BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. AO/BJD /MAS/ EAD/ 159 /2018]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995.

In respect of:

Manish Arvindbhai Waghela
(PAN- ABBPW7093B)

In the matter of M/s. Karma Industries Limited

BACKGROUND

Facts of the case in brief

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") conducted investigation into trading in the scrip of **M/s Karma Industries Ltd.** (hereinafter called as **'Karma'**) for the period July 12, 2010 to January 09, 2012 (hereinafter referred to as '**Investigation Period'**) to ascertain whether there was any violation of the provisions of SEBI Act, 1992 and various Rules and Regulations and Guidelines made there under.

2. During the course of investigation, it was observed that **Mr. Harsh Jayesh Gala** (hereinafter referred to as the **Noticee**) had indulged in reversal of trades with other

connected entity thereby creating artificial volume in the scrip of M/s. Karma Industries Ltd. (herein after called KIL/ Karma).

Appointment of Adjudication Officer

3. Based on the findings of the investigation, SEBI initiated Adjudication proceedings under section 15 I of the SEBI Act, 1992 to inquire into and adjudge under Section 15HA of the SEBI Act, 1992, whether the noticee has violated the provisions of Section 12A (a), (b) and (c) of the SEBI Act read with regulation 3(a), (b), (c) , (d) and regulation 4(1), 4(2) (a) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as PFUTP Regulations).

4. Ms. Anita Kenkare was appointed as the Adjudicating Officer vide order dated February 28, 2014 to inquire into and adjudge the aforesaid violations. Subsequently, the matter was transferred to Shri Nagendra Parakh vide order dated December 23, 2015. Further, consequent to an inter-departmental transfer and postings, the said proceedings were transferred to the undersigned vide order dated May 16, 2017.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

5. A Show Cause Notice (SCN) was issued to the Noticee and others by the erstwhile AO on July 31, 2015. A brief background and the charges alleged in the SCN are as under.

5.1. Twenty three connected/related entities allegedly entered into synchronized trades/reversal trades/self trades, as applicable, which resulted in creation of artificial volume in the scrip, thereby violating the provisions of the SEBI Act read with the relevant provisions of PFUTP Regulations. The entities were found to be connected to each other based on the details mentioned in the KYC documents

like common telephone number, addresses, common introducer etc. The details of connection are shown in the table below:

SL. No.	Name of Noticees	Connection
1	Bakul Chitalia and Vipul Chitalia	Both of them share a common address
2.	Ramesh Bhailal Chaitalia, Manish A. Waghela and Multiplast Trading Co. P. Ltd.	All three share a common mobile number with Bakul Chitalia as per the UCC of Exchange/ KYC of Broker
3	Sunil Ingawale	Shares common mobile number with Hasumati Chitalia who has the same address as Bakul & Vipul Chitalia
4.	Fiber Texfab P. Ltd., Stylecheck Garments P. Ltd. and Polymers Multi Trade P. Ltd.	Vipul Chitalia is director of Fiber Texfab and Bakul Chitalia is the director of Style Check Garments. Polymers Multi Trade and Style Check Garments have the same address.
5.	Texfab Yarns P. Ltd., Parkes Multitrade P. Ltd & Majestic Garments P. Ltd.	Mr. Nilesh Lohat, Directors of Texfab is brother of Mr. Anil Lohat who is a director of Polymers Multitrade. Parkes Multitrade shares common telephone with director of Multiplast Trading and shares the same address with Majestic Garments.
6.	Kumar Dilip Mewada, Kina Dilip Mewada & Mohini Dilip Mewada	Dilip Mewada is a director of Polymers Multi Trade and the other two are relatives sharing the same address.
7.	Pankaj Trikamlal Shah & Sema Pankaj Shah	Pankaj Shah is director of Parkes Multi Trade and Seema Pankaj Shah is relative of Pankaj Shah with same address.
8.	Prakash Gaurishankar Joshi, Mahendra Chandulal Shah	Prakash G Joshi shares common address with Kiran Gaurishankar Joshi who shares a common telephone number with Bhavesh Makawana, director of Parkes Multitrade and Multiplast trading. Mahendra C Shah shares common mobile number with Prakash Joshi
9.	Bharat Sureshbhai Mistry	Shares common mobile number with one Anil Parmar who in turn shares common mobile number with Fiber Texfab

