-BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO.ISD/IPO/AO/DRK/MD/EAD-3/306/04/2012]

UNDER SECTION 15 I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5(1) OF SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995

Against:

1. Smt. Roopal Nareshbhai Panchal

(PAN – AFVPP3739H)

2. Shri Arjav Nareshbhai Panchal

(PAN – AGZPP2986M)

(Common address- 47, Kameshwar Twins,

Near Yoga Nursery, B/H Manekbag Hall,

Ambawadi, Ahmedabad - 380015)

FACTS IN BRIEF

1. 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 revealed that certain entities referred to by SEBI as 'key operators' or 'master account holders', had opened large number of demat

accounts and bank accounts which were in the names of non-existent persons 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. 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 then transferred the shares through off market deals to financiers of this scheme or arrangement to corner shares from the quota reserved for retail investors in the IPOs of various companies and in some cases they retained a portion of shares for themselves. The shares so retained by them were sold in the market with huge ill-gotten gains.

3. The investigation also revealed that Smt. Roopal Nareshbhai Panchal (Roopal Panchal / Roopal) and Shri Arjav Nareshbhai Panchal (Arjav) (hereinafter collectively referred to as 'Noticees') acting as key operators, in concert with Shri Dipakbhai Jaswantlal Panchal and Ms. Devangi Dipakbhai Panchal, Mr. Bhargav Ranchodlal Panchal and Ms. Hina Bhargav Panchal, (hereinafter collectively referred to as 'Panchal Group'), and certain other entities were involved in the scheme / arrangement of cornering of shares in the IPO of :-

1. Infrastructure Development Finance Co. Ltd. (IDFC)
2. Suzlon Energy Ltd.(SEL)
3. National Thermal Power Corporation Ltd.(NTPC)
4. Tata Consultancy Services Ltd. (TCS)
5. Yes Bank Ltd.(YBL)
6. IL&FS Investsmart (IL&FS)
7. Nectar Lifesciences Ltd.(NLL)
8. Nandan Exim Ltd.(NEL)

9. Dishman Pharma & Chemicals Ltd. (DPCL)

10. Sasken Communication Technologies Ltd.(SCTL)

11. FCS Software Solutions Ltd.(FSSL)

12. Shoppers Stop Ltd. (SSL)

13. Datamatics Technologies Ltd. (DTL)

14. SPL Industries Ltd.(SIL)

15. Amar Remedies Ltd. (ARL)

16. Patni Computer Systems Ltd. (PCSL)

during the period from 2003 to 2005 for the category reserved for retail individual investor.

APPOINTMENT OF ADJUDICATING OFFICER

4. I was appointed as the Adjudicating Officer vide order dated December 10, 2008, (subsequent to the transfer of the previous Adjudicating Officer, Shri Biju S.), under section 15 I of the SEBI Act read with Rule 3 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, to inquire into and adjudge under Section 15HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act'), the alleged violation of the provisions of Section 12A of the SEBI Act; Regulations 3, 4 and 6 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995 (hereinafter referred to as **'PFUTP 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 2003'**) by the noticees.

SHOW CAUSE NOTICE, HEARING AND REPLY

5. Show Cause Notices A&E/BS/68771/2006, dated June 7, 2006 (hereinafter referred to as 'SCN') were served on the noticees by "Registered Post

Acknowledgement Due" in terms of the provisions of Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 requiring them to show cause as to why an inquiry should not be held against them and why penalty, if any, should not be imposed on them under Section 15HA of the SEBI Act, 1992 for the alleged violation of the provisions of Section 12A of the SEBI Act; Regulations 3, 4 and 6 of the SEBI PFUTP Regulations 1995 and Regulations 3 and 4 of the SEBI PFUTP Regulations 2003.

6. In the aforesaid SCNs and supplementary materials dated April 7, 2011 it was alleged on the basis of investigation that Roopal Panchal had cornered / acquired shares in 16 IPOs during the period from 2003 – 2005 by making applications in the category reserved for retail investors through the medium of thousands of fictitious / benami non-existent applicants. It was further alleged that she opened various demat accounts in fictitious and benami names and made large number of applications in the IPOs in the category reserved for retail investors. In the process of opening demat accounts it was alleged that Roopal Panchal forged bank letter heads and on allotment of shares in the IPOs, she transferred the said shares from fictitious / benami demat accounts to her own accounts. Subsequently the shares were transferred to many other entities who were financiers to the whole process.

7. Against Arjav in the aforesaid SCNs and supplementary materials dated April 8, 2011 it was alleged on the basis of investigation that he had cornered / acquired shares in the IPOs of Patni Computer Systems Ltd. (PCSL) by making applications in the category reserved for retail investors through the medium of fictitious / benami non-existent applicants.

8. The noticees vide their letters dated June 24, 2006 requested for 28 days time to respond to the SCN. However, the Noticees failed to reply to the SCN. Considering the facts and circumstances of the case it was decided to

conduct an inquiry in the matter and an opportunity of personal hearings were granted to the noticees vide hearing notices dated November 24, 2006, granting a personal hearing to the noticees on December 6, 2006. Along with the aforesaid personal hearing notices, copy of the relevant extracts of the investigation report was also forwarded to both the noticees and they were required to furnish :-

- Transcripts of all Demat accounts since 1.1.2003.
- Details of all the securities lying in the demat accounts of the noticee's since 27.04.2006.

9. (a) In response to the aforesaid personal hearing notices, which was sent by courier, Arjav vide letter dated December 5, 2006 submitted that "I have duly replied to the captioned show cause notice by Regd. A.D. vide my letter Ref.SEBI/ANP/P.22 dt.24-06-2006." Further he requested that "Since different government authorities have searched my house and seized many documents, I request you to grant me an adjournment of at least 6 weeks so that I can compile the data as per your requirements."

(b) However it is noted from aforesaid letter dated June 24, 2006, Arjav had only requested for 28 days time to file a reply to the SCN and not filed any reply to the SCN as stated by him.

