

**CHIEF GENERAL MANAGER &
ADJUDICATING OFFICER**

A&E/DRK/MD/ /2011
December 15, 2011

Shri Purshottam Budhwani
B-2 Himalaya Society,
Milind Nagar, Asalfa, Ghatkopar (W)
Mumbai – 400 084

**Subject: Supplementary material in the Adjudication proceedings in the
matter of IPO irregularities.**

1. This supplementary material is provided in continuance to the Show Cause Notice No. A&E/BS/68771/2006 dated June 7, 2006 issued under Rule 4 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Rules**'). In response to the Show Cause Notice, we are in receipt of your letters dated June 29, 2007 & July 27, 2007. It is alleged on the basis of investigation report (hereinafter referred to as '**IR**') that you had irregularly cornered large number of shares meant for retail investors in the Initial Public Offer (IPO) of various companies during the **investigation period** 2003-2005 (Copy of the relevant extracts enclosed- **Annexure – A**).
2. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') appointed the undersigned as Adjudicating Officer (subsequent to the transfer of Shri Biju S) vide order dated December 10, 2008 (Copy enclosed- **Annexure – B**).

DEALINGS OF PURSHOTTAM BHUDHWANI

3. It is alleged on the basis of IR that Purshottam Budhwani (hereinafter referred to as '**noticee / Bhudwani**') is one of the main key operators who cornered shares in various IPO's. One of the main financiers of Budhwani was Dushyant Dalal (hereinafter referred to as '**Dushyant**'). As per their scheme of cornering shares, Dushyant provided finance to Bhudwani which corresponded with a set of applications from demat account under his control which were used for making IPO applications. Thereafter, corresponding refunds money was either rotated to other IPOs or refunded to the financier along with shares cornered. In the IPO of Infrastructure Development Finance Company (IDFC), it was observed that Bhudwani also shared profits with Dushyant and Mrs. Nimesha Kadakia.
4. It was observed from the IR that Bhudwani mainly used name lenders (benami) for the purpose of opening bank accounts and thereafter used these bank accounts for the purpose of opening demat accounts. Few instances are mentioned in the IR to demonstrate the profile of name lenders on whose name bank / demat accounts were opened. The KYC documents submitted as proof of address and proof of identity for opening the bank a/c was voter ID and that for demat accounts was bank account opening letter issued by HDFC bank.
5. It is alleged on the basis of IR that all the bank accounts mentioned in page 5 to 10 of the IR were under the control of Bhudwani by virtue of followings (Details provided in Annexure A)
 - 1) Bhudwani was the primary holder and also authorized signatory for operating these bank accounts.
 - 2) These bank accounts were used for the purpose of opening demat accounts and also for purpose of receiving refund orders in various IPOs.
 - 3) These accounts also shared common addresses with that of Bhudwani

- 4) Corresponding payment of charges in respect of the above mentioned accounts was made through HDFC Bank Fort, Mumbai – S.B.A/c.No.0601000173113 which is the account of Budhwani.
6. In order to explain the modus operandi of opening of demat accounts, one instance is explained below. Bhudwani had largely opened demat accounts with Karvy Stock Broking Pvt. Ltd. (KSBL), CDSL. One of the demat accounts bearing account number 1301440000338097 held in the name of Shri M.M.Pawar has been taken for analysis. An examination of demat account opening form indicates that various column in the application form were pre-printed. Following documents for the purpose of KYC were enclosed along with it :
- Election Card has been taken towards proof of identity
 - Bank account welcome letter issued by HDFC has been used towards proof of address.
 - The address stated in the demat account is B/2 Himalaya, Asalfa Ghatkopar (W), Mumbai which is the same address as that of Bhudwani
 - The address stated in the election card is different to the address mentioned in the demat account opening form.
 - The bank account stated in the demat account opening form was 0601000207455.
 - The said bank account was held jointly with Purshottam Bhudwani as first holder and Anusaya P, M.M.Pawar and Satish N as second holders.
7. It was observed that this bank account was one of the many such bank accounts opened by Bhudhwani as mentioned in page 5 to 10 of the IR. The HDFC bank account number 0601000207455 used for opening above mentioned demat account number 1301440000338097 has been analyzed. It was observed that this bank account was held by Bhudwani as primary holder with following entities added as second holders.
- 1) ANANT GAMRE
 - 2) SUNANDA SHIRKE
 - 3) SHANTARAM GAVADE
 - 4) LAKSHMAN GAVADE
 - 5) ATMARAM GAVADE