5.2. The noticee, Mr. Manish Arvindbhai Waghela, who was found to have been connected with other entities entered into reversal of trades with other connected entities. It was alleged that the noticee was connected to other members of the group by virtue of his mobile number as per the KYC records of the broker was found to be same with three other members of the noticee group. It was alleged that the noticee entered into reversal of trades on 07.07.2011 with two connected group entities, Ms. Seema P. Shah and Mr. Bharat S. Mistry for 18,100 shares and 10,000 shares respectively. These reversal of trades were alleged to be in the nature of a circular trade where there is no change in the ownership of shares leading to artificial volume creation.

5.3. It was thus alleged that the noticee violated the the provisions of section 12A (a), (b), (c) of SEBI Act 1992 read with Regulation 3(a), (b), (c), (d) and Regulation 4(1), 4(2) (a) and (g) of SEBI PFUTP Regulations which is liable for monetary penalty under section 15HA of SEBI Act.

REPLY TO THE SCN

6. The Noticee made his written submissions, vide letters dated August 22, 2015 and February 25, 2016, which are summarised as under:

6.1. The noticee submitted that as per the copy of KYC documents attached with SCN, the copy of PAN belonged to him but he has not opened the said account with the broker M/s. Kunvarji Finstock Private Ltd. Further, the e-mail id and the phone number ascribed to him in the KYC document did not belong to him and that the signature on the form and PAN card were forged by someone. He submitted that he was not aware who has opened this account.

6.2. The noticee submitted that he has only one demat account with BMA Wealth Creators Ltd. (client id: 33460160) which was opened by him on March 10, 2012 and all his dealings in the securities market are carried out through this account

only. His bank account with Bank of India, Dahisar (E) branch, was used for all the funds pay-in and pay-out with respect to his securities transactions.

6.3. He further submitted that he has never bought or sold the shares of karma Industries Ltd. He requested to look into the matter and take necessary action.

PERSONAL HEARING & SUBMISSIONS

7. The noticee was granted an opportunity of personal hearing before the erstwhile AO, which was availed by the noticee on February 25, 2016. Pursuant to the undersigned being appointed as AO in the extant matter, another opportunity for personal hearing was accorded to the noticee on September 19, 2017 which was availed by the noticee. The noticee basically reiterated the submissions made through his written submissions. He denied having executed any of the trades which have been ascribed to him in the show cause notice.

8. The erstwhile AO summoned the broker of the noticee M/s. Kunvarji Finstock Pvt. Ltd. vide a letter dated February 29, 2016, to furnish inter alia the following details of the noticee.

8.1. Copy of PAN Card
8.2. Copy of the KYC form and the person who verified the KYC details
8.3. Demat transaction details for trades done on BSE and NSE;
8.4. Details of Bank Accounts through which pay in/ out were effected;
8.5. Who placed the order with the broker for the client.

9. The broker, M/s. Kunvarji Finstock Pvt. Ltd. submitted the details vide its letter dated March 10, 2016. From the details submitted by the broker, it was observed that the noticee had utilised a saving bank account in Corporation Bank, Fort Branch, for effecting the pay-in / pay-out of funds for the settlement. The broker also submitted that the client himself placed orders with the broker.

10. During the personal hearing dated September 19, 2017 the noticee submitted that he had received a cheque of Rs. 15,000/- , dated December 31, 2015, from the broker, Kunvarji Finstock. The noticee stated that he returned the said cheque to the broker through a letter dated April 06, 2016 stating that he had never opened an account with the broker. The noticee also submitted a copy of the covering letter and the cheque.

