BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. - SRP/RK/AO- 203& 204/2011]

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

In respect of

1 Mr. Dipakbhai Jaswantlal Panchal PAN: ABOPP7152D

2 Ms. Devangi Dipakbhai Panchal PAN: ABOPP7151Q

In the matter of IPO Investigations

BACKGROUND IN BRIEF

1. The Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**) conducted investigations into the affairs relating to buying, selling and dealings in the shares of certain companies during their Initial Public Offerings (hereinafter referred to as **'IPOs'**) covering the period from the year 2003 to 2005.

2. The investigations, *prima facie*, revealed that certain entities had opened large number of demat accounts and bank accounts which were in the names of non-existent persons or name lenders or were benami and they acquired shares of various companies in the IPOs by making applications in fictitious or benami names with each of the application being of such a value so as to make it eligible for allotment under the retail category. These entities were referred to by SEBI as 'key operators' or 'master account holders'. It was observed that, subsequent to the allotment of shares in IPOs, the shares from the demat accounts of such fictitious/benami allottees were transferred in the demat account of key operators / master account holders before the listing of such shares on stock exchange(s). The key operators transferred the shares through off market deals to financiers of this scheme or arrangement to corner shares

from the quota for retail investors in the IPOs of various companies and in some cases they retained a portion of shares for themselves.

3. The investigations also observed that Mr. Dipakbhai Jaswantlal Panchal and Ms. Devangi Dipakbhai Panchal acting in concert with Ms. Roopalben N Panchal, Mr. Bhargav Ranchodlal Panchal, Ms. Hina Bhargav Panchal, Mr. Arjav Nareshbhai Panchal (hereinafter collectively referred to as 'Panchal Group'), Karvy Stock Broking Limited (a depository participant and stock broker) and certain other entities were involved as key operators in the scheme/arrangement of cornering of shares in the IPO of IL&FS Limited (ILFS), IDFC Limited (IDFC), Shoppers Stop Limited (Shoppers Stop), Datamatics Technologies Limited (Datamatics), Nandan Exim Limited (Nandan), Yes Bank Limited (YBL), SPL Industries Limited (SPL), National Thermal Power Corporation Limited (NTPC), Disman Pharmaceuticals Limited (Dishman), Tata Consultancy Services Limited (TCS), Nectar Lifesciences Limited (Nectar), Sasken Communication Technologies Limited (Sasken), Amar Remedies Limited (Amar), Suzlon Energy Limited (Suzlon), FCS Software Solutions Limited (FCS), Gateway Distriparks Limited (Gateway), Patni Computers Limited (Patni) and TV Today Networks Limited (TV) during the period 2003 to 2005 from the category reserved for retail individual investors (RII).

APPOINTMENT OF ADJUDICATING OFFICER

4. Earlier, Shri Biju S. was appointed as the Adjudicating Officer (**AO**) under Section 15 I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**the Act'**) read with rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalty by Adjudicating Officer) Rules, 1995 (hereinafter referred to as the **'Rules'**) to inquire into and adjudge under Section 15HA of the Act, the alleged violation of the provisions of Section 12A of the Act; regulations 3, 4 and 6 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995 and regulations 3 and 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market), Regulations, 2003 (hereinafter referred to as **'PFUTP Regulations'**) by Mr. Dipakbhai Jaswantlal Panchal and Ms. Devangi Dipakbhai Panchal. Consequent upon proceeding of Shri Biju S. on study leave, the undersigned has been appointed as the Adjudicating Officer.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

5. Show Cause Notices dated June 7, 2006 and June 14, 2006 were issued to Devangi D Panchal and a Show Cause Notice dated June 14, 2006 was issued to Dipakbhai J. Panchal by the erstwhile AO, under rule 4 of the Rules read with section 15I of the Act to show cause as to why an inquiry be not initiated against him/her for the alleged violation of the provisions

of section 12A(a), (b) and (c) of the Act, regulations 3, 4 and 6 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995 and regulations 3 and 4 of the PFUTP Regulations and penalty be not imposed under Section 15 HA of the Act.

6. Dipakbhai Jaswantlal Panchal and Devangi D. Panchal (hereinafter collectively referred to as '**the Noticees'**) responded to the show cause notices separately vide their respective letters dated June 24, 2006 and sought time of 28- days to file their reply, without assigning any reason or grounds for seeking such extension. However, even after lapse of the extended time no reply was received from the Noticees, therefore, the erstwhile AO issued notices of hearing dated January 15, 2007 to each of the Noticees and they were advised to appear before him for the hearing on February 01, 2007. They were also advised to furnish transcripts of all their demat accounts and the details of securities lying in the said demat accounts since 27.04.2006. A copy of the relevant extracts of the investigation report, which detailed the violations alleged to have been committed by the Noticees, was also enclosed with the said notices. The Noticees, responded to the said hearing notice vide their individual letters dated January 31, 2007 and expressed their inability to attend the same on the given date by stating various reasons viz. that they had received the notice dated 15.01.2007 towards hearing on February 01.02.2007 only on 28.01.2007/29.01.2007 and it is impossible to make arrangements to travel to Mumbai at such short notice; and further that 30.01.2007 was a public holiday on account of Moharum and due to municipal elections at Ahmedabad, 01.02.2007 was a full/partial holiday etc.

