Scheme, 2024 (hereinafter referred to as "**Settlement Scheme 2024**") in terms of regulation 26 of Settlement Regulations. It was informed to the Noticee that the Settlement Scheme 2024 provided an opportunity to the entities against whom proceedings were initiated and appeals against the said proceedings were pending. The applicable period of the scheme was March 11, 2024 to May 10, 2024. Later, the applicable period of the Settlement Scheme 2024 was extended to June 10, 2024 by SEBI. However, the PSI dated March 06, 2024 could not be delivered to the Noticee at its last known address and it returned undelivered with

remarks that “No such person in the address”. It is observed that Noticee did not avail the Settlement Scheme 2024 and accordingly, the adjudication proceedings against the Noticee were resumed.

11. In the interest of natural justice, vide notice of hearing dated October 08, 2024, Noticee was granted an opportunity of being heard on October 22, 2024 by erstwhile AO. The Noticee was also advised to submit its reply, if any, by October 17, 2024. However, the hearing notice dated October 22, 2024 could not be delivered to the Noticee at its last known address and the notice returned undelivered with remarks that “Addressee cannot be located”.

12. Since the PSI and the hearing notice could not be served to the Noticee, in terms of rule 7 of Rules, the SCN and hearing notice were served to the Noticee by way of publication in newspapers where the Noticee was last known to have resided. Therefore, the notice regarding issuance of SCN and hearing notice was published in the Times of India (English), Sanmarg (Hindi) and Aajkal (Bengali) in the Kolkata editions on November 28, 2024. It was also published in the said newspaper publications that the SCN has been published / uploaded on www.sebi.gov.in under the section “Enforcement: Unserved Summons/ Notices” and Noticee was advised to submit its reply to the SCN within 14 days from the date of the said publication. However, Noticee did not furnish any response / reply to the SCN. Vide the said newspaper publication, an opportunity of personal hearing was also granted to the Noticee before erstwhile AO on December 02, 2024 in person at ‘SEBI Bhavan II, C-7, G Block, BKC, Bandra (E), Mumbai-400051’ or if Noticee so desires, through online platform. However, the Noticee also failed to appear for the scheduled hearing on December 02, 2024.

13. Pursuant to appointment of the undersigned as AO, vide notice of hearing dated June 23, 2025, Noticee was granted a fresh opportunity of hearing on July 09, 2025. The digitally signed hearing notice through e-mail dated June 24, 2025 was

served upon Noticee which did not bounce back. The said hearing notice was served on the e-mail IDs available on record that includes the e-mail ID through which AR of Noticee responded on May 31, 2023 and June 02, 2023 and the e-mail ID of the Noticee available on MCA Master data. The hearing notice was also served through SPAD at the address of the Noticee provided by its AR in e-mail dated May 31, 2023 and the registered address of the Noticee as per MCA Master data, i.e., 16/1A, Abdul Hamid Street, 5th Floor, Room No. 5B, Kolkata – 700 069. Despite the service of the notice of hearing, Noticee neither attended the hearing scheduled on July 09, 2025 nor responded to the hearing notice.

CONSIDERATION OF ISSUES AND EVIDENCE

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

I. Whether the Noticee has violated regulations 3(a), (b), (c), (d) and 4(1) and 4(2)(a) of PFUTP Regulations?

II. Do the violations, if any, on the 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 account the factors mentioned in section 15J of the SEBI Act?

15. Before proceeding further, 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;"

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

16. I note that it was alleged in the SCN that the Noticee, while dealing in the stock options contract at 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 at BSE. The said reversal trades were alleged to be non-genuine trades as they were not executed in the normal course of trading, lack basic trading rationale, led to false or misleading appearance of trading in terms of generation of artificial volumes and hence, were deceptive and manipulative.

17. It was alleged that the Noticee was one of the entities who had indulged in creating artificial volume of 1,28,000 units through four non genuine reversal trades in one stock options contract during IP. The summary of trades is given below:

Table No. 1

Contract name	Avg. buy rate (₹)	Total buy volume (no. of units)	Avg. sell rate (₹)	Total sell volume (no. of units)	% of Artificial volume generated by the Noticee in the contract to Noticee's Total volume in the contract	% of Artificial volume generated by the Noticee in the contract to Total volume in the contract
A	**B**	**C**	**D**	**E**	**F**	**G**
FEDB15AUG50.00CEW1	18.19	64,000	10.55	64,000	100%	100%

18. On August 05, 2015, the Noticee, at 15:15:03.934322 hours, entered into a sell trade in a contract named viz, "FEDB15AUG50.00CEW1" with counterparty Munish Bajaj and Sons HUF for 64,000 units at Rs. 10.55 per unit. On same day, Noticee, entered into buy trades with the same counterparty, for 64,000 units in the following manner:

Table No. 2

Trade Time	Buy Volume (No. of units)	Buy Rate (₹)
15:15:09.840300 hours	4,000	12.2
15:15:17.137231 hours	4,000	16.4
15:15:44.340260 hours	56,000	18.75

It is noted that while dealing in the said contract during the IP, the Noticee executed a total of 4 trades (3 buy trade and 1 sell trade) with same counterparty, viz., Munish Bajaj and Sons HUF on the same day and with significant price difference in buy and sell rates. It is observed that the Noticee's four trades while dealing in the aforesaid contract during the investigation period generated artificial volume of 1,28,000 units, which made up 100% of total market volume in the said contract during this period.

19. In response, the AR of the Noticee submitted that the Noticee came under its current management in October 2022 after resolving a management dispute through a settlement agreement. In this regard, the Noticee/AR of the Noticee has not submitted any documentary evidence to substantiate its claims. Moreover, it is pertinent to note that change in management does not absolve the Noticee from liability for past regulatory violations. The Noticee, as a legal entity, remains responsible for its past actions, regardless of management changes. Hence, this submission of the Noticee is devoid of merit.

20. The AR of the Noticee further submitted that the Noticee does not have records of such transactions and requested SEBI to provide the details of the same. In this regard, it is noted that the details of the trades including the trade dates, name of the counterparties, time, price and volume, etc. were already provided to the Noticee as an annexure to the SCN by erstwhile AO. Hence, this submission of the Noticee also lacks merit. Further, it is pertinent to note that despite service of the hearing notice by the undersigned, the Noticee has neither appeared for the hearing nor responded to the same that shows that Noticee chose not to contest the findings of the SCN. Hence, the plea of lack of information regarding the transactions cannot be accepted.

21. The non-genuineness of the aforesaid transactions executed by the Noticee is evident from the fact that there was no commercial basis as to why, within a short span of time, the Noticee reversed the position with the same counterparty with significant price difference 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 option contract, there was negligible trading in the said contract and hence, there was no price discovery in the strictest terms. The wide variation in prices of the said contract, within a short span of time, i.e., within 42 seconds, is a clear indication that there was pre-determination in the

prices by the counterparties while executing the trades. Thus, it is observed that Noticee had indulged in reversal trades with its counterparty in the stock options segment of BSE and the same were non-genuine trades.

22. It cannot be a mere coincidence that the Noticee could match its trades with the same counterparty with whom he had undertaken first leg of the respective 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. 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.

23. Here I would like to rely on the following judgement of Hon'ble Supreme Court in SEBI v. Kishore R Ajmera (AIR 2016 SC 1079), wherein it was held that:

> "...*According to us, knowledge of who the 2nd 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."

24. Therefore, applying the ratio of the above judgment, it is observed that the execution of trades by the Noticee in the illiquid 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 short span of time 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.

25. It is also relevant to refer to order of the Hon'ble Securities Appellate Tribunal in the matter of *Ketan Parekh v. SEBI* (Appeal No. 2 of 2004 decided on July 14, 2006):

> *"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."*

26. In this regard, further reliance is placed on judgment of Hon'ble Supreme Court in the matter in respect of *SEBI v. Rakhi Trading Private Limited* (Civil Appeal Nos.

1969, 3174-3177 and 3180 of 2011 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….."*

27. 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 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 the part of the Noticee attract monetary penalty under section 15HA of SEBI Act?

28. Therefore, considering the above findings and the judgment of Hon'ble Supreme Court of India 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 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 15 HA 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 account the factors mentioned in section 15J of the SEBI Act?

29. 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."

30. 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 counter parties 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 four non-genuine trades entered by the Noticee in one contract led to creation of artificial trading volumes which had the effect of distorting the market mechanism in the Illiquid Stock Options segment of BSE, I find that the aforesaid violations

were detrimental to the integrity of securities market and therefore, the quantum of penalty must be commensurate with the serious nature of the aforesaid violations.

ORDER

31. Taking into account the facts and circumstances of the case, material available on record, submissions of the Noticee, 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 (Sankat Mochan Holdings 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.

32. The Noticee shall remit/pay the said amount of penalty within 45 days of receipt of this order in either of the way, such as by following the path at SEBI website www.sebi.gov.in:

ENFORCEMENT >Orders >Orders of AO> PAYNOW;

33. 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.

34. 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.

JAI SEBASTIAN

Digitally signed by JAI SEBASTIAN
Date: 2025.11.21 14:59:21 +05'30'

Place: Mumbai
Date: November 21, 2025

JAI SEBASTIAN
ADJUDICATING OFFICER