

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA

SETTLEMENT ORDER
(Application No. 6996-97/2022)

[SETTLEMENT ORDER No. - SO/VV/AS/2022-23/6997]

In respect of:

North End Foods Marketing Pvt. Ltd. (Applicant 1)
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(PAN: AABCN9927F)

Sandeep Sabharwal (Applicant 2)
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(PAN: AABPS4647J)

*Applicant 1 and Applicant 2, collectively referred as “Applicants”

Settlement Order in the matter of trading by certain entities in Mentha Oil futures contract at
Multi Commodity Exchange of India Limited

1. SEBI received communication from Multi Commodity Exchange of India Ltd. (hereinafter referred to as “**MCX**”) intimating that Group A entities as specified in the show cause notice dated September 23, 2022 (hereinafter referred to as “**SCN**”), were holding more than 75% of the total exchange deliverable stock of Mentha Oil. MCX further informed that Group A entities were clubbed in accordance with MCX’s circular dated August 23, 2017 with regard to monitoring of position limits as it was found to be receiving funds from the appellant 1, i.e. North End Foods Marketing Pvt. Ltd. & Anr. (hereinafter referred to as “**NEFM**”/ “**Applicant 1**”). On the detail investigation, it was alleged that Group A entities acquired Mentha Oil through transactions in Mentha Oil futures contracts on the exchange platform as well as by way of “off-market” transfers. Further, Group A entities acquired off-market transfers from Group B entities as specified in the SCN. It has been observed that

Applicant 1 was found to have either directly transferred funds to Group A and Group B entities or through the accounts of proxy entities as specified in the SCN.

2. In view of the above, it was decided to inquire into and adjudicate upon the alleged violations as aforesaid and the undersigned was appointed as Adjudicating Officer under Section 15-I of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**") read with Rule 3 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**Adjudication Rules**") to inquire into and adjudge under Section 15HA of the SEBI Act and Section 15 HB of SEBI Act for the violation of Section 12 A (a), (b), (c) of SEBI Act, Regulation 3 (a), (b), (c), (d), Regulation 4(1)(2)(a) of PFUTP Regulation r/w SEBI circulars No. CDMRD/DMP/CIR/P/2016/96 dated September 27, 2016 and SEBI/HO/CDMRD/DMP/CIR/P/2017/84 dated July 25, 2017. Accordingly, in terms of Rule 4(1) of the Adjudication Rules read with Section 15-I (1) and (2) of SEBI Act, a common show cause notice dated September 23, 2022 (hereinafter referred to as "**SCN**") was issued to Applicant 1 and Applicant 2.
3. SCN has alleged that NEFM, and its Managing Director, Sandeep Sabharwal, through the connected entities had devised a plan, artifice or design through which NEFM has acquired the ultimate beneficial ownership of a substantial percentage of exchange specified stock of Mentha oil, which are tradable at the exchange. Allegedly, by actively concealing its ultimate beneficial ownership of Mentha oil stock so acquired through connected entities, NEFM intentionally created false and misleading appearance of trades wherein it was the de-facto beneficial owner/ trader but the trades were done by its connected entities without disclosing their connection with NEFM. The act of concealment was devised in order to deliberately mislead the market and get hold of a dominant stock position in Exchange specified quality of Mentha oil and to circumvent the SEBI circular on position limit compliance. The whole artifice, scheme devised by NEFM and through

trading and taking delivery have accumulated/cornered influential Mentha oil commodity. Further, it has been alleged that the dominant position created by NEFM along with all connected entities in a deliberate manner was in violation of prescribed position limit as prescribed under SEBI circulars No. CDMRD/DMP/CIR/P/2016/96 dated September 27, 2016 and SEBI/HO/CDMRD/DMP/CIR/P/2017/84 dated July 25, 2017. Thus, cornering of substantial percentage or specified stocks of Mentha Oil, Applicant 1 was alleged to be fraudulent and was also in violation of 12 A (a), (b), (c) of SEBI Act, Regulation 3 (a), (b), (c), (d), Regulation 4(1)(2)(a) of PFUTP Regulation.

4. Applicant 2 being the Managing Director of NEFM was also accountable for NEFM operations and has statutory duty towards NEFM to act diligently. Thus, the aforementioned allegations mentioned with respect to the Applicant 1, also been with extended with respect to the Applicant 2 pursuant to provisions of Section 27(1) of SEBI Act.
5. Pending the instant proceedings commenced by the aforesaid SCN, Applicant 1 and Applicant 2 filed Settlement Applications bearing reference no. 6996-6997/2022 with SEBI in terms of SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as "**Settlement Regulations**") proposing to settle the pending proceedings through a Settlement Order.
6. The authorized representative of the applicant had a meeting with the Internal Committee (IC) of SEBI on December 22, 2022, wherein the settlement terms were deliberated. Thereafter, the Applicant 1 and Applicant 2, vide its letter December 23, 2022, proposed payment of ₹45,50,000/- (Rupees Forty-Five lakh Fifty Thousand Only) each towards full and final settlement of alleged default contained in the SCN.

7. The High Powered Advisory Committee on Settlement ('HPAC') considered the proposed settlement terms on January 11, 2023 and recommended the settlement of instant proceedings upon payment of ₹45,50,000/- (Rupees Forty-Five lakh Fifty Thousand Only) by respective applicant 1 and applicant 2 towards settlement charges. The Panel of Whole Time Members of SEBI approved and accepted the said recommendation of the HPAC on February 01, 2023 and the same was communicated to the applicant vide e-mail dated February 07, 2023. Pursuant to the same, the Applicants, vide its e-mail dated February 08, 2023 informed SEBI that on February 08, 2023 they have remitted a sum of ₹45,50,000/- (Rupees Forty-Five lakh Fifty Thousand Only) each towards the settlement charges and Online Payment Receipt has been attached.
8. Accordingly, in terms of regulation 23(1) and regulation 28 of the Settlement Regulations, I hereby, ordered that the instant adjudication proceedings initiated against the applicants vide SCN dated September 23, 2023 are disposed of in terms of the above accepted settlement terms. The summary of settlement proceedings is mentioned below:

	Deliberation with IC	HPAC considered the proposed settlement terms on	Panel of Whole Time Members of SEBI approved and accepted the said recommendation of the HPAC	Settlement Amount paid (intimated vide e-mail dated February 08, 2023)
Applicant 1	December 22, 2022	January 11, 2023	February 01, 2023	₹45,50,000/- (Rupees Forty-Five lakh Fifty Thousand Only)
Applicant 2	December 22, 2022	January 11, 2023	February 01, 2023	₹45,50,000/- (Rupees Forty-Five lakh Fifty Thousand Only)

9. This order is without prejudice to the right of SEBI to take any enforcement action including restoring or initiating the proceedings in respect to which this settlement order is passed, if:
- 9.1.any representations made by the applicant in the Settlement Proceedings are subsequently found to be untrue; or
 - 9.2.the applicant breaches any of the clauses /conditions of undertakings/ waivers filed during the Settlement Proceedings.
- 10.This settlement order shall come into force with immediate effect.
- 11.In terms of Regulation 25 of the Settlement Regulations, copy of this order is sent to the applicant and shall also be published on the website of SEBI.

Date: March 06, 2023
Place: Mumbai

Vijayant Kumar Verma
Adjudicating Officer