7. Subsequently, another date for hearing was fixed and the Noticees were advised to appear for hearing on March 5, 2007. On this day (i.e. March 05, 2007), reply dated March 2, 2007 of the Noticees were received and Mr. J J Bhatt, Advocate, appeared before the erstwhile AO for the hearing on behalf of the Noticees. The Noticees were granted seven days' time to submit the documents sought vide the aforesaid notice dated January 15, 2007. Thereafter, the Noticees vide their separate letters; each dated March 10, 2007, expressed their inability to submit the documents sought from them, by stating, *inter alia*, that they have requested their DP to furnish the required details (copy of their letter dated March 08, 2007 addressed to Karvy Stock Broking Ltd. was enclosed in support of their contention) and that CBI and IT Department had searched their premises and seized their records and computers that is why some of the required data was readily not available with them, etc.

8. During the continuance of the adjudication proceedings, vide their applications dated November 15, 2007, the Noticees applied before SEBI for settlement of the matter through

consent. However, their consent applications were rejected by the competent authority and an intimation in this regard was sent to them by SEBI vide letter dated August 4, 2008.

9. Pursuant to further examination carried out by SEBI, some additional details and documents substantiating the charges leveled against the Noticees and other Panchal group entities were made available to the undersigned. Therefore, a Notice dated October 20, 2009, enclosing the supplementary examination report, was issued to the Noticees by registered post. Vide the said notice, among other details, intimation regarding further investigation by SEBI and reconfirmation /substantiating of the allegations, the relevant details regarding appointment of undersigned as adjudicating officer in place of Shri Biju S., rejection of their consent application dated November 15, 2007 and hence, recommencement of adjudication proceedings, etc. were also provided to the Noticees. The Noticees were advised to furnish their reply within 14-days. However, they failed to respond to the same within the given time, therefore, notice of hearing dated November 18, 2009 were issued to them by registered post and also by hand delivery through Western Regional Office of SEBI at Ahmedabad. The Notices sent by registered post at the last known address of the Noticees (i.e. 402-403 Sashwat, opposite Gujarat College, Ellisbridge, Ahmedabad – 380 006) returned undelivered. However, the notices sent through Western Regional Office of SEBI (SEBI-WRO) could be delivered at the same address where notices were sent by registered post. Vide the said notices dated November 18, 2009, the Noticees were advised to appear before the undersigned for personal hearing on December 03/04, 2009 at SEBI – WRO at Ahmedabad. The Noticees did not turn up for the hearing. They informed vide their letter dated December 01, 2009 that the supplementary show cause notice issued by the undersigned on October 20, 2009 has not been received by them so there is no question of replying to the same and once again requested to adjourn the hearing scheduled on December 04, 2009. In the interest of natural justice a copy of the said notice dated October 20, 2009 was again sent to the Noticees through SEBI-WRO, which was duly received and acknowledged at their end on December 09, 2009. Thereafter, the Noticees intimated vide letter dated December 22, 2009 that they have not received any intimation from SEBI regarding rejection of their consent terms and that they are willing to revise the earlier consent terms and to appear before the High Power Advisory Committee (HPAC) for the purpose. They further requested to keep the adjudication proceedings in abeyance. As even after lapse of a considerable time no such revised consent terms were filed by the Noticees, the undersigned issued another hearing notice dated January 12, 2010 advising the Noticees to appear for a hearing on January 29, 2010. The Noticees once again submitted vide their letter dated January 25, 2010 that they have not received any communication from SEBI regarding rejection of their earlier consent application. In the matter,

it was confirmed by SEBI that the said intimation was sent to the Noticees vide letter dated August 4, 2008. In this regard, I have noted with concern that apart from the communication send by SEBI, the fact regarding rejection of their consent application and hence, recommencement of the adjudication proceedings were also intimated to the Noticees by me in the said Notice dated October 20, 2009. Raising the issue after such a long gap and not attending the hearings on the said grounds created an atmosphere of doubt about the intentions of the Noticee and indicated their pre determined approach to drag and delay the proceedings. On query, SEBI once again confirmed that the intimation regarding rejection of their consent application was sent to the Noticees vide letter dated August 04, 2008. Despite getting the said confirmation from SEBI, on the grounds of natural justice, the undersigned forwarded a copy of the said rejection letter of SEBI to the Noticees vide letter dated April 30, 2010 and once again the Noticees were advised to appear for personal hearing on May 12, 2010. This time the Noticees intimated vide letter dated May 10, 2010 that due to summer vacation the train tickets are not available and therefore, to keep the hearing at any convenient date after June 15, 2010. The request of the Noticees were once again acceded to and considering the submissions of the Noticees about their difficulties in getting train tickets etc., vide notice dated June 02, 2010 they were granted hearing on June 16, 2010 at the Western Regional Office of SEBI at Ahmedabad. Hearing on June 16, 2010 was attended by the authorized representative of the Noticees namely, Mr. Hasit D. Dave, Advocate. The authorized representative informed at the time of the hearing that the Noticees have filed revised consent application with SEBI. The application was sent vide speed post on May 25, 2010 and subsequently they received deficiency memo from SEBI on June 14, 2010. After correcting the deficiencies the application was submitted back on the same date.