10. The hearing notice sent to Roopal Panchal dated November 24, 2006 sent by courier returned undelivered with a remark "Shifted". Considering the facts and circumstances of the case, another opportunity of personal hearing was granted to both the noticees on January 22, 2007 vide hearing notices dated January 8 & 9, 2007. The aforesaid hearing notices were sent by Registered Post Acknowledgement Due and by courier. The hearing notice sent to Roopal Panchal returned undelivered by postal authorities with a remark "refused". No acknowledgement / communication was received for the personal hearing notice dated January 8, 2007 sent to Arjav.

11. Arjav was granted another opportunity of personal hearing on March 16, 2007 vide hearing notice dated March 7, 2007. The aforesaid hearing notice was sent by Registered Post Acknowledgement Due and by courier but the same was returned undelivered by postal authorities with a remark “refused”.

12. It is noted from our records that both the noticees (Arjav through his father Shri Nareshbhai Natwarlal Panchal) submitted their consent applications dated November 26, 2007. However the consent applications of the noticees were rejected by High Powered Advisory Committee / panel of Chairman and Whole Time Members of SEBI on June 24, 2008.

13. Subsequent to the SCN, a detailed report was received from Integrated Surveillance Department of SEBI (ISD) based upon which supplementary materials were provided to both the noticees vide letter dated April 7 & 8, 2011. The aforesaid supplementary materials were sent by Registered Post Acknowledgement Due. While forwarding the supplementary materials, noticees were again given an opportunity to reply to the SCN and supplementary material (together referred to as ‘SCN’) against them within a period of 15 days from the receipt of the supplementary materials. However both the noticees failed to reply to the SCN.

14. Considering the facts and circumstances of the case, another opportunity of personal hearing was granted to both the noticees on October 17, 2011 vide hearing notices dated September 26, 2011 at SEBI, Western Regional Office, Ahmedabad. The aforesaid hearing notices were served on by Registered Post Acknowledgement Due and proof of service of the same is on record. In the aforesaid personal hearing notice, noticees were again given an opportunity to submit their reply to the SCN against them on or before October 12, 2011.

15. Both the noticees vide letter dated October 11, 2011 submitted their first reply stating (similar reply) that:-

(a) In the IPO scam disclosed in 2005-06. I (Roopalben Panchal) and my son Arjav has not taken any kind of benefits we were unaware about this.

(b) I had never met any officers of Kravy, any financer and any bank managers involved in this IPO scam in my life. I and my son had never sold any single share to any persons involved in this IPO scam as it was done without informing us and without our permission. You can confirm this by approaching any Kravy Officer, any financer or any bank manager. Then you can get the true fact of this.

(c) Also Income Tax Department and CBI had not found any illegal documents, any valuable assets or cash during investigation at my house. In CBI charge sheet, CBI has reported that in the fictitious IPO applications Mr.Dipakbhai Panchal(brother in law) knowingly mentioned the fictitious demat account number and fictitious bank account number fraudulently opened by him based on forged documents and forged signatures. CBI has not found any evidence against me and my son. All these bank account and demat A/cs were opened and operated by Mr. Dipakbhai Panchal for his benefits without our knowledge and without our permission at his office address. 406, 407 Shaswat Complex, Opp. Gujarat College, Ellisbridge, Ahmedabad.

(d) Also Enforcement Department of Ahmedabad after investigations attached assets including shares, vehicles and property worth Rs. 100 crores of accused persons in this IPO scam. But I and my son's assets are not included in this attachment process as we have not got any illegal shares from IPO scam.

(e) We have never sent any affidavit to you on June 24, 2006 and December 5, 2006 and July 14, 2011. Dipakbhai J. Panchal is looking after all cases against me and my son related to this scam. So I want to inform you that I have not given any reply to any govt. authority and answer and affidavit given on behalf of me and my mother Roopalben are not true and correct and not acceptable by me.

16. In response to their reply and submission at para 15 (e) regarding affidavits, it is noted from the records that both the noticees had requested for 28 days time to submit reply to the SCN vide letter on June 24, 2006. Further December 5, 2006 Arjav again requested time to submit reply to the SCN.

So there was no affidavit received from noticees on June 24, 2006 and October 5, 2006. A scanned copy of affidavit dated 13 May, 2011 was received on July 14, 2011 at the office of the Adjudicating Officer from an email ID roopalpanchal@ymail.com at 8.39PM. It is interesting to note that along with the said affidavit a text message "attached files contains my affidavit and affidavit of Deepak Panchal" was also received by the office of the Adjudicating officer. Copy of the driving license of Roopal Panchal was also scanned and emailed along with the aforesaid affidavit. On a cursory glance the signatures on the affidavit seems to be that of Roopal Panchal when compared with the signature of Roopal Panchal obtained on the minutes of hearing.

17. On 17th & 18th October, 2011 Roopal Panchal along with her husband and father of Arjav, Shri Naresh Natwarlal Panchal (hereinafter referred to as the Authorized representative /AR of Roopal Panchal and Arjav) appeared for the hearing and submitted that Arjav is pursuing his B.B.A in USA for last four years and submitted a copy of General Power of Attorney dated July 5, 2007 for appearing on his behalf. It is also seen that this General Power of Attorney is dated July 5, 2007 whereas the stamp paper is dated 27th July, 2007 i.e. after the General Power of Attorney by Arjav was signed.

18. During the personal hearing both the noticees submitted a similar reply to the charges against them. They submitted that :-

- They are not involved in this IPO scam. As it was done by forged documents and forged signatures of ours.
- It was done without informing us and without our permission. I and my son had never taken any benefits or any shares from this scam.
- In final chargesheet, CBI dropped our names and returned our passports and pancards.

19. Further during the personal hearing, the noticees reiterated the submissions made by them in their reply dated October 11, 2011. During the personal hearing, noticees submitted that :-

- They had never opened fictious demat / bank accounts and they have never applied in any of the IPOs using any fictious demat / bank accounts. Further they also denied receiving any shares from these fictious demat / bank accounts or receiving any finance for applying in IPOs.

- Noticees submitted that Shri Dipakbahi J. Panchal, who is brother-in-law of Roopal Panchal had taken their signatures in few bank account opening forms in 2003-04 and later on added his name and names of his own family members. Using these bank accounts and using their forged signatures Shri Dipakbhai J. Panchal opened all fictious demat accounts and cornered shares in the IPOs without their knowledge. They came to know about the fraud / modus operandi only from television and newspaper

- Noticees further submitted that they had one demat account and one bank account with them during the investigation period and they have undertaken to submit the details of the transaction in their demat account and bank account during the investigation period 2003-05 within a week.

