

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

**CONSENT ORDER**

**ON THE APPLICATION SUBMITTED BY**

**SHRI SAUMIL A. BHAVNAGARI**

**IN THE MATTER OF**

**IRREGULARITIES RELATING TO INITIAL PUBLIC OFFERINGS**

**(CONSENT APPLICATION NO.656/2008)**

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 were opened in benami or fictitious names with a view to corner the shares meant for retail investors. A few financiers, including Shri Saumil Bhavnagari (hereinafter referred to as applicant), provided funds for submitting 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.1,52,000/- in the process.
2. Based on these findings, SEBI passed an ad interim ex parte Order dated April 27, 2006 under Sections 11 and 11B of the SEBI Act, 1992 directing the applicant not to buy, sell or deal in securities market, including IPOs, until further orders. After giving an opportunity of hearing, it confirmed the *ad- interim ex-parte* order vide order dated March 12, 2007. The applicant challenged the said Order dated March 12, 2007 before the

Hon'ble Securities Appellate Tribunal (SAT) in Appeal No.103/2007 on the ground that some facts in the said Order were not put to him and the Order, therefore, is in breach of principles of natural justice. During the pendency of the appeal, SEBI issued another interim order dated December 20, 2007 against the applicant continuing the prohibitions till completion of proceedings against him and also granted him an opportunity to file objections. Vide the said order the disputed facts were put to the applicant. Hon'ble SAT dismissed Appeal no. 103/2007 as infructuous in the light of the SEBI order dated December 20, 2007. SEBI issued a show cause notice to the applicant on March 13, 2007. It also initiated adjudication proceedings under Chapter VI A and prosecution under Section 24 of the SEBI Act, 1992 against the applicant.

3. While further proceedings in the matter were in progress, the applicant, vide letter dated May 5, 2008, 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 already undergone by the applicant since April 27, 2006, recommended the case for settlement. As per the terms of settlement, the applicant shall pay as under:-

<b>Particulars</b>	<b>Amount</b>
Disgorgement charges	1,52,000
Settlement charges	13,000
Compounding charges	90,000
Legal expenses	60,000
<b>TOTAL</b>	<b>3,15,000</b>

4. For the sole purpose of settling the matter on hand and without admission or denial of guilt on the part of the applicant to the findings of fact or conclusion of law, the applicant has remitted a total sum of Rs.3,15,000/- (Rupees three lakh fifteen thousand only) comprising of Rs. 1,52,000/-

(Rupees one lakh fifty two thousand only) towards disgorgement, Rs.13,000/- (Rupees thirteen thousand only) towards settlement charges, Rs.90,000/- towards compounding charges and Rs.60,000/- towards legal expenses vide demand draft No.016710 dated November 3, 2008, drawn on Central Bank, payable at Mumbai.

5. In view of the above, it is hereby ordered that this consent order disposes of the proceedings under Section 11 and 11B of the SEBI Act, 1992, the adjudication proceedings against the applicant and revokes the directions in the Orders dated April 27, 2006, March 12, 2007 and December 20, 2007 passed by SEBI against the applicant in the matter of IPO irregularities. Further, SEBI shall not oppose compounding of prosecution case CC No.57/SW/2006 pending before the 47<sup>th</sup> ACMM Court, Mumbai against the applicant, if an application to this effect is moved by the applicant before the said court.
6. This order is without prejudice to the right of SEBI to take enforcement actions, including commencing / reopening of the pending proceedings against the applicant, if:
  - a. any representation made by the applicant in this consent proceedings is subsequently discovered to be untrue;
  - b. the applicant breaches any of the consent terms or undertakings filed in this consent proceedings.
7. This consent order is passed on this day, the 2<sup>nd</sup> December, 2008 and shall come into force with immediate effect.

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

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