11. The noticee also submitted copy of the mails sent to the depositories requesting them to block all the demat accounts except the existing account with BMA Wealth Creators Ltd.

CONSIDERATION OF ISSUES

12. Before I go into the merits of the case, I will deal with submissions of Noticee. It was submitted that Noticee that trading and demat account with the broker Kunvarji Finstock Pvt. Ltd. were not opened by him but were fraudulently opened by using his documents and operated by someone else. It was also submitted that alleged trades were not done by the noticee.

13. It is an admitted fact that copy of PAN card submitted along with KYC documents to Kunvarji Finstock Pvt. Ltd pertained to him. However, it was denied that signature affixed on KYC documents were his but forged by someone else. I perused the documents before me and note that the signature on the KYC documents alleged to be forged appears to be similar to the signatures of the noticee submitted before me. I note that noticee is an investor admittedly having trading and demat account with other broker and therefore aware of the requirement to submit relevant documents for opening such accounts. I also note that trading and demat accounts with Kunvarji Finstock Pvt. Ltd were opened in the name and address of the Noticee on the basis of KYC documents. It would not possible to open any trading or demat accounts with any broker unless all documents are valid and complete in all respects and signatures match with the KYC documents. I also note that from the KYC documents submitted

by the broker, that copy of the PAN card copy, copy of ration card and copy of corporation bank account has been verified with the original documents and "verified with the Originals" stamp was affixed by the employee of broker. Given that all the documents were verified with the Originals, which would only be in the possession of the noticee, I am not inclined to accept the submission of the Noticee that trading and demat account were not opened by the noticee.

14. From the KYC documents submitted by the broker, Kunvarji Finstock Pvt. Ltd., I observe that the photograph of the Noticee has been affixed on the KYC form, which is of the Noticee himself. It is highly unlikely that a third party would have the photograph of noticee unless it was provided by the Noticee himself. Therefore, considering photograph, copy of PAN card, and copy of Ration Card (having been verified with Originals by Broker) belong to noticee, it can be concluded that the trading and demat account have been opened either by Noticee himself or with the knowledge of the Noticee.

15. Noticee submitted that phone number and email id stated in the KYC document held with Kunvarji Finstock Pvt. Ltd do not belong to him. His mobile number as stated in his demat and trading account held with BMA Wealth Creator i.e. 9820615631 and email id is manishwaghela69@gmail.com . I note that mobile number and email id mentioned in the KYC document held with Kunvarji Finstock Pvt. Ltd is 9833433771 and email id is manishvgl@gmail.com which is different to the details mentioned in the BMA Wealth creator. I further note that as per investigation report, the mobile number 9833433771 was common with Bakul Chaitalia and Multiplex Trading Company Ltd which are part of connected entities.

16. The noticee has also submitted that he admittedly traded in the stock market through BMA Wealth Creators Ltd and also opened trading and demat account with them. Further, the bank account used for pay-in and pay-out d was held with with Bank of India, Dahisar (E) branch. It was further submitted that he has not dealt in the scrip of

Karma Industries Ltd but dealt in other scrips on small quantities. I have perused copy of the bank pass book submitted by the Noticee of the BoI account. I note that the account was opened on 29.07.2011. His address as per the bank is Maruti Gems. 2nd Floor, Salasar Est., Off Patel Indl. Est., Dahisar East, Mumbai. The transaction statement for the July 29, 2011 till June 7, 2013 was perused and noted that average value of transactions were in thousands which were used for dealing in securities market through BMA wealth creators. I note that Noticee did not trade in the scrip of Karma Industries Ltd through this account and bank account held with Bank of India was used for the funds pay-in and pay-out with respect to his securities transactions through BMA Wealth creators.