10. The Noticees were specifically asked at the time of the personal hearing on June 16, 2010 that as per communication received from SEBI it is understood that their earlier consent application filed on 15/11/2007 was rejected and they were informed about the same vide letter dated August 04, 2008, despite that they have not responded to the Notice dated October 20, 2009 and also did not avail of the opportunity of personal hearings which were granted to them on January 29, 2010, April 15, 2010 and May 12, 2010. The authorized representative stated that it was due to lack of adequate legal guidance and assured that such lacunae will not happen in future. He also sought time upto July 31, 2010 to file reply to the Notice.

11. Subsequently, the undersigned received intimation from SEBI on August 04, 2010 that the said revised consent applications of the Noticees have once again been rejected on August 02, 2010. In the meantime, the undersigned also received reply of the Noticees made vide their letters dated July 31, 2010 (received on August 06, 2010).

12. The Noticees have submitted separate but similar replies. Their submissions are mainly to the following effect:

- *That any reference of the Noticees as a key operator with Roopal Panchal and Karvy is far fetched and not correct. They had no dealings whatsoever in making applications of any IPO or opening any alleged fictitious demat accounts or bank account or cornering of any shares.*
- *Noticees have stated that they have not made any alleged fictitious application in IPOs. It has also been stated that they have merely purchased shares at the prevailing market price or at mutually agreed prices from Roopalben Panchal and afterwards paid consideration for the same by account payee cheques. They had no idea as to how and in what manner Roopalben acquired those shares.*
- *They have not arranged any finance or provided any finance to Roopalben Panchal for the purpose of acquisition of shares.*
- *None of the 'principal account' of the Noticees, either bank account or demat account, under their signature and /or application has been used in any manner for the purpose of acquiring shares and/or transferring those to them.*
- *Devangi Panchal has stated that she was not aware about opening of any alleged afferent demat account nor introduced or certified or signed on behalf of any afferent demat accounts.*
- *The Noticees have stated that Roopalben Panchal's account has been used by Karvy Stock Broking Limited and its group companies for creation of the alleged various sets of 50 fictitious accounts. The Noticees can not be linked in any manner in such activity.*
- *Noticees have contended that they have not paid any transaction charges or annual maintenance charges for any demat account except for their own existing demat accounts (details annexed to the reply).*
- *The Noticees have submitted that they did not sell all the shares purchased from Roopalben immediately. In many cases the shares were sold over a period of time and they are still holding some of the shares. Details in this regard were submitted.*

13. On perusal of their reply, in order to conduct inquiry one more opportunity of hearing was granted to the Noticees on August 24, 2010 vide notice dated August 04, 2010. This time, the Noticees, vide letters dated August 16, 2010 and August 17, 2010 intimated that the soft copy of data provided to them in CD is not opening and asked for certain other documents viz. copy of any other evidence, statement etc. used for framing charge against them. I perused the information available on record and found that for the purpose of the adjudication proceedings,

apparently, no data in CD was provided to the Noticees. I also noted that the relevant details /documents relied upon for the purpose of the proceedings had already been provided to the Noticees. Therefore, they were intimated vide letter dated August 20, 2010 that the documents/details relied upon for the proceedings have already been provided to them and additional documents/details, if any , required by them may be had on the date of hearing i.e. August 24, 2010.

14. On August 24, 2010, one Ms. Bhagyashree N. Suryawanshi, Advocate, appeared before the undersigned and stated that she is representing the Noticees on behalf of advocate Rahul Arote, however, no such authority letter was produced. She further stated that she had not come to attend the hearing but to seek time as Sr. Counsel Shah and both the parties (apparently the Noticees) are not keeping well. She was provided with copy of the relevant documents (sl. No. 1 to 98), which were sought by the Noticees. The receipt of the said documents have been acknowledged by the Noticees vide letter dated September 13, 2010. As the hearing could not take place due to non-appearance of the Noticees/ their representative on August 24, 2010, they were again granted hearing on September 21, 2010 vide notice dated August 25, 2010. Once again the Noticees did not turn for the hearing. Vide their letters dated September 13, 2010 they demanded for inspection of documents relied upon in the matter and again requested to reschedule the hearing.

15. In the interest of natural justice, the request of the Noticees for the inspection of documents was also acceded to. They were granted opportunity to inspect the documents relied upon in the matter on December 15, 2010. The Noticees did not come for the inspection. Vide letter dated December 7, 2010 they requested for another opportunity for inspection of documents citing the reason that they are pre-occupied with personal matters. Acceding to their request one more opportunity for inspection of documents was granted to the Noticees on January 24, 2011. Neither the Noticees nor their authorized representative came for the inspection of documents. Vide letter dated January 24, 2011 the Noticees expressed their inability to come for inspection and requested for another date.