- 6) RAMESH B CHAVHAN
- 7) MADHUKUAR K PAWAR
- 8) AJAY M PAWAR
- 9) MALTI M PAWAR
- 10) MANOJ PAWAR

8. Though the above mentioned bank account had only 10 names attached, it could be observed that with different combinations of names, 140 demat accounts were opened. The list of such demat accounts is briefly stated in IR to explain the modus operandi adopted by Bhudwani. These demat accounts were opened with Karvy Stock Broking Pvt. Ltd. (KSBL), Depository participant of NSDL. These demat accounts have the address of Bhudwani i.e. 'B/2 Himalaya, Asalfa Ghatkopar (W), Mumbai. These accounts were opened on single day i.e. on 17.08.2005 which is the closing date of Sasken communication IPO and were also used for the purpose of making IPO applications in the Sasken IPO. It was also observed that Karvy Consultants Ltd, an NBFC firm and a group company of KSBL extended IPO finance to Bhudwani in few IPOs. Thus, it was observed in IR that such large scale opening of demat accounts on a single day with common address would not be possible unless KSBL and Bhudwani acted in concert.

Instances of Identical signatures of different BOs of HDFC bank

9. Further as per the IR upon verification of few sample CDSL demat account opening forms of HDFC bank, it was found that in some instances the signatures of different dematerialized account-holders appeared to be identical. However the photographs as well as POI and POA attached to the respective account opening documents were different. Instances of the same are given below

Demat A/c.No.	Name & address of BO	Savings A/c.No.
1301240000083535 (CDSL)	Santoshkumar Dadasaheb Kabadi, G-2, Valmiknand Chawl,	HDFC, Fort, Mumbai - 0601000173167

	R.B. Kadam Road (N), Kurla, Bombay	
1301240000083860 (CDSL)	Santosh Jaywant Ahire, G-5, Janabai Mohite Chawl, Kiroлгаon, Ghatkopar (W), Bombay	HDFC, Fort, Mumbai - 0601000173287
1301240000088761 (CDSL)	Santosh Bhimrao Bansode, Htmt 272, Bhimanagar Htmt Area-5, Lal Bahadur Shastri Marg (W), Ghatkopar (W), Bombay	HDFC, Ghatkopar, Mumbai - 1181000047210
1301240000089254 (CDSL)	Santosh Mahadev Prabhu, T-7, Saiyyad Gadakori Chawl, R. B. Kadam Road (N), Kurla, Bombay	HDFC, Fort, Mumbai - 0601000173098

DEALINGS OF PURSHOTTAM BHUDHWANI WITH DUSHYANT DALAL IN THE IPO OF GATEWAY, PROVOGUE, MSP STEEL, NECTAR LIFESCIENCES, IDFC, SUZLON

10. In order to explain the modus operandi of Budhwani in the dealings with Dushyant, their dealings in the IPO of Nectar Lifesciences Ltd (Nectar) is explained below:-

The IPO of Nectar opened on June 22, 2005 and closed on June 28, 2005. The shares were listed on NSE on July 18, 2005. The issue price was ₹ 240 per share. In the IPO of Nectar, each applicant who applied for 200 shares received allotment of 25 shares. In the IPO of Nectar, Budhwani received finance of ₹ 7,20,00,000/- from Dushyant vide Fund Transfer which is debited from bank account of Dushyant with HDFC bearing account number 0601000008876 vide cheque 712597 on July 04, 2005. It is seen that the said amount received corresponds to application money for 1,500 applications at the rate of ₹ 48,000 /- (1,500 applications * ₹ 48,000 per application = ₹ 7,20,00,000). Further, upon examination of bank account transaction

statement of Budhwani held with HDFC Bank bearing account number 0602100001225, it is seen that the said amount was credited on July 04, 2005 and immediately debited towards application money in the IPO of Nectar

