

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA  
CORAM: MADHABI PURI BUCH, WHOLE TIME MEMBER  
FINAL ORDER**

**Under Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of  
India Act, 1992**

**In Re: Securities and Exchange Board of India (Prohibition of Fraudulent and  
Unfair Trade Practices Relating to Securities Market) Regulations, 2003**

**In respect of:**

S. No.	Name of the Entity	PAN
1.	Ms. Anjana Arun Karwa	AHQPK9496D

**In the matter of Shree Shaleen Textiles Limited**

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**BACKGROUND**

1. Shree Shaleen Textiles Limited (hereinafter referred to as “**SSTL / Company**”) was incorporated in the year 1980. SSTL’s key Products/ Revenue Segments include cloth trade. The company is listed only on BSE Ltd.
2. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted an investigation in the scrip of SSTL based on a reference received from the Principal Director of Income Tax (Investigation), Kolkata. The focus of the investigation was to ascertain whether there were any violations of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”) by certain

entities in the scrip of SSTL during the period period November 01, 2011 to November 30, 2014 (hereinafter referred to as “**Investigation Period**”).

3. During the investigation period, corporate announcements broadly included declaration of financial results and meetings of the Board of Directors of the Company. Further, it is observed from the Investigation Report (hereinafter referred to as “**IR**”) that net sales of the company increased from ₹ 0.37 crore as on March 31, 2011 to ₹ 2.65 crore as on March 31, 2014. The profit of company increased from ₹ 0.30 crore for the year ended March 31, 2011 to ₹ 0.48 crore for the year ended March 31, 2014.
4. On the basis of price rise/fall, during the investigation period, 4 patches were identified. The open, high, low, close price of the scrip before, during and after the period of investigation are as under:

Patches	Period	Particulars	Open	High	Low	Close	Avg. Volume
Pre IP Period	01/09/2011 – 30/10/2011	Price	52.5 [16/09/2011]	70.15 [18/10/2011]	52.5 [16/09/2011]	70.15 [18/10/2011]	50
		Volume	50 [16/09/2011]	50 [Multiple Dates]	50 [Multiple Dates]	50 [18/10/2011]	
Patch-1 - Pre Bonus – IP Period	01/11/2011 – 29/03/2012	Price	73.65 [02/11/2011]	77.30 [06/02/2012]	73.65 [02/11/2011]	77.30 [06/02/2012]	50
		Volume	50 [02/11/2011]	50 [Multiple Dates]	50 [Multiple Dates]	50 [06/02/2012]	
Patch – 2 - Post Bonus – IP period	30/03/2012 – 05/03/2013	Price	4 [30/03/2012]	111.85 [05/03/2013]	4 [30/03/2012]	111.85 [05/03/2013]	142
		Volume	50 [30/03/2012]	5010 [15/02/2013]	2 [28/12/2012]	25 [05/03/2013]	
Patch – 3 - Post-Split – IP period	06/03/2013 – 31/12/2013	Price	23.45 [07/03/2013]	66.15 [07/10/2013]	23.45 [07/03/2013]	59.1 [31/12/2013]	251640
		Volume	10025 [07/03/2013]	831801 [31/12/2013]	15 [02/04/2013]	831801 [31/12/2013]	
Patch – 4 - Price Fall period	01/01/2014 – 30/11/2014	Price	59.1 [01/01/2014]	59.95 [06/04/2014]	4.93 [11/08/2014]	6.75 [28/11/2014]	392184
		Volume	281813 [01/01/2014]	6195523 [26/03/2014]	1 [12/02/2014]	959726 [28/11/2014]	
Post IP Period	01/12/2014 – 31/01/2015	Price	7.00 [01/12/2014]	7.12 [26/12/2014]	4.95 [09/12/2014]	6.06 [06/01/2015]	327443
		Volume	1136350 [01/12/2014]	1389650 [15/12/2014]	650 [19/12/2014]	1000 [06/01/2015]	

