

**BEFORE THE ADJUDICATING OFFICER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**Consent Order. ISD/IPO/AO/DRK/MD/EAD-3/CO- 44/09 – 5/2010**

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**CONSENT ORDER**

(Consent Application No.683/2008)

ON THE APPLICATION SUBMITTED BY

**SHRI BANSILAL C. MEHTA**

IN THE MATTER OF

**IRREGULARITIES RELATING TO IPO**

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1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**'), vide order dated May 25, 2006 had initiated adjudication proceedings against Shri Bansilal C. Mehta (hereinafter referred to as the '**Noticee/ Applicant**'), to inquire into and adjudge under Section 15HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the '**SEBI Act**'), the violation of the provisions of Section 12A of the SEBI Act, Regulation 3 , 4 & 6 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 read with Regulation 3 & 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.
  
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 applications. 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 noticee ( 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. Show Cause Notice A&E/BS/ 69507/2006 dated June 16, 2006 was issued to the Noticee.

3. I was subsequently appointed as the Adjudicating Officer vide order dated December 10, 2008 under section 15 I of the SEBI Act read with Rule 3 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995.
4. Pending adjudication proceedings, noticee submitted an application dated May 16, 2008 (Consent application Regn. No. 683 of 2008) and undertakings in the format prescribed by SEBI for settlement in the matter in terms of SEBI Circular No. EFD/ED/Cir-1/2007 dated April 20, 2007 and proposed a sum of Rs. 21,346.50 as consent terms. Subsequently, the Noticee had proposed revised consent terms of Rs. 26,561.35 towards disgorgement of notional undue gain made by the noticee and settlement charges. The consent terms were placed before the High Powered Advisory Committee (hereinafter referred to as “**HPAC**”) on August 7, 2008, and the HPAC considered the facts and circumstances of the case, the proposed settlement terms offered by the Noticee and other material brought before the HPAC. HPAC after deliberations recommended that the case may be settled on payment of Rs 26,561.35 (Rupees Twenty Six thousand five Hundred Sixty One and Thirty Five paise only) towards consent terms. As per the terms of settlement and as proposed by the noticee, the noticee shall disgorge Rs. 22,061 (Rupees Twenty Two Thousand Sixty One only) being the undue notional gain made by the noticee in the alleged irregularity and Rs. 4,500 (Rupees Four Thousand Five Hundred Only) as the settlement charges and the same was approved by the panel of two Whole Time Members of SEBI.
5. In terms of the proposal of the Noticee for the sole purpose of settling the matter on hand and without admission or denial of guilt on the part of the

Noticee to the findings of fact or conclusions of law, the Noticee has remitted a sum of Rs. 26,561.35 (Rupees Twenty Six thousand five Hundred Sixty One and Thirty Five paisa only) favoring Securities and Exchange Board of India vide Demand Draft No. 067490 dated September 05, 2008 drawn on Axis Bank Limited, payable at Mumbai towards the terms of consent in the matter of proceedings before SEBI ad-Interim ex-parte order dated 27.04.2006 and also in respect of the present adjudication proceedings.

6. SEBI vide order dated 20<sup>th</sup> October, 2008 disposed of the earlier directions in the ad-Interim ex-parte order dated April 27, 2006 against the applicant and as stated in para 5 of the said order, 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.

7. In view of the above, it is hereby ordered that:

- i. this consent order disposes of the said adjudication proceedings initiated vide show cause notice no. A&E/BS/ 69507/2006 dated June 16, 2006 against the noticee / applicant.
- ii. passing of this order is without prejudice to the right of SEBI to take enforcement actions including commencing / reopening of the pending proceedings against the Noticee, if SEBI finds that:
  - a. any representations made by the Noticee in the consent proceedings are subsequently discovered to be untrue.
  - b. the Noticee has breached any of the clauses / conditions of undertakings / waivers filed during the current consent proceedings.

8. This consent order shall come into force with effect from 4<sup>th</sup> day of February, 2010.
  
9. In terms of Rule 6 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, copies of this order are being sent to Shri Bansilal C. Mehta and also to the Securities and Exchange Board of India, Mumbai.

**Place: Mumbai**  
**Date: February 4, 2010**

**D. RAVI KUMAR**  
**CHIEF GENERAL MANAGER &**  
**ADJUDICATING OFFICER**