

SECURITIES AND EXCHANGE BOARD OF INDIA

***EX-PARTE AD INTERIM ORDER***

**Under sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 in the matter of Illiquid Stock Options.**

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1. As a part of ongoing surveillance, Securities and Exchange board of India (“SEBI”) came across several instances/internal alerts wherein a set of entities were consistently making loss by their trading in *options on individual stocks* (“stock options”) which are listed on the Bombay Stock Exchange Limited (“BSE”). Trading of these entities appeared abnormal because they were consistently seen making significant loss by their trades which were reversed with the same counterparties either on the same day or the next day. On analysis of the stock options segment of BSE for the period April 1, 2014 to March 31, 2015 (hereinafter referred to as “the examination period”) it was observed that there were several entities who consistently made significant loss and others who consistently made significant profit by executing reversal trades in stock options on the BSE.
2. SEBI undertook preliminary examination in the matter, *inter alia*, on the following parameters:
  - a) Identifying top entities making significant loss/profit by buying and selling equal units of stock options of a scrip.
  - b) Identifying if trades happened at unreasonably low or high price / out of sync with the underlying price.
  - c) Examining contribution of trades of the entities to total traded volume in the contract on those days.
  - d) Identifying the quantum of such reversal transactions.
3. The entities who made a loss or profit of more than ₹ 5 crore (hereinafter referred to as “loss-making entities” / “profit-making entities”, respectively) in the stock option segment on account of reversal transactions were shortlisted.
4. The following was, *inter alia*, observed in the examination:

- a) The loss-making entities were trading mainly in options on individual stocks which were thinly traded. The trades by these loss-making entities, in many cases, contributed to 70% to 100% of total traded volume for the contracts on those days.
- b) On majority of occasions, the quantity of stock options bought and sold by the loss-making entities for a contract was identical, however, there was a significant difference in the sell value and buy value of the transactions resulting into significant loss to the loss-making entities.
- c) Substantial number of transactions were squared up and a major percentage of transactions thereof were trade reversals i.e. if the stock options were sold first to an entity, they would be bought back in exact quantity from the same entity or vice-versa.
- d) As the first leg of these reversal trades, these loss-making entities were mainly seen selling stock options without any corresponding offsetting position in the underlying scrip. In many cases, these options were sold at unreasonably low prices, even below the *intrinsic value* of the option. Theoretically, the price of an option is a combination of its *intrinsic value* and *time value*. The former is a function of difference between option strike price and the underlying price and the latter being a function of time remaining till expiry of the option contract. It is well understood that in normal conditions, the minimum price which the option seller would demand to take the risk of writing the option would be equivalent to the *intrinsic value* of the option, but here the loss-making entities were selling options much below their *intrinsic value*.
- e) In the second leg of the reversal trades, the options once sold by an entity at unreasonably low prices were subsequently bought back on the same day or on the next trading day at substantially higher prices when compared to the first leg sell price.
- f) In certain instances, variations to the above pattern were seen which *inter-alia* included loss-making entities incurring loss by buying the options first instead of selling them.
- g) Further, during the period when stock options' position was kept open, there was no significant change in the price of the underlying scrip to justify the difference between the prices of the two legs of the reversal trade.
- h) The trading done by loss-making entities in stock options in the above manner, accounted for significant proportion of their overall trading on that segment.
- i) The loss-making entities as well as the profit-making entities were seen trading repeatedly in deep in-the-money options and deep out-of-the-money options on individual stocks, which were thinly traded.

5. The illustration of a typical trade execution by the loss-making entities in stock options segment and the corresponding stock price movement for the scrip of Axis bank Ltd. on March 11, 2015 from 1 PM to 2 PM in BSE cash segment is explained hereunder with the help of following graph:-



- i. On March 11, 2015, on BSE stock options segment, a client first sold 621,500 units of put options of contract AXIS15MAR680.00PEW2 (i.e. a put option on the scrip of Axis Bank Ltd. with a strike price of ₹ 680) at ₹ 58.1 each to a single entity through synchronized trade (both buy and sell orders punched in at 13:25:36). At the time of punching of these orders, the underlying price was around ₹ 582. This signified that the put options were deep in the money with an *intrinsic value* of nearly ₹ 98 each.
- ii. Thereafter, the open position was reversed, on the same day from 13:30:52 to 13:34:09, through a series of synchronized transactions (to the same client who bought the contracts) at the average buying price of ₹ 97.37 resulting into a loss of ₹ 2.44 crore to one client and profit of same to another.
- iii. It is noteworthy that the position was kept open for less than 10 minutes and even during this period, there was not much change in the price of the underlying to warrant the rise in premium of put options i.e. from ₹ 58.1 to ₹ 97.37 (both legs of the reversal trade and the underlying price movement are highlighted in the graph above).
- iv. The reversal trades as explained above, formed 94.69% of day's turnover for the contract AXIS15MAR680.00PEW2 referred above.

- v. Likewise, several reversal transactions were executed by the loss-making entities across scrips / contracts on different days.

6. A representation of transactions of all the loss-making entities who incurred loss of more than ₹ 5 crore through reversal trades in stock options during the examination period is provided in the table below:

**Table 1: Instance level view - loss-making entities**

| S. No. | Client Name                          | Unique Contracts traded (A) | 100% Squared Up contracts out of (A) |                         |                           | Reversal instances |                         |                           |
|--------|--------------------------------------|-----------------------------|--------------------------------------|-------------------------|---------------------------|--------------------|-------------------------|---------------------------|
|        |                                      |                             | Total (B)                            | Resulting into Loss (C) | Resulting into Profit (D) | Total (E)          | Resulting into Loss (F) | Resulting into Profit (G) |
| 1      | Adarsh Credit Co Op Society Ltd.     | 119                         | 113                                  | 112                     | 1                         | 381                | 369                     | 12                        |
| 2      | Riddisiddhi Bullions Ltd.            | 104                         | 97                                   | 96                      | 1                         | 111                | 110                     | 0                         |
| 3      | Bharat Jayantilal Patel              | 21                          | 20                                   | 20                      | 0                         | 41                 | 41                      | 0                         |
| 4      | Quest Partners                       | 104                         | 102                                  | 102                     | 0                         | 102                | 102                     | 0                         |
| 5      | Gajanan Enterprises                  | 210                         | 210                                  | 210                     | 0                         | 240                | 240                     | 0                         |
| 6      | Kundan Rice Mills Ltd.               | 169                         | 169                                  | 168                     | 1                         | 239                | 238                     | 1                         |
| 7      | J B Overseas                         | 119                         | 119                                  | 119                     | 0                         | 208                | 208                     | 0                         |
| 8      | Raghav Commodities                   | 225                         | 219                                  | 218                     | 0                         | 232                | 231                     | 0                         |
| 9      | Woodland Retails Pvt. Ltd.           | 128                         | 61                                   | 61                      | 0                         | 68                 | 67                      | 0                         |
| 10     | Jaideep Halwasiya                    | 59                          | 59                                   | 59                      | 0                         | 124                | 123                     | 1                         |
| 11     | Kundan Care Products Ltd.            | 131                         | 86                                   | 86                      | 0                         | 128                | 128                     | 0                         |
| 12     | Anand Mining Corporation             | 98                          | 98                                   | 98                      | 0                         | 148                | 148                     | 0                         |
| 13     | Mahakaleshwar Mines & Metals Pvt Ltd | 114                         | 114                                  | 114                     | 0                         | 221                | 221                     | 0                         |
| 14     | Anantnath Vincom Pvt. Ltd.           | 91                          | 54                                   | 54                      | 0                         | 51                 | 51                      | 0                         |
| 15     | Pasha Finance Pvt Ltd                | 13                          | 12                                   | 12                      | 0                         | 18                 | 18                      | 0                         |
| 16     | Xion Gems & Jewellers Pvt Ltd        | 52                          | 52                                   | 52                      | 0                         | 79                 | 79                      | 0                         |
| 17     | Skeet Comsec Trading Llp             | 439                         | 316                                  | 302                     | 12                        | 356                | 339                     | 16                        |
| 18     | Ashok Kumar Damani                   | 9                           | 9                                    | 8                       | 1                         | 54                 | 53                      | 1                         |

| S. N o. | Client Name                            | Unique Contracts traded (A) | 100% Squared Up contracts out of (A) |                         |                           | Reversal instances |                         |                           |
|---------|----------------------------------------|-----------------------------|--------------------------------------|-------------------------|---------------------------|--------------------|-------------------------|---------------------------|
|         |                                        |                             | Total (B)                            | Resulting into Loss (C) | Resulting into Profit (D) | Total (E)          | Resulting into Loss (F) | Resulting into Profit (G) |
| 19      | Vinay Ramanlal Shah Huf                | 14                          | 14                                   | 14                      | 0                         | 15                 | 15                      | 0                         |
| 20      | Swaran Financial Pvt. Ltd.             | 118                         | 80                                   | 78                      | 1                         | 91                 | 91                      | 0                         |
| 21      | Vitrag Rajendrakumar Sheth             | 129                         | 129                                  | 128                     | 1                         | 297                | 294                     | 1                         |
| 22      | Savitri Sons                           | 54                          | 48                                   | 47                      | 1                         | 47                 | 46                      | 1                         |
| 23      | Gyandeep Khemka                        | 32                          | 30                                   | 30                      | 0                         | 45                 | 45                      | 0                         |
| 24      | Gandiv Investment Pvt. Ltd.            | 9                           | 8                                    | 8                       | 0                         | 55                 | 55                      | 0                         |
| 25      | Rashi Commercial Company               | 131                         | 89                                   | 89                      | 0                         | 123                | 122                     | 0                         |
| 26      | Nikhil Jalan                           | 16                          | 16                                   | 14                      | 2                         | 49                 | 47                      | 2                         |
| 27      | Rakesh K Baid                          | 77                          | 57                                   | 57                      | 0                         | 91                 | 91                      | 0                         |
| 28      | Open Futures And Derivatives Pvt. Ltd. | 44                          | 44                                   | 44                      | 0                         | 64                 | 64                      | 0                         |
| 29      | Pragya Commodities Pvt. Ltd.           | 50                          | 45                                   | 45                      | 0                         | 59                 | 59                      | 0                         |
| 30      | Nouvelle Advisory Services Pvt. Ltd.   | 101                         | 101                                  | 84                      | 16                        | 105                | 88                      | 16                        |
| 31      | Gck Stock Pvt. Ltd.                    | 39                          | 34                                   | 34                      | 0                         | 41                 | 41                      | 0                         |
| 32      | Om Sales Corporation                   | 21                          | 21                                   | 20                      | 0                         | 18                 | 17                      | 0                         |
| 33      | Prompt Commodities Ltd                 | 35                          | 35                                   | 35                      | 0                         | 37                 | 37                      | 0                         |
| 34      | Gurmeet Singh                          | 72                          | 71                                   | 69                      | 2                         | 108                | 106                     | 2                         |

Following is the explanation for the columns in Table 1:

A: Shows number of unique contracts that an entity has traded during the period.

B: Shows number of squared up (i.e. closed) contracts when compared to A.

C & D: Show number of closed contracts which resulted into loss and profit respectively when compared to B.

E: Shows number of instances of reversal trades done by the entity. It is noted that this can be greater than the number of contracts traded by the entity (Column A) as entity while trading in a contract can execute reversal transactions with multiple loss-making entities.

F & G: Show number of reversal instances which resulted into loss and profit by the client when compared to E.