- Noticees submitted that they have been called / visited CBI office in Mumbai and ED office in Ahmedabad in this connection, however when asked to produce any document/ minutes regarding the said visit the noticee and AR submitted that we were not provided any such documents.

- When queried about CBI press release dated February 22, 2006 of giving advertisement for procuring photographs of a large number of people by giving advertisements offering to photograph people free of cost and using these photographs and false names to open bank accounts and Demat accounts, noticees denied the same.

20. Roopal panchal submitted copy of her demat account and bank account during the investigation period on 8th November, 2011.

CONSIDERATION OF EVIDENCE AND FINDINGS

21. I have taken into consideration the facts and circumstances of the case and the material made available on record. The linkages / connection between / among these entities of the panchal group are by virtue of being from same family or relatives. It is pertinent to mention here that Smt. Roopal Nareshbhai Panchal is mother of Shri Arjav Nareshbhai Panchal. These

entities of the panchal group also held demat and bank accounts jointly and also shared common addresses. Further, on examination of bank and demat accounts during the investigation it was revealed that there were large number of transfers of shares among themselves.

DEMAT ACCOUNTS OF PANCHAL GROUP

22. The demat accounts of Panchal group used for cornering shares in various IPO's are as follows:-

Demat account number	Name of the account holders	Address
11920868	Roopal Nareshbhai Panchal (first holder) Devangiben Dipakbhai Panchal Dipakbhai Jasvantilal Panchal.	15 SURYADEEP SOC NR TAKSHSHILA VASTRAPUR AHMEDABAD - 380 015
11933474	Dipak Jasvantlal Panchal (first holder) Devangi Dipakbhai Panchal	C/o DIPAK JASHVANTLAL PANCHAL HUF 402-403 SHASHWAT ELLISBRIGE OPP-GUJARAT COLLEGE AHMEDABAD 380006
11933458	Devangi Dipakbhai Panchal (first holder) Dipak Jasvantlal Panchal	402-403 SHASHWAT OPP-GUJARAT COLLEGE ELLISBRIDGE AHMEDABAD – 380006
11932970	Arjav Nareshbhai Panchal (first holder) Devangiben Dipakbhai Panchal Dipakhai Jasvantlal Panchal	15 SURYADEEP SOC NR TAKSHSHILA VASTRAPUR AHMEDABAD – 3800015
10160406	Hina Bargav Panchal (first holder) Bhargav Ranchhdlal Panchal	15 SURYADEEP SOC NR TAKSHSHILA VASTRAPUR AHMEDABAD – 3800015
10003008	Bhargav Ranchhodlal Panchal HUF	15 SURYADEEP SOC NR TAKSHSHILA VASTRAPUR AHMEDABAD – 3800015

From the above it is seen that Roopal Panchal, Devangi Dipakbhai Panchal and Dipakbhai Jasvantilal Panchal, Arjav Panchal held demat accounts jointly and also shared common address. Thus these entities are related / connected with each other.

23. It is alleged on the basis of investigation that the entire scheme of cornering of shares started from the year 2003 wherein Roopal panchal & other

entities of the Panchal Group opened bank accounts with Bharat Overseas Bank Ltd. (**BhOB**) Ahmedabad branch, Indian Overseas Bank (**IOB**) (some of which were introduced by Karvy Stock Broking Ltd. (hereinafter referred to as **'Karvy'**)) for the purpose of availing IPO finance from these banks. As per the scheme of arrangement between BhOB / IOB and Karvy group, BhOB / IOB would extend IPO finance only to those applicants who had their demat accounts with Karvy. This scheme of arrangement started with the IPO of Maruti udyog Ltd. Accordingly, Roopal panchal & other entities of the Panchal Group opened their first bank account with BHOB Ahmedabad bearing account number 50795 in the month of June 2003 and based on this bank accounts, 297 demat accounts were opened with Karvy DP which were used in the IPO of Maruti udyog Ltd. Thereafter, the scheme of operation by Roopal panchal & other entities of the Panchal Group gradually grew by opening another bank account bearing account number 54199 with BHOB (opened in December 2003) which was used for the purpose of opening 3,250 demat accounts. These demat accounts were opened in various combinations of names and surnames using photographs from various sources.

24. The scale of operations multiplied with opening of 39 bank accounts with IOB which were used for cornering shares in IPO of IDFC (around 27,444 demat accounts in the IPO of IDFC alone). It is alleged that the entire schemes of opening fictitious demat / bank account was masterminded by Roopal panchal & other entities of the Panchal Group for the purpose of using them for cornering shares in various IPO's. Further, it is alleged that Panchal group exercised total control over these demat / bank accounts.

25. It is alleged on the basis of investigation that:-
    a. All of the demat accounts (27,444 demat accounts) which were used for the purpose of cornering shares in various IPO's shared the address of 402-403 Shashwat Ellisbridge Opp-Gujarat College Ahmedabad 380006.

b. The funds were routed only through bank accounts of Roopal panchal and not through the bank account of fictitious account holders.
c. CBI press release, confirmation by bank officials and demat accounts closed pursuant to verification of SEBI clearly suggested that demat account holders did not exist.
d. The funds were debited from the bank accounts of Roopal panchal for the purpose of making IPO application and corresponding refund money were also received in the bank accounts of Roopal panchal.
e. Roopal panchal made consolidated payments towards account maintenance charges for the demat accounts under their control.
f. Off market transfers to Roopalben before the date of listing took place in a synchronized manner.
g. All the bank accounts were opened in the name of Roopal panchal & other entities of the Panchal Group and various fictitious names were added to them.
h. An examination of few afferent demat accounts indicated that there are no other transactions other than off market transfers to Roopal panchal & other entities of the Panchal Group.

26. It is alleged that Roopal panchal had mainly availed IPO finance from BhOB and IOB which enabled them to corner shares. In respect of certain IPO's, no finance was taken from Bank but were funded by financiers and as per the scheme of arrangement / prior- understanding between them, shares and refunds money were transferred to them. The prior-understanding / arrangement is alleged based on the manner in which funds were provided i.e. by exactly matching with the applications money for set of applications and thereafter transferring shares at issue price (though on the date of transfer market price was substantially higher) and manner in which refunds money was paid back to financers in exact proportion.