TRANSFER OF SHARES / REFUND MONEY TO DUSHYANT

11. It is alleged on the basis of IR that Budhwani has received 18,800 shares from 752 afferent accounts. Out of these shares, on July 18, 2005 (which is on the day of listing) Budhwani (having client ID I1301440000247208 held with DP Karvy Stock Broking Limited) transferred 13,500 shares to Dushyant (having Client ID 3024700033429 held with DP Karvy Stock Broking). Corresponding refund money in respect of 13,500 shares works out to be ₹ 6,87,60,000 (₹ 7, 20, 00,000 (application money) – ₹ 32,40,000 (allotment money for 13,500 shares*240 issue price per share)). It is observed that Dushyant received ₹ 2,10,36,110 from Purshottam Budhwani through Funds transfers vide cheque number 275827 on July15, 2008 (Reflected in the bank Account of Dushyant held with HDFC Bank bearing account number 0601000008876). Further, it is observed that refund dates in respect of Nectar, MSP and ILFS coincides with the IPO closing date of IDFC, the balance amount of ₹ 4,77,32,890 has been carried forward to IPO of IDFC.

The dealings of Budhwani with Dushyant in case of other IPOs have been mentioned in the table below:-

Name of IPO	Funds received from Dushyant	Details of payments received from Dushyant	Receipient of shares	No of Shares transferred	Value of Shares	Refunds paid	Details of Refund Cheques
Gateway Distripark (09.03.05 to 14.03.05)	3,34,74,350 55,00,000	310882 dated 15.03.05 310885 dated 16.03.05	Puloma Dalal	38,340	27,60,480 (no of shares * issue price i.e. ₹ 72)	3,70,00,000	114774 dated 30.03.05

	20,00,000	310886 dated 16.03.05					
Total	4,09,74,350				27,60,480	3,70,00,000	

Provogue (10.06.05 to 16.06.05)	12,90,72,000	Funds transfer on 21.06.05	Puloma Dalal	8,000	14,16,000 (no of shares * issue price i.e. ₹ 150)	5,00,00,000 4,33,00,000 1,82,10,000 67,00,000 53,52,000 9,84,000 11,82,000 19,28,000	275806 dated 06.07.05 275806 dated 06.07.05 credited in scb 117373 dated 07.07.05 credited in standard chartered bank 275808 dated 08.07.05 44681 dated 08.07.05 Transferred to IDFC IPO
	12,90,72,000				14,16,000	12,76,56,000	

MSP Steel (20.06.05 to 24.06.05)	90,00,000 5,67,00,000	Funds transfer on 27.06.05 Funds transfer on 27.06.05	Puloma Dalal	20,200	2,02,000 (no of shares * issue price i.e. ₹ 10)	2,66,42,250 2,43,00,000 14,67,000 1,30,88,750	275810 dated 09.07.05 275809 dated 08.07.05 275814 dated 15.07.05 Transferred to IDFC IPO
	6,57,00,000				2,02,000	6,54,98,000	

Nectar (22.06.05 to 28.06.05)	7,20,00,000	Funds transfer on 04.07.05	Puloma Dushyant Dalal	13,500	32,40,000 (no of shares * issue price i.e. ₹ 240)	2,10,36,110 4,77,23,890	275827 dated 15.07.05 Transferred to IDFC IPO
	7,20,00,000				32,40,000	6,87,60,000	

IDFC (15.07.05 to 22.07.05)	5,47,00,000	Funds transfer on 29.07.05	Natwarlal Thakordas	1,44,000	2,94,83,440 (no of shares * issue price i.e. ₹ 34)	1,90,46,664	Funds transfer on 10.08.05
	3,00,00,000	Funds transfer on 30.07.05	Nimesh Kadakia	56,000		10,66,45,896	Funds transfer on 11.08.05
	7,20,18,750	Amount Carried from IPO of Nectar, Provogue, Msp Steel	Purshottam Bhudwani	6,67,160			
	15,67,18,750			8,67,160	2,94,83,440	12,56,92,560	