7. For instance, as seen in the above table, the entity at S. No. 1 (i.e. Adarsh Credit Co Op Society Ltd.) traded in 119 unique contracts during the examination period. Of these, the entity has fully squared up its positions in 113 contracts. Of these 113 contracts, it has incurred a trading loss in 112 contracts and trading profit in only 1 contract. A trade is considered as a reversal trade if exactly same quantity of stock options are bought and subsequently sold to the same entity or vice-versa. For this client, there are 381 reversal instances of which 369 have resulted into loss and the rest 12 into profit. A similar pattern was observed in respect of majority of the loss-making entities listed in the table above.
8. It is also noted that out of the total number of contracts traded by the loss-making entities, they reversed their open positions in majority of instances, and incurred loss in such transactions as shown in Column E, F, G.
9. The particulars of turnover of the loss-making entities in respect of reversal trades are provided in the following table:

**Table 2: Turnover Level view (loss-making entities)**

| S. No. | Client Name                      | Turnover Breakup (Loss Making entities) (in ₹ Crore) |                        |                     |                      |          |                        |                     |                      |          |
|--------|----------------------------------|------------------------------------------------------|------------------------|---------------------|----------------------|----------|------------------------|---------------------|----------------------|----------|
|        |                                  | Total value of trades (A)                            | 100% Squared Up        |                     |                      |          | Reversal trades        |                     |                      |          |
|        |                                  |                                                      | Total traded value (B) | Total buy value (C) | Total sell value (D) | Loss (E) | Total traded value (F) | Total buy value (G) | Total sell value (H) | Loss (I) |
| 1      | Adarsh Credit Co Op Society Ltd. | 160.7                                                | 158.4                  | 100.2               | 58.2                 | (41.9)   | 145.8                  | 92.3                | 53.6                 | (38.7)   |
| 2      | Riddisiddhi Bullions Ltd.        | 86.9                                                 | 82.6                   | 52.0                | 30.6                 | (21.5)   | 75.6                   | 47.5                | 28.0                 | (19.5)   |
| 3      | Bharat Jayantilal Patel          | 69.0                                                 | 68.7                   | 44.0                | 24.7                 | (19.4)   | 53.8                   | 35.0                | 18.8                 | (16.2)   |
| 4      | Quest Partners                   | 54.3                                                 | 54.3                   | 35.5                | 18.8                 | (16.7)   | 50.8                   | 33.2                | 17.5                 | (15.7)   |
| 5      | Gajanan Enterprises              | 50.0                                                 | 50.0                   | 33.0                | 17.0                 | (16.0)   | 48.7                   | 32.1                | 16.7                 | (15.4)   |
| 6      | Kundan Rice Mills Ltd.           | 31.8                                                 | 31.8                   | 23.4                | 8.4                  | (15.0)   | 31.0                   | 22.8                | 8.2                  | (14.6)   |
| 7      | J B Overseas                     | 32.2                                                 | 32.2                   | 22.4                | 9.8                  | (12.7)   | 31.9                   | 22.2                | 9.7                  | (12.5)   |
| 8      | Raghav Commodities               | 56.2                                                 | 54.6                   | 39.0                | 15.7                 | (23.3)   | 33.3                   | 22.4                | 11.0                 | (11.4)   |
| 9      | Woodland                         | 39.4                                                 | 28.2                   | 23.9                | 4.3                  | (19.6)   | 16.2                   | 13.7                | 2.5                  | (11.3)   |

| S. No. | Client Name                            | Turnover Breakup (Loss Making entities) (in ₹ Crore) |                         |                     |                      |          |                         |                     |                      |          |
|--------|----------------------------------------|------------------------------------------------------|-------------------------|---------------------|----------------------|----------|-------------------------|---------------------|----------------------|----------|
|        |                                        | Total value of trades (A)                            | 100% Squared Up         |                     |                      |          | Reversal trades         |                     |                      |          |
|        |                                        |                                                      | Total trade d value (B) | Total buy value (C) | Total sell value (D) | Loss (E) | Total trade d value (F) | Total buy value (G) | Total sell value (H) | Loss (I) |
|        | Retails Pvt. Ltd.                      |                                                      |                         |                     |                      |          |                         |                     |                      |          |
| 10     | Jaideep Halwasiya                      | 39.7                                                 | 39.7                    | 25.8                | 13.9                 | (11.9)   | 35.9                    | 23.3                | 12.6                 | (10.6)   |
| 11     | Kundan Care Products Ltd.              | 32.3                                                 | 25.4                    | 18.0                | 7.4                  | (10.5)   | 25.3                    | 17.8                | 7.4                  | (10.4)   |
| 12     | Anand Mining Corporation               | 25.0                                                 | 25.0                    | 18.0                | 7.1                  | (10.9)   | 22.4                    | 16.3                | 6.1                  | (10.2)   |
| 13     | Mahakaleshwar Mines & Metals Pvt. Ltd. | 22.8                                                 | 22.8                    | 16.4                | 6.3                  | (10.1)   | 22.7                    | 16.4                | 6.3                  | (10.1)   |
| 14     | Anantnath Vincom Pvt. Ltd.             | 31.5                                                 | 24.8                    | 21.5                | 3.3                  | (18.2)   | 13.2                    | 11.5                | 1.7                  | (9.8)    |
| 15     | Pasha Finance Pvt Ltd                  | 47.4                                                 | 47.4                    | 28.9                | 18.5                 | (10.4)   | 42.5                    | 25.9                | 16.6                 | (9.3)    |
| 16     | Xion Gems & Jewellers Pvt. Ltd.        | 27.9                                                 | 27.9                    | 18.4                | 9.5                  | (8.9)    | 27.7                    | 18.2                | 9.5                  | (8.7)    |
| 17     | Skeet Comsec Trading LLP               | 15.0                                                 | 10.5                    | 9.3                 | 1.2                  | (8.2)    | 10.6                    | 9.4                 | 1.2                  | (8.2)    |
| 18     | Ashok Kumar Damani                     | 40.1                                                 | 40.1                    | 24.5                | 15.6                 | (8.9)    | 35.6                    | 21.7                | 13.9                 | (7.8)    |
| 19     | Vinay Ramanlal Shah Huf                | 29.2                                                 | 29.2                    | 19.0                | 10.3                 | (8.7)    | 26.0                    | 16.8                | 9.1                  | (7.7)    |
| 20     | Swaran Financial Pvt. Ltd.             | 28.9                                                 | 22.3                    | 16.3                | 6.1                  | (10.2)   | 18.2                    | 12.9                | 5.3                  | (7.6)    |
| 21     | Vitrag Rajendrakumar Sheth             | 27.8                                                 | 27.8                    | 17.5                | 10.2                 | (7.3)    | 27.3                    | 17.2                | 10.1                 | (7.1)    |
| 22     | Savitri Sons                           | 26.3                                                 | 24.4                    | 16.0                | 8.4                  | (7.6)    | 22.6                    | 14.9                | 7.8                  | (7.1)    |
| 23     | Gyandeep Khemka                        | 8.7                                                  | 8.5                     | 7.8                 | 0.8                  | (7.0)    | 8.5                     | 7.8                 | 0.8                  | (7.0)    |
| 24     | Gandiv Investment                      | 35.5                                                 | 31.8                    | 19.5                | 12.3                 | (7.2)    | 28.2                    | 17.1                | 11.0                 | (6.1)    |

| S. No. | Client Name                            | Turnover Breakup (Loss Making entities) (in ₹ Crore) |                        |                     |                      |          |                        |                     |                      |          |
|--------|----------------------------------------|------------------------------------------------------|------------------------|---------------------|----------------------|----------|------------------------|---------------------|----------------------|----------|
|        |                                        | Total value of trades (A)                            | 100% Squared Up        |                     |                      |          | Reversal trades        |                     |                      |          |
|        |                                        |                                                      | Total traded value (B) | Total buy value (C) | Total sell value (D) | Loss (E) | Total traded value (F) | Total buy value (G) | Total sell value (H) | Loss (I) |
|        | Pvt. Ltd.                              |                                                      |                        |                     |                      |          |                        |                     |                      |          |
| 25     | Rashi Commercial Company               | 19.7                                                 | 14.8                   | 11.1                | 3.8                  | (7.3)    | 10.3                   | 8.2                 | 2.1                  | (6.1)    |
| 26     | Nikhil Jalan                           | 28.0                                                 | 28.0                   | 17.2                | 10.8                 | (6.5)    | 26.8                   | 16.4                | 10.4                 | (6.0)    |
| 27     | Rakesh K Baid                          | 16.3                                                 | 9.4                    | 7.7                 | 1.6                  | (6.1)    | 9.1                    | 7.5                 | 1.6                  | (5.9)    |
| 28     | Open Futures And Derivatives Pvt. Ltd. | 14.3                                                 | 14.3                   | 10.0                | 4.3                  | (5.7)    | 14.3                   | 10.0                | 4.3                  | (5.7)    |
| 29     | Pragya Commodities Pvt. Ltd.           | 15.8                                                 | 8.7                    | 7.4                 | 1.4                  | (6.0)    | 8.3                    | 6.9                 | 1.4                  | (5.6)    |
| 30     | Nouvelle Advisory Services Pvt. Ltd.   | 18.8                                                 | 18.8                   | 12.2                | 6.7                  | (5.5)    | 18.8                   | 12.2                | 6.7                  | (5.5)    |
| 31     | Gck Stock Pvt. Ltd.                    | 8.3                                                  | 7.7                    | 6.6                 | 1.1                  | (5.5)    | 7.5                    | 6.5                 | 1.1                  | (5.4)    |
| 32     | Om Sales Corporation                   | 11.5                                                 | 11.5                   | 8.3                 | 3.2                  | (5.2)    | 9.5                    | 7.3                 | 2.2                  | (5.1)    |
| 33     | Prompt Commodities Ltd                 | 18.5                                                 | 18.5                   | 11.7                | 6.7                  | (5.0)    | 18.5                   | 11.7                | 6.7                  | (5.0)    |
| 34     | Gurmeet Singh                          | 6.9                                                  | 6.8                    | 5.9                 | 0.9                  | (5.0)    | 6.8                    | 5.9                 | 0.9                  | (5.0)    |

Following is the explanation for the columns in Table 2:

A: Shows value of total trades done by an entity (i.e. Gross buy & Gross sell).

B: Shows total traded value of contracts which are closed or fully squared up.

C & D: Show total traded value for closed buy and sell transactions of entity.

E: Shows total loss incurred by the entity for the transactions which are closed (squared up).

F: Shows total traded value by an entity while doing reversal trades.

G & H: Show breakup of F into total buy value and total sell value while reversing transactions.

I: Shows difference between G & H i.e. total loss incurred by entity while doing reversal trades.

10. For instance, as shown in the above table, the entity at S. No. 1 (Adarsh Credit Co Op Society Ltd.), has a total BSE options' segment trading turnover of ₹ 160.7 crore. Of this, the transactions which are fully squared up account for total traded value of ₹ 158.4 crore. The total buy value for fully squared up transactions is ₹ 100.2 crore and total sell value is ₹ 58.2 crore. This results into a trading loss of ₹ 41.9 crore while executing the trades which are squared up. Further, total value traded by doing reversal trades is ₹ 145.8 crore with the breakup of buy transactions and sell transactions valuing to ₹ 92.3 crore and ₹ 53.6 crore respectively. This results into a trading loss by executing reversal transactions to the tune of ₹ 38.7 crore. A similar pattern was observed in respect of majority of the loss-making entities listed in the table above.

11. It is further noted that:

- i. A large proportion of total turnover, for all entities, is because of reversal transactions (Column A, F).
- ii. For all the entities, reversal trades have contributed significantly to the trading loss (Column E, I).
- iii. The difference between total sell value and total buy value for reversal transactions is quite significant resulting into trading loss of very high magnitude for these loss-making entities (Column G,H,I).

