

India's top court provides relief to Reliance in 2007 securities market fraud case

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A view of the Indian Supreme Court building is seen in New Delhi December 7, 2010. REUTERS/B Mathur/File Photo [Purchase Licensing Rights](#) 

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MUMBAI, May 29 (Reuters) - India's Supreme Court on Friday provided relief to Reliance Industries Ltd ([RELI.NS](#))  in a securities market fraud case, overturning a lower court ruling and a 2020 order by the markets regulator that alleged the firm engaged in manipulative trading practices.

The court directed the Securities and Exchange Board of India (SEBI) to refund 2.5 billion rupees (\$26.32 million) it had collected from the Mukesh Ambani-led company pending appeal, according to the order.

RIL and SEBI did not immediately respond to Reuters requests for comment.

The case relates to RIL's November 2007 decision to sell a stake of about 5% in its subsidiary, Reliance Petroleum Ltd (RPL). Ahead of the sale, RIL had entered into arrangements with 12 entities that took short positions in RPL futures contracts, with profits and losses from those trades ultimately accruing to the company.

In its 2020 order, SEBI had ruled that the arrangement amounted to fraud and market manipulation as it circumvented position limits in derivatives, cornered the market and influenced settlement prices.

It had directed RIL to repay 4.47 billion rupees to investors.

RIL challenged the order before the Securities Appellate Tribunal, which upheld SEBI's findings, following which the company approached the Supreme Court.

The apex court, however, held that a breach of position limits is a regulatory violation but does not by itself establish fraud. It said hedging is a legitimate risk-management tool and there is no legal requirement for a "perfect hedge".

"There is no legal requirement to ensure a perfect hedge with a 1:1 ratio," the court said, adding that SEBI had failed to meet the higher burden of proof required to establish manipulation.

"Concentration of positions, aggressive trading strategies, or even violations of trading norms may invite regulatory consequences, but they are not, by themselves, sufficient to establish market abuse," said **Sumit** Agrawal, senior partner, Regstreet Law Advisors.