Suzlon (23.09.05 to 29.09.05)	8,64,14,400	Funds transfer on 04.10.05	Rasilal Natwarlal	15532 ***	7921320 (no of shares * issue price i.e. ₹ 510)	7,90,00,000	Funds transfer on 18.10.05
	8,64,14,400				79,21,320	7,90,00,000	

- The payments made and refunds details are mentioned in the table above are also reflected in the bank account of Bhudwani held with HDFC bearing account number 0602100001225
- The payments made and refunds details are mentioned in the table above are also reflected in the bank account of Bhudwani held with HDFC bearing account number 0602100001225
- In the IPO of IDFC, 144000 shares were transferred to Dushyant, 659600 shares were sold by Bhudwani and 56000 shares have been transferred by Bhudwani to Nimesha Kadakia.
- In the IPO of Suzlon, 1412 shares were transferred to Nimesh Kadakia directly as per the directions of Dushyant (as per submissions made by Bhudwani vide letter dated 16.05.06)

DETAILED ANALYSIS IN THE IPO OF IDFC

12. It is alleged on the basis of IR that detailed examination in the IPO of IDFC revealed that, Bhudwani received total finance in respect of 3260 applications but received only 1,44,000 shares in his demat accounts whereas ideally corresponding allotment of 8,67,160 shares should have been received. Investigations revealed that balance 7, 23,160 shares were transferred directly to other entities like Chavvda Family or Nimesh Kadakia
13. The IPO of IDFC opened on July 22, 2005 and closed on July 26, 2005. The issue price is ₹ 34. Applicants who applied for 1,400 shares got an allotment of

266 shares. Thus the application money for retail applications who applied for 1,400 shares would be ₹ 47,600 i.e. 1,400 shares * ₹ 34 (issue price).

14. Based on examination of bank account of Dushyant held with HDFC Bank bearing account number 0601000008876 and also submissions made by Dushyant, it is observed that an amount of ₹ 5,47,00,000 and ₹ 3,00,00,000 was paid to Bhudwani (bank account number 1182100001214) on 22.07.05 vide cheque numbers 827093 and 827095 respectively. In this regard, an amount of ₹ 4, 77, 32,890 was transferred as refund money to be received by Dushyant in the IPO of Nectar. Similarly an amount of ₹ 1, 30, 88,750 was transferred from refund money to be received by Dushyant in the IPO of MSP Steel and ₹ 88, 64,375 was transferred from refund money to be received by Dushyant in the IPO of IL&FS IPO. An amount of ₹ 19, 28,000 was transferred from refund money to be received by Dushyant in the IPO of Provogue. Thus the total money of Dushyant available with Purshottam Bhudwani for the IPO of IDFC is ₹ 15, 63, 05,015. This amount precisely corresponds with the application money for 3260 applications at the rate of ₹ 47,600/- per application which works out to be ₹ 15, 51,76,000.

15. Allotment for 3,260 applications works out to be 8,67,160 shares (3260 * 266 shares) and corresponding refund money works out to be ₹ 12,56,92,560/- i.e. (3260 * 38556 (₹ 47,600 – ₹ 9044 (allotment money))). It is seen from ledger / bank account of Dushyant that refund money of ₹ 12,56,92,560/- as stated above has been received vide cheque no 275822 for ₹ 10,66,45,896 on 11.08.05 and ₹ 1,90,46,664 on 10.08.05. Further, upon examination of demat account statements of Bhudwani, it is observed that he received 266 shares each from 3260 applicants which amounts to 8,67,160 shares for the amount financed by Dushyant. These shares have been financed by Dushyant.

Besides, Budhwani in his submission dated May 16, 2006 submitted that he transferred profits on sale of shares to Dushyant as per mutual understanding.