16. It is quite evident form the above that since the issue of show cause notices the Noticees have not been prompt in replying and they have been adopting delaying tactics. The replies to the show cause notice have been submitted after protracted correspondences and advice during the hearing. Further, even when relevant documents have been provided they are rising the issue that the documents were not provided. For instance, extract of the investigation report was sent to the noticees along with letter dated January 15, 2007. The Noticees have acknowledged its receipt vide their letter dated January 31, 2007 however; in their reply dated July 31, 2010 i.e. after more than three and half years they stated that they have not received

any annexure. Several opportunities of hearings have been granted to the Noticees but the hearings could not be concluded as they sought another date for hearing or did not appear on one pretext or the other. When hearing notices were issued after perusal of their reply they sought inspection of documents and when the opportunities to inspect documents were granted they failed to come for inspection citing excuses. The above details clearly indicate that the Noticees are bent upon dragging the matter indefinitely.

17. I have noted that the documents relied upon in the matter have been provided to the Noticees; they have also submitted their detailed reply, several opportunities of personal hearings and inspection of documents etc. have already been granted to them, however, they did not avail those, citing various excuses/reasons, as have been detailed in the earlier paras. Therefore, vide notice dated February 01, 2011 the Noticees were granted one final opportunity of hearing on February 23, 2011. It was clearly mentioned in the said notice that it was the final opportunity and that no further opportunity of hearing shall be granted to them and if they fail to appear before the undersigned on the given date, time and venue then the matter would be decided on the basis of documents available on record in terms of rule 4 (7) of the Rules.

18. Instead of appearing for hearing, vide letter dated February 15, 2011 the Noticees again requested for inspection of documents and also asked for copy of a long list of documents. On perusal of the list, it was found that the Investigation reports pertaining to Panchal group, transactions details of fictitious demat accounts; details of persons covered under Panchal group and such other documents and details which were relevant for the purposes of the present inquiry have already been provided to the Noticees. Reports of the enquiry officer of Karvy Group of companies, replies filed by Karvy Group of Companies to enquiry officer, observations of stock exchanges, inspection report of Karvy Stock Broking Ltd. by NSDL and CDSL and SEBI and other reports, replies, findings and documents mentioned therein are not being relied upon for the purpose of the present inquiry and therefore, were not provided. Further, the Noticees were informed time and again to attend the hearing and at the time of the hearing, if they feel that any relevant document has not been made available to them, they can have the same. They were also granted opportunities to inspect all the original documents that have been relied upon for the allegations and proceedings against them, but they have failed to avail of those opportunities. Going by above stated facts and circumstances of the case, I am of the view that the Noticees have written this letter only to delay the completion of the adjudication proceedings.

19. Vide letter dated February 15, 2011 the Noticees have requested to grant an opportunity to cross examine all persons whose statements have been relied upon by SEBI to arrive at the

charges and findings against them. The Noticees have sought cross-examination but have not justified its need. Further, I find that the allegations in the SCN are based on the transactions in the bank and demat accounts of the Noticees and other Panchal Group entities and not on the basis of statement of any person. Hence, the demand for cross examination is misplaced. I am of firm opinion that making of such new demands at this conclusive stage of the proceedings, coupled with other facts as have been stated above, viz. delaying and not attending the personal hearings or demanding and not coming for inspection of documents on several occasions or asking for inspection of all original investigation documents at Ahmedabad, seeking the documents already provided or pointing out problems in soft copy of data which were not provided from my end, etc., are mere citations of a few of such tactics adopted by the Noticees in order to linger the proceedings for an indefinite period. In this regard, I have noted with concern that the show cause notice in this case alleges an unprecedented scale of fraud. Further, this IPO scam, in which the Noticees are alleged to have played a key role, had a devastating impact on securities market and had caused loss to lakhs of investors. I am, therefore, of the view that it would cause prejudice to the interest of investors if the present proceedings are delayed any further. Therefore, in the facts and circumstances of the case, I proceed with the matter on the basis of the information/ material and the submissions of the Noticees, which are available on record.

20. I would further like to mention here, that the notice granting a final opportunity of hearing to the Noticees on February 23, 2011 was received by the Noticees. Despite giving a clear message that no further opportunity of hearing shall be granted, the Noticees ignored the same and did not attend the hearing. Although, they did not attend the hearing, vide letter dated March 3, 2011 they made further submissions, which are to the following effect:

- *That the Noticees have not advanced any money to Roopalben Panchal for subscribing to any IPO. They had purchased shares from her at market prices or negotiated prices and after receiving shares they have made payments to Roopalben Panchal for the same. Transaction statements of her HDFC Bank, ICICI Bank, IDBI Bank and Standard Chartered Bank accounts have been submitted.*
- *That they are dealings with Roopalben Panchal since about last ten years. Their dealing was commercial in nature, independent, at arms length, with an adequate and lawful consideration and also differs from the transaction of other financiers. They had no knowledge as to how and from whom Roopalben had acquired those shares.*
- *They have not sold all the shares immediately after purchase from Roopalben and the transactions are reflected in their income tax returns.*

CONSIDERATION OF ISSUES AND FINDINGS

21. I have carefully perused the SCNs, the submissions of the Noticees and the material available on record. I proceed to dispose of the proceedings on merit.