DETAILS OF BANK ACCOUNTS OF ROOPAL PANCHAL

27. It was alleged on the basis of investigation that Roopal Panchal opened various bank accounts with various banks for the purpose of executing the game plane to corner shares. The details of bank accounts opened by Roopal Panchal / Panchal group are mentioned in the table below. It was alleged on the basis of investigation that bank account of Roopal Panchal held with HDFC Bank was the main account for the purpose of receipt of funds from financiers and payment of refunds to them. Other bank accounts of panchal group held with other banks like UTI Bank, Standard Chartered Bank, ICICI Bank, IDBI Bank, CITI bank were merely used for the purpose of layering and routing funds in order to make trail of funds more complex and complicated. Besides, the bank account of Roopal Panchal held with Standard Chartered bank was used for making IPO applications to corner shares in respect of IPO's where IPO finance was not availed from Bank.

Name of Bank	**Bank account number**	**Name of the account holders**	**Address**
HDFC Bank	00062100004760.	Roopal Nareshbhai Panchal	15 SURYADEEP SOC NR TAKSHSHILA VASTRAPUR AHMEDABAD - 380 015
ICICI Bank	002405001693	Roopal Panchal	402 -403, SHASHWAT, OPP GUJARAT COLLEGE, ELLISBRIDGE, AHMEABAD, GUJARAT
Standard chartered Bank	233-0508892-5	Roopal Nareshbhai Panchal (first holder) Devangi Dipak Panchal Dipak J Panchal	402 -403, SHASHWAT, OPP GUJARAT COLLEGE, ELLISBRIDGE, AHMEABAD, GUJARAT

BANK ACCOUNTS OF ROOPAL PANCHAL WITH BhOB AND IOB

28. The bank accounts held with BhOB Ahmedabad Branch and IOB Thaltej Branch, Ahmedabad were opened in the name of Rooopal Panchal jointly with Devangi Panchal / Arjav Panchal / Dipak Panchal and other entites related to Panchal. These accounts have been mainly used for the purpose of availing IPO finance from them. Further, large number of ficitious names

were added to each such bank accounts, which were subsequently used for the purpose of opening thousands of demat accounts. Further, these fictitious demat accounts were used for purpose of cornering shares. The brief sample analysis of demat accounts and bank accounts used for opening demat accounts which were used in the IPO of IDFC are mentioned in the table below.

No of afferent demat accounts	**Name of the Bank as per demat records**	**Name of the account holder**	**Date of opening of bank account**	**Date of opening of demat account on NSDL / CDSL**
297	**BHOB**	50795 – Devangi Dipak Panchal (introduced by Karvy Securities and Karvy investors Services Ltd)	17.06 03 (Closed on 27.10.03)	27.06.03
3,200	**BHOB**	54119 (– Devangi Dipak Panchal - Group a/c) (introduced by Karvy Securities Ltd)	4.12.03 (Closed on 24.04.04)	12.12.03
6810	**BHOB**	55045 Arajav N Panchal (Introduced by Dipak Jasvantlal Panchal)	5.02.04	6.02.04 (1045) 16.08.04 (2996) 20.10.04 (200) 17-19.07.05 (2569)
10,000	**BHOB**	9550 Arjav Naresh Panchal (introduced by Devangi Dipak Panchal)	December – 2004	16.07.05 (10,000) – CDSL accounts
20,307			**Total**	

Bank Accounts opened with Indian Overseas Bank (IOB)

29. Further it is alleged on the basis of IR that subsequent to entering into an arrangement with BhOB and introducing the bank accounts of key operators and afferent entities for availing IPO finance, it was found that Karvy had entered into an arrangement with IOB for the same purpose. As per the arrangement of Karvy DP with IOB, IOB provided IPO finance to the persons who had their dematerialized accounts either with the DP IOB or with Karvy DP.

30. During the in person verifications conducted by SEBI at the Indian Overseas Bank, Thaltej branch, vide letter dated March 4, 2006, IOB submitted a list of 37 savings bank account numbers and names of savings bank account holders belonging to Roopal Panchal's afferent demat accounts. Thereafter, IOB vide letter dated October 13, 2006 submitted

copies of 39 account of Roopal Panchal and a list of 50 names are attached with the account opening forms.

31. It is alleged that 39 IOB bank account opening forms shows that 18 savings bank accounts, pertaining to the key operators Roopal Panchal, were introduced by Karvy Stock Broking Ltd and a list of 50 names attached with these forms were also certified by Karvy stock Broking Ltd. The 50 account-holders added to each bank account number were sharing the same surnames. The names added to the bank accounts were in the same order as that in which the dematerialized accounts were held with Karvy DP. For instance, the list of 50 names added to the bank account no. 11954, began with Daksha Panchal and ended with Drumil Panchal. Further, in many instances, the bank accounts to which the 50 names were added were bearing continuous numbers. It is observed that such an arrangement was made for availing IPO finance from IOB.

32. It is further alleged on the basis of investigation that the documents pertaining to the bank accounts, all the signatures have been made with the same pen and by the same person in one go. It may be noted that all the names contained in the list attached to the application forms had demat accounts with Karvy DP and had been identified as afferent accounts. Further, these afferent accounts also shared common address of Roopal Panchal which were fictitious accounts, which enabled Roopal Panchal to exercise total control over these accounts. It is also relevant to note that for the purpose of opening afferent demat accounts, bank introduction letter issued by BhOB were used as Proof of Identity and Proof of address (with photographs affixed on those introduction letters). However BHOB Ahmedabad Branch has denied having issued any such Bank letter as enclosed with the demat account opening forms. Thus, it appears that these documents were forged and fabricated as the demat account holders do not exist at all.

EXAMINATION OF SAMPLE DEMAT ACCOUNT FORMS OF AFFERENT ACCOUNTS OF ROOPAL PANCHAL.