### **SHOW CAUSE NOTICE**

5. Consequent to the investigation, a show cause notice dated July 28, 2017 (hereinafter referred to as “SCN”) was served on Ms. Anjana Arun Karwa (hereinafter referred to as “Noticee”) in the extant matter. The SCN *inter alia* alleged as follows:

a) The LTP analysis of the 4 patches was done and the details of Patch 2 qua the Noticees is given below:

#### **LTP Analysis: Patch-2: Post Bonus – Price Rise Period – 30/03/2012 to 05/03/2013:**

- During this period, the price of the scrip rose from ₹ 4 (Opening Price) as on March 30, 2012 to ₹ 111.85 (High Price and Close Price) as on March 05, 2013. Further, with ex-date of March 06, 2013, SSTL sub-divided the face value of shares from ₹ 10/- to ₹ 2/. The list of shareholders received from RTI (Purva Sharegistry (I) Pvt Ltd.) was analyzed and it was observed that as on March 31, 2012, 85.34% of the share capital (5,76,050 shares out of 6,75,000 shares) were held in physical form or with entities which had converted warrants (shares issued on conversion of warrants were under lock-in till November 14, 2012). The top 10 net LTP sellers’ analysis were carried out as under:

PAN	Name	Net LTP			Pos. LTP			Negative LTP			Zero LTP		% of +ve LTP to Mkt +ve LTP
		Net LTP	Trade Qty	No.of Trades	Pos. LTP	Trade Qty	No.of Trades	Neg. LTP	Trade Qty	No.of Trades	Trade Qty	No.of Trades	
AHQPK9496D	Anjana Arun Karwa	14.03	322	11	14.03	322	11	0.00	0	0	0	0	15.52
AAQHS7786D	Shyam Rathi Huf	12.98	70	7	12.98	60	6	0.00	0	0	10	1	14.36
AABPG5669E	Jayeshkumar Narottamdas Gandhi	12.45	95	4	12.45	95	4	0.00	0	0	0	0	13.77
AAEHN5511R	Nishith M Shah Huf	11.00	75	3	11.00	75	3	0.00	0	0	0	0	12.17
AAFPG5855L	Bharati Jayesh Gandhi	8.58	110	6	8.58	110	6	0.00	0	0	0	0	9.49
AISPG4164H	Deval Jayesh Gandhi	6.33	60	4	6.33	60	4	0.00	0	0	0	0	7.00
AEJPK2394G	Maheshkumar Ghewarchand Vanigota	4.80	10	1	4.80	10	1	0.00	0	0	0	0	5.31
ABXPH7639E	Vishnu Daji Hode	4.15	30	1	4.15	30	1	0.00	0	0	0	0	4.59
AFDPG6008E	Kajal Sunil Gowadia	3.95	10	1	3.95	10	1	0.00	0	0	0	0	4.37
AEXPG4216P	Shivani Amit Gowada	3.60	10	1	3.60	10	1	0.00	0	0	0	0	3.98
<b>Total</b>		<b>81.87</b>	<b>792</b>	<b>39</b>	<b>81.87</b>	<b>782</b>	<b>38</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>1</b>	<b>90.57</b>
<b>Market</b>		<b>107.85</b>	<b>9947</b>	<b>137</b>	<b>107.85</b>	<b>1617</b>	<b>69</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>8330</b>	<b>68</b>	<b>100.00</b>

- From the above table, it can be observed that top 10 net LTP sellers contributed to 90.57% of market positive LTP.
- In view of the low volume price increase and substantial positive LTP contribution (90.57% of market positive LTP) by top 10 net LTP contributors, as sellers, sell orders of the top 10 net sell LTP contributors contributing more than 5% of the positive LTP in more than one trade were analyzed and the trades of the Noticee are as under:

Order date	Order time	Order No.	Sell Client name	Sell order rate	sell order qty	pending buy order at this price	LTP variation	Shareholding before sell order as per Demat Account	No. of trades in a day
12.04.2012	10:36:55.4119840	12000222025948	Anjana Arun Karwa	4.63	50	65000	0.22	150	1
24.04.2012	14:09:32.6195990	13000178049474	Anjana Arun Karwa	5.10	50	61350	0.24	100	1
03.05.2012	12:15:58.0830890	17000054055338	Anjana Arun Karwa	5.61	50	48000	0.26	2900 (Bonus Shares Received on 21/04/2012)	1
10.05.2012	11:28:59.6644220	12000210036640	Anjana Arun Karwa	6.18	50	42600	0.29	2850	1
13.06.2012	13:39:13.0874150	22000139074549	Anjana Arun Karwa	8.25	50	38250	0.39	2800	1
17.10.2012	13:13:10.5143770	16000149086582	Anjana Arun Karwa	19.72	5	31000	0.93	2750	1
12.11.2012	12:42:27.9728020	20000160096788	Anjana Arun Karwa	25.05	10	17800	1.15	2725	1
26.11.2012	14:17:20.1104650	15000134086777	Anjana Arun Karwa	28.95	15	14200	1.35	2715	1
28.12.2012	12:32:54.2095620	13000103126316	Anjana Arun Karwa	38.60	2	19350	1.80	2700	1
24.01.2013	10:39:51.2047460	11000090096921	Anjana Arun Karwa	59.60	10	45160	2.80	2698	1

25.02.2013	10:32:45.1881040	180001430120 38	Anjana Arun Karwa	96.70	9	33210	4.60	2688	1
<b>Period: 12.04.2012 to 25.02.2013; No. of Trades: 11; LTP contribution: 14.03 (15.52% of Pos. LTP Cont.)</b>									

- From the table above, it was observed that Noticee has sold miniscule quantity of shares (2 - 50 shares) in-spite of holding more shares and having more buy demand at the price that Noticee placed the sell orders. It can also be observed that Noticee has not executed more than one trade in a day as a seller. Further, aforesaid trades were the only trades executed during the day. By these trades, Noticee has matched the prevailing buy orders which were placed at the prices higher than the LTP and contributed to increase in the price of the scrip with each of her trades. In view of the repeated nature of such trades by Noticee, it is alleged that she has increased the price of the scrip.
- b) In view of the above it is alleged that Noticee as seller has indulged in trades that resulted in the manipulation of the price of the scrip and has created misleading appearance of trading in the scrip through the aforesaid trades which has resulted in the alleged violation of Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2) (a), (e) of PFUTP Regulations.
- c) Noticee was advised to show cause as to why suitable actions/directions in terms of Sections 11(1), 11(4) and 11B of SEBI Act should not be initiated against her for the alleged violation of the provisions of PFUTP Regulations. Further, Noticee was advised to submit a reply to the SCN within 21 days from the date of receipt of the SCN.

### **REPLY & HEARING**

6. No reply was received from the Noticee. However, considering the facts and circumstances of the case, noticee was granted an opportunity of hearing on November 22, 2018 at SEBI Bhavan, Mumbai, vide hearing notice dated November 14, 2018. In response to the hearing notice, Noticee vide her letter dated November 20, 2018 requested to adjourn the scheduled hearing by 4 weeks as the Noticee was

seeking legal advice to submit a reply to the SCN. Noticee's request was considered and the Noticee was granted a final opportunity of hearing on February 12, 2019 at SEBI Bhavan, Mumbai vide hearing notice dated January 3, 2019.

7. Pursuant to the hearing notice dated January 3, 2019, Noticee vide her letter dated February 11, 2019 enclosed a reply dated May 17, 2018 submitted in the adjudication proceedings (It may be noted that adjudication proceedings have also been initiated parallel to 11B proceedings in the matter for the same set of violations). In the said reply *inter alia* Noticee submitted as follows:

- I state that there has been a long unexplained delay in initiation of the proceedings against me. Admittedly, the SCN was issued after a lapse of around five and half years from the date of execution of the alleged trades. I most respectfully submit because of the inordinate and unwarranted delay in issuing of SCN I am placed at a disadvantage as I am not in position to trace all the relevant records. I have thus lost opportunity to represent my case more effectively. Thus the laches have deprived me of my right to natural justice.
- It is observed that the opening price of the scrip which was ₹ 4/- as on 30.03.2012 increased to ₹ 111.85 as on 05.03.2013 after the issue of equity shares on conversion of warrants, bonus shares and preferential allotment by SSTL. I find nothing unusual with the said observation. The price movement of any scrip is based on numerous market factors, viz; corporate announcements, demand and supply of shares, investor perception, investor sentiments, open position, deliveries, company results and outlook, industry trends, etc. Such allotments generally result in positive market sentiments as it is usually followed by rise in price and profits. Naturally it attracts lot of investors including myself as the ultimate goal of good investments is earning profits from investment.
- The SCN is silent on any knowledge of counterparty, motive to manipulate, details or undue benefit derived from alleged matching of trades.
- Further there are patent errors in the sell order quantity details as reflected in the SCN. I state that on 17.10.2012 the sell order quantity is shown as 5 shares,

whereas I had actually placed order for 25 shares. Similarly on 25.02.2013, I had placed order for 10 shares and not 9 shares as wrongly reflected in the said Table.

- I state that my investments/ trades were based on my assessment of the market. Initially on 24.03.2012, I had invested in 150 shares of SSTL out of which on 20.04.2012, I had sold 50 shares. Thereafter, on 21.04.2012, 2,850 bonus shares were allotted to me (on my original holding of 150 shares, in the ratio of 19 bonus shares on 1 share on the record date) thereby increasing my holding to 2,950 shares. Thereafter between 25.04.2012 to 26.02.2013, I decided that my holding is fetching good returns, I started selling the aforesaid shares. I was holding 2,950 shares post allotment of bonus shares. Like any prudent investor my aim was to maximise profits. Therefore, in view of gradual price rise and the fact that the shares of SSTL were available at a price above the LTP, I sold 322 shares from my portfolio. I deny the allegation that by selling with low volume my sale trades have attributed to increase in price of the scrip and have contributed to substantial positive LTP. In fact I have sold my shares at price marginally above LTP. Even if I had sold my entire shareholding 295 shares which was miniscule % of market volume, it was so insignificant that it would have neither affected the price of the scrip nor would have created any appearance with respect to the volume of the scrip.
- I state that when seen in isolation out of 11 days of trading from 12.04.2012 to 25.02.2013, on 6 days the LTP contribution is negligible i.e. less than 1%. On other 3 days it is around 1 to 2% whereas on remaining 2 days there is a minuscule rise of 2.80 to 4.60%. Summing up the percentages of all 11 days to arrive at a finding that I had individually contributed to over 14.03% of positive LTP is misleading and together with top 10 sellers contributed to over 90.57% of positive LTP and therefore not sustainable since wrongly attributing 14.03% of positive LTP at a gross, level is sure to mislead and arrive at a wrong conclusion. I state that consideration of my net LTP contribution for 11 days only ought to have formed the basis of charge in the SCN.

- It was for the buyers to decide whether purchase shares at the price higher than the LTP at reduced gains. Therefore contribution to positive LTP, in absence of any connection, ought to be related to the buyers only and not sellers. I state that the SCN is grossly silent in concluding that selling could also affect the positive LTP. On the contrary selling has the bearing on the negative LTP.
8. Noticee vide her letter dated February 11, 2019 stated that whatever she has submitted earlier is final and she has nothing more to add. Further, she submitted that if she is required to attend the personal hearing, then she may be granted a final short adjournment.