22. It is alleged in the SCN that the Noticees are closely related with other members of Panchal Group, i.e., Roopalben Panchal, Bhargav Ranchodlal Panchal, Hina Bhargav Panchal and Arjav Nareshbhai Panchal. They held joint demat and bank accounts and shared the same address. The Panchal Group opened bank accounts in their own names with Bharat Overseas Bank (BhOB), Ahmedabad Branch and Indian Overseas Bank (IOB), Thaltej Branch, Ahmedabad. A large number of fictitious names were added to each such bank accounts, which were subsequently used for opening of thousands of demat accounts. First such bank account was opened in the name of Devangi Panchal (Account number 50795 with BhOB) and based on this bank account 297 demat accounts were opened. Another bank account (account number 54199 with BhOB) was also opened in the name of 'Devangi Dipakbhai Panchal – Group a/c' (no specific name was indicated as joint account holder) and this was used for the purpose of opening 3450 demat accounts. The accounts were opened in various devious combinations of names and surnames. For instance, some six hundred names starting with Daksha and ending with Induben was used with different surnames viz., Luhar, Pari, Mistri, Shroff and Seth to create afferent demat accounts using the account number 54199. The magnitude of operation by Panchal Group gradually grew. The Panchal Group created bank introduction letters for thousands of fictitious names and based on such introduction letters, as proof of identity and address, they opened thousands of afferent demat accounts. In a similar fashion thousands of fictitious accounts were opened using the bank account of Arjav Nareshbhai Panchal (bank account number 9550). They created bank introduction letters, purportedly issued by BhOB, in favour of each of the fictitious names by assigning account no 9550. These letters were used by the Panchal group as proof of identity and address for these afferent accounts. It is observed that following this modus operandi, the Noticees along with other Panchal group entities and the said depository participants opened thousands of afferent accounts, each with the same address as that of the Noticees i.e., 402-403 Sashwat, opposite Gujarat College, Ellisbridge, Ahmedabad – 380 006.

23. With respect to the bank accounts with IOB Thaltej Branch, it is observed that Dipak J Panchal and Karvy Stock Broking Limited introduced many bank accounts. These bank accounts were opened in different combination of names with at least one name related to Panchal group entities. Each of these accounts was multiplied by fifty by the Noticees by making use of a list of names of 50 fictitious persons with different combination of surnames. The names in the list

were in the same order as those in which the afferent demat accounts were opened with Karvy DP. Many such lists of 50 persons were purportedly certified by Karvy Stock Broking Limited and as per the arrangement with IOB these bank accounts were necessary to avail IPO financing from the bank. The Noticees were involved in this scheme. Dipakbhai J Panchal had introduced many such accounts in a single day (on October 11, 2004) and Devangi Panchal and Dipakbhai Panchal were having several such accounts jointly with other Panchal group entities. For example, Devangi Panchal opened a bank account number 11973 with IOB on October 11, 2004 jointly with 50 fictitious names starting from Samar Panchal to Ujas Panchal.

24. The investigations have revealed that a total of 37,240 afferent demat accounts were opened by Panchal Group entities and were used for making IPO applications in various IPOs. The address mentioned in almost all these account was same as that of Noticees or other Panchal Group entities and all these accounts were in some way related/connected with the bank accounts of at least one member of the Panchal group. In view of the way in which these accounts were opened, connection with bank account of Panchal group and the synchronized manner in which off market transactions have taken place from these accounts I have no doubt that these demat accounts were fictitious and the Noticees and other Panchal group entities exercised complete control over these accounts.

25. The investigations have also established that because of the scheme/arrangement between BhoB, IOB, Karvy DP and the Panchal group entities, these bank accounts with respective banks were required to enable the Noticees and other Panchal Group entities to avail finance for IPOs from these Banks. They also obtained finance from many other financers. With the funds so procured from various sources and also by making use of their own funds the Noticees and other Panchal Group entities engineered thousands of IPO applications in the retail individual category of over 18 IPOs. For instance, the Panchal Group engineered application using 27,444 afferent accounts in the retail category of IDFC IPO which fetched an aggregate allotment of 73,00,914 shares. Before listing, the Panchal group got the entire 73,00,014 shares transferred from the afferent accounts to their own demat accounts in off-market and, in turn, disposed of the shares directly or through the financiers. After the allotment, they also received the consolidated refunds from issuers through bank and, in turn, returned the same to financiers. The Panchal group, which includes the Noticees, repeated this modus operandi in over 18 IPOs. In the process, they cornered the shares meant for retail individual investors (RIIs) in 18 IPOs and made unlawful gains. The fictitious accounts were used only for receiving allotment of shares in these IPOs and transferring those shares to demat accounts of the Panchal group entities.