16. Upon examination of the ledger submitted by D N Dalal HUF, it is observed that on 11.08.2005, certain dealings with Nimesha Kadakia, Rasila Dalal, Dushyant Dalal and Chavvda Family and Purshottam Bhudwani are reflected in the said ledger. The individual dealings with these entities are mentioned as below.

DEALINGS WITH DUSHYANT DALAL

17. As per the IR Budhwani, vide letter dated May 16, 2006 stated that Dushyant and he had shared profits. It is seen that Budhwani has sold 5,00,000 shares through Karvy Stock Broking Ltd on August 12, 2005. Out of the sale proceeds Budhwani transferred ₹ 1,95,00,000 i.e. ₹ 1,40,00,000/- vide cheque no. 242151 and ₹ 55,00,000/- vide cheque no. 275823 to Dushyant on August 18, 2005. The said amount of ₹ 1,95,00,000 is construed as amount paid for the 5,00,000 shares i.e. ₹ 1,70,00,000 towards the cost at the issue price of 34/- and ₹ 25,00,000/- towards profit. These shares have been valued at a price i.e. ₹ 39. The profit made on the said dealing by Dushyant is ₹ 25, 00,000 (500,000*5 (transfer at a price of 39-Issue price of 34)).
18. It is alleged on the basis of IR that, noticee has sold 1, 59,600 shares through D.J Shah Securities on August 12, 2008 at an average rate of ₹ 65.14/-. The profit made on sale of such shares by Budhwani is ₹ 49, 69,944 (1, 59,600 * 31.14 (sale price of 65.14 - Issue price of 34)). The profit made on the said dealing has been shared among the Dushyant and Purshottam Budhwani. Out of the sale proceeds Budhwani transferred half of the profit made to Dushyant i.e. ₹ 24, 65,158/- vide cheque 242152 to the HDFC Bank account 0601000008876 held by Dushyant.

DEALINGS WITH NIMISHA KADAKIA.

19. Based on the submissions made by Nimisha Kadakia, it is alleged that Budhwani has transferred 56,000 shares to Nimisha Kadakia for an amount of ₹ 19, 04,000 at the instance of Dushyant. As per the ledger submitted by Dushyant, it has been observed that these shares were sold to Kadakia at issue price i.e. Rs 34 for a sale consideration of Rs 19, 04,000. With respect of the shares received from Bhudwani, Nimasha in her submission stated that as per Dushyant's direction, 56,000 shares were sold in the market and entire sale proceeds i.e. 38,00,000 (sold at the rate of ₹ 67.85) be transferred to bank account of Dushyant.

DEALINGS WITH CHHADVA FAMILY

20. It is alleged on the basis of IR that Budhwani has transferred 2, 39,400 shares to Chhadva family for an amount of ₹ 88, 57,800. These shares have been valued at a price i.e Rs 37 (₹ 88, 57,800 divided by 2, 39,400 shares).

Summary of the profits made in the IPO of IDFC

Name of Key operator to whom finance is provided	No of shares for which finance is provided	Issue Price (Rs) (1)	Date of sale	Market / Off market *	No of shares sold (2)	Sale price** (3)	Actual Profit (2) * (3 - 1)
Budhwani	8,67,160	34	12.08.05	Market Sold by Budhwani	1,44,000	68.05	49,03,200
				Sold by Budhwani	5,00,000	39.00*	25,00,000
				Sold by Budhwani	1,59,600	65.14**	24,65,158
				With Budhwani	7,560	69.5	2,68,380
				Sold by Nimisha	56,000	67.85	18,96,000
					8,67,160		1,20,32,738

* In the IPO of IDFC, 5,00,000 shares are sold by Budhwani, the proceeds of which have been transferred by Budhwani to Dushyant

** 1,59,600 shares have been sold by Budhwani at the given rate; half of the profit made on such sale has been transferred by Budhwani to Dushyant

*** 56000 shares have been sold by Nimisha, the profit of which has been transferred by Nimisha Kadakia to Dushyant

ILL-GOTTEN GAINS - SALE OF SHARES

The details of the shares sold and profit made by Budhwani are given in the following table:

Name of IPO	Issue Price (Rs) (3)	Market / Off market	No of shares sold (1)	Sale price (2)	Actual Profit (1) * (2 - 3)
TCS	850	Market Offmarket	8,200 36,794	968.47 987.95	9,71,454 50,75,732
Gateway	72	Market	51,480	112.05	20,61,774
Gokuldas Export	425	Market	14,340	629.60	29,33,964
Provogue	150	Market	8,680	247.95	8,50,206
MSP Steel	10	Market	30,000	15.3	1,59,000
Nectar	240	Market	5,000	260.10	1,00,500
Suzlon	510	Market Market Market	12,000 8,000 1,2000	665 652.6 692.85	18,60,000 11,40,800 21,94,200
Sasken Communication	260	Market	7,000	464.55	14,31,850
SPL industries	70	Off market	1,35,565	103.35	45,21,092
Shopper Stop	238	Market	40,825	372.60	54,95,045
IDFC	34	Market Market Off Market Off Market Off Market	5,00,000 1,59,600 2,39,400 50,275 40,000	61 65 37 50 41	1,35,00,000 49,47,600 7,18,200 8,04,400 2,80,000
IL&FS	125	Market Offmarket	15,750 2,165	185.15 185.15	9,47,363 1,30,224.8
Yes Bank	45	Market	1,43,990	60.10	22,72,245.
Total					5,23,95,650

21. It has been observed in the IR that following shares are still lying in demat account of Bhudwani. It is alleged on the basis of IR the following shares have been received from afferent accounts and thus the notional profit (closing price on the listing date-issue price) made by the noticee is as below:-

Name of IPO	No of shares held (1)	Closing price on the listing date (2)	Issue Price (Rs) (3)	Notional Profit
Provogue	720	247.95	150	70,524
MSP Steel	800	15.3	10	4,240
Nectar	2,200	260.10	240	44,220
Suzlon	15,124	692.85	510	27,65,423
Sasken Communication	5,950	464.55	260	12,17,073
SPL industries	13,235	103.35	70	4,41,387
IDFC	2,88,446	69.55	34	1,02,39,833
IL&FS	2,800	185.15	125	1,68,420
Yes Bank	177	60.10	45	2,796.60
Total				1,49,53,916

22. Therefore it is alleged on the basis of IR that Shri Purshottam Budhwani made a total ill gotten gain of ₹ 6,73,49,566 while dealing with the key operator. In view of the above alleged fraudulent act / practices / manner, it is alleged that you have violated the provisions of Section 12A of the SEBI Act, Regulations 3, 4 and 6 of the PFUTP Regulations, 1995 and the provisions of Regulations 3 and 4 of the PFUTP Regulations, 2003. The text of the said provisions are given hereinafter:

SEBI ACT

“Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. No person shall directly or indirectly—

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognised stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

- (b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;**
- (c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;**
- (d) engage in insider trading;**
- (e) deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder;**
- (f) acquire control of any company or securities more than the percentage of equity share capital of a company whose securities are listed or proposed to be listed on a recognised stock exchange in contravention of the regulations made under this Act.]**

PFUTP REGULATIONS, 1995

Prohibition of certain dealings in securities

3. No person shall buy, sell or otherwise deal in securities in a fraudulent manner.

Prohibition against Market Manipulation

4. No person shall -

- (a) effect, take part in, or enter into, either directly or indirectly, transactions in securities, with the intention of artificially raising or depressing the prices of securities and thereby inducing the sale or purchase of securities by any person;**
- (b) indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market;**
- (c) indulge in any act which results in reflection of prices of securities based on transactions that are not genuine trade transactions;**

(d) enter into a purchase or sale of any securities, not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress, or cause fluctuations in the market price of securities;

(e) pay, offer or agree to pay or offer, directly or indirectly, to any person any money or money's worth for inducing another person to purchase or sell any security with the sole object of inflating, depressing, or causing fluctuations in the market price of securities.

