

CONSENT ORDER IN THE ADJUDICATION PROCEEDINGS AGAINST L. L. PHULWANI HUF IN THE MATTER OF IRREGULARITIES RELATING TO INITIAL PUBLIC OFFERINGS

1. Securities and Exchange Board of India (hereinafter referred to as “SEBI”) vide order dated May 25, 2006 initiated adjudication proceedings against L. L. Phulwani HUF (hereinafter referred to as “applicant”). I was appointed as adjudicating Officer to inquire into and adjudge under Section 15 I read with Section 15 HA and of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “SEBI Act”), the violations alleged to have been committed by applicant.
2. In the investigation conducted by SEBI into the dealings in the shares issued through Initial Public offerings (IPOs) by certain companies, it was observed that many entities cornered / acquired shares in the various IPOs during the period 2003-2005 by making fictitious applications in the category reserved for retail investors using the medium of thousands of fictitious / benami applicants. The said key operators were being funded during the IPOs by certain financiers who provided money to the operators for making IPO applications in fictitious / benami names. It is alleged that the applicant (Financier) acted through Key Operators who had opened many demat accounts in fictitious and benami names and made large number of applications in the IPOs in the category of retail investors.
3. In response to the show cause notice A&E/BS/69507/2006 dated June 16, 2006 issued in the adjudication proceedings, the applicant made an application dated January 30, 2008 along with an affidavit of “undertakings / waivers” in the matter in terms of SEBI Circular no. EFD/Cir-1/2007 dated April 20, 2007.
4. The consent terms proposed by the applicant were placed before the High Powered Advisory Committee (hereinafter referred to as “HPAC”) and the HPAC, after deliberation, recommended the case for settlement on payment of Rupees Three Twenty Four thousand (Rs. 24, 000) towards consent terms and Rupees Four thousand (Rs. 4,000) towards settlement charges.
5. In terms of the applicant’s proposal, for the sole purpose of settling the matter on hand and without admission or denial of guilt on the part of the applicant to any finding of fact or conclusion of law, the applicant has remitted the said sum towards the terms of consent in the matter of proceedings before SEBI Ad-Interim, Ex-Parte order cum Show Cause

Notice no. WTM/GA/60/iSD/04/06 dated 27.04.2006 and also in respect of the present adjudication proceedings. SEBI vide order dated 22nd July, 2008 disposed of the earlier directions in the exparte ad interim order dated April 27, 2006 against the applicant. Pursuant to the same, this order is being issued in the adjudication proceedings initiated against the applicant vide show cause notice no. A&E/BS/69507/2006 dated June 16, 2006.

6. In view of the above, it is hereby ordered that:
 - (i) this consent order disposes of the present adjudication proceedings initiated vide show cause notice no. A&E/BS/69507/2006 dated June 16, 2006 against the applicant.
 - (ii) passing of this order is without prejudice to the right of SEBI to take enforcement action including commencing/reopening of the pending proceedings against the applicant, if SEBI finds that:
 - a. any representations made by the applicant in the consent proceedings are subsequently discovered to be untrue.
 - b. the applicant has breached any of the clauses / conditions of undertakings/waivers filed during the current consent proceedings.
7. This consent order is passed on this 31st day of July, 2008 and shall come into force with immediate effect.

Biju. S

Place: Mumbai

Adjudicating Officer