26. The details of applications made using the fictitious accounts, shares received on allotment in those accounts and their transfer to the demat accounts of the Noticees and other Panchal group entities and further disposal of such shares in different IPOs are given in the table below.

IPO	Applications made	Retail application Size	Total shares received	No. of Shares transferred to					
				Devangi Panchali	Dipakbhai Panchal	Hina	Bhargav	Financiers	Others
DISHMAN	2,005	50	1,00,250	0	17,000	0	0	83,250	0
DATAMATIC	1,635	50	81,750	0	8,400	0	0	73,000	350
TCS	8,077	17	1,37,309	52,336	10,842	0	1,581	87,870	2,975
	897	20	17,940						
	12	34	408						
NTPC	8,224	214	17,59,936	15,00,000	0	21,400	0	175000	63,536
GATEWAY	971	90	87,390	0	0	0	0	87,390	0
SHOPPERS STOP	1,564	25	39,100	5,775	0	0	0	33,325	0
NANDAN	1,982	250	4,95,500	43,750	0	0	1,750	4,28,000	22,000
YBL	6,509	150	9,76,350	2,57,250	0	0	2,550	7,11,600	4,950
NECTAR	4,102	25	1,02,550	42,075	0	0	0	60,475	0
SPL	1,330	100	1,33,000	7,100	0	0	0	1,25,900	0
ILFS	5,162	50	2,58,100	1,06,450	0	0	600	1,50,150	950
IDFC	27,444	266	73,00,104	10,80,169	17,10,374	11,000	8,684	33,77,641	11,12,236
SASKEN	2,217	25	55,425	10,800	0	0	0	8,125	36,500
AMAR	884	250	2,21,000	2,21,000	0	0	0	0	0
FCS	3,153	100	3,15,300	22,015	0	0	2,400	172,000	1,18,885
SUZLON	8,998	16	1,43,968	1,248	0	0	0	22,000	1,20,720
PATNI	2,541	50	1,27,050	0	1,15,250	0	0	10,250	1,550
TV TODAY	862	100	86,200	41,200	35,500	0	0	6,900	2,600

27. The Noticees have contended that they cannot be treated as persons who were associated with other Panchal Group entities in cornering shares in the IPO of various companies from the category reserved for RIIs. However, I have noted from the investigation report, which was provided to the Noticees along with the SCN, and other material available on record that the Noticees and other Panchal Group entities are related to one another and they used the same address in demat and bank accounts. They had joint bank accounts as well as demat accounts. They followed the same modus operandi to open afferent accounts. For example, Devangi Panchal opened the bank account No. 54119 with BhOB and by using this account, opened 3450 afferent accounts with NSDL. Similarly, Arjav opened the bank account No. 9550 and using this account, opened thousands of afferent accounts with CDSL. They also followed the same modus operandi to open joint bank accounts. For example, Roopalben opened the bank account No. 11954 with IOB with 50 fictitious joint holders. Dipakbhai opened the bank account No. 11974 with IOB with 50 fictitious joint holders. The lists of fictitious persons used

for opening afferent demat accounts and bank account had the names in the same order with only innovation being different surnames. Further, the afferent accounts were created by one entity of Panchal Group and used by another. For example, using Arjav's bank account no. 9550, thousands of afferent accounts were created. These accounts were used by Roopalben to make applications in various IPOs. The 297 fictitious demat account which were first opened by Devangi Panchal by making use of her bank account number 50795 was also used by Roopalben in IPO of IDFC. The Panchal group, on receipt of shares from different afferent accounts transferred the shares to other entities of the group in off-market deals. There are instances where shares transferred by one group entity to another were transferred further by the other group entity to third entity at the instance of former. For example, Roopalben transferred 2,21,000 shares of Amar Remedies to Devangi Panchal who, in turn, transferred 17,000 shares to Mr. Rajan Dapki and 59,000 shares to Zealous Trading Co. at the instance of Roopalben. The record clearly shows that some entities of the Panchal Group opened afferent accounts, some used them for making applications in retail category of IPOs, some helped in transfer of shares to financiers and others and some disposed of the shares so acquired. Naturally, all of them did not play exactly the same role but they complemented one another in executing the game plan. All these indicate that the Noticees formed a well orchestrated group with other entities of the Panchal Group.

28. The investigations have also found that the Panchal group has paid to the DP the account maintenance charges (AMC) and transaction charges for these accounts. In their submissions the Noticees stated that they have not paid any demat charge or transaction charges except for their own accounts. Be that as it may, it has been observed above that some entities of the Panchal Group opened afferent accounts, some used them for making applications in retail category of IPOs, some helped in transfer of shares to financiers and others and some disposed of the shares so acquired. As has been stated earlier, all the entities of the group did not play exactly the same role but they complemented one another in executing the game plan. The fact remains that the Noticees were one of the beneficiaries of this whole game plan. Therefore, so for as the charges alleged in the SCN are concerned, it is immaterial as to who in the group paid the account maintenance charges and transaction charges.

