

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

SETTLEMENT ORDER

On Application No.3576/2018

filed by **Mr. Jayesh P. Khandwala (PAN ABHPK0873H)**

and Jayesh Khandwala HUF (PAN AAAHJ4784N)

in the matter of **alleged irregularities in IPO of IDFC, Sasken and Suzlon**

1. Mr. Jayesh P. Khandwala and Jayesh Khandwala HUF (hereinafter referred to as 'applicants') filed a settlement application in terms of the SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as 'Settlement Regulations'). The applicants, in their application, without admitting or denying the findings of fact and conclusions of law, proposed to settle, through a settlement order, the proceedings under Section 11B of the SEBI Act, 1992 which were initiated vide Show Cause Notice dated November 22, 2017 and the adjudication proceedings which were initiated vide show cause notices dated June 14, 2006 and August 06, 2006. Proceedings under Section 11B of the SEBI Act, 1992 were initiated for the alleged violation of Regulations 3 and 4(1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 and adjudication proceedings were initiated for the alleged violation of Section 12A of the SEBI Act, 1992 and Regulations 3 and 4 and 6 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 and Regulations 3 and 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 .
2. SEBI conducted an investigation into the alleged irregularities in the transactions in the shares that were issued in the IPOs during the period of 2003-2005. The period of investigation was June 01, 2005 to December 31, 2005 for the IPO of IDFC, Sasken and Suzlon. Investigation observed that following modus operandi was adopted by the applicants for cornering of shares reserved for Retail Individual Investors (RIIs) in IPO allotment:

- a) A group of financiers provided finance to key operators towards making multiple applications in the IPOs and cornered large number of shares reserved for RIIs;
 - b) Subsequent to the receipt of IPO allotment, the shares were transferred by the allottees in off-market transactions to the demat accounts of their key operators. The key operators, in turn, transferred the shares to the financiers who had originally made available the funds for executing the game plan;
 - c) Later on the shares allotted in the IPOs were sold upon its listing thereby realizing the windfall gain of the price difference between IPO price and the listing price.
3. Investigation concluded that the applicants were part of the above mentioned *modus operandi* and had employed fraudulent, manipulative and deceptive practices to corner shares reserved for RIIs in collusion with certain other entities and the applicants had earned unlawful gains to the tune of ₹49,45,719/-.
 4. Pursuant to filing of the captioned settlement application, the authorized representatives of the applicant had a meeting with the Internal Committee of SEBI on July 23, 2019 wherein the settlement terms were deliberated. Thereafter, the applicant, vide letter dated July 28, 2019, proposed the revised settlement terms to settle the defaults mentioned above.
 5. The High Powered Advisory Committee ('HPAC') in its meeting held on September 16, 2019 considered the settlement terms proposed and recommended the application for settlement upon payment ₹98,37,035/- (Rupees Ninety Eight Lakh Thirty Seven Thousand and Thirty Five only) as settlement amount and ₹1,32,54,527/- (Rupees One Crore Thirty Two Lakh Fifty Four Thousand Five Hundred and Twenty Seven only) as disgorgement amount including interest in the matter. The Panel of Whole Time Members of SEBI accepted the said recommendation of the HPAC on October 16, 2019 and the same was communicated to the applicant vide e-mail dated October 23, 2019.
 6. The applicants vide RTGS No. MAHBR52019102407248673 dated October 24, 2019 the have remitted an amount of ₹98,37,035/- (Rupees Ninety Eight Lakh Thirty Seven Thousand and Thirty Five only) as settlement amount and vide RTGS No. MAHBR52019102407248689 dated October 24, 2019 have remitted an amount of ₹1,32,54,527/- (Rupees One Crore Thirty Two Lakh Fifty Four Thousand Five Hundred and Twenty Seven only) as disgorgement amount including interest.

7. It has been noted by the IC that CBI has also filed two complaints in the present matter against the applicant. In this background, the HPAC recommended that proceedings before the CBI is on a different footing and may continue independently.
8. In view of the above, in exercise of the powers conferred under Section 15JB of the Securities and Exchange Board of India Act, 1992 and in terms of Regulations 23 and 28 read with Regulation 34 of the Settlement Regulations, it is hereby ordered that:
- i. the proceedings under Section 11B of the SEBI Act, 1992 along with the adjudication proceedings for the alleged default as discussed in paragraph 1 above, are settled *qua* the applicant as per the above terms,
 - ii. SEBI shall not initiate any enforcement action against the applicants for the said default,
 - iii. this order disposes of the said the proceedings under Sections 11B of the SEBI Act, 1992 and the adjudication proceedings in respect of the applicant as mentioned above and;
 - iv. passing of this order is without prejudice to the right of SEBI to take enforcement actions including commencing proceedings against the applicant, if SEBI finds that:
 - a. any representation made by the applicant in the present settlement proceedings is subsequently discovered to be untrue;
 - b. the applicant has breached any of the clauses/ conditions of undertakings/ waivers filed during the present settlement proceedings.
9. This settlement order is passed on this 13th day of November, 2019 and shall come into force with immediate effect.
10. In terms of Regulation 25 of the Settlement Regulations, a copy of this order shall be sent to the applicant and shall also be published on the website of SEBI.

Sd/-

S.K. MOHANTY
WHOLE TIME MEMBER

Sd/-

ANANTA BARUA
WHOLE TIME MEMBER