17. The Noticee during the personal hearing dated September 19, 2017 had submitted that he had received a cheque of Rs. 15,000/- , dated December 31, 2015, from the broker, Kunvarji Finstock which he had returned to the broker through a letter dated April 06, 2016 stating that he had never opened an account with the broker. I note that the said correspondence with the broker has happened subsequent to the show cause notice sent to the noticee. Similarly, the emails sent to the depositories have been on August 19, 2016, which has been a year after the show cause sent to the noticee. Further, the noticee did not submit any earlier correspondence with the broker, even though the account with the broker was opened in November 2010. I note that as per policy, apart from the demat account statement sent by the depository participant to their clients, the depositories directly send a physical copy of the demat account holding statement to the address of the demat account holder once in a year. Therefore, the Noticee would have received such a statement from the depository and thus cannot feign ignorance of the existence of a demat account in his name.

18. In order to verify the claims of the noticee, the demat account details of the noticee (based on his PAN) was sought from the depositories as well as the bank account statement of the corporation bank account. The noticee was also asked to furnish the bank account statement of corporation bank.

19. From the replies of the depositories, it is noted that the noticee did not have any demat account in NSDL, but there were three accounts in the name of the noticee with CDSL. The details are as below:

Sl. No.	Depository Participant	Bank Details	Nominee Details
1	Kunvarji Finstock	Corporation Bank (A/c. No.-29504)	NA
2	BMA Wealth Creators Ltd.	Bank of India (A/c. No.-016510110000783)	NA
3	INANI Securities Ltd.	Corporation Bank(A/c. No.-29504)	Mrs. Leela Arvind Waghela

20. From the above, it is noted that there are three demat accounts in the name of the noticee with three different depository participants. Only the account at serial number 2 above has been agreed by the noticeee to be his demat account. I observe that the bank account with corporation bank has been used with two demat accounts for settling the pay-in/ pay-out of funds wherein trading has been done in the scrip of Karma Industries. I also note that in one of these accounts, nominee has been registered who appears to be his mother as per the KYC records. I note that unless the account belongs or pertains Noticee, one would not submit the details of the nominee.

21. I note that dealing in the scrip of karma industries were reflected of notice held with Inanani Securities and Kuvarji Finstock Pvt. Ltd. The bank account tagged with these two demat account were held with Corporation Bank. Accordingly the transaction statement during the relevant period was called form Corporation Bank. An extract of the bank statement of corporation bank account, during the period of investigations, is shown below, from which the following can be inferred:

Date	Particulars	Category	chq no.	Debit	Credit	Balance
28/06/2011	INANISECURITIES LTD	CLG	286626	1,00,000.00		90,382.00
28/06/2011	BY CBCA 380	TRF			1,00,000.00	9,618.00
07/07/2011	RTGS-UTR HDFCH11188462388	TRF				

	of					
	KUNVARJI FINSTOCK PV	TRF				
	Bank Code : HDFC0000001	TRF			1,00,00,000.00	1,00,09,618.00
07/07/2011	CEEPORT IRON & STEEL P LTD	TRF	286625	1,00,00,000.00		9,618.00
12/07/2011	RTGS-UTR HDFCH11193530477 of	TRF				
	KUNVARJI FINSTOCK PV	TRF				
	Bank Code : HDFC0000001	TRF			43,84,156.00	43,93,774.00
12/07/2011	I S K TRADING CO P LTD	TRF	286648	43,80,000.00		13,774.00
04/10/2011	RTGS-UTR HDFCH11277938397 of	TRF				
	INANI SECURITIES LTD	TRF				
	Bank Code : HDFC0000099	TRF			13,79,579.65	13,93,418.65
05/10/2011	TO MULTIPLAST TRADING CO P LTD	TRF	286643	13,90,000.00		3,418.65
20/10/2011	CBCA 438	TRF			6,00,000.00	6,03,418.65
20/10/2011	SELF	CSH	286650	6,00,000.00		3,418.65
21/10/2011	CBCA 501	TRF			6,00,000.00	6,03,418.65
21/10/2011	SELF	CSH	286651	6,00,000.00		3,418.65
18/11/2011	CBCA 435	TRF			6,00,000.00	6,03,418.65
18/11/2011	SELF	CSH	286653	6,00,000.00		3,418.65
29/11/2011	BY CBCA 436	TRF			5,00,000.00	5,03,418.65
29/11/2011	SELF	CSH	273079	5,00,000.00		3,418.65
12/01/2012	BY CBCA 1 472	TRF			6,90,000.00	6,93,418.65
12/01/2012	SELF	CSH	286652	6,90,000.00		3,418.65
01/02/2012	BY INTEREST FOR THE PERIOD	TRF				
	FROM:01/08/2011 TO:31/01/2012.	TRF			295	3,713.65
07/02/2012	BY CBCA 1 438	TRF			6,00,000.00	6,03,713.65
07/02/2012	SELF	CSH	286655	6,00,000.00		3,713.65
08/02/2012	BY CBCA 1 515	TRF			5,00,000.00	5,03,713.65
08/02/2012	SELF	CSH	286632	5,00,000.00		3,713.65
09/02/2012	BY CBCA 515	TRF			6,00,000.00	6,03,713.65
09/02/2012	SELF	CSH	286633	6,00,000.00		3,713.65
10/02/2012	BY CBCA 515	TRF			7,00,000.00	7,03,713.65
10/02/2012	SELF	CSH	286634	7,00,000.00		3,713.65
11/02/2012	BY CBCA 1 515	TRF			7,10,000.00	7,13,713.65
11/02/2012	SELF	CSH	286631	7,10,000.00		3,713.65
14/02/2012	BY CBCA 1 515	TRF			7,50,000.00	7,53,713.65
14/02/2012	SELF	CSH	286635	7,50,000.00		3,713.65
17/02/2012	BY CBCA 1 515	TRF			5,00,000.00	5,03,713.65
17/02/2012	SELF	CSH	286636	5,00,000.00		3,713.65

18/02/2012	SELF	CSH	286654	6,00,000.00		5,96,286.35
18/02/2012	BY CBCA 1 515	TRF			6,00,000.00	3,713.65
22/02/2012	BY CBCA 1 438	TRF			7,50,000.00	7,53,713.65
22/02/2012	SELF	CSH	286630	7,50,000.00		3,713.65
23/02/2012	BY CBCA 1 515	TRF			6,00,000.00	6,03,713.65
23/02/2012	SELF	CSH	286637	6,00,000.00		3,713.65
24/02/2012	BY CBCA 1 515	TRF			8,70,000.00	8,73,713.65
24/02/2012	SELF	CSH	286638	8,70,000.00		3,713.65
27/02/2012	BY CBCA 1 515	TRF			8,70,000.00	8,73,713.65
27/02/2012	SELF	CSH	286639	8,70,000.00		3,713.65
29/02/2012	BY CBCA 1 515	TRF			6,65,000.00	6,68,713.65

22. As per the income declaration in the KYC form of broker, the income per annum is shown to be less than 1.5 lakhs. However, the trading by the noticee was beyond its income. The bank transactions also display transfers of much higher amounts which are in terms of lakhs.

23. There were 17 transactions of cash withdrawals through self cheques for amounts varying between Rs. 5 lakh and Rs. 8.7 lakhs with total amounting to Rs. 1,10,40,000/- (Rupees One crore ten lakhs and forty thousand only). I note that as per banking practice, self-withdrawal will be permitted only when the account holder present the cheque before the banker in person. Thus, in cases of self-drawal cash would be paid only to the account holder and not to anyone else. Therefore, I conclude that Noticee was the account holder and operating the account by issuing cheques or withdrawals as noted from the transactions mentioned above. Further, I note that the same bank account has been used for dealing in the scrip of Karma Industries and various payments were also made to broker through this account.

24. I also observe that there were RTGS transfers of Rs. 1 crore and Rs. 43.84 lakhs by the broker Kunvarji Finstock Pvt. Ltd. to the client's account which were in turn transferred on the same day to other third party accounts.

25. Further, I find that there was a transfer of Rs, 13.90 lakh to a connected entity:

Multiplast Trading P. Ltd. indicating that the noticee was connected to the other connected entities and his trades need to be seen in conjunction with the trades of the other connected entities.

26. The Noticee was given another opportunity of hearing on February 15, 2018 to explain the transactions reflected in the corporation bank account. However, the Noticee failed to attend the hearing citing personal reasons. Therefore, I have drawn conclusion based on the documents and facts on record.

27. In view of the above, I don't accept the contention of the noticee that the trades were not done by him and proceed to analyse his trades for the violations alleged in the show cause notice.

28. I have carefully perused the replies to the SCN, oral and written submissions made by the Noticee during the personal hearing and the documents available on record. The issues for consideration before me are the following:

    28.1. Whether Noticee has violated the provisions of Regulation 3 (a),(b),(c), (d) and 4(1), 4(2) (a) and (g) of SEBI (PFUTP) Regulations, 2003; and

    28.2. Does the violation, if any, on the part of the Noticee attract any penalty under Section 15 HA of the SEBI Act?

    28.3. And if so, what would be the quantum of penalty?

29. I observe that the allegation levelled against Noticee is that he had executed reversal of trades in the scrip of Karma and thereby violated the provisions of Sections 12A(a),(b),(c) of SEBI Act read with Regulation 3 (a),(b),(c), (d) and 4(1), 4(2) (a) and (g) of SEBI (PFUTP) Regulations, 2003.

ISSUE-1: Whether the Noticee has violated the provisions of Regulation 3 (a), (b), (c), (d) and 4 (1) 4 (2) (a) and (g) of SEBI (PFUTP) Regulations?

30. Before moving forward, it is pertinent to refer to the relevant provisions of SEBI (PFUTP) Regulations, which are reproduced hereunder.

Regulation 3: - 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 thereunder;

(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 thereunder.

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;

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(g) entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security;

ANALYSIS and FINDINGS

31. On analysis of the trade and order log, I find the following:

31.1. The day wise purchase and sale of the noticee in the scrip is as follows:

Sl. No.	Date	Buy	Sell
1.	25/11/2010	10000	0
2.	07/12/2010	10000	0
3.	13/12/2010	5000	0
4.	16/12/2010	10500	0
5.	20/12/2010	5000	0
6.	22/12/2010	5000	0
7.	28/12/2010	10000	0
8.	05/01/2011	10000	0
9.	11/01/2011	6000	0
10.	17/01/2011	10000	0
11.	25/01/2011	8000	0
12.	08/03/2011	5000	5000
13.	09/03/2011	10000	10000
14.	10/03/2011	10000	10000
15.	11/03/2011	12320	12320
16.	14/03/2011	25613	50613
17.	16/03/2011	13553	13553
18.	17/03/2011	42844	13100
19.	21/03/2011	11900	22900
20.	22/03/2011	20000	20000
21.	23/03/2011	12325	12150
22.	24/03/2011	37000	37000
23.	25/03/2011	34740	19740
24.	30/03/2011	0	9450
25.	31/03/2011	25000	25000
26.	11/04/2011	25000	25000
27.	19/04/2011	5000	5000
28.	26/04/2011	5000	5000
29.	29/04/2011	5830	0
30.	09/05/2011	10000	0
31.	16/05/2011	12000	0
32.	23/05/2011	985	0
33.	30/05/2011	0	250
34.	02/06/2011	5063	0
35.	10/06/2011	0	5250
36.	07/07/2011	33200	73200
37.	11/07/2011	0	10000

38.	15/07/2011	14960	0
39.	19/07/2011	0	5000
40.	20/07/2011	0	5000
41.	05/08/2011	0	2000
42.	08/08/2011	0	6761
43.	29/09/2011	0	30082
	Total	**4,66,833**	**4,33,369**

31.2. From the above it is observed that the noticee has traded on 43 days during the investigation period wherein he has bought 4,66,833 shares and sold 4,33,369 shares. During the first 11 days he has only bought shares and during the last 5 days he has only sold shares.

31.3. I note that the payments for purchase of shares as mentioned the table above were made from the bank account of Noticee held with Corporation Bank. Further, receipt of sale of shares were also received in the same bank account. As stated above, this bank account was operated by the noticee through issuance of cheques or withdrawal.

31.4. Noticee entered into reversal of trades with other connected entities, Ms. Seema P. Shah and Mr. Bharat S. Mistry on 07.07.2011. The quantity of shares reversed was 18,100 shares and 10,000 shares respectively.

Date	Client Name	Client Name	No. of shares bought by client B from client C	No. of shares bought by client C from client B	Reversal Qty.	% of reversal Qty to day mkt volume
A	B	C	D	E	F	G
07.07.2011	Manish Waghela	Seema P Shah	18100	20047	18100	10.82
07.07.2011	Manish Waghela	Bharat S.Mistry	10000	19496	10000	5.97

31.5. The above table shows that the noticee has entered into reversal of trades twice on 07.07.2011 wherein these reversals have individually contributed 10.82% and 5.97% respectively of the day's volume. Cumulatively, they have contributed 16.79% to the day's volume.

31.6. On 07.07.2011, the noticee bought 33,200 shares and sold 73,200 shares. Further analysis of the day's trades revealed that there was reversal of trades

with another connected entity Bakul C. Chitalia for 5,000 shares which is shown below:

Date	Client Name	Client Name	No. of shares bought by client B from client C	No. of shares bought by client C from client B	Reversal Qty.	% of reversal Qty to day mkt volume
A	B	C	D	E	F	G
07.07.2011	Manish Waghela	Bakul C. Chitalia	5000	8449	5000	2.99

31.7. By including the aforesaid reversal of trade, the contribution of all the reversal of trades executed by the noticee to the day's volume comes to 19.78%.

31.8. A counterparty concentration analysis done of the day's trade shows that most of the counterparties to his trades on both the buy and sell sides were the connected entities forming part of the noticee group. The details are as shown below:

Noticee's Buy from connected entities on 07.07.2011		
Connected Counter Party Sellers	**TRADED_QTY**	**Counterparty Concentration (%)**
BHARAT SURESHBHAI MISTRY	10000	30.12
BAKUL CHANDRAKANT CHITALIA	5000	15.06
SEEMA PANKAJ SHAH	18100	54.52
Total Buy from Connected entities	**33100**	**99.70**
Total Buy of the noticee on 07.07.2011	**33200**	100

31.9. As seen from the above table 99.70% of the noticee's purchases during the day were from connected entities.

Noticee's Sell to connected entities on 07.07.2011		
Connected Counterparty Buyers	**TRADED_QTY**	**Counterparty Concentration (%)**
BAKUL CHANDRAKANT CHITALIA	8449	11.54
BHARAT SURESHBHAI MISTRY	19496	26.63

MAJESTIC GARMENTS PRIVATE LIMITED	2951	4.03
SEEMA PANKAJ SHAH	20047	27.39
Total sale to Connected entities	**50943**	**69.59**
Total sell of the noticee on 07.07.2011	**73200**	100

31.10. The above table shows that for 69.59% of the noticee's sale during the day, the buyers were the connected entities.

31.11. The above analysis clearly shows that the reversal of trade were carried out as a part of the scheme to create artificial volume in the scrip. This is reinforced by the high counterparty concentration indicating that the connected entities were trading among themselves to drive up the volumes.

32. I have not accepted the submissions of the Noticee that the trades in the scrip of Karma have not been executed by him and that the trading, demat acoount and the bank account with Corporation bank did not belong to him beasuse of the following reasons:

32.1. The KYC documents with the broker including the PAN card copy belonged to the Noticee;

32.2. The photograph on the KYC form belonged to the Noticee;

32.3. The broker's employee has affixed the seal with his signature that the copies of the KYC documents have been verified by him;

32.4. There has been numerous self withdrawals from the bank which as per banking norms can be done only in person signifying that the account was operated by him; and

32.5. The demat account showed that the nominee was registered which was the Noticee's mother.

33. I have concluded that the noticee was part of the connected group by virtue of the of his mobile number (as per the KYC records of the broker) being found to be same with three other members of the noticee group. This is reinforced by the fact that his bank

account also shows a transfer of Rs. 13.90 Lakh to a connected entity M/s. Multiplast Trading P. Ltd. Apart from this, the pattern of trades of the Noticee involving reversal of trade and high counterparty concentration of connected entities, shows that there was meeting of mind among the noticees.

34. I also note that the scrip is not one of liquid scrips and reversal of trades can be executed even when the buy and sell orders are placed with a time difference of more than a minute. Therefore reversal of trade in such context cannot be seen as a coincidence but deliberate and structured and as part of a manipulative and fraudulent scheme of creating artificial volume by a large connected group who are seen connected directly or indirectly.

35. All the above data, especially the high counterparty concentration of the connected group clearly indicates that reversal carried out by the noticee are deliberate and have contributed to the creation of artificial volume in the scrip. In view of the above, I conclude that the trades of the noticee have violated the provisions of Sections 12A(a),(b),(c) of SEBI Act read with Regulation 3 (a),(b),(c), (d) and 4(1), 4(2) (a) and (g) of SEBI (PFUTP) Regulations, 2003 and is therefore liable for penalty under Section 15 HA of the SEBI Act.

36. In view of the above, I am convinced that it is a fit case to impose monetary penalty under Section 15HA of the SEBI Act which reads as under :

15HA [Penalty for fraudulent and unfair trade practices.]

If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

37. I have considered the factors stipulated in Section 15J of SEBI Act, which reads as under:

"15J - Factors to be taken into account by the adjudicating officer

While adjudging quantum of penalty under Section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default. "

38. I note that from the material available on record that no quantifiable material is available to assess the loss of investors due to the default by the noticee. Further, no repetitive default against the noticee has been brought out. Therefore, for the purpose of deciding the quantum of penalty, I have considered the instances of reversal of trade carried out by the noticee. I note that the noticee had indulged in three instances of reversal of trades with three different connected entities on one day on 07.07.2011. In view of the above, I consider that the minimum penalty under 15HA would be commensurate to the violation by the noticee.

ORDER

39. In view of the above, after considering all the facts and circumstances of the case and exercising the powers conferred upon me under Section 15I of the SEBI Act, 1992 read with Rule 5 of the Adjudication rules, I hereby impose a penalty of **Rs.5,00,000/- (Five Lakh only)** on the noticee viz. Mr. Manish Arvindbhai Waghela under Section 15 HA, which will be commensurate with the violations committed by him.

40. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favor of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR through e-payment facility into Bank Account the details of which are given below:

Account No. for remittance of penalties levied by Adjudication Officer

Bank Name	State Bank of India
Branch	Bandra-Kurla Complex
RTGS Code	SBIN0004380
Beneficiary Name	SEBI – Penalties Remittable To Government of India
Beneficiary A/c No	31465271959

41. The Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid through e-payment in the format as given in table below to " The Division Chief, EFD- DRA-I, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C-4 A, 'G' Block, Bandra Kurla Complex, Bandra (E), Mumbai- 400051".

1.	Case Name	
2.	Name of the Payee	
3.	Date of Payment	
4.	Amount Paid	
5.	Transaction No.	
6.	Bank Details in which payment is made	
7.	Payment is made for (like penalty/disgorgement/ recovery/ settlement amount and legal charges)	
8.	Order Reference	

42. In terms of rule 6 of the Adjudication Rules, a copy of this order is sent to the Noticee and to Securities and Exchange Board of India.

Date: 28.02.2018 **Dilip B J**

Place: Mumbai **Adjudicating Officer**