12. A comparison of the exact price of buy and sell orders placed by the loss-making entities with the *intrinsic value* (derived after taking into consideration the price of the underlying at the time of order entry), *prima facie*, revealed that the significant difference between the buy value and sell value of contracts (as shown in Table 2 above) was because of a deliberate attempt by the loss-making entities to make loss. The table below provides the details of the transactions of the loss-making entities from the viewpoint of *intrinsic value* of the contracts which were bought and sold by them:

**Table 3: Intrinsic Value View (loss-making entities)**

| S. N o. | Client Name                            | Reversal  |                    |                    |      |            | Trade Price Vs. <i>intrinsic value</i>          |                                             |           |
|---------|----------------------------------------|-----------|--------------------|--------------------|------|------------|-------------------------------------------------|---------------------------------------------|-----------|
|         |                                        | Instances |                    |                    | Loss |            | Average Rupee Diff. from <i>intrinsic value</i> | Max Sell Price below <i>intrinsic value</i> |           |
|         |                                        | No.       | Same Day Rever sal | Next Day Rever sal | No.  | Sell First | Buy Price                                       | Sell Price                                  |           |
|         |                                        | (A)       | (B)                | (C )               | (D)  | (E)        | (F)                                             | (G)                                         | (H)       |
| 1       | Adarsh Credit Co Op Society Ltd.       | 381       | 369                | 12                 | 369  | 315        | 0.6                                             | (9.4)                                       | (18.3)    |
| 2       | Riddisiddhi Bullions Ltd.              | 111       | 95                 | 16                 | 110  | 63         | 0.1                                             | (11.9)                                      | (33.5)    |
| 3       | Bharat Jayantilal Patel                | 41        | 41                 | 0                  | 41   | 30         | (0.2)                                           | (16.4)                                      | (33.9)    |
| 4       | Quest Partners                         | 102       | 83                 | 19                 | 102  | 62         | 3.0                                             | (12.9)                                      | (75.1)    |
| 5       | Gajanan Enterprises                    | 240       | 240                | 0                  | 240  | 238        | 10.3                                            | (18.5)                                      | (50.7)    |
| 6       | Kundan Rice Mills Ltd.                 | 239       | 239                | 0                  | 238  | 63         | 10.6                                            | 1.8                                         | (18.7)    |
| 7       | J B Overseas                           | 208       | 208                | 0                  | 208  | 166        | 10.0                                            | (10.7)                                      | (151.1)   |
| 8       | Raghav Commodities                     | 232       | 218                | 14                 | 231  | 171        | 10.2                                            | (28.8)                                      | (835.5)   |
| 9       | Woodland Retails Pvt. Ltd.             | 68        | 33                 | 35                 | 67   | 39         | 34.5                                            | (93.5)                                      | (2,937.8) |
| 10      | Jaideep Halwasiya                      | 124       | 124                | 0                  | 123  | 101        | 4.4                                             | (2.0)                                       | (10.4)    |
| 11      | Kundan Care Products Ltd.              | 128       | 127                | 1                  | 128  | 94         | 5.4                                             | (14.1)                                      | (100.5)   |
| 12      | Anand Mining Corporation               | 148       | 148                | 0                  | 148  | 128        | 7.7                                             | (0.5)                                       | (27.7)    |
| 13      | Mahakaleshwar Mines & Metals Pvt. Ltd. | 221       | 221                | 0                  | 221  | 154        | 5.0                                             | (8.8)                                       | (130.6)   |
| 14      | Anantnath Vincom Pvt. Ltd.             | 51        | 27                 | 24                 | 51   | 39         | 15.0                                            | (13.5)                                      | (105.6)   |
| 15      | Pasha Finance Pvt Ltd                  | 18        | 18                 | 0                  | 18   | 16         | (0.8)                                           | (19.7)                                      | (35.7)    |
| 16      | Xion Gems & Jewellers Pvt. Ltd.        | 79        | 79                 | 0                  | 79   | 56         | 4.9                                             | (7.6)                                       | (149.5)   |
| 17      | Skeet Comsec Trading Llp               | 356       | 7                  | 349                | 339  | 7          | 0.1                                             | (0.6)                                       | (12.2)    |
| 18      | Ashok Kumar Damani                     | 54        | 54                 | 0                  | 53   | 53         | (0.8)                                           | (18.8)                                      | (28.6)    |
| 19      | Vinay Ramanlal Shah Huf                | 15        | 15                 | 0                  | 15   | 9          | (3.8)                                           | (13.7)                                      | (20.1)    |

| S. N o. | Client Name                            | Reversal  |                   |                   |      |            | Trade Price Vs. <i>intrinsic value</i>          |                                             |         |
|---------|----------------------------------------|-----------|-------------------|-------------------|------|------------|-------------------------------------------------|---------------------------------------------|---------|
|         |                                        | Instances |                   |                   | Loss |            | Average Rupee Diff. from <i>intrinsic value</i> | Max Sell Price below <i>intrinsic value</i> |         |
|         |                                        |           |                   |                   |      |            |                                                 |                                             |         |
|         |                                        | No.       | Same Day Reversal | Next Day Reversal | No.  | Sell First | Buy Price                                       | Sell Price                                  |         |
|         |                                        | (A)       | (B)               | (C)               | (D)  | (E)        | (F)                                             | (G)                                         | (H)     |
| 20      | Swaran Financial Pvt. Ltd.             | 91        | 81                | 10                | 91   | 38         | 6.0                                             | (11.2)                                      | (73.5)  |
| 21      | Vitrage Rajendrakumar Sheth            | 297       | 287               | 10                | 294  | 111        | 0.5                                             | (2.2)                                       | (4.6)   |
| 22      | Savitri Sons                           | 47        | 44                | 3                 | 46   | 38         | (0.8)                                           | (8.7)                                       | (18.0)  |
| 23      | Gyandeep Khemka                        | 45        | 40                | 5                 | 45   | 7          | 10.0                                            | (2.6)                                       | (13.8)  |
| 24      | Gandiv Investment Pvt. Ltd.            | 55        | 55                | 0                 | 55   | 55         | (0.2)                                           | (11.9)                                      | (40.0)  |
| 25      | Rashi Commercial Company               | 123       | 110               | 13                | 122  | 63         | 5.7                                             | (6.9)                                       | (178.7) |
| 26      | Nikhil Jalan                           | 49        | 49                | 0                 | 47   | 42         | (1.2)                                           | (20.4)                                      | (47.1)  |
| 27      | Rakesh K Baid                          | 91        | 0                 | 91                | 91   | 91         | 1.9                                             | (16.4)                                      | (124.0) |
| 28      | Open Futures And Derivatives Pvt. Ltd. | 64        | 64                | 0                 | 64   | 60         | 12.2                                            | 3.1                                         | (4.6)   |
| 29      | Pragya Commodities Pvt. Ltd.           | 59        | 56                | 3                 | 59   | 2          | 47.3                                            | (77.6)                                      | (111.4) |
| 30      | Nouvelle Advisory Services Pvt. Ltd.   | 105       | 105               | 0                 | 88   | 50         | 7.9                                             | 4.2                                         | (13.6)  |
| 31      | Gck Stock Pvt. Ltd.                    | 41        | 34                | 7                 | 41   | 8          | 11.8                                            | (6.1)                                       | (53.5)  |
| 32      | Om Sales Corporation                   | 18        | 17                | 1                 | 17   | 12         | 12.3                                            | (5.8)                                       | (41.9)  |
| 33      | Prompt Commodities Ltd                 | 37        | 37                | 0                 | 37   | 26         | (0.6)                                           | (7.8)                                       | (12.5)  |
| 34      | Gurmeet Singh                          | 108       | 108               | 0                 | 106  | 9          | 1.9                                             | (12.8)                                      | (56.4)  |

Following is the explanation for the columns in Table 3:

A: Shows number of instances of reversal trades done by the entity.

B & C: Show breakup of A into reversal done on the same day and the next day.

D: Shows number of reversal instances which resulted into loss.

E: Shows number of reversal instances which resulted into loss and in which the entity has sold first.

F: Shows the average of difference between the buy price of entity and the corresponding *intrinsic value* of those option contracts which existed at that point in time. For this computation, only those contracts where entity has made loss by entering into sell transaction first, are considered.

G: Shows the average of difference between the sell price of entity and the corresponding *intrinsic value* of those option contracts which existed at that point in time. For this computation, only those contracts where entity has made loss by entering into sell transaction first, are considered. It is noted that if an entity is buying/selling option below *intrinsic value* then figures in column F & G and would be negative if option is bought/sold below *intrinsic value*.

H: Shows the farthest sell price of a trade from the *intrinsic value* of option for the sell order which forms part of the reversal trades. A figure of (10), for example, would indicate that the entity has sold option at ₹ 10 below the *intrinsic value*.

For computation of individual *intrinsic values* for options in the above table, the volume weighted average price of the underlying during the minute leading up to the execution of options trade is computed. This average price is then compared with the option strike price to arrive at individual *intrinsic values*.

13. For instance, as seen in the table above, the entity at S. No. 1 (Adarsh Credit Co Op Society Ltd.) has total number of reversal instances as 381. Of these, 369 reversal instances are opened and closed on the same day and in 12 instances, the open position is closed with the same counterparty on the next day of initiating the trade. The next section of table shows that the entity has incurred trading loss by reversal transactions in 369 instances of which in 315 reversal instances, the entity has first sold option contracts. For reversal instances, when entities are selling options first, their transaction price is compared with the then prevalent options *intrinsic value* as mentioned above and the mean value is taken. A figure of 0.6 and (9.4) against S No. 1 suggest that on an average the buy price of the entity is ₹ 0.6 more than the *intrinsic value* whereas the average sell price is ₹ 9.4 below the *intrinsic value*. A negative figure suggests that the option is bought or sold that many rupees below the *intrinsic value* of the option. A figure of (18.3) in the last column shows that from all the reversal trades done by the entity in stock options, there occurred a trade wherein the entity has sold the option at a price which was ₹ 18.3 less than the *intrinsic value* of the option at that point in time. A similar pattern was observed in respect of majority of the loss-making entities listed in the table above.

14. It is also observed that :

- i. For all the loss-making entities, majority of the reversal transactions were executed on the same day. ( Column A, B, C)
- ii. Further, majority of the loss-making entities incurred loss because they sold options first at a price below *intrinsic value* of the contract which existed at the time of trade execution. (Column G)

- iii. For the loss-making entities, the next leg of transaction i.e. buying of options, on an average, happened at the price which was nearer to the *intrinsic value* of the option. (Column F)
- iv. While some of the entities in the above table were seen executing both legs of the reversal trades above *intrinsic value*, with average sell price less farther from the *intrinsic value* than the average buy price (Column F, G), there was not even a single entity who had not sold the stock option at a price below the *intrinsic value*. (Column H).

15. The percentage contribution of these loss-making entities to the total contract turnover on the days they have traded, is placed in the following table:

**Table 4: Trading Concentration View (loss-making entities)**

| S. No | Client Name                                  | Total Contracts | Total Contract – Days Combination | Contribution to contracts turnover on days traded |        |         |
|-------|----------------------------------------------|-----------------|-----------------------------------|---------------------------------------------------|--------|---------|
|       |                                              |                 |                                   | 0-50%                                             | 50-70% | 70-100% |
| 1     | Adarsh Credit Co Op Society Limited          | 119             | 130                               | 3                                                 | 12     | 115     |
| 2     | Riddisiddhi Bullions Limited                 | 104             | 134                               | 10                                                | 6      | 118     |
| 3     | Bharat Jayantilal Patel                      | 21              | 33                                | 8                                                 | 5      | 20      |
| 4     | Quest Partners                               | 104             | 124                               | 17                                                | 1      | 106     |
| 5     | Gajanan Enterprises                          | 210             | 246                               | 0                                                 | 3      | 243     |
| 6     | Kundan Rice Mills Limited                    | 169             | 181                               | 11                                                | 17     | 153     |
| 7     | J B Overseas                                 | 119             | 120                               | 19                                                | 19     | 82      |
| 8     | Raghav Commodities                           | 225             | 252                               | 71                                                | 20     | 161     |
| 9     | Woodland Retails Private Limited             | 128             | 177                               | 90                                                | 23     | 64      |
| 10    | Jaideep Halwasiya                            | 59              | 60                                | 7                                                 | 8      | 45      |
| 11    | Kundan Care Products Limited                 | 131             | 133                               | 29                                                | 20     | 84      |
| 12    | Anand Mining Corporation                     | 98              | 102                               | 21                                                | 22     | 59      |
| 13    | Mahakaleshwar Mines & Metals Private Limited | 114             | 127                               | 26                                                | 13     | 88      |
| 14    | Anantnath Vincom Private Limited             | 91              | 124                               | 75                                                | 16     | 33      |
| 15    | Pasha Finance Pvt Ltd                        | 13              | 15                                | 3                                                 | 2      | 10      |
| 16    | Xion Gems & Jewellers Private Limited        | 52              | 52                                | 4                                                 | 6      | 42      |
| 17    | Skeet Comsec Trading LLP                     | 439             | 836                               | 174                                               | 58     | 604     |
| 18    | Ashok Kumar Damani                           | 9               | 9                                 | 1                                                 | 0      | 8       |
| 19    | Vinay Ramanlal Shah Huf                      | 14              | 16                                | 0                                                 | 1      | 15      |
| 20    | Swaran Financial Private                     | 118             | 139                               | 32                                                | 14     | 93      |

| S. No. | Client Name                                  | Total Contracts | Total Contract – Days Combination | Contribution to contracts turnover on days traded |        |         |
|--------|----------------------------------------------|-----------------|-----------------------------------|---------------------------------------------------|--------|---------|
|        |                                              |                 |                                   | 0-50%                                             | 50-70% | 70-100% |
|        | Limited                                      |                 |                                   |                                                   |        |         |
| 21     | Vitrag Rajendrakumar Sheth                   | 129             | 248                               | 75                                                | 19     | 154     |
| 22     | Savitri Sons                                 | 54              | 74                                | 6                                                 | 1      | 67      |
| 23     | Gyandeep Khemka                              | 32              | 39                                | 5                                                 | 1      | 33      |
| 24     | Gandiv Investment Private Limited            | 9               | 11                                | 1                                                 | 1      | 9       |
| 25     | Rashi Commercial Company                     | 131             | 150                               | 32                                                | 24     | 94      |
| 26     | Nikhil Jalan                                 | 16              | 17                                | 9                                                 | 1      | 7       |
| 27     | Rakesh K Baid                                | 77              | 134                               | 11                                                | 7      | 116     |
| 28     | Open Futures And Derivatives Private Limited | 44              | 44                                | 2                                                 | 4      | 38      |
| 29     | Pragya Commodities Private Limited           | 50              | 53                                | 8                                                 | 4      | 41      |
| 30     | Nouvelle Advisory Services Private Limited   | 101             | 101                               | 14                                                | 16     | 71      |
| 31     | Gck Stock Private Limited                    | 39              | 46                                | 11                                                | 8      | 27      |
| 32     | Om Sales Corporation                         | 21              | 22                                | 5                                                 | 1      | 16      |
| 33     | Prompt Commodities Ltd                       | 35              | 37                                | 1                                                 | 1      | 35      |
| 34     | Gurmeet Singh                                | 72              | 76                                | 4                                                 | 3      | 69      |

