

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI**

**CONSENT ORDER**

**ON THE APPLICATIONS SUBMITTED BY**

**SHRI HASMUKHLAL N. VORA**

**IN THE MATTER OF**

**IRREGULARITIES RELATING TO INITIAL PUBLIC OFFERINGS**

**(CONSENT APPLICATION NOS.131 AND 206 OF 2007)**

1. As a part of its on going surveillance, SEBI had launched an investigation under Section 11C of the SEBI Act, 1992 into the dealings in the shares issued through Initial Public Offerings (IPOs) during 2003-05 before these were listed on the Stock Exchanges. The preliminary investigations, *prima facie*, revealed that a large number of dematerialized accounts with common addresses had been opened in benami or fictitious names with a view to corner the shares meant for retail individual investors. A few financiers, including Shri Hasmukhlal N. Vora (hereinafter referred to as the applicant), provided finance for making IPO applications in fictitious/benami names. The applicant was, therefore, alleged to have violated Section 12A of the SEBI Act, 1992, Regulation 3 of the SEBI (Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 and the provisions of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and to have made an unlawful gain of Rs. 2,20,76,842/- in the process.
2. Based on the above findings, SEBI initiated the following enforcement actions:
  - a. SEBI passed an ad-interim *ex-parte* order dated April 27, 2006 under Sections 11 and 11B of the SEBI Act, 1992, which was also the show cause notice, directing the applicant not to buy, sell or

deal in securities market, including IPOs, directly or indirectly, till further directions. The applicant submitted reply to the said show cause notice vide his letter dated August 10, 2006.

- b. SEBI initiated adjudication proceedings under Chapter VI A of the SEBI Act, 1992 against the applicant. The Adjudicating Officer issued a show cause notice to the applicant on June 14, 2006. The applicant submitted reply thereto vide his letter dated August 10, 2006 and attended personal hearings on various days, the last one being on July 25, 2007.
  - c. SEBI approved initiation of prosecution against the applicant for his involvement in the IPOs of IL & FS Ltd., Nectar Life Science Ltd. and FCS Ltd.
  - d. SEBI filed a Protest Petition (MA No. 63/2008 on 24.01.2008) before the CBI Special Court against non-inclusion of certain persons, including the applicant, in the charge sheet filed by CBI (Special Case No.47/2007).
  - e. SEBI launched prosecution against the applicant under Section 24 (1) of SEBI Act 1992, Section 23M of SCR Act 1956, Section 20 (1) of Depositories Act, 1996 and Section 68A of the Companies Act, 1956 for the alleged irregularities in the IPO of IDFC Ltd. The complaint is pending before 47<sup>th</sup> ACMM Court, Mumbai being CC No. 57/SW/2006.
3. While further proceedings in the matters were in progress, the applicant, vide letters dated August 30, 2007 and September 24, 2007 proposed settlement of the pending proceedings through a consent order. The High Powered Advisory Committee, constituted by SEBI, considered the consent terms proposed by the applicant and after considering the period of prohibition on buying, selling or dealing in securities undergone by the applicant since April 27, 2006, and the facts and circumstances, recommended the case for settlement. As per the terms of settlement, the applicant shall disgorge the unlawful gain of Rs. 2,20,76,842/- (Rupees two crore twenty lakh seventy-six thousand eight hundred and forty-two

only) made by him as aforesaid and pay a sum of Rs 22, 23,158/- (Rupees twenty two lakh twenty three thousand one hundred and fifty-eight only) towards settlement charges towards disposal of proceedings stated at Para 2 (a) to (d). The applicant shall further pay Rs.9,00,000/- towards compounding charges in respect of proceedings at 2(e). In addition, the applicant shall pay Rs.1,00,000/- towards legal expenses. Thus, the applicant shall pay a total sum of Rs.2,53, 00,000/-(Rupees two crore fifty-three lakh only) for settlement of all the proceedings referred to above. SEBI accepted the recommendations of the committee and communicated the same to the applicant vide letter dated October 21, 2008.

4. For the sole purpose of settling the matter on hand and without admission or denial of guilt on the part of applicant to the findings of fact or conclusion of law, the applicant has remitted a total sum of Rs.2,53,00,000 (Rupees two crore fifty three lakh only) comprising of Rs.2,20,76,842 towards disgorgement, Rs.22,23,258 towards settlement charges, Rs.9,00,000 towards compounding charges and Rs.1,00,000 towards legal expenses vide demand drafts No.441607 for Rs.2,43,00,000, No.441609 for Rs.1,00,000 and No.441611 for Rs.9,00,000 all dated November 6, 2008, drawn on HDFC Bank, payable at Mumbai.
5. In view of the above, it is hereby ordered that this consent order disposes of :-
  - a) pending proceedings under Sections 11 and 11B of the SEBI Act, 1992 against the applicant and revokes the directions issued in the ad-interim *ex-parte* order dated April 27, 2006 as against the applicant. [Para 2(a)]
  - b) pending adjudication proceedings against the applicant. [Para 2(b)].
6. It is further ordered that:

- a) No prosecution shall be filed against the applicant in respect of the alleged irregularities in the IPOs of IL&FS Ltd., Nectar Life Science Ltd. and FCS Ltd.
  - b) SEBI shall file an application in the CBI Special Court, Mumbai for withdrawal of the Protest Petition No. 63/2008 against the applicant.
  - c) SEBI shall not oppose compounding of prosecution case CC No.57/SW/2006 pending before the 47<sup>th</sup> ACMM Court, Mumbai as against the applicant. It shall, withdraw the complaint in accordance with law against the applicant in respect of Section 68A of the Companies Act, 1956, which is not compoundable.
7. This order is without prejudice to the rights of SEBI to take enforcement action, including commencing / reopening of the pending proceedings against the applicant, if:
- a. any representation made by the applicant in this consent proceeding is subsequently discovered to be untrue;
  - b. the applicant breaches any of the consent terms or undertakings filed in this consent proceeding.
8. This consent order is passed on this day, the 24<sup>th</sup> November, 2008 and shall come into force with immediate effect.

**T. C. Nair**  
**Whole Time Member**

**M. S. Sahoo**  
**Whole Time Member**