33. In respect of BhOB Ahmedabad Branch, the saving account number mentioned in the Karvy DP demat account opening forms does not exist as confirmed by BhOB Ahmedabad Branch. However, all the demat account opening forms had bank letters along with the photograph affixed and signed purportedly by a bank official. However BhOB, Ahmedabad Branch has denied having issued any such Bank letter as enclosed with the demat account opening forms. It appears that Roopal Panchal had managed to arrange the photographs which was affixed on the demat application form and forged the bank letter. In this context it is noted that as per press release of CBI on February 22, 2006, "CBI has found that the main accused persons created fictitious accounts by procuring photographs of a large numer of people. For example, Ms. Roopalben Panchal had inserted advertisements offering to photograph people free of cost. She used these photographs and false names to open bank accounts and Demat accounts."

CONTROL OVER AFFERENT ACCOUNTS

Synchronised Off-market transfers from Afferent Accounts to Key Operators in the IPO of IDFC

34. It is alleged on the basis of investigation that after the allotment of shares in the IPO of IDFC on August 6, 2005 the shares were transferred through off-market transactions from the dematerialized accounts of the allottees (including SURESH SETH till ADITI SETH) to the demat account of Roopal Panchal (client ID: 11920868) on August 8, 2005. The details of the off market transfers in the IPO of IDFC in respect of these transactions are given in the table below:

Sr. No.	CLIENT ID	NAME OF THE DEMAT ACCOUNT HOLDER	TARGET CLIENT NAME	Date of execution	NO OF SHARES	SLIPNO
1.	13130266	SURESH SETH	Roopal Panchal	August 8, 2005	266	200167245
2.	13130274	ABHAY SETH	Roopal Panchal	August 8, 2005	266	200167246
3.	13130299	DEVANSHI SETH	Roopal Panchal	August 8, 2005	266	200167248
4.	13130329	LABDHA SETH	Roopal Panchal	August 8, 2005	266	200167249
5.	13130338	YASHI SETH	Roopal Panchal	August 8, 2005	266	200167250
6.	13130346	NIRU SETH	Roopal Panchal	August 8, 2005	266	200167251

Sr. No.	CLIENT ID	NAME OF THE DEMAT ACCOUNT HOLDER	TARGET CLIENT NAME	Date of execution	NO OF SHARES	SLIPNO
7.	13130354	NITA SETH	Roopal Panchal	August 8, 2005	266	200167252
8.	13130362	UTPALL SETH	Roopal Panchal	August 8, 2005	266	200167253
9.	13130379	ABHIGNA SETH	Roopal Panchal	August 8, 2005	266	200167254
10.	13130387	BALWANT SETH	Roopal Panchal	August 8, 2005	266	200167255
11.	13130395	DEVARSHI SETH	Roopal Panchal	August 8, 2005	266	200167256
12.	13130409	GUMAN SETH	Roopal Panchal	August 8, 2005	266	200167257
13.	13130418	JHANKI SETH	Roopal Panchal	August 8, 2005	266	200167258
14.	13130426	LAGNI SETH	Roopal Panchal	August 8, 2005	266	200167259
15.	13130434	YASHU SETH	Roopal Panchal	August 8, 2005	266	200167260
16.	13130442	NIRUPAMA SETH	Roopal Panchal	August 8, 2005	266	200167261
17.	13130459	NITANSH SETH	Roopal Panchal	August 8, 2005	266	200167262
18.	13130467	SWATI SETH	Roopal Panchal	August 8, 2005	266	200167263
19.	13130475	ABHILASH SETH	Roopal Panchal	August 8, 2005	266	200167264
20.	13130483	BALWIR SETH	Roopal Panchal	August 8, 2005	266	200167265
21.	13130490	DEVASYA SETH	Roopal Panchal	August 8, 2005	266	200167266
22.	13130506	GUNISH SETH	Roopal Panchal	August 8, 2005	266	200167267
23.	13130514	JIGAR SETH	Roopal Panchal	August 8, 2005	266	200167268
24.	13130522	LAHAR SETH	Roopal Panchal	August 8, 2005	266	200167269
25.	13130539	YATNA SETH	Roopal Panchal	August 8, 2005	266	200167270
26.	13130547	NIRVI SETH	Roopal Panchal	August 8, 2005	266	200167271
27.	13130555	NITIN SETH	Roopal Panchal	August 8, 2005	266	200167272
28.	13130563	TRUSHIT SETH	Roopal Panchal	August 8, 2005	266	200167273
29.	13130570	ABHISHEK SETH	Roopal Panchal	August 8, 2005	266	200167274
30.	13130589	BANJUL	Roopal Panchal	August 8, 2005	266	200167275
31.	13130598	DEVENDRA SETH	Roopal Panchal	August 8, 2005	266	200167276
32.	13130602	GUNJAK SETH	Roopal Panchal	August 8, 2005	266	200167277
33.	13130619	JIGISH SETH	Roopal Panchal	August 8, 2005	266	120204845
34.	13130627	LAJJA SETH	Roopal Panchal	August 8, 2005	266	200167278
35.	13130635	YATRI SETH	Roopal Panchal	August 8, 2005	266	200167279
36.	13130643	NISAR SETH	Roopal Panchal	August 8, 2005	266	200167280
37.	13130650	DEPARV SETH	Roopal Panchal	August 8, 2005	266	200167281
38.	13130669	TUKHAR SETH	Roopal Panchal	August 8, 2005	266	200167282
39.	13130678	ADIP SETH	Roopal Panchal	August 8, 2005	266	200167283
40.	13130686	BANKIM SETH	Roopal Panchal	August 8, 2005	266	200167284
41.	13130694	DEVI SETH	Roopal Panchal	August 8, 2005	266	200167285
42.	13130717	JIMISH SETH	Roopal Panchal	August 8, 2005	266	200167287
43.	13130725	LAKENDRA SETH	Roopal Panchal	August 8, 2005	266	200167288
44.	13130733	YAVAN SETH	Roopal Panchal	August 8, 2005	266	200167289
45.	13130740	MIYA SETH	Roopal Panchal	August 8, 2005	266	200167290
46.	13130759	ROHINI SETH	Roopal Panchal	August 8, 2005	266	200167291
47.	13130768	TURANG SETH	Roopal Panchal	August 8, 2005	266	200167292
48.	13130776	ADITI SETH	Roopal Panchal	August 8, 2005	266	200167293

35. The allotted shares were immediately transferred from the afferent demat accounts to the demat account of Roopal Panchal (client ID 11920868). It is alleged on the basis of the information furnished to SEBI by Karvy DP vide letter dated June 8, 2007, that Roopal panchal and other entites of Panchal group had paid consolidated payments to Karvy DP towards AMC charges and transaction charges of numerous demat accounts held with Karvy DP.