16. For instance, as observed in the above table, the entity at S. No. 1 (Adarsh Credit Co Op Society Ltd.), in all, traded in 119 contracts. This resulted into 130 distinct contract-days combination i.e. the entity could have traded in same contract on multiple days. Of this, in 115 contract-days, the trading by the entity accounted for 70% to 100% of total turnover for that contract on those days. Further, in only 3 and 12 contract-days, the trading by the entity contributed (0% to 50%) and (50% to 70 %) of total turnover for that contract on those days respectively. A similar pattern was observed in respect of majority of the loss-making entities listed in the table above.

17. Further, it is noted that:

- For majority of entities, there was a very little difference between the total number of contracts and the total number of contract-days combination. Further, from Table 1, it is observed that these entities executed reversal transactions in majority of the contracts traded by them. From the above, it is inferred that the entities reversed majority of the contracts on the same day.
- Contribution of trading of majority of the loss-making entities to the total turnover of the contract on those days was in the range of 70-100%. Thus, it is inferred that the trading instruments/contracts were so selected by the loss-making entities that

the matching of orders could happen easily as there was hardly any market depth in those contracts.

18. As the loss-making entities mentioned above were making huge loss by entering into reversal trades, transactions of the entities who had made consistent profit by entering into reversal trades were also examined. It was observed that some of these entities who made consistent profit were also counterparties to the loss-making entities. As was done in respect of loss-making entities, the entities who made a reversal profit (i.e. profit through reversal trades) of more than ₹ 5 crore by their trading in stock options were shortlisted for the purpose of this examination. The particulars of the transactions carried out by the profit-making entities are provided in the table below:

**Table 5: Instance level view (profit-making entities)**

| S. No | Client Name                          | Unique Contracts traded (A) | 100% Squared Up contracts out of (A) |          |            | Reversal instances |          |            |
|-------|--------------------------------------|-----------------------------|--------------------------------------|----------|------------|--------------------|----------|------------|
|       |                                      |                             | Total (B)                            | Loss (C) | Profit (D) | Total (E)          | Loss (F) | Profit (G) |
| 1     | N M Impex Pvt. Ltd.                  | 484                         | 471                                  | 24       | 447        | 627                | 31       | 596        |
| 2     | Vision Sponge Iron Pvt. Ltd.         | 453                         | 322                                  | 1        | 321        | 339                | 1        | 338        |
| 3     | Umang Nemani                         | 335                         | 249                                  | 0        | 249        | 279                | 0        | 279        |
| 4     | Vsp Udyog Pvt. Ltd.                  | 206                         | 165                                  | 0        | 165        | 183                | 0        | 183        |
| 5     | Shir Commodities & Futures (P) Ltd.  | 48                          | 44                                   | 0        | 43         | 73                 | 0        | 73         |
| 6     | Jai Annanya Investments Pvt. Ltd.    | 177                         | 108                                  | 0        | 108        | 136                | 0        | 136        |
| 7     | Sureshine Vintrade Pvt Ltd           | 20                          | 20                                   | 0        | 20         | 32                 | 0        | 32         |
| 8     | Motisons Commodities Pvt. Ltd.       | 140                         | 93                                   | 6        | 87         | 102                | 5        | 97         |
| 9     | Evergrowing Iron & Finvest Pvt. Ltd. | 99                          | 99                                   | 1        | 98         | 122                | 1        | 121        |
| 10    | Rajbanshi Trading                    | 43                          | 43                                   | 0        | 43         | 44                 | 0        | 44         |
| 11    | Tradebulls Enterprise Pvt. Ltd.      | 292                         | 215                                  | 1        | 214        | 256                | 1        | 255        |
| 12    | Avijit Saha                          | 30                          | 30                                   | 0        | 30         | 31                 | 0        | 31         |
| 13    | Ketan Ramanlal Shah Huf              | 14                          | 14                                   | 0        | 14         | 16                 | 1        | 15         |

| S. No. | Client Name                     | Unique Contracts traded (A) | 100% Squared Up contracts out of (A) |          |            | Reversal instances |          |            |
|--------|---------------------------------|-----------------------------|--------------------------------------|----------|------------|--------------------|----------|------------|
|        |                                 |                             | Total (B)                            | Loss (C) | Profit (D) | Total (E)          | Loss (F) | Profit (G) |
| 14     | Steel Crackers Pvt. Ltd.        | 58                          | 58                                   | 0        | 58         | 56                 | 0        | 56         |
| 15     | Prime Gold Internation Ltd.     | 38                          | 37                                   | 0        | 37         | 47                 | 0        | 47         |
| 16     | Raj Ratan Smelters Pvt Ltd      | 34                          | 34                                   | 0        | 34         | 36                 | 0        | 36         |
| 17     | Sourabh H Bora                  | 34                          | 34                                   | 4        | 30         | 36                 | 4        | 32         |
| 18     | Eden Trading Services Pvt. Ltd. | 91                          | 91                                   | 0        | 91         | 96                 | 0        | 96         |
| 19     | Mammon Concast Pvt. Ltd.        | 93                          | 81                                   | 1        | 80         | 88                 | 0        | 88         |
| 20     | Bhawani Ferrous Pvt Ltd         | 37                          | 37                                   | 1        | 36         | 40                 | 1        | 39         |
| 21     | Vsp Steel Pvt Ltd               | 23                          | 20                                   | 1        | 19         | 20                 | 1        | 19         |
| 22     | Panem Steel Pvt. Ltd.           | 43                          | 43                                   | 0        | 43         | 39                 | 0        | 39         |
| 23     | Deepak Natvarlal Pankhiyani Huf | 9                           | 9                                    | 0        | 9          | 8                  | 0        | 8          |
| 24     | Kirti Ramji Kothari             | 33                          | 31                                   | 0        | 31         | 30                 | 0        | 30         |
| 25     | Umesh Malani                    | 16                          | 14                                   | 0        | 14         | 16                 | 0        | 16         |

Following is the explanation for the columns in the Table 5:

A: Shows number of unique contracts that an entity has traded during the period.

B: Shows number of squared up (i.e. closed) contracts when compared to A.

C & D: Show number of closed contracts which resulted into loss & profit respectively when compared to B.

E: Shows number of instances of reversal trades done by the entity. It is noted that this can be greater than the number of contracts traded by the entity (Column A) as entity while trading in a contract can execute reversal transactions with multiple entities.

F & G: Show number of reversal instances which resulted into loss and profit by the client when compared to E.

19. For instance, in the table above, the entity at S. No. 1 (N M Impex Pvt. Ltd.), has traded in 484 unique contracts during the examination period. Of these, the entity has fully squared up its positions in 471 contracts. Of these 471 contracts, it has incurred a trading profit in 447 contracts and trading loss in only 24 contracts. For this client, there are 627 reversal instances of which 596 have resulted into profit and the rest 31 into

loss. A similar pattern was observed in respect of majority of the profit-making entities listed in the table above.

20. It is further noted that out of the total number of contracts traded by the profit-making entities, they reversed their open positions in majority of instances, and incurred profit in such transactions as shown in Column E, F, G
21. The particulars of turnover of the profit-making entities in respect of reversal trades are provided in the following table:

**Table 6: Turnover Level view (Profit-making entities)**

| S. No. | Client Name                         | Turnover Breakup (Profit-making entities) (in ₹ Crore) |                        |                     |                      |            |                        |                     |                      |            |
|--------|-------------------------------------|--------------------------------------------------------|------------------------|---------------------|----------------------|------------|------------------------|---------------------|----------------------|------------|
|        |                                     | Total value of trades (A)                              | 100% Squared Up        |                     |                      |            | Reversal trades        |                     |                      |            |
|        |                                     |                                                        | Total traded value (B) | Total buy value (C) | Total sell value (D) | Profit (E) | Total traded value (F) | Total buy value (G) | Total sell value (H) | Profit (I) |
| 1      | N M Impex Pvt. Ltd.                 | 566.4                                                  | 543.4                  | 203.3               | 340.1                | 136.8      | 532.9                  | 198.9               | 334.0                | 135.0      |
| 2      | Vision Sponge Iron Pvt. Ltd.        | 77.8                                                   | 65.0                   | 11.2                | 53.8                 | 42.5       | 35.6                   | 5.3                 | 30.3                 | 25.1       |
| 3      | Umang Nemani                        | 50.3                                                   | 36.0                   | 5.3                 | 30.7                 | 25.4       | 32.4                   | 4.3                 | 28.2                 | 23.9       |
| 4      | Vsp Udyog Pvt. Ltd.                 | 74.0                                                   | 62.9                   | 10.6                | 52.3                 | 41.7       | 31.0                   | 4.8                 | 26.2                 | 21.5       |
| 5      | Shir Commodities & Futures (P) Ltd. | 34.0                                                   | 31.7                   | 6.3                 | 25.4                 | 19.0       | 31.1                   | 6.1                 | 25.0                 | 18.9       |
| 6      | Jai Annanya Investments Pvt. Ltd.   | 77.8                                                   | 67.8                   | 24.5                | 43.4                 | 18.9       | 64.0                   | 23.1                | 41.0                 | 17.9       |
| 7      | Sureshine Vintrade Pvt Ltd          | 70.5                                                   | 70.5                   | 25.3                | 45.3                 | 20.0       | 58.2                   | 20.7                | 37.5                 | 16.8       |
| 8      | Motisons                            | 37.4                                                   | 32.4                   | 5.7                 | 26.7                 | 21.0       | 22.7                   | 3.2                 | 19.5                 | 16.3       |