### **FINDINGS & CONSIDERATIONS**

9. Before delving into the merits of the case, I will address the preliminary issue raised by the Noticee with respect to delay in initiating the proceedings against the Noticee. In this regard, the observations of Hon'ble Supreme Court of India in the matter of *State vs. R. Vasanthi Stanley* reported in AIR 2015 SC 3691 is noteworthy. The Apex Court has held that “...a serious economic offence or the offences that has the potentiality of creating a dent in the financial health of the institution cannot be quashed on the ground that there is delay in the trial...”. In the present case, the Noticee has allegedly indulged in manipulation of price in the scrip of SSTL which is prohibited under the securities laws. Therefore, in view of the aforesaid Apex Court decision, the submission of the Noticee is not acceptable.
10. I, now proceed to examine the matter on merits. To that effect, I have perused the SCN, written and oral submissions and other materials available on record. On perusal of the same, the following issues arise for consideration:
- (i) Whether the Noticee has manipulated the price in the scrip of SSTL during the period March, 2012 to March, 2013?
  - (ii) If answer to issue No. (i) is in affirmative, whether the Noticee has violated the provisions of PFUTP Regulations?
  - (iii) If answer to issue Nos. (ii) is in affirmative, what directions, if any should be



issued against the Noticee?

**Issue No. 1** - *Whether the Noticee has manipulated the price in the scrip of SSTL during the period March, 2012 to March, 2013?*

11. It is noted from the material made available on record that the Noticee has executed 11 sell trades in the scrip during the patch-2 which were over the LTP, for 332 shares. Noticee's LTP contribution in the scrip is ₹ 14.03/- which is 15.52% of positive LTP contribution in the scrip. Noticee is the highest individual LTP contributor during patch-2 of the investigation period as a seller. From the material made available on record, I note that though the Noticee was holding substantial number of shares in the range of 100 – 2,900 shares during patch-2, the Noticee was releasing miniscule quantity of shares (2-50 shares) even though there were large pending buy orders over the LTP. The days when the Noticees had executed the said 11 trades, pending buy orders were in the range of 14,200 shares to 65,000 shares. It is observed that when the Noticee was trading, which is over 10 months, the scrip was traded only on 64 days i.e., there were many days when the scrip was not traded. Out of the said 64 trading days on 57 trading days only 1 trade was executed in the scrip and out of the remaining 7 trading days, on 3 trading days 2 trades were executed. This coupled with the fact that the average volume in the scrip during patch- 2 of the investigation period which spanned almost a year, was 142 shares, would make a prudent investor to sell the shares at the very first opportunity that he/she is coming across. In the given situation, there were considerable buy order quantity pending in the system and that too over the LTP. It is not the case of the Noticee that on multiple occasions she had placed sell orders for more than 50 shares and the order was not executed. Rather in the instant case as noted from the order log trade log, Noticee's sell orders were placed after buy orders, so she could see that there were pending buy orders in the system for more than 50 shares on all the occasions but still the Noticee chose to execute her sell trades in miniscule quantity. Considering the aforesaid, the submission of the Noticee that her selling of shares in low volume has not attributed to the price rise as it is insignificant compared to the market volume, is not

acceptable.

12. Further, the scrip had traded only on 64 days out of 221 trading days between the period April 12, 2012 to February 25, 2013. Out of the said 64 trading days, Noticee has executed trades over the LTP on 11 days, i.e., almost every 6<sup>th</sup> day when the scrip was traded. The same indicates that the Noticee was executing trades in the scrip at frequent interval.
13. Noticee has contended that price movement of any scrip is based on numerous market factors, viz; corporate announcements, demand and supply of shares, investor perception, company results and outlook, industry trends, etc. Such allotments generally result in positive market sentiments as it is usually followed by rise in price and profits. Naturally it attracts lot of investors including herself as the ultimate goal of good investments is earning profits from investment. In this regard, it is noted that there are a host of factors that affect the price of the scrip and some of them are enumerated above. However, the movement in the price of the scrip from ₹ 4/- to ₹ 111.85/-, an increase by 2696% cannot be fully explained by the aforesaid factors. There are also other devices adopted by market participants to artificially influence the price in a scrip. Considering the fact that just before the Noticee started trading i.e., during the period November 1, 2011 to March 29, 2012, the scrip had traded only on 2 days out of 104 trading days and the price in the scrip had increased by ₹ 3.65/-. This coupled with the fact that the scrip was not regularly traded and even on the days it was traded, there was mainly one trade executed in the scrip, should have cast a shadow of doubt in the Noticee's mind / raised a red flag.
14. The Noticee has submitted that there are patent errors in the sell order quantity on October 17, 2012 and on February 25, 2013. In this regard, I note from the order log trade log that though the sell order quantity on October 17, 2012 was 25 but the order available / revealed quantity was 5. It is interesting to note that though the counter party buy order was for 4,000 shares, no further trade on that day was executed by the Noticee. Similar, on February 25, 2013, though the sell order

quantity was 10 but the order available/ revealed quantity was 9.

15. Noticee has further contended that summing up the percentages of all 11 days to arrive at a finding that she had individually contributed to over 14.03% of positive LTP is misleading. She stated that consideration of her net LTP contribution for 11 days only ought to have formed the basis of charge in the SCN. The said submission of the Noticee is not acceptable. Price discovery happens in the scrip with each trade. Considering, patch-2 is a price rise patch, to arrive at Noticee's contribution in the price rise, each of her trades over the LTP has to be taken into account. The Noticee on an average has traded over 4.92% over the LTP in all of her trades and has contributed ₹ 14.03 to the price of the scrip which is 15.52% of positive LTP contribution. Further, the case of SEBI is of manipulative selling pattern adopted by the Noticee which has resulted in higher LTP which essentially entails that aggregate of all her positive LTP contributing trades has to be taken into account before arriving at a finding in the extant matter. Moreover, during the patch, she has not executed any of her trades below the LTP. Therefore, her net LTP is same as that of her positive LTP.
16. In light of the above and based on the trading pattern of the Noticee in the scrip, it is held that the same is not genuine but is manipulative in nature.
17. I note that trades at higher than LTP, undoubtedly have a potential of raising the price of the scrip and the same gives a wrong impression about the price of the scrip in the market based on miniscule quantities traded. It must not be forgotten that every trade establishes the price of the scrip and trades executed at higher than LTP results in the price of the scrip going up which may influence the innocent/gullible investors. In cases of market manipulation, admittedly, no direct evidence would be forthcoming / available. Manipulative transactions are to be tested on the conduct of parties and abnormality of practices which defy normal logic and laid down procedures. What is needed, is to prove that in a factual matrix, preponderance of probabilities indicate a fraud. In this regard, the observations of Hon'ble Supreme Court of India in *SEBI Vs. Kishore R Ajmera et.al.* decided on February 23, 2016

wherein the Hon'ble Court while deciding the matter under SEBI Act and PFUTP Regulations where there was no direct evidence forthcoming, observed as follows:

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

18. It is noted from, Noticee's trading history that during the relevant period i.e., financial year 2012-2013, when the Noticee was executing trades in miniscule quantity over the LTP in the scrip of SSTL, she has not traded in any other scrip either as a seller or as a buyer. Thus, it can be said that Noticee was not active in the securities market during the financial year 2012-2013 barring her trading in the scrip of SSTL which has already been held to be manipulative. Therefore, it cannot be held that her trading in the scrip of SSTL was in the normal course of her trading.
19. Noticee has submitted that SCN is silent on any knowledge of counterparty / connection, motive to manipulate, details or undue benefit derived from alleged matching of trades. In this regard, I note that the extant matter is not based on any knowledge of counterparty / connection, rather on the manipulative transactions carried out in the scrip. As observed by Hon'ble Apex Court in the matter of *SEBI vs. Kishore R Ajmera et.al*, in matters like the current one, totality of the attending facts and circumstances surrounding the allegations has to be seen to arrive at a conclusion. In the instant matter Noticee was repeatedly entering sell orders for miniscule quantity inspite of having substantial holding and large pending buy orders in the system. Further, Noticee has not traded in any other scrip during the

relevant period and thus, her trades in the SSTL scrip cannot be held to be in the normal course of trading. All the aforesaid, indicates that the Noticee is not a genuine trader in the scrip.

20. With respect to Noticee's submission regarding motive to manipulate, details or undue benefit derived from alleged matching of trades, it is observed that through catena of cases it has been established that lack of benefit derived from impugned trades, is neither to be considered nor accepted in economic offences. Further, what is prohibitive under Regulations 3 and 4 of the PFUTP Regulations is dealing in securities in a fraudulent and manipulative manner. Dealing in securities has been defined under Regulation 2(b) of PFUTP Regulations and reads as "*an act of buying, selling or subscribing pursuant to any issue of any security or agreeing to buy, sell or subscribe to any issue of any security or otherwise transacting in any way in any security by any person as principal, agent or intermediary referred to in section 12 of the Act.*" Profit motive / undue gain is not an ingredient of it. Similarly, the definition of fraud under Regulation 2(c) of PFUTP Regulations specifically mentions "*whether or not there is any wrongful gain or avoidance of any loss*".

21. In view of the above, the findings that have been gathered from various circumstances for instance overall trades executed in the scrip (number of trading days and number of trades) including the average volume during patch-2, volume of the trade effected by the Noticee vis-à-vis her holding, the period of persistence in trading in the scrip, the particulars of the buy order in the market and Noticee's sell orders, absence of her trading in other scrips, the totality of the picture that emerges leads to the conclusion that Noticee by executing the aforesaid sell trades has manipulated the price of the scrip and has created a misleading appearance of trading in the scrip.

**Issue No. 2** - *If answer to issue No. (i) is in affirmative, whether the Noticee has violated the provisions of PFUTP Regulations?*

22. Before embarking upon the necessary discussions, I would like to reproduce the relevant provisions of PFUTP Regulations:

### **Regulation 3. Prohibition of certain dealings in securities**

No person shall directly or indirectly—

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a 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.

### **Regulation 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;

...

(e) any act or omission amounting to manipulation of the price of a security;

23. In view of the conclusion arrived at paragraph 21 wherein it has been held that the

trades for miniscule quantity executed by the Noticee over the LTP in the scrip in the context of the overall trading in the scrip and her non-existent trading in any other scrips, are manipulative and misleading in nature, it is also held that such trades are fraudulent in nature and would operate as deceit upon any person trading in the scrip. Further, as discussed in preceding paragraphs, Noticee by executing impugned trades in the scrip has also manipulated the price of the scrip. I therefore, find that Noticee has violated Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2) (a) and (e) of PFUTP Regulations.

**Issue No. 3** - *If answer to issue Nos. (ii) is in affirmative, what directions, if any should be issued against the Noticee?*

24. Section 11 of SEBI Act casts a duty on the Board to protect the interests of investors in securities and to promote the development of and to regulate the securities market. For achieving such object, it has been authorised to take such measures as it thinks fit. Thus, power to take all measures necessary to discharge its duty under the statute which is a reflection of the objective disclosed in the preamble has been conferred in widest amplitude. Pursuant to the said objective, PFUTP Regulations have been framed. The said Regulations apart from other things aims to preserve and protect the market integrity in order to boost investor confidence in the securities market. By executing manipulative trades, as has been executed by the Noticee in the instant matter, the price discovery system itself is affected. It also has an adverse impact on the fairness, integrity and transparency of the stock market. In view of the same and considering the violations committed by the Noticee, I find that it becomes necessary for SEBI to issue appropriate directions against the Noticee.

**ORDER**

25. In the facts and circumstances of the case, I, in exercise of the powers conferred upon me in terms of Section 19 read with Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992, hereby restrain Ms. Anjana Arun Karwa (PAN: AHQPK9496D) from accessing the securities market for a period of four years from the date of this order and further prohibit her from buying, selling or otherwise

dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of four years, from the date of this order. Needless to say, in view of prohibition on sale of securities, it is clarified that during the period of restraint, the existing holding, including units of mutual funds, of the Noticee shall remain frozen.

26. The order shall come into force with immediate effect.

27. A copy of this order shall be served upon all recognised Stock Exchanges, Depositories and the Registrar and Share Transfer Agents to ensure compliance with the above directions.

**DATE: March 26, 2019**

**PLACE: Mumbai**

**MADHABI PURI BUCH  
WHOLE TIME MEMBER  
SECURITIES AND EXCHANGE BOARD OF INDIA**