Prohibition on unfair trade practice relating to securities

6. No person shall -

(a) in the course of his business, knowingly engage in any act, or practice which would operate as a fraud upon any person in connection with the purchase or sale of, or any other dealing in, any securities;

(b) on his own behalf or on behalf of any person, knowingly buy, sell or otherwise deal in securities, pending the execution of any order of his client relating to the same security for purchase, sale or other dealings in respect of securities.

Nothing contained in this clause shall apply where according to the clients instruction, the transaction for the client is to be effected only under specified conditions or in specified circumstances;

(c) intentionally and in contravention of any law for the time being in force delays the transfer of securities in the name of the transferee or the despatch of securities or connected documents to any transferee;

(d) indulge in falsification of the books, accounts and records (whether maintained manually or in computer or in any other form);

(e) when acting as an agent, execute a transaction with a client at a price other than the price at which the transaction was executed by him, whether on a stock exchange or otherwise, or at a price other than the price at which it was offset against the transaction of another client.

PFUTP REGULATIONS, 2003

Prohibition of certain dealings in securities

3. No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made thereunder;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made thereunder.

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely :—

(a) indulging in an act which creates false or misleading appearance of trading in the securities market;

(b) dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gain or avoidance of loss;

(c) advancing or agreeing to advance any money to any person thereby inducing any other person to offer to buy any security in any issue only with the intention of securing the minimum subscription to such issue;

(d) paying, offering or agreeing to pay or offer, directly or indirectly, to any person any money or money's worth for inducing such person for dealing in any security with the object of inflating, depressing, maintaining or causing fluctuation in the price of such security;

(e) any act or omission amounting to manipulation of the price of a security;

(f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

(g) entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security;

(h) selling, dealing or pledging of stolen or counterfeit security whether in physical or dematerialized form;

(i) an intermediary promising a certain price in respect of buying or selling of a security to a client and waiting till a discrepancy arises in the price of such security and retaining the difference in prices as profit for himself;

(j) an intermediary providing his clients with such information relating to a security as cannot be verified by the clients before their dealing in such security;

(k) an advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors;

(l) an intermediary reporting trading transactions to his clients entered into on their behalf in an inflated manner in order to increase his commission and brokerage;

(m) an intermediary not disclosing to his client transactions entered into on his behalf including taking an option position;

- (n) circular transactions in respect of a security entered into between intermediaries in order to increase commission to provide a false appearance of trading in such security or to inflate, depress or cause fluctuations in the price of such security;
- (o) encouraging the clients by an intermediary to deal in securities solely with the object of enhancing his brokerage or commission.
- (p) an intermediary predating or otherwise falsifying records such as contract notes.
- (q) an intermediary buying or selling securities in advance of a substantial client order or whereby a futures or option position is taken about an impending transaction in the same or related futures or options contract.
- (r) planting false or misleading news which may induce sale or purchase of securities.

23. The above violations if proven, will attract penalty under Section 15HA of the SEBI Act. The text of the said provision is stated hereinafter:

“[Penalty for fraudulent and unfair trade practices.

15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.”

24. In view of the above, you are required to show cause as to why an inquiry should not be held against you in terms of Section 15 I of the SEBI Act read with Rule 4 of Securities and Exchange Board of India (Procedure of Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 and why penalty, if any, should not be imposed on you under Section 15HA of the SEBI Act.

25. Your reply shall reach the undersigned within 15 days from the date of receipt, failing which it shall be presumed that you have no reply to submit and the matter shall be proceeded on the basis of the material available on record. Apart from the hard copy of your reply, you are also required to send your reply through email to the email address mitrajeetd@sebi.gov.in

26.If there is any change in your address during the period of the current adjudication proceedings, you are required to intimate the same to the undersigned with immediate effect. You are also required to submit the photocopy of your PAN Card, for our records. If you desire to avail the opportunity of personal hearing you may indicate the same in your reply.

D. RAVIKUMAR

Encl: (1) Relevant extracts of Investigation Report – **Annexure A (Pages – 24)**
(2) Appointment Order – **Annexure B (Page – 2)**