| S. No | Client Name                          | Turnover Breakup (Profit-making entities) (in ₹ Crore) |                           |                        |                         |               |                           |                        |                         |               |
|-------|--------------------------------------|--------------------------------------------------------|---------------------------|------------------------|-------------------------|---------------|---------------------------|------------------------|-------------------------|---------------|
|       |                                      | Total value of trades<br>(A)                           | 100% Squared Up           |                        |                         |               | Reversal trades           |                        |                         |               |
|       |                                      |                                                        | Total traded value<br>(B) | Total buy value<br>(C) | Total sell value<br>(D) | Profit<br>(E) | Total traded value<br>(F) | Total buy value<br>(G) | Total sell value<br>(H) | Profit<br>(I) |
|       | Commodities Pvt. Ltd.                |                                                        |                           |                        |                         |               |                           |                        |                         |               |
| 9     | Evergrowing Iron & Finvest Pvt. Ltd. | 36.3                                                   | 36.3                      | 9.8                    | 26.6                    | 16.8          | 30.6                      | 7.8                    | 22.8                    | 15.0          |
| 10    | Rajbanshi Trading                    | 36.3                                                   | 36.3                      | 12.3                   | 24.1                    | 11.8          | 35.9                      | 12.1                   | 23.8                    | 11.7          |
| 11    | Tradebulls Enterprise Pvt. Ltd.      | 23.0                                                   | 16.9                      | 3.4                    | 13.5                    | 10.2          | 16.7                      | 3.3                    | 13.4                    | 10.1          |
| 12    | Avijit Saha                          | 31.4                                                   | 31.4                      | 10.7                   | 20.7                    | 10.0          | 29.6                      | 10.0                   | 19.6                    | 9.5           |
| 13    | Ketan Ramanlal Shah Huf              | 39.5                                                   | 39.5                      | 14.7                   | 24.8                    | 10.2          | 35.2                      | 13.1                   | 22.1                    | 9.0           |
| 14    | Steel Crackers Pvt. Ltd.             | 28.6                                                   | 28.6                      | 8.6                    | 20.1                    | 11.5          | 22.0                      | 6.6                    | 15.4                    | 8.7           |
| 15    | Prime Gold Internation Ltd.          | 17.4                                                   | 17.3                      | 4.8                    | 12.5                    | 7.7           | 16.1                      | 4.4                    | 11.7                    | 7.4           |
| 16    | Raj Ratan Smelters Pvt Ltd           | 21.3                                                   | 21.3                      | 7.0                    | 14.3                    | 7.3           | 21.2                      | 7.0                    | 14.3                    | 7.3           |
| 17    | Sourabh H Bora                       | 26.0                                                   | 26.0                      | 9.5                    | 16.6                    | 7.1           | 26.0                      | 9.5                    | 16.6                    | 7.1           |
| 18    | Eden Trading Services Pvt. Ltd.      | 24.3                                                   | 24.3                      | 8.7                    | 15.6                    | 6.8           | 24.2                      | 8.7                    | 15.5                    | 6.8           |
| 19    | Mammon Concast Pvt. Ltd.             | 12.6                                                   | 12.0                      | 2.7                    | 9.3                     | 6.6           | 11.8                      | 2.6                    | 9.2                     | 6.6           |
| 20    | Bhawani Ferrous Pvt Ltd              | 16.1                                                   | 16.1                      | 4.9                    | 11.2                    | 6.3           | 14.4                      | 4.3                    | 10.1                    | 5.8           |
| 21    | Vsp Steel                            | 10.2                                                   | 10.2                      | 1.4                    | 8.8                     | 7.3           | 7.6                       | 1.1                    | 6.5                     | 5.5           |

| S. No. | Client Name                     | Turnover Breakup (Profit-making entities) (in ₹ Crore) |                           |                        |                         |               |                           |                        |                         |               |
|--------|---------------------------------|--------------------------------------------------------|---------------------------|------------------------|-------------------------|---------------|---------------------------|------------------------|-------------------------|---------------|
|        |                                 | Total value of trades<br>(A)                           | 100% Squared Up           |                        |                         |               | Reversal trades           |                        |                         |               |
|        |                                 |                                                        | Total traded value<br>(B) | Total buy value<br>(C) | Total sell value<br>(D) | Profit<br>(E) | Total traded value<br>(F) | Total buy value<br>(G) | Total sell value<br>(H) | Profit<br>(I) |
|        | Pvt Ltd                         |                                                        |                           |                        |                         |               |                           |                        |                         |               |
| 22     | Panem Steel Pvt. Ltd.           | 16.8                                                   | 16.8                      | 4.6                    | 12.2                    | 7.5           | 11.8                      | 3.2                    | 8.6                     | 5.3           |
| 23     | Deepak Natvarlal Pankhiyani Huf | 21.0                                                   | 21.0                      | 7.7                    | 13.3                    | 5.7           | 19.8                      | 7.3                    | 12.6                    | 5.3           |
| 24     | Kirti Ramji Kothari             | 15.2                                                   | 14.8                      | 4.6                    | 10.2                    | 5.6           | 14.4                      | 4.6                    | 9.8                     | 5.3           |
| 25     | Umesh Malani                    | 15.1                                                   | 14.9                      | 2.5                    | 12.4                    | 9.9           | 7.6                       | 1.2                    | 6.4                     | 5.1           |

Following is the explanation for the columns in Table 6:

A: Shows value of total trades done by an entity. (i.e. Gross buy & Gross sell)

B: Shows total traded value of contracts which are closed or fully squared up.

C & D: Show total traded value for closed buy and sell transactions of entity.

E: Shows total profit incurred by the entity for the transactions which are closed (squared up).

F: Shows total traded value by an entity while doing reversal trades.

G & H: Show breakup of F into total buy value and total sell value while reversing transactions.

I: Shows difference between G & H i.e. total profit incurred by entity while doing reversal trades.

22. For instance, as seen in the table above, the entity at S. No. 1 (N M Impex Pvt. Ltd.), has a total BSE options segment trading turnover of ₹ 566.4 crore. Of this, the transactions which are fully squared up account for total traded value is ₹ 543.4 crore. The total buy value for fully squared up transactions is ₹ 203.3 crore and total sell value is ₹ 340.1 crore. This results into a trading profit of ₹ 136.8 crore while executing the trades which are squared up. Further, total value traded by doing reversal trades is ₹ 532.9 core with the breakup of buy transactions and sell transactions valuing to ₹ 198.9 crore and ₹ 334.0 crore respectively. This results into a trading profit by executing

reversal transactions to the tune of ₹ 135.0 crore. A similar pattern was observed in respect of majority of the profit-making entities listed in the table above.

23. It is also noted that:

- i. A large proportion of total turnover, for all entities, is because of reversal transactions (Column A, F).
- ii. For all the entities, reversal trades have contributed significantly to the trading profit. (Column E,I).
- iii. The difference between total sell value and total buy value for reversal transactions is quite significant resulting into trading profit of very high magnitude for these profit-making entities (Column G,H,I).

24. From the comparison of the price of buy and sell orders placed by the profit-making entities with the *intrinsic value* (derived after taking into consideration the price of the underlying at the time of order entry), it appeared that the above mentioned trades executed by the profit-making entities in stock options were irrational and non-genuine. Following is a table reflecting the said comparison:

**Table 7: Intrinsic Value View (Profit-making entities)**

| S. No. | Client Name                         | Reversal  |          |          |        |           | Intrinsic value                                 |            |                                      |
|--------|-------------------------------------|-----------|----------|----------|--------|-----------|-------------------------------------------------|------------|--------------------------------------|
|        |                                     | Instances |          |          | Profit |           | Average Rupee Diff. from <i>intrinsic value</i> |            | Max Buy Below <i>intrinsic value</i> |
|        |                                     | No .      | Same Day | Next Day | No.    | Buy First | Buy Price                                       | Sell Price |                                      |
|        |                                     | (A)       | (B)      | (C)      | (D)    | (E)       | (F)                                             | (G)        |                                      |
| 1      | N M Impex Pvt. Ltd.                 | 627       | 619      | 8        | 596    | 413       | (11.9)                                          | (1.1)      | (45.6)                               |
| 2      | Vision Sponge Iron Pvt. Ltd.        | 339       | 172      | 167      | 338    | 110       | (68.6)                                          | 24.9       | (2,937.8)                            |
| 3      | Umang Nemani                        | 279       | 227      | 52       | 279    | 54        | (17.3)                                          | 9.6        | (86.6)                               |
| 4      | Vsp Udyog Pvt. Ltd.                 | 183       | 135      | 48       | 183    | 58        | (23.2)                                          | 16.5       | (179.7)                              |
| 5      | Shir Commodities & Futures (P) Ltd. | 73        | 38       | 35       | 73     | 52        | (21.1)                                          | 16.2       | (117.3)                              |
| 6      | Jai Annanya Investments Pvt. Ltd.   | 136       | 134      | 2        | 136    | 13        | (5.8)                                           | 2.4        | (15.2)                               |
| 7      | Sureshine Vintrade Pvt Ltd          | 32        | 32       | 0        | 32     | 23        | (16.5)                                          | (0.0)      | (33.9)                               |

| S. No. | Client Name                          | Reversal  |          |          |        |           | Intrinsic value                                 |            |                                      |
|--------|--------------------------------------|-----------|----------|----------|--------|-----------|-------------------------------------------------|------------|--------------------------------------|
|        |                                      | Instances |          |          | Profit |           | Average Rupee Diff. from <i>intrinsic value</i> |            | Max Buy Below <i>intrinsic value</i> |
|        |                                      | No .      | Same Day | Next Day | No.    | Buy First | Buy Price                                       | Sell Price |                                      |
|        |                                      | (A)       | (B)      | (C)      | (D)    | (E)       | (F)                                             | (G)        | (H)                                  |
| 8      | Motisons Commodities Pvt. Ltd.       | 102       | 45       | 57       | 97     | 45        | (40.1)                                          | 16.8       | (187.7)                              |
| 9      | Evergrowing Iron & Finvest Pvt. Ltd. | 122       | 122      | 0        | 121    | 106       | 0.7                                             | 7.9        | (19.9)                               |
| 10     | Rajbanshi Trading                    | 44        | 44       | 0        | 44     | 34        | (8.5)                                           | 6.1        | (32.3)                               |
| 11     | Tradebulls Enterprise Pvt. Ltd.      | 256       | 30       | 226      | 255    | 21        | (8.1)                                           | 2.6        | (22.5)                               |
| 12     | Avijit Saha                          | 31        | 31       | 0        | 31     | 25        | (8.9)                                           | 2.1        | (20.6)                               |
| 13     | Ketan Ramanlal Shah Huf              | 16        | 16       | 0        | 15     | 9         | (17.9)                                          | (2.4)      | (25.5)                               |
| 14     | Steel Crackers Pvt. Ltd.             | 56        | 56       | 0        | 56     | 48        | (3.2)                                           | 14.4       | (38.9)                               |
| 15     | Prime Gold Internation Ltd.          | 47        | 47       | 0        | 47     | 39        | (1.7)                                           | 4.4        | (20.1)                               |
| 16     | Raj Ratan Smelters Pvt Ltd           | 36        | 36       | 0        | 36     | 26        | 0.2                                             | 16.6       | (23.7)                               |
| 17     | Sourabh H Bora                       | 36        | 36       | 0        | 32     | 22        | (10.4)                                          | (0.2)      | (36.0)                               |
| 18     | Eden Trading Services Pvt. Ltd.      | 96        | 96       | 0        | 96     | 96        | (20.0)                                          | 7.6        | (75.1)                               |
| 19     | Mammon Concast Pvt. Ltd.             | 88        | 84       | 4        | 88     | 32        | (26.9)                                          | 52.2       | (445.9)                              |
| 20     | Bhawani Ferrous Pvt Ltd              | 40        | 40       | 0        | 39     | 32        | (2.9)                                           | 12.5       | (85.6)                               |
| 21     | Vsp Steel Pvt Ltd                    | 20        | 9        | 11       | 19     | 14        | (13.9)                                          | 14.9       | (90.4)                               |
| 22     | Panem Steel Pvt. Ltd.                | 39        | 39       | 0        | 39     | 36        | 2.0                                             | 17.6       | (17.2)                               |
| 23     | Deepak Natvarlal Pankhiyani Huf      | 8         | 8        | 0        | 8      | 7         | (14.4)                                          | (2.9)      | (23.1)                               |
| 24     | Kirti Ramji                          | 30        | 30       | 0        | 30     | 10        | (8.1)                                           | 0.1        | (14.5)                               |

| S. No. | Client Name  | Reversal  |          |          |        |           | Intrinsic value                                 |            |                                      |
|--------|--------------|-----------|----------|----------|--------|-----------|-------------------------------------------------|------------|--------------------------------------|
|        |              | Instances |          |          | Profit |           | Average Rupee Diff. from <i>intrinsic value</i> |            | Max Buy Below <i>intrinsic value</i> |
|        |              | No .      | Same Day | Next Day | No.    | Buy First | Buy Price                                       | Sell Price |                                      |
|        |              | (A)       | (B)      | (C)      | (D)    | (E)       | (F)                                             | (G)        | (H)                                  |
|        | Kothari      |           |          |          |        |           |                                                 |            |                                      |
| 25     | Umesh Malani | 16        | 0        | 16       | 16     | 16        | (85.8)                                          | 25.2       | (835.5)                              |

Following is the explanation for the columns in the above table:

A: Shows number of instances of reversal trades done by the entity.

B & C: Show breakup of A into reversal done on same day and subsequent days.

D: Shows number of reversal instances which resulted into profit.

E: Shows number of reversal instances which resulted into profit and in which the entity has bought first.

F: Shows the average of difference between the buy price of entity and the corresponding *intrinsic value* of those option contracts which existed at that point in time. For this computation, only those contracts where entity has made profit by entering into buy transaction first, are considered.