29. Noticees have contended that they have merely purchased the shares from Roopalben at market / negotiated price and they have no role to play in acquiring shares as done by Roopalben. In this regard it is observed from the reply dated March 2, 2007 that this contention was raised by Devangi Panchal only with respect to shares of Nectar Life, SPl Ind, Amar Remedies and NTPC and the purchase price of the shares of IDFC, IL&FS, Nandan Exim, YBL and Sasken were stated by her to be the same as the issue price. Similarly Dipakbhai also

stated that most of the shares of IDFC were purchased at issue price. However, in their reply dated July 31, 2010 the Noticees are contending that the shares were purchased from Roopalben at a price higher than the issue price. In support of their contention the Noticees have submitted vide letter dated March 3, 2011 various bank account statements. A perusal of the bank account statements suggest that some payments were made to Roopalben Panchal by the Noticees but these statements do not indicate that the monies were paid towards purchase consideration of the shares. Further, the Noticees have stated in their earlier replies that the purchase price of most of the shares was same as issue price. Therefore, the contention of the Noticees that the purchase prices of the shares were more than the issue price of respective shares appears to be an afterthought.

30. The Noticees have also contended that all these IPO related activities were done by Roopalben Panchal and Karvy DP. I find from the available records that almost all the afferent accounts had the same address as that of the Noticees. All the bank accounts used in the transactions were jointly held by the Noticees with other Panchal group entities. The Noticees have also benefited from the disposal of shares received on transfer from the afferent accounts. This is enough to conclude that the Noticees manipulated the demand for shares in the retail segment of IPOs discussed above and cornered such shares and made unlawful gains at the cost of RIIs. Even if it is accepted that Roopalben and Karvy DP did all that was required to corner the shares in the retail category of IPOs, the circumstances, like large number of bank accounts introduced and opened by the Noticees, receiving of large number of shares from Roopalben at IPO prices of those shares, etc. clearly suggest that it were done with the full knowledge and consent of the Noticees and with clear understanding that the address, the demat accounts and the bank accounts of the Noticees would be used, the afferent accounts would be created and used to make applications in IPOs, the shares allotted to afferent accounts would be transferred to demat accounts of the Noticees directly or indirectly, the Noticees would get more shares than legally permissible and benefits from disposal of such shares would accrue to the Noticees. Therefore, the Noticees are squarely liable for cornering the shares in the retail category of IPOs.

31. The Noticees have submitted that they did not sell all the shares received from Roopalben Panchal immediately. It is true that some of the shares were not sold immediately, but the fact remains that these shares were the same shares which were cornered by the Noticees acting in connivance with others as discussed above from the category reserved for retail investors. It is possible that the Noticees did not sell them immediately in anticipation of greater profit later. Therefore, in the circumstances, I do not think that it has any bearing on the charges alleged.

32. In light of all the above facts and circumstances of the case, I am of the opinion that the Noticees have indulged into fraudulent and manipulative activities and employed deceptive device and scheme to corner the shares reserved for the retail individual investors in the aforesaid IPOs with the intention to defraud retail individual investors. The activities of the Noticees have distorted market integrity. I, therefore, conclude that the Noticees have violated the provisions of section 12A (a), (b) and (c) of the Act and regulations 3 (a), (b), (c) and (d) and regulation 4(1) of PFUTP Regulations.

33. The violations of the said provisions make the Noticees liable to the penalty under section 15HA of the Act, which reads as under:

> *"**Penalty for fraudulent and unfair trade practices**.*
> *15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher."*

34. In this regard, the provisions of Section 15J of the Act and Rule 5 of the Rules require that while adjudging the quantum of penalty, 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.

35. It is noted that the Noticees have cornered shares meant for retail investors in various IPO acting in connivance with others and sold them at profit. The table below gives the details of the approximate gains made by the Noticees from the shares cornered by them in the above said IPOs as is ascertainable from the available records.

Unlawful gains made by Devangi D Panchal

Name of IPO	Name of Key operator form whom shares were received	No of shares received from Key Operator	Issue Price (Rs) (3)	Date of sale	Market / Off market	No of shares sold (1)	Sale price* (2)	Actual Profit (1) * (2 – 3)
Amar	Roopalben Panchal	221000	28	16.09.05	Market Off market	204000 17000	50.02 56.05	44,92,080 4,76,850
TCS	Roopalben Panchal	52336	850	-	Pledge	52336	987.95	72,19,751
NTPC	Roopalben Panchal	1500000	62	05.11.04 to 24.12.04	Off market Pledge	985918 514082	75.50 75.50	1,33,09,893 69,40,107
Shoppers Stop	Roopalben Panchal	5775	238	13.07.05	Market	5775	372.60	7,77,315
Nandan	Roopalben Panchal	43750	20	10.06.05	Off market Balance	41000 2750	50.20 50.20	13,21,250 83,050
YBL	Roopalben Panchal	257250	45	12.07.05	Market Balance	175000 82250	62.83 60.80	31,20,250 12,99,550