DEALINGS WITH FINANCIERS

36. It is alleged on the basis of investigation that Roopal Panchal had acted in concert with financier for cornering shares who made available finance to them for the purpose of making IPO applications. It has been observed that Roopal Panchal had used the finance provided by financiers for meeting margin requirements for the purpose of availing fianance from BhOB / IOB. Corresponding margin money to Banks were paid by various financiers to whom noticees transferred shares after allotment of shares to afferent demat accounts holder and also returned corresponding refunds money to them. The manner in which funds were provided by financiers exactly corresponded with the application money for set of applications and exactly matching with refunds money and transfer of shares allotted to financiers clearly suggest that financiers and noticees acted in concert to execute the game plan to corner shares and the role of noticees was to open demat accounts for the said purpose. For illustration the dealings of Hushmukh Vora, one of the financiers who financed Roopal Panchal is explained below.

DEALINGS OF ROOPAL PANCHAL WITH HUSHMUKH VORA

37. Hushmukh Vora has been identified as financier of Roopal Panchal in the IPO's of Nectar, IL&FS and IDFC. For the purpose of subscription in IPO of Nectar life sciences, Hushumukh vora provided an amount of ₹ 9,80,00,000 which corresponds to application money for making 2,100 applications at the rate of ₹ 48,000 per retail application. The details of receipts of funds from Hushmukh Vora in the HDFC bank account of Roopal are as follows.

Date of cheque	Cheque no	Amount
28.06.05	198211	90,00,000
28.06.05	198212	90,00,000
28.06.05	198213	90,00,000
28.06.05	198214	90,00,000
28.06.05	198215	20,00,000
27.06.05	198192	90,00,000
27.06.05	198193	90,00,000
27.06.05	198194	90,00,000

27.06.05	198195	90,00,000
27.06.05	198196	90,00,000
27.06.05	198197	90,00,000
27.06.05	198199	40,00,000
27.06.05	198200	20,00,000
	Total	**9,80,00,000**

38. Thereafter, Roopal transferred 52,500 shares which correspond to allotment for 2100 applications. Balance refund money of ₹ 8,54,00,000 was used in the IPO of IL&FS. Besides, Hushmukh also paid additional amount of ₹ 4,87,25,000 to Roopal Panchal. Thus, Roopal Panchal had total funds of ₹ 13,41,25,000 which was used by her for making 3065 applications at the rate of ₹ 43,750 per application in the IPO of IL & FS. The details of cheques paid by Hushmukh are mentioned in the following table

Date of Cheque	**Cheque no**	**Amount**
	Transfer from Ipo of Nectar	8,54,00,000
07.07.05	198098	90,00,000
07.07.05	198099	90,00,000
07.07.05	198096	90,00,000
07.07.05	198101	90,00,000
08.07.05	198102	26,00,000
05.07.05	198084	60,000
Total		**13,41,25,000**

RECEIPT OF SHARES / REFUND MONEY

39. It was observed from the demat account statement of Hasmkukh Vora that he received 23,400 shares of IL&FS through Off-market transfer from Roopal Panchal. Corresponding allotment money in respect of these shares works out to be ₹ 29,25,000 (23400 shares * 125 (being issue price)). Thus the total refund money after adjustment of allotment money in respect of shares works out to be ₹ 13,12,00,000 (₹ 13,41,25,000 minus ₹ 29,25,000 (allotment money for 23400 shares)). Out the said refund money Panchal paid only ₹ 2,58,62,250 (vide cheque no 26073 dated 02.08.05 for ₹ 2,38,62,250 and ₹ 20,00,000 vide cheque no 188900 on 23.07.05). Further as per the IR ₹ 10,50,56,950 was used by Roopal Panchal in the IPO of IDFC. This amount was used for making 2200 applications in the IPO of

IDFC at the rate of Rs 47,600 per retail application. Thereafter, it was observed from the demat account statement of Roopal Panchal that 6,00,000 shares of IDFC were transferred to Hushmukh Vora through Off-market transfer. Corresponding allotment money in respect of these shares works out to be ₹ 2,04,00,000 (6,00,000 shares * 34 (being issue price)). Thus the total refund money after adjustment of allotment money in respect of shares works out to be ₹ 8,46,56,950, (₹ 10,50,56,950 minus 2,04,00,000 (allotment money for 6,00,000 shares)). The above refund has been paid to Hushmukh Vora through the following cheques.

DATE	CHEQUES	AMOUNT
11.08.05	26090	1,56,950
09.08.05	398229	8,00,00,000
12.08.05	623074	45,00,000
Total		**8,46,56,950**

40. Thus from the above it is clear that financier provided money specifically for the purpose of cornering shares and thereafter received corresponding shares and refunds as per the scheme of arrangement. Further, it was observed that Roopal Panchal had used the money provided by the financiers to meet margin requirements for the purpose of availing IPO finance from Bank.

DEALING OF ROOPAL PANCHAL IN THE IPO OF IDFC

41. In the IPO of IDFC, based on the examination of demat accounts of Roopal panchal held with CDSL (1301440000307503) and NSDL demat accounts (11920868), it is observed that 73,00,014 shares were transfered from 27,444 afferent accounts through off market transfers on or before the day of listing.

Name of IPO	No of afferent accounts from whom shares were received	No of shares received from afferent	No of applications
IDFC	12,513 (NSDL) 14,931 (CDSL)	33,28,458 39,71,646	27,444
	27,444	73,00,104	

42. On the basis of IR it is alleged that 27,444 afferent demat account holders had applied in the IPO of IDFC and after allotment of shares transferred the shares to demat accounts of Roopal Panchal. As stated above, demat account holders from whom shares were received by Roopal Panchal are fictitious and also shares common address with her. Thus, it is clear that Roopal had total control over these accounts and used them as front entities for making application in various IPOs and cornered shares meant for retail category. Further, based on examination of few sample afferent demat accounts, it was observed that afferent demat accounts were opened with the bank accounts of Roopal Panchal held with BHOB Ahmedabad and IOB Thaltej Branch. The manner in which Roopal Panchal had opened bank accounts and thereafter opened afferent demat accounts has been detailed above. Thus, it is clear that the application money for making application in the IPO of IDFC and other IPO's were not made by individual afferent demat account holders but by Roopal Panchal. As stated above, bank accounts of Roopal Panchal (HDFC Bank, ICICI Bank, UTI Bank, Standard Charted Bank, Citi Bank, BhOB Bank, IOB Bank) were used for the purpose of receiving finance from financiers and also paying refunds to them in various IPOs.

