

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

CONSENT ORDER

ON THE APPLICATIONS SUBMITTED BY

DHARMESH K. KATAKIA AND DHAVAL K. KATAKIA

IN THE MATTER OF
IRREGULARITIES RELATING TO INITIAL PUBLIC OFFERINGS
(CONSENT APPLICATION NO. 299 & 300 OF 2007)

1. SEBI had conducted investigations into the alleged irregular dealings in the shares issued through Initial Public Offerings (IPO's) during 2003 – 05 before these were listed on the Stock Exchanges. The preliminary investigations, *prima facie*, revealed that certain entities, including Dharmesh K. Katakia and Dhaval K. Katakia (hereinafter referred to as the 'applicants') had cornered the shares meant for retail individual investors in several IPOs and made unlawful profits on the sale of such shares immediately after listing. It was, therefore, alleged that the applicant violated Section 12 A of the SEBI Act, 1992, Regulation 3 & 4 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003 and provisions of SEBI (Disclosure and Investor Protection) Guidelines, 2000.
2. Based on these findings, SEBI initiated following actions:
 - a) It passed an ad interim *ex parte* order dated April 27, 2006 under section 11B of the SEBI Act, 1992 directing the applicants not to buy, sell or deal in the securities market, including IPOs, directly or indirectly, till further orders. The applicants filed their reply vide letter dated May 09, 2006
 - b) It initiated adjudication proceedings against the applicants under Chapter VI A of the SEBI Act, 1992. The adjudicating officer issued show cause notice dated June 07, 2006. The applicants filed their reply vide letter dated July 20, 2006.

3. While the above proceedings were in progress, the applicants vide letter dated October 12, 2009, proposed settlement of the said proceedings through a consent order in terms of SEBI Circular no. EFD/ED/Cir-1/2007. The High Powered Advisory Committee, constituted by SEBI, considered the consent terms proposed by the applicant and after deliberations, recommended the case for settlement. As per the terms of settlement, the applicants shall pay as under:

Sl. No.	Name of the Applicant	Particulars	Amount (Rs.)
1	Dharmesh Katakia	Disgorgement of Unlawful gain	77,02,460
		Settlement charges	23,10,738
2	Dhaval Katakia	Disgorgement of Unlawful gain	41,19,068
		Settlement charges	12,35,720

SEBI accepted the recommendations of the Committee and communicated the same to the applicants vide letter dated December 15, 2009

4. Accordingly, the applicants without admitting or denying the charges, have remitted a sum of Rs. 1,53,67,986.40 (Rupees one crore fifty three lakh sixty seven thousand nine hundred eighty six and Paise forty only) vide demand drafts payable at Mumbai as under:

Sl. No.	Demand Draft No.	Amount (Rs.)	Date	Drawee Bank
1	833993	25,00,000	22/12/2009	State Bank of India
2	833994	25,00,000		
3	833995	25,00,000		
4	833996	25,00,000		
5	833998	25,00,000		
6	833997	14,33,993		
7	833991	14,33,993.40		
Total		1,53,67,986.40		

5. In view of the above, it is hereby ordered that this consent order disposes of the pending proceedings under Section 11B of the SEBI Act, 1992 as well as the adjudication proceedings against the applicants.
6. This order is without prejudice to the right of SEBI to initiate enforcement actions, including commencing or reopening of the proceedings pending against the applicants, if:
 - a. any representation made by the applicants in this consent proceeding is subsequently discovered to be untrue, or
 - b. the applicants breach any of the consent terms or undertakings filed in this consent proceeding.
7. This consent order is passed on this day, the 8th of January, 2010 and shall come into force with immediate effect.

M. S. SAHOO
WHOLE TIME MEMBER

K. M. ABRAHAM
WHOLE TIME MEMBER