G: Shows the average of difference between the sell price of entity and the corresponding *intrinsic value* of those option contracts which existed at that point in time. For this computation, only those contracts where entity has made profit by entering into buy transaction first, are considered. It is noted that if an entity is buying/selling option above *intrinsic value* then the figures in column F & G would be positive and would be negative if option is bought/sold below *intrinsic value*.

H: Shows the farthest buy price of a trade from the *intrinsic value* of option for the buy order which forms part of the reversal trades. A figure of (10) for example, would indicate that the entity has bought option at ₹ 10 below the *intrinsic value*.

For computation of individual *intrinsic values* for options in the above table, the volume weighted average price of the underlying during the minute leading up to the execution of options trade is computed. This average price is then compared with the option strike price to arrive at individual *intrinsic values*.

25. For instance, the entity at S. No. 1 (N M Impex Pvt. Ltd.), in the table above has total number of reversal instances as 627. Of these, 619 reversal instances are opened and closed on the same day and on 8 days the open position is closed with the same counterparty on the next day of initiating the trade. The next section of table shows that the entity has incurred trading profit by reversal transactions in 596 instances of which

in 413 reversal instances, the entity has first bought option contracts. For reversal instances when entities are buying options first, their transaction price is compared with the then prevalent options *intrinsic value* and the mean value is taken. A figure of (11.9) and (1.1) against S No. 1 suggests that on an average the buy price of the entity is ₹ 12.9 less than the *intrinsic value* whereas the average sell price is ₹ 1.1 below the *intrinsic value*. A negative figure suggests that the option is bought or sold that many rupee below the theoretically accepted price of the option. A figure of (45.6) in the last column show that from all the reversal trades done by the entity in stock options, there occurred a trade wherein the entity has bought the option at a price which was ₹ 45.6 less than the *intrinsic value* of the option at that point in time. A similar behavior / pattern was observed in respect of majority of the profit-making entities listed in the table above.

26. It is further noted that:

- i. For all the profit-making entities, majority of the reversal transactions were executed on the same day. ( Column A, B, C)
- ii. Further, majority of the profit-making entities incurred profit because they bought options first at a price below the *intrinsic value* of the contract which existed at the time of trade execution. (Column F)
- iii. For the profit-making entities, the next leg of transaction i.e. selling of options, on an average, happened at the price which was nearer to the *intrinsic value* of the option (Column G).
- iv. While some of the entities in the above table were seen executing both legs of the reversal trades above *intrinsic value*, with average sell price farther away from the *intrinsic value* than the average buy price (Column F, G), there was not even a single entity who had not bought the stock option at a price below the *intrinsic value*. (Column H).

27. It is further observed that in majority of trading instances for all profit-making entities, the contribution of their trading in total turnover for the contracts was in the range of 70% to 100%. The table below provides the contract concentration percentage of the profit-making entities during the examination period:

**Table 8: Trading Concentration View - profit-making entities**

| S. No. | Client Name                        | Total Contract s | Total Contract –Days Combination | Contribution to contracts turnover on days traded |        |         |
|--------|------------------------------------|------------------|----------------------------------|---------------------------------------------------|--------|---------|
|        |                                    |                  |                                  | 0-50%                                             | 50-70% | 70-100% |
| 1      | N M Impex Private Limited          | 484              | 570                              | 27                                                | 13     | 530     |
| 2      | Vision Sponge Iron Private Limited | 453              | 666                              | 167                                               | 64     | 435     |

| S. No. | Client Name                                | Total Contracts | Total Contract –Days Combination | Contribution to contracts turnover on days traded |        |         |
|--------|--------------------------------------------|-----------------|----------------------------------|---------------------------------------------------|--------|---------|
|        |                                            |                 |                                  | 0-50%                                             | 50-70% | 70-100% |
| 3      | Umang Nemani                               | 335             | 414                              | 59                                                | 30     | 325     |
| 4      | Vsp Udyog Private Limited                  | 206             | 254                              | 82                                                | 28     | 144     |
| 5      | Shir Commodities & Futures (P) Ltd.        | 48              | 61                               | 9                                                 | 8      | 44      |
| 6      | Jai Annanya Investments Private Limited    | 177             | 186                              | 37                                                | 13     | 136     |
| 7      | Sureshine Vintrade Pvt Ltd                 | 20              | 28                               | 4                                                 | 3      | 21      |
| 8      | Motisons Commodities Private Limited       | 140             | 187                              | 15                                                | 15     | 157     |
| 9      | Evergrowing Iron & Finvest Private Limited | 99              | 106                              | 13                                                | 27     | 66      |
| 10     | Rajbanshi Trading                          | 43              | 43                               | 2                                                 | 2      | 39      |
| 11     | Tradebulls Enterprise Private Limited      | 292             | 512                              | 185                                               | 25     | 302     |
| 12     | Avijit Saha                                | 30              | 31                               | 2                                                 | 1      | 28      |
| 13     | Ketan Ramanlal Shah Huf                    | 14              | 16                               | 1                                                 | 2      | 13      |
| 14     | Steel Crackers Private Limited             | 58              | 60                               | 9                                                 | 36     | 15      |
| 15     | Prime Gold Internation Limited             | 38              | 38                               | 6                                                 | 7      | 25      |
| 16     | Raj Ratan Smelters Pvt Ltd                 | 34              | 35                               | 10                                                | 10     | 15      |
| 17     | Sourabh H Bora                             | 34              | 34                               | 4                                                 | 3      | 27      |
| 18     | Eden Trading Services Private Limited      | 91              | 97                               | 1                                                 | 0      | 96      |
| 19     | Mammon Concast Private Limited             | 93              | 103                              | 12                                                | 12     | 79      |
| 20     | Bhawani Ferrous Pvt Ltd                    | 37              | 37                               | 13                                                | 17     | 7       |
| 21     | Vsp Steel Pvt Ltd                          | 23              | 31                               | 14                                                | 7      | 10      |
| 22     | Panem Steel Private Limited                | 43              | 43                               | 4                                                 | 25     | 14      |
| 23     | Deepak Natvarlal Pankhiyani Huf            | 9               | 10                               | 3                                                 | 1      | 6       |
| 24     | Kirti Ramji Kothari                        | 33              | 34                               | 6                                                 | 0      | 28      |
| 25     | Umesh Malani                               | 16              | 26                               | 13                                                | 5      | 8       |

28. For instance, in the above table, the entity at S. No. 1 (N M Impex Private Limited), in all traded in 484 contracts. This resulted into 570 distinct contract-days combination i.e. the entity could have traded in same contract on multiple days. Of this, in 530 instances, the trading by the entity accounted for 70% to 100% of total turnover for that contract on those days. Further, in only 27 and 13 instances, the trading by the entity contributed to (0% to 50%) and (50% to 70 %) of total turnover for that contract on that day. A similar pattern was observed in respect of majority of the profit-making entities listed in the table above.

29. It was also observed that:

- i. For majority of entities, there was a very little difference between the total number of contracts and the total number of contract-days combination. Further, from Table 5, it was inferred that these entities executed reversal transactions in majority of the contracts traded by them. Thus, it may also be inferred that the entities reversed majority of the contracts on the same day.
- ii. Contribution of trading of majority of the loss-making entities to the total turnover of the contract on those days was in the range of 70-100%. Thus, it is inferred that the trading instruments/contracts were so selected by the profit-making entities that the matching of orders could happen easily as there was hardly any market depth in those contracts.

30. Further, a comparison of the number of orders entered and number of them resulting into trades was done for the profit-making entities. The table below provides the corresponding details for the examination period:

**Table 9: Order Execution percentage - profit-making entities**

| S. No. | Entity Name                                | Total Number of orders Placed | Total number of orders resulting into trade | % of entered orders converting into trade |
|--------|--------------------------------------------|-------------------------------|---------------------------------------------|-------------------------------------------|
| 1      | N M Impex Private Limited                  | 4473                          | 4143                                        | 92.6                                      |
| 2      | Vision Sponge Iron Private Limited         | 1953                          | 1401                                        | 71.7                                      |
| 3      | Umang Nemani                               | 2128                          | 1303                                        | 61.2                                      |
| 4      | Vsp Udyog Private Limited                  | 1385                          | 870                                         | 62.8                                      |
| 5      | Shir Commodities & Futures (P) Ltd.        | 272                           | 113                                         | 41.5                                      |
| 6      | Jai Annanya Investments Private Limited    | 1654                          | 1011                                        | 61.1                                      |
| 7      | Sureshine Vintrade Pvt Ltd                 | 475                           | 421                                         | 88.6                                      |
| 8      | Motisons Commodities Private Limited       | 543                           | 439                                         | 80.8                                      |
| 9      | Evergrowing Iron & Finvest Private Limited | 255                           | 239                                         | 93.7                                      |
| 10     | Rajbanshi Trading                          | 270                           | 259                                         | 95.9                                      |
| 11     | Tradebulls Enterprise Private Limited      | 774                           | 694                                         | 89.7                                      |
| 12     | Avijit Saha                                | 249                           | 243                                         | 97.6                                      |
| 13     | Ketan Ramanlal Shah Huf                    | 180                           | 134                                         | 74.4                                      |
| 14     | Steel Crackers Private Limited             | 128                           | 128                                         | 100.0                                     |
| 15     | Prime Gold Internation Limited             | 92                            | 86                                          | 93.5                                      |
| 16     | Raj Ratan Smelters Pvt Ltd                 | 79                            | 78                                          | 98.7                                      |
| 17     | Sourabh H Bora                             | 231                           | 224                                         | 97.0                                      |

| S. No. | Entity Name                           | Total Number of orders Placed | Total number of orders resulting into trade | % of entered orders converting into trade |
|--------|---------------------------------------|-------------------------------|---------------------------------------------|-------------------------------------------|
| 18     | Eden Trading Services Private Limited | 220                           | 203                                         | 92.3                                      |
| 19     | Mammon Concast Private Limited        | 1478                          | 264                                         | 17.9                                      |
| 20     | Bhawani Ferrous Pvt Ltd               | 81                            | 81                                          | 100.0                                     |
| 21     | Vsp Steel Pvt Ltd                     | 94                            | 68                                          | 72.3                                      |
| 22     | Panem Steel Private Limited           | 93                            | 88                                          | 94.6                                      |
| 23     | Deepak Natvarlal Pankhiyani Huf       | 123                           | 99                                          | 80.5                                      |
| 24     | Kirti Ramji Kothari                   | 184                           | 139                                         | 75.5                                      |
| 25     | Umesh Malani                          | 66                            | 42                                          | 63.6                                      |

31. It was observed from the above table that a very high percentage of orders placed by these entities ended up getting converted into trades. As has been noted above, the prices of at least one leg of the trade was by and large irrational and out of sync with underlying price. It does not appear to reason that whenever these entities place order, the counterparties appear to sell at irrational price. It is also improbable that whenever the loss-making entities place the order at irrational price, the profit-making entities would not only be able to place counter order but subsequently reverse with them on the same day or next day, unless there is a prior understanding or arrangement between the two.