SOURCE OF FINANCE – IN THE IPO OF IDFC

43. Roopal Panchal had mainly taken IPO finance from BhOB, IOB and Karvy Consultants ltd and corresponding finances to meet the margin requirement (50% of application money) of banks were provided by various financiers

with whom Roopal acted in concert to execute the game plan to corner shares meant for retail investors. Application money in the retail category in the IPO of IDFC is ₹ 47,600/-.Corresponding applications money for making 27,444 applications work out to be ₹ 130,63,34,400 (27,444 * ₹ 47,600 /-). This amount of ₹ 130 crores was provided by Banks and Karvy Consultants after adjustment of margin money received from Roopal Panchal. The details of bifurcation of the sources of finance is mentioned in the table below

Bank names	No of applications	Application money	Margin	Total amount
IOB Thaltej	3,118	47,600	7,42,08,400	14,84,16,800
IOB Stadium	12,008	47,600	28,57,90,400	57,15,80,800
BhOB (Ahmedabad)	3,000	47,600	7,14,00,000	14,28,00,000
BHOB (worli)	3,300	47,600	7,85,40,000	15,70,80,000
	21,426		**50,99,38,800**	**1,01,98,77,600**

SOURCE OF MARGIN MONEY

44. From the above table, it is seen that for the purpose of making 21,426 applications constituting ₹ 101 crores, a margin money for ₹ 50,99,38,800 is required. Based on examination of various bank accounts of Roopal Panchal, it has been observed that Roopal panchal used the money received from financiers like Hashmukh vora, Excell, Tauraus, Zenet, Seer, Jayesh khandwala, Gautam Jhaveri, Welvet, Rajan and Shilpa Dapki for the purpose of meeting margin requirement of banks.

FINANCE FROM KARVY CONSULTANTS

45. Roopal availed IPO finance from Karvy consultants for making 5,200 applications in the IPO of IDFC i.e. ₹ 24,75,20,000. Roopal paid an amount of ₹ 6,55,20,000 towards margin which is sourced from financiers.

Source	No of applications	Application money	Margin	Total amount
Karvy	5,200	47,600	6,18,80,000	24,75,20,000

NO FINANCE TAKEN FROM BANKS

Roopal has not taken any finance in respect of 800 applications amounting to ₹ 3,80,80,000, wherein the entire money was debited from her bank account held with standard chartered bank, Ahmedabad bearing account number 23305088925. Upon examination of this bank account, it was observed that there were 800 debits of ₹ 47,600.

TRANSFER OF SHARES AND REFUND TO FINANCIERS

46. Payments to meet the margin requirements of ₹ 61 crores was made by following financiers, who also received corresponding shares and refunds from Roopal panchal. The details of shares and refunds are mentioned in the table below.

Name of financier	* Amount financed (1)	No of shares received (2)	Allotment money (2) * ₹ 34 (3)	Refund money * (1) – (3)
Excel	9,02,38,000	6,58,000	2,23,72,000	6,78,66,000
Tauraus	2,09,46,700	1,30,000	44,20,000	1,65,26,700
Zenet	9,36,17,750	2,75,000	93,50,000	8,42,67,750
Seer	7,33,23,150	4,65,000	158,10,000	5,75,13,150
Hushmukh Vora	10,5056,950	6,00,000	2,04,00,000	8,46,56,950
Jayesh Khandwala	78750000	3,45,800	1,17,57,200	6,69,92,800
Gautam	42840000	2,38,841	81,20,594	34719406
Rajan and Shilpa dapki	42840000	2,39,400	81,39,600	34700400
Welvet	76160000	4,25,600	1,44,70,400	6,16,89,600
	62,37,72,550	**33,77,641**	**11,48,39,794**	**50,89,32,756**

The difference of ₹ 1 crore paid by financiers to Roopal was available as running balance and used in various other IPOs.

SHARES RECEIVED BY PANCHAL GROUP

47. It was observed that Roopal Panchal had received 73,00,104 shares of IDFC, which were entirely financed by banks and Karvy Consultants, whereas margin money paid for getting these shares was only ₹ 60,98,98,800/-. Had this money been used for making IPO applications directly, the number of applications that could have been made would have been only 12,813 (₹ 60,98,98,800 / 47,600) and corresponding shares would have been only 34,08,258. It is alleged that Roopalben transferred 33,77,641 shares to various financiers who provided finance along with corresponding refund amounts. However, by virtue of using the margin money of ₹ 60,98,98,800/- towards IPO finance from the bank and karvy, Roopalben could make 27,444 applications and received 73,00,104 shares of IDFC. Thus the balance shares of 38,91,846 were lying in the account of Roopalben though no finance had been by provided her. Out of these 38,91,846 shares, 28,10,227 shares were transferred to related entities of Roopalben i.e. Devangi Panchal (10,80,169 shares), Dipak Panchal (17,10,374 shares), Bhargav Panchal (8,684 shares) and Hina Panchal (11,000 shares). These related entities had thereafter sold the shares in the market and made ill-gotten gains. The remaining 11,12,236 shares were sold to Jayantilal Jitmal and Bhanu Prasad Trivedi respectively at the issue price of ₹.34/-

Name of entity	No of shares
Devanagi Panchal	10,80,169
Dipak Panchal	17,10,374
Bhargav Panchal	8,684
Hina Panchal	11,000
Jayantilal Jitmal	12,236

Bhanu prasad Trevedi	11,00,000
Total	39,22,463

48. Thus in a similar manner Roopal Panchal cornered shares reserved for retatil investors in 16 different IPOs during the period from 2003 to 2005 (mentioned in para 3 above). In response to all the above mentioned allegations both the noticees have taken a plea that "Shri Dipakbahi J. Panchal, who is brother-in-law of Smt. Roopal Nareshbhai Panchal had taken their signatures in few bank account opening forms in 2003-04 and later on added his name and names of his own family members. Using these bank accounts and using their forged signatures, Shri Dipakbhai J. Panchal opened all fictious demat account and cornered shares in the IPOs without their knowledge." Noticees in support of the same had submitted copy of the extracts of the final charge sheet filed by CBI in the criminal case No. RC 3(E)/ 2006/ BS&FC/ Mumbai wherein names of the both the noticees were dropped.

