SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTIONS 11B AND 11(4) OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF

YES BANK LTD.

WTM/GA/37/ISD/12/05

1.0 Background

1.1. The issue of alleged manipulations in Initial Public Offerings (IPOs) of various companies has been engaging the attention of SEBI for some time. SEBI has also been receiving information regarding alleged abuse of IPO allotment process.

1.2. In view of the above, the surveillance department of SEBI advised the stock exchanges to examine trading during the period immediately prior to listing and immediately upon commencement of trading in the stock exchanges in respect of certain companies that had come out with IPO in the recent past.

1.3. Yes Bank Ltd. ("YBL") was one such company that had come out with an IPO in the recent past.

1.4. As sought by SEBI, during October 2005, Bombay Stock Exchange ("BSE") submitted an analysis of off market transactions in the shares of Yes Bank Ltd. ("YBL") during the pre-listing period.

1.5. The Initial Public Offer (IPO) of YBL opened on June 15, 2005 and its shares were listed on the Stock Exchanges, namely BSE and National Stock Exchange ("NSE") on July 12, 2005. BSE observed that one Ms. Roopalben Nareshbhai Panchal had transferred 9,31,600 shares to various entities in seven off market transactions on July 11, 2005 i.e. prior to the listing and commencement of trading on the Stock Exchanges. In order to get an allotment of 9,31,600 shares, Ms. Roopalben Panchal would have had to apply for crores of shares involving many crores of rupees in application money . It was observed that Roopalben Panchal's name did not appear in the list of top 100 public issue allotees. In view of the above BSE suspected that Ms. Roopalben Panchal must have made multiple applications to be allotted 9,31,600 shares or that other applicants acting as a front for Ms. Roopalben Panchal may have applied on her behalf but in their own name.

1.6. In view of the above observations of BSE, SEBI examined the dealings in the shares of YBL during the period from June 15, 2005 to July 15, 2005 ("the relevant period").

2.0. IPO of YBL

2.1. YBL came out with a public issue of 70,000,000 equity shares of Rs. 10 each for cash at a price of Rs. 45 per equity share (including share premium of Rs. 35 per equity share) aggregating to Rs. 3,150 million constituting 25.93% of the fully diluted post issue paid up capital of YBL.

2.2. Out of 70,000,000 equity shares offered in the public issue 35,000,000 equity shares were reserved for QIBs, 17,500,000 equity shares were to be allotted Non Institutional Investors and 17,500,000 equity shares were reserved for Retail Investors. The pre-issue capital of YBL consisted of 200,000,000 equity shares and the post issue capital of YBL was to be 270,000,000 equity shares.

2.3. The IPO opened on June 15, 2005 and closed on June 21, 2005. DSP Merrill Lynch Ltd. and Enam Financial Consultants Pvt. Ltd. were the Book Running Lead Managers to the issue and Karvy Computershare Ltd. was the Registrar to the issue.

2.4. The retail portion of the issue was oversubscribed by 9.96 times and the non-institutional portion was oversubscribed by 43.68 times.

2.5. The basis of allotment was finalized on July 04, 2005 and the shares were credited to the IPO allottees on July 5, 2005. Listing of the shares on the Stock Exchanges and commencement of trading was on July 12, 2005.

3.0. **Transactions in YBL Shares by Ms. Roopalben Panchal and her Associates**

3.1. ***Information obtained from the Registrar to the Issue ("RTI")***

3.2. Karvy Computershare Pvt. Ltd. (Karvy – RTI) had acted as the RTI of YBL. SEBI sought from the RTI the copies of application forms received from certain entities that were seen to have made/received substantial share transfers in their dematerialized accounts subsequent to the closure of the IPO but prior to listing and commencement of the trading on the Stock Exchanges.

3.3. The RTI furnished the copies of application forms in respect of the following entities:

Sr. No.	Name of Applicant	Address
1.	M/S. K. UTTAMLAL (EXPORTS) LTD.	BHAGWAN BHUVAN,1ST FLOOR, 196/98, SAMUEL STREET,MUMBAI.400009
2.	ASHA BIYANI	29 A YASHODHAM ENCLAVEFILMCITY ROADGOREGAON EASTMUMBAI400063
3.	VICTORY PORTFOLIO LIMITED	BHAGWAN BHUVAN,1ST FLOOR, 196/98, SAMUEL STREET,MUMBAI.400009
4.	ROOPALBEN NARESHBHAI PANCHAL	15 SURYADEEP SOC Nr TAKSHSHILA VASTRAPUR AHMEDABAD380015
5.	DEVANGI DIPAKBHAI PANCHAL	402-403 SHASHWATOPP-GUJARAT COLLEGE AHMEDABAD380006
6.	VEENABEN Y. THAKKAR	19-20 NARAYAN CHAMBERS ASHRAM ROAD ASHRAM ROAD AHMEDABAD
7.	RITABEN R. THAKKAR	19-20 