32. Since a very high percentage of orders placed by these profit-making entities ended up getting converted into trades, their trade details were further examined with a view to ascertain the time difference between the placement of orders by these entities and their counterparties. The particulars of the profit-making entities and their counterparties' order placement analysis is provided in the table below:

**Table 10: Client –Counterparty Client Order Time Analysis-profit-making entities**

| S. No. | Client Name                        | Total instances of order entry within 60 secs<br>(A) | Total orders forming part of Reversal Trades<br>(B) | A as % of B |
|--------|------------------------------------|------------------------------------------------------|-----------------------------------------------------|-------------|
| 1      | N M Impex Private Limited          | 4007                                                 | 4048                                                | 99.0        |
| 2      | Vision Sponge Iron Private Limited | 386                                                  | 1100                                                | 35.1        |
| 3      | Umang Nemani                       | 363                                                  | 986                                                 | 36.8        |
| 4      | Vsp Udyog Private Limited          | 148                                                  | 627                                                 | 23.6        |

| <b>S. No.</b> | <b>Client Name</b>                         | <b>Total instances of order entry within 60 secs (A)</b> | <b>Total orders forming part of Reversal Trades (B)</b> | <b>A as % of B</b> |
|---------------|--------------------------------------------|----------------------------------------------------------|---------------------------------------------------------|--------------------|
| 5             | Shir Commodities & Futures (P) Ltd.        | 92                                                       | 255                                                     | 36.1               |
| 6             | Jai Annanya Investments Private Limited    | 344                                                      | 495                                                     | 69.5               |
| 7             | Sureshine Vintrade Pvt Ltd                 | 320                                                      | 353                                                     | 90.7               |
| 8             | Motisons Commodities Private Limited       | 200                                                      | 306                                                     | 65.4               |
| 9             | Evergrowing Iron & Finvest Private Limited | 251                                                      | 251                                                     | 100.0              |
| 10            | Rajbanshi Trading                          | 254                                                      | 255                                                     | 99.6               |
| 11            | Tradebulls Enterprise Private Limited      | 541                                                      | 543                                                     | 99.6               |
| 12            | Avijit Saha                                | 236                                                      | 236                                                     | 100.0              |
| 13            | Ketan Ramanlal Shah Huf                    | 122                                                      | 122                                                     | 100.0              |
| 14            | Steel Crackers Private Limited             | 114                                                      | 114                                                     | 100.0              |
| 15            | Prime Gold International Limited           | 93                                                       | 97                                                      | 95.9               |
| 16            | Raj Ratan Smelters Pvt Ltd                 | 78                                                       | 78                                                      | 100.0              |
| 17            | Sourabh H Bora                             | 226                                                      | 226                                                     | 100.0              |
| 18            | Eden Trading Services Private Limited      | 199                                                      | 199                                                     | 100.0              |
| 19            | Mammon Concast Private Limited             | 160                                                      | 234                                                     | 68.4               |
| 20            | Bhawani Ferrous Pvt Ltd                    | 84                                                       | 84                                                      | 100.0              |
| 21            | Vsp Steel Pvt Ltd                          | 13                                                       | 52                                                      | 25.0               |
| 22            | Panem Steel Private Limited                | 78                                                       | 78                                                      | 100.0              |
| 23            | Deepak Natvarlal Pankhiyani Huf            | 91                                                       | 91                                                      | 100.0              |
| 24            | Kirti Ramji Kothari                        | 104                                                      | 121                                                     | 86.0               |
| 25            | Umesh Malani                               | 1                                                        | 38                                                      | 2.6                |

33. As seen in the above table, in respect of 15 out of the total 25 profit-making entities, the time difference between placement of client orders and counterparty orders for reversal transactions is less than 60 seconds. Considering the fact that all these reversal transactions were carried out through a screen-based trading platform on a segment with hundreds of different contracts, the placement of orders repeatedly within a time span of less than 60 seconds and a significantly high percentage of matching of these orders, appear to be practically impossible unless there is a prior understanding or a pre-meditated plan between the two entities executing them.

34. Examination also revealed that majority of the profit-making entities had opened specific accounts for exclusively executing transactions in stock options of the nature as described above. It was noted that majority of the profit-making entities after opening these accounts immediately started executing reversal trades in illiquid stock options. Furthermore, their trading in illiquid stock options through respective trading members as shown in the table below accounted for very significant proportion of their overall trading (across equity-cash and equity-derivatives segments of the stock exchanges) through those accounts. It was also observed that other than their reversal trades (which appeared suspicious as discussed above) these entities did not have any other trades in stock options including any other exchange. The particulars of the above mentioned exclusive accounts, account opening dates, the dates of the first trades executed through these accounts and their turnover statistics across the stock options segments and across the equity (cash and derivatives) market are provided in the table below:

**Table 11: Profit making entities – Across market trading**

| S. No . | Entity Name                         | Trading Member Name              | A/c Opening Date | First Trade Date | BSO% Total Turnover * | BSO % (NSO+ BSO)* | BSO (in ₹ Crore) |
|---------|-------------------------------------|----------------------------------|------------------|------------------|-----------------------|-------------------|------------------|
| 1A      | N M Impex Private Limited           | Odyssey Securities Pvt. Ltd      | 12/12/2014       | 15/01/2015       | 100.0                 | 100.0             | 313.6            |
| 1B      | N M Impex Private Limited           | Ns Broking Pvt. Ltd.             | 28/01/2015       | 03/02/2015       | 100.0                 | 100.0             | 65.8             |
| 1C      | N M Impex Private Limited           | Mousumi Deb Roy                  | 09/12/2014       | 09/12/2014       | 100.0                 | 100.0             | 187.0            |
| 2       | Vision Sponge Iron Private Limited  | V.G.Capital Market Pvt.Ltd.      | 21/03/2014       | 25/04/2014       | 97.0                  | 100.0             | 77.8             |
| 3A      | Umang Nemani                        | Harish Kumar Singhania           | 30/10/2014       | 30/10/2014       | 100.0                 | 100.0             | 17.3             |
| 3B      | Umang Nemani                        | The Calcutta Stock Exchange Ltd. | 19/09/2014       | 22/09/2014       | 100.0                 | 100.0             | 33.0             |
| 4       | Vsp Udyog Private Limited           | Harish Kumar Singhania           | 14/01/2015       | 15/01/2015       | 100.0                 | 100.0             | 73.9             |
| 5A      | Shir Commodities & Futures (P) Ltd. | Lalit Kumar Tulshyan             | 20/02/2015       | 20/02/2015       | 99.0                  | 100.0             | 25.8             |
| 5B      | Shir Commodities & Futures (P)      | Basan Equity Broking Limited     | 10/02/2015       | 10/02/2015       | 100.0                 | 100.0             | 8.2              |

| S. No. | Entity Name                                | Trading Member Name            | A/c Opening Date | First Trade Date | BSO% Total Turnover * | BSO % (NSO+BSO)* | BSO (in ₹ Crore) |
|--------|--------------------------------------------|--------------------------------|------------------|------------------|-----------------------|------------------|------------------|
|        | Ltd.                                       |                                |                  |                  |                       |                  |                  |
| 6      | Jai Annanya Investments Private Limited    | Aryav Securities Pvt. Ltd.     | 26/02/2014       | 24/12/2014       | 100.0                 | 100.0            | 77.8             |
| 7      | Sureshine Vintrade Pvt Ltd                 | Mousumi Deb Roy                | 24/02/2015       | 24/02/2015       | 99.0                  | 100.0            | 70.5             |
| 8      | Motisons Commodities Private Limited       | Motisons Shares Pvt.Ltd.       | 19/03/2014       | 28/07/2014       | 100.0                 | 100.0            | 37.4             |
| 9      | Evergrowing Iron & Finvest Private Limited | Geometry Vanijya Pvt. Ltd.     | 17/02/2015       | 18/02/2015       | 99.6                  | 100.0            | 36.3             |
| 10 A   | Rajbanshi Trading                          | Odyssey Securities Pvt. Ltd    | 23/02/2015       | 26/02/2015       | 100.0                 | 100.0            | 28.7             |
| 10B    | Rajbanshi Trading                          | Concord Vinimay Pvt. Ltd.      | 26/03/2015       | 26/03/2015       | 100.0                 | 100.0            | 7.7              |
| 11 A   | Tradebulls Enterprise Private Limited      | Tradebulls Securities Pvt.Ltd. | 05/06/2012       | 04/03/2015       | 46.3                  | 100.0            | 16.2             |
| 11B    | Tradebulls Enterprise Private Limited      | Sps Share Brokers Pvt.Ltd.     | 24/02/2015       | 24/02/2015       | 100.0                 | 100.0            | 6.8              |
| 12 A   | Avijit Saha                                | Odyssey Securities Pvt. Ltd    | 23/02/2015       | 24/02/2015       | 100.0                 | 100.0            | 30.0             |
| 12B    | Avijit Saha                                | Concord Vinimay Pvt. Ltd.      | 27/03/2015       | 27/03/2015       | 100.0                 | 100.0            | 1.4              |
| 13     | Ketan Ramanlal Shah Huf                    | Mousumi Deb Roy                | 13/03/2015       | 13/03/2015       | 100.0                 | 100.0            | 39.5             |
| 14     | Steel Crackers Private Limited             | Concord Vinimay Pvt. Ltd.      | 25/02/2015       | 25/02/2015       | 100.0                 | 100.0            | 28.6             |
| 15 A   | Prime Gold Internation Limited             | Geometry Vanijya Pvt. Ltd.     | 14/02/2015       | 16/02/2015       | 100.0                 | 100.0            | 12.6             |
| 15B    | Prime Gold Internation Limited             | Lalit Kumar Tulshyan           | 24/03/2015       | 25/03/2015       | 100.0                 | 100.0            | 4.8              |
| 16     | Raj Ratan                                  | Mkb Securities                 | 28/03/2015       | 31/03/2015       | 100.0                 | 100.0            | 5.9              |

| S. No . | Entity Name                           | Trading Member Name              | A/c Opening Date | First Trade Date | BSO% Total Turnover * | BSO % (NSO+BSO)* | BSO (in ₹ Crore) |
|---------|---------------------------------------|----------------------------------|------------------|------------------|-----------------------|------------------|------------------|
| A       | Smelters Pvt Ltd                      | Pvt Ltd                          | 015              | 2015             |                       |                  |                  |
| 16B     | Raj Ratan Smelters Pvt Ltd            | Geometry Vanijya Pvt. Ltd.       | 24/03/2015       | 26/03/2015       | 100.0                 | 100.0            | 14.2             |
| 16C     | Raj Ratan Smelters Pvt Ltd            | Concord Vinimay Pvt. Ltd.        | 27/03/2015       | 27/03/2015       | 100.0                 | 100.0            | 1.2              |
| 17A     | Sourabh H Bora                        | Odyssey Securities Pvt. Ltd      | 24/02/2015       | 09/03/2015       | 100.0                 | 100.0            | 6.7              |
| 17B     | Sourabh H Bora                        | Mousumi Deb Roy                  | 19/02/2015       | 20/02/2015       | 100.0                 | 100.0            | 19.3             |
| 18      | Eden Trading Services Private Limited | Abans Securities Pvt. Ltd.       | 23/07/2014       | 18/03/2015       | 100.0                 | 100.0            | 24.3             |
| 19      | Mammon Concast Private Limited        | Best Bull Stock Trading Pvt.Ltd. | 13/11/2014       | 19/11/2014       | 100.0                 | 100.0            | 12.6             |
| 20      | Bhawani Ferrous Pvt Ltd               | Bahubali Forex Pvt Ltd           | 23/02/2015       | 24/02/2015       | 99.1                  | 100.0            | 16.1             |
| 21      | Vsp Steel Pvt Ltd                     | The Calcutta Stock Exchange Ltd. | 27/02/2015       | 28/02/2015       | 100.0                 | 100.0            | 10.2             |
| 22      | Panem Steel Private Limited           | Bahubali Forex Pvt Ltd           | 02/03/2015       | 05/03/2015       | 100.0                 | 100.0            | 16.8             |
| 23      | Deepak Natvarlal Pankhiyani Huf       | Mousumi Deb Roy                  | 05/03/2015       | 09/03/2015       | 100.0                 | 100.0            | 21.0             |
| 24      | Kirti Ramji Kothari                   | Mkb Securities Pvt Ltd           | 03/02/2015       | 10/02/2015       | 100.0                 | 100.0            | 15.2             |
| 25      | Umesh Malani                          | V.G.Capital Market Pvt.Ltd.      | 07/01/2015       | 08/01/2015       | 100.0                 | 100.0            | 15.1             |

\* BSO and NSO represent turnover of entity on BSE Stock Options segment and NSE Stock Options segment respectively. Total turnover represents turnover of entity in equity-cash and equity-derivatives segment of BSE and NSE.

35. From what has been discussed hereinabove, it *prima facie* appears that the pattern of trading by the profit-making entries was abnormal and was designed to create artificial volumes in the illiquid stock options or to facilitate certain entities who were attempting to deliberately make loss by entering into irrational reversal trades as mentioned above.

36. In view of the foregoing, I note the following with respect to the present matter:
- A. The loss making entities sold illiquid stock options at prices less than their *intrinsic value*.
  - B. On the day of the above sell transaction or on the next day, these loss making entities squared up their positions by reversing these trades i.e. purchasing the same quantities of the aforesaid stock options from the same counterparties.
  - C. These purchases were made at prices much higher than the initial prices at which they were sold. Further, during the period when the position in stock options was kept open, there was no corresponding change in the underlying price justifying the difference in the traded price of the two legs of the transactions which resulted in heavy loss to these entities.
  - D. Trade reversal was done in majority of the contracts traded by the loss-making entities. Further, majority of these reversal trades consistently resulted into trading loss for them.
  - E. The trades executed in the above manner by these loss-making entities accounted for significant percentage of total turnover in the option contracts on those days.
  - F. The profit-making entities bought illiquid stock options at prices less than their *intrinsic value*.
  - G. On the day of the above buy transaction or on the next day, these profit-making entities squared up their positions by reversing these trades i.e. selling the same quantities of the aforesaid stock options from the same counterparties.
  - H. These sells were made at prices much higher than the initial prices at which they were bought. Further, during the period when the position in stock options was kept open, there was no corresponding change in the underlying price justifying the difference in the traded price of the two legs of the transactions which resulted in heavy profit to these entities.
  - I. Trade reversal was done in majority of the contracts traded by the profit-making entities. Further, majority of these reversal trades consistently resulted into trading profit for them.
  - J. The trades executed in the above manner by these profit-making entities accounted for significant percentage of total turnover in the option contracts on those days.
  - K. A significantly high percentage of the orders entered by the profit- making entities converted into trades.
  - L. In respect of most of the profit making entities, the time difference between placement of client and counterparty client orders for reversal transactions was less than 60 seconds.
  - M. Majority of the profit-making entities had opened specific accounts for exclusively carrying out suspicious transactions in stock options.

- N. Majority of the profit-making entities immediately started trading in suspicious reversal trades after opening these accounts.
  - O. Further, their suspicious trading in stock options through respective trading members accounted for very significant proportion of their overall trading (across equity-cash and equity-derivatives segments of BSE and NSE), through those accounts.
  - P. Other than their suspicious reversal trades, these entities were not seen trading in stock options segment of other stock exchanges.
  - Q. The trading accounts were opened and operated by these entities merely to facilitate the loss making entities execute their motive.
  - R. The trading by the loss-making entities and the profit- making entities in the pattern described above sprung up during the last quarter of the financial year 2014-2015.
37. The repeated sell of illiquid stock options by the loss-making entities to a set of entities at a price far lower than the theoretical price / *intrinsic value* and subsequent reversal trades with the same set of entities within a short span of time with a significant difference in buy and sell value of stock options, in itself, exhibits abnormal market behavior and defies economic rationality, especially when there is absolutely no corresponding change in the underlying price of the scrip. On the other hand, trading behavior of profit-making entities exhibited through opening specific trading accounts and operating them exclusively to execute reversal trades in illiquid stock options with a set of entities clearly indicates their role in facilitating loss-making entities in executing their ulterior motive.
38. Considering the facts and circumstances discussed herein above, I, *prima-facie*, find that the loss-making entities were deliberately making repeated loss through their reversal trades in stock options which does not make any economic sense, and the profit-making entities were facilitating them by becoming their counterparties and were acting in concert with a common object of intended execution of these suspicious and non-genuine trades. The reasons for executing such trades by these entities could be showing artificial volume and trading interest in these instruments or tax evasion or portraying artificial increase in net worth of a private company/individual. Be as it may, it is amply clear to me that the rationale for such transactions is not genuine and legitimate as the behavior exhibited by these entities defies the logic and basic economic sense. No reasonable and rational investor will keep making repeated loss and still continue its trading endeavors. On the other hand, an entity/scheme may not forever be able to make only profit and become equivalent to an assured profit maker / scheme. I am of the considered view that the scheme, plan, device and artifice employed in this case of executing reversal trades in illiquid stock options contracts at irrational, unrealistic and

unreasonable prices, apart from being a possible case of tax evasion or portrayal of artificial net worth to certain entities, which could be seen by the concerned law enforcement agencies separately, is *prima facie*, also a fraud on the securities market inasmuch as it involves non-genuine/ manipulative transactions in securities and misuse of the securities market.

39. In my view, the acts of the loss-making entities and the profit-making entities discussed hereinabove *prima facie* show a scheme, plan, device and artifice on their part for some ulterior motive. These entities have, *prima-facie*, used and employed a pre meditated manipulative device or contrivance while dealing in securities market and indulged in non-genuine and deceptive transactions. The non-genuine and deceptive transactions of these entities are, *prima-facie*, covered under the definition of 'fraud' and their dealings as discussed herein above were 'fraudulent' as defined under regulation 2(1)(c) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ("PFUTP Regulations") and prohibited under the provisions of section 12A(a), (b) and (c) of the SEBI Act, 1992 and regulations 3(a), (b), (c) and (d) and 4(1) and 4(2)(a) thereof. I therefore, *prima-facie* find that these entities have contravened these provisions which are reproduced hereunder:-

#### **SEBI Act, 1992**

##### **"12A. No person shall directly or indirectly—**

*(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

*(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;*

*(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;"*

#### **PFUTP REGULATIONS, 2003**

##### ***"Prohibition of certain dealings in securities***

##### ***3. 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 recognized 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 recognized 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 recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

*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;”*

40. In my view the misuse of stock options as shown above not only displays an unreal picture of market activity to other investors but also defeats the basic premise of screen based electronic trading system and price discovery mechanism by repeated execution of pre decided reversal trades at irrational / arbitrary prices. Moreover, the impact of such trading on the traded volume and the price of stock options contracts is huge. Such activity deliberately or otherwise damages market integrity apart from presenting wrong picture of liquidity to gullible investors which could affect their trading/investment decisions. Options as financial instruments, ordinarily, provide hedging avenues to investors. The trading pattern of both loss-making entities and profit-making in the instant matter fail to justify any of the normal strategies of hedging / speculation / arbitrage. In my view, the abuse of such financial instruments, which are made available to the investors for the purpose of protection of their investment portfolios from the risks of adverse price movement, cannot be tolerated and needs to be dealt with strictly.

41. While ascertaining the exact reasons for such abnormal behavior by each of the loss-making/profit-making entities remains the subject matter of detailed investigation, maintaining market integrity and protecting interest of investors is my main concern right now. In my view, a detailed investigation of the entire scheme employed in this case is necessary to find out the rationale of entities to indulge in such suspicious / artificial trades including tracing the fund trail and the role of intermediaries in allowing such fictitious trades to enter the system. The investigation shall also cover the examination of any other entity executing similar fictitious trades in the stock options segment.

42. As the purpose of the above mentioned transactions may be to generate fictitious profits / losses for the purpose of tax evasion / facilitating tax evasion, the matter may be referred to Income Tax Department for investigation and necessary action at their end. The matter may also be referred to Financial Intelligence Unit and Enforcement Directorate for necessary action at their end.
43. Considering these facts and circumstances of this case and the abuse of the stock exchange platform in such a fraudulent scheme, plan, device and artifice as *prima facie* found in this case, I am convinced that this is a fit case where, pending investigation, effective and expeditious preventive and remedial action is required to be taken by way of *ad interim ex -parte* order to protect the interests of investors and preserve the safety and integrity of the securities market.
44. In view of the foregoing, in order to protect the interest of the investors and the integrity of the securities market, I, in exercise of the powers conferred upon me in terms of section 19 read with section 11(1), 11(4) and section 11B of the SEBI Act, 1992, hereby direct that pending investigation and passing of final order in the matter, following persons/entities are restrained from buying, selling or dealing in the securities markets, either directly or indirectly, in any manner, till further directions:-

| S No. | Entity Name                                  | Entity PAN |
|-------|----------------------------------------------|------------|
| 1     | Adarsh Credit Co Op Society Limited          | AAAJA0296J |
| 2     | Riddisiddhi Bullions Limited                 | AAACR6727L |
| 3     | Bharat Jayantilal Patel                      | AAAPP6652R |
| 4     | Quest Partners                               | AAAFQ3174B |
| 5     | Gajanan Enterprises                          | AAKFG7595A |
| 6     | Kundan Rice Mills Limited                    | AAACK7098P |
| 7     | J B Overseas                                 | AAIFJ6651J |
| 8     | Raghav Commodities                           | AARFR1409D |
| 9     | Woodland Retails Private Limited             | AABCW1644A |
| 10    | Jaideep Halwasiya                            | AAWPH1706L |
| 11    | Kundan Care Products Limited                 | AACCK4743R |
| 12    | Anand Mining Corporation                     | AAGFA0187Q |
| 13    | Mahakaleshwar Mines & Metals Private Limited | AAHCM1276E |
| 14    | Anantnath Vincom Private Limited             | AAKCA2146A |
| 15    | Pasha Finance Pvt Ltd                        | AAACP8316P |
| 16    | Xion Gems & Jewellers Private Limited        | AAFCA5667D |
| 17    | Skeet Comsec Trading Llp                     | ACBFS5896B |
| 18    | Ashok Kumar Damani                           | ACXPD6089R |
| 19    | Vinay Ramanlal Shah Huf                      | AABHV9007P |
| 20    | Swaran Financial Private Limited             | AAECS4024R |

| S No. | Entity Name                                  | Entity PAN |
|-------|----------------------------------------------|------------|
| 21    | Vitrage Rajendrakumar Sheth                  | BSUPS7339K |
| 22    | Savitri Sons                                 | AANFS6992C |
| 23    | Gyandeep Khemka                              | AGBPK0640F |
| 24    | Gandiv Investment Private Limited            | AACCG3017C |
| 25    | Rashi Commercial Company                     | AAAFR1026K |
| 26    | Nikhil Jalan                                 | AADCP2042F |
| 27    | Rakesh K Baid                                | AACCG3141P |
| 28    | Open Futures And Derivatives Private Limited | AABCO1139Q |
| 29    | Pragya Commodities Private Limited           | AABCP5764C |
| 30    | Nouvelle Advisory Services Private Limited   | AADCN1774A |
| 31    | Gck Stock Private Limited                    | AAACA5560C |
| 32    | Om Sales Corporation                         | AARPY4343F |
| 33    | Prompt Commodities Ltd                       | AADCP1910G |
| 34    | Gurmeet Singh                                | AAQPS9561E |
| 35    | N M Impex Pvt. Ltd.                          | AABCN0541M |
| 36    | Vision Sponge Iron Pvt. Ltd.                 | AABCV4791R |
| 37    | Umang Nemani                                 | ABOPN7213K |
| 38    | Vsp Udyog Pvt. Ltd.                          | AABCV6318G |
| 39    | Shir Commodities & Futures (P) Ltd.          | AAACU7902J |
| 40    | Jai Annanya Investments Pvt. Ltd.            | AABCG0769Q |
| 41    | Sureshine Vintrade Pvt Ltd                   | AAUCS1804K |
| 42    | Motisons Commodities Pvt. Ltd.               | AADCM7184M |
| 43    | Evergrowing Iron & Finvest Pvt. Ltd.         | AAACE1287C |
| 44    | Rajbanshi Trading                            | AQEPR0750Q |
| 45    | Tradebulls Enterprise Pvt. Ltd.              | AAECT2124M |
| 46    | Avijit Saha                                  | DCIPS3813Q |
| 47    | Ketan Ramanlal Shah Huf                      | AACHK9724K |
| 48    | Steel Crackers Pvt. Ltd.                     | AADCS6663F |
| 49    | Prime Gold Internation Ltd.                  | AACCK3755F |
| 50    | Raj Ratan Smelters Pvt Ltd                   | AADCR8689N |
| 51    | Sourabh H Bora                               | ADIPB7693R |
| 52    | Eden Trading Services Pvt. Ltd.              | AADEC1272A |
| 53    | Mammon Concast Pvt. Ltd.                     | AAGCM5635G |
| 54    | Bhawani Ferrous Pvt Ltd                      | AACCB3369A |
| 55    | Vsp Steel Pvt Ltd                            | AACCT2881K |
| 56    | Panem Steel Pvt. Ltd.                        | AAACP8592R |
| 57    | Deepak Natvarlal Pankhiyani Huf              | AAJHP3250L |
| 58    | Kirti Ramji Kothari                          | AAEPK3216C |
| 59    | Umesh Malani                                 | BDHPM5310A |

45. This order shall come into force with immediate effect. The stock exchanges and the depositories are directed to ensure that all the above directions are strictly enforced.

46. This order is without prejudice to the right of SEBI to take any other action that may be initiated against the aforementioned entities in accordance with law. The persons/entities against whom this Order is passed may file their objections, if any, within twenty one days from the date of this order and, if they so desire, avail themselves of an opportunity of personal hearing before the Securities and Exchange Board of India, on a date and time to be fixed on a specific request, received from the said persons/entities.

Sd/-

**DATE: August 20<sup>th</sup>, 2015**

**PLACE : MUMBAI**

**RAJEEV KUMAR AGARWAL**

**WHOLE TIME MEMBER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**