49. The aforesaid extracts of the final charge sheet filed by CBI was forwarded to the concerned department of SEBI for clarification / comments on 11 November, 2011. In response to the same a clarification dated 15th December, 2011 was received from SEBI stating that all the allegations against the noticees are based on demat and financial transactions of the noticees as found out by the SEBI investigation. Further it was submitted that CBI has different powers and scope (criminal) as compared to that of SEBI. CBI investigations are independent of SEBI investigation and therefore findings of investigation of respective agencies will not have a bearing on each other. Considering the clarification / comment given by the Department, I am inclined to go with the comments provided by SEBI.

50. I have noted from the investigation report, which was provided to the Noticees along with the SCN and supplementary material that the Noticees and other Panchal Group entities are related to one another. They had not

only joint bank and demat accounts but also they used the same address in demat and bank accounts. 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 change 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 accounts 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.

51. The above conclusion is further strengthened by the copy of the demat statement submitted by Roopal panchal wherein the address mentioned is "402-403 Shashwat, Opposite Gujarat College, Ellisbridge, Ahmedabad-380006". This address is same as that of the fictitious demat accounts used for cornering the shares reserved for Retail Individual Investors.

52. A tabular form of shares cornered using fictitious demat accounts, transfer of shares to financiers and off market sale by Roopal Panchal is as follows:-

IPO	No. of applns	Retail appln Size	No. of Shares received	No. of shares transferred to					
				Devangi	Dipak	Hina	Bharghav	Financiers	Others
IDFC	27,444	266	73,00,104	10,80,169	17,10,374	11,000	8,684	33,77,641	11,12,236
Suzlon	8,998	16	1,43,968	1,248	0	0	0	22,000	1,20,720
NTPC	8,224	214	17,38,130	15,00,000	0	2,1400	0	1,75,000	41,730
TCS	8,077	17 20 34	1,37,309 17,940 408	52,336	10,842	0	1,581	87,870	2,975

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	60,125	350
Disman	2,005	50	1,00,250	0	17,000	0	0	83,250	0
ILFS	5,162	50	2,58,100	1,02,200	0	0	600	1,54,350	950
Datamatic S	1,635	50	81,750	8,400	0	0	0	73,000	350
FCS	3,153	100	3,15,300	22,015	0	0	2,400	1,72,000	1,18,885
Shoppers	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
Gateway	971	90	87,390	0	0	0	0	87,390	0
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
SPL	1,331	126	1,67,800	41,900	0	0	0	1,25,900	0

53. Similar to Roopal, Arjav also opened fictitious demat which was used by other entities of the Panchal group for cornering shares reserved for Retail Individual Investors. However Arjav was only involved in the IPO of Patni Computers Ltd. and the details of the same is as follows:-

IPO	No. of appln	Retail appln Size	No. of Shares received	No. of shares transferred to					
				Devangi	Dipak	Hina	Bharghav	Financiers	Others
Patni	2,541	50	1,27,050	0	1,15,250	0	0	10,250	1,150

54. In light of all the above facts and circumstances of the case, I am of the opinion that the Noticees have indulged in fraudulent and manipulative activities and employed deceptive device and scheme to corner the shares reserved for Retail Individual Investors in the aforesaid 16 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 2003. The text of the said provisions are given hereinafter:

SEBI ACT

"Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. No person shall directly or indirectly—

(*a*) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognised stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(*b*) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(*c*) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

PFUTP REGULATIONS, 2003

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.

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.

55. The above violations attract penalty under Section 15HA of the SEBI Act. The text of the said provision is stated hereinafter:

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."

56. In this regard, the provisions of Section 15J of the SEBI 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

57. It is observed that the investigation report has quantified the profit made by Roopal Panchal as ₹ 22,02,162. In this regard it is noted that SEBI vide order dated February 25, 2011 had ordered disgorgement of ₹ 11,59,41,663 from Roopal Panchal which includes the amount of ₹ 22,02,162 as unlawful gains. Investigation report has not quantified the profit made by Arjav. However it is also observed from the same disgorgement order that an amount of ₹ 3,720 was ordered to be disgorged from Arjav.

58. Having considered the facts and circumstances of the case and after taking into account the factors under section 15J of the SEBI Act, 1992, I hereby impose a penalty of ₹ 15,00,000 (Rupees Fifteen Lakhs only) on Smt. Roopal Nareshbhai Panchal and a penalty of ₹ 1,00,000 (Rupees One Lakh only) on Shri Arjav Nareshbhai Panchal under Section 15 HA of the Securities and Exchange Board of India Act, 1992, which is appropriate in the facts and circumstances of the case.

ORDER

59. In exercise of the powers conferred under Section 15 I of the Securities and Exchange Board of India Act, 1992, and Rule 5 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, I hereby impose a penalty of ₹ 15,00,000 (Rupees Fifteen Lakhs only) on Smt. Roopal Nareshbhai Panchal and a penalty of ₹ 1,00,000 (Rupees One Lakh only) on Shri Arjav Nareshbhai Panchal in terms of the provisions of Section 15HA of the Securities and Exchange Board of India Act, 1992 for violation of 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 2003. 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.

60. 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 General Manager ISD, Securities and Exchange Board of India, Plot No. C4-A, 'G' Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.

61. In terms of the provisions of Rule 6 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules 1995, copies of this order are being sent to Smt. Roopal Nareshbhai Panchal & Shri Arjav Nareshbhai Panchal and also to the Securities and Exchange Board of India, Mumbai.

Place: Mumbai
Date: January 31, 2012

D. RAVI KUMAR
CHIEF GENERAL MANAGER &
ADJUDICATING OFFICER