Nectar	Roopalben Panchal	45625	240	20.07.05	Market ASE Balance	31223 10000 4402	267.95 260.10	11,52,183 88,480
SPL	Roopalben Panchal	7100	70	26.07.05	Market	7100	104	2,41,400
ILFS	Roopalben Panchal	106450	125		Balance	106450	185.15	64,02,967
IDFC	Roopalben Panchal	1080169	34	12.08.05 – 18.08.05	Market Off market Balance	575586 403063 101520	67.78 69.50 69.50	1,94,43,295 1,43,08,736 36,03,960
Sasken	Roopalben Panchal	10800	260	09.09.05	Off market Balance	10450 350	464.55 464.55	21,37,547 71,592
FCS	Roopalben Panchal	22015	50		Balance	22015	179.10	28,42,136
Suzlon	Roopalben Panchal	1248	510	08.11.05	Off market	1248	692.85	2,28,197
TV Today	Self	86200	95		Market	41200	181.35	33,57,620
Total								**9,29,18,209**

* In respect of off-market transfers and balance in the demat account, closing price on the day of listing has been taken into consideration for the purpose of calculating gains.

Unlawful gains made by Dipakbhai J Panchal

Name of IPO	**Name of Key operator form whom shares were received**	**No of shares received from Key Operator**	**Issue Price (Rs) (3)**	**Date of sale**	**Market / Off market**	**No of shares sold (1)**	**Sale price* (2)**	**Actual Profit (1) * (2 – 3)**
Dishman	Roopalben Panchal	17000	175	22/04/04	ASE	17000	541.25	62,26,250
TCS	Roopalben Panchal	10842	850	13/09/05 to 11/10/05	Off market	10842	987.95	14,95,654
Datamatics	Roopalben Panchal	8400	110		ASE	8400	127.20	1,44,480
IDFC	Roopalben Panchal	1710374	34	11-12/08/05	Market Balance	1180374 530000	69.20 69.50	4,15,49,165 1,88,15,000
Patni	Arjav Panchal	115250	230	23.02.04	Off market	113000	233.20	3,68,800
TV Today	Devangi Panchal	35500	95		Market	35500	181.35	30,65,425
Total								**7,16,64,774**

* In respect of off-market transfers and balance in the demat account, closing price on the day of listing has been taken into consideration for the purpose of calculating gains.

36. It is noted form the above that the approximate total profit made by Devangi D Panchal is ₹ 9.29 Crore and by Dipakbhai J Panchal is ₹ 7.16 Crore. I am of the opinion that this disproportionate gain made by the Noticees is naturally a loss to other retail investors. I am of the opinion that apart from the monetary loss to investors, incidences of this nature definitely compromise the securities market regulatory framework to the detriment of investors at large. It lowers the confidence of the investors and distorts market integrity.

37. As per the mandate of section 15HA of the Act, the penalty shall be of twenty-five crore rupees or three times the amount of profits made as a result of default, whichever is higher. The abovementioned actions of the Noticees in cornering of shares in a large number of IPOs, clearly suggest that they, acting in connivance with other entities as discussed above, executed their game plan on a very huge scale and for a long period of time. Further, the Noticees played a very significant role in the whole process and thereby, made huge illegal gains at the cost of other investors in the securities market. Therefore, considering all the facts and circumstances of the case, it is felt that a penalty of ₹ 25 crore on Devangi D Panchal and ₹ 20 crore on Dipakbhai J Panchal, which is approximately three times the illegal gains made, shall be commensurate with the violations committed by them .

ORDER

38. In exercise of the powers conferred upon me under section15I of the Act and rule 5 of the Rules, I impose a penalty of ₹ 25,00,00,000/- (Rupees twenty five crore only) on Devangi Dipakbhai Panchal and of ₹ 20,00,00,000/- (Rupees twenty crore only) on Dipakbhai Jaswantlal Panchal in terms of the provisions of Section 15HA of the Act for the violation of the provisions of Section 12A(a), (b), (c) of the Act and regulations 3(a), (b), (c), (d) and 4(1) of the PFUTP Regulations. In the facts and circumstances of the case, I am of the view that the said penalty is commensurate with the violations committed by the Noticees.

39. The penalty shall be paid by way of demand draft drawn in favour of "SEBI – Penalties Remittable to Government of India" payable at Mumbai within 45 days of receipt of this order. The said demand draft shall be forwarded to "The Chief General Manager, Integrated Surveillance Department, Securities and Exchange Board of India, Plot No. C4 -A, 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051."

40. In terms of the provisions of rule 6 of the Rules copies of this order are sent to the Noticees and to the Securities and Exchange Board of India.

Date: May 31, 2011
Place: MUMBAI

SATYA RANJAN PRASAD
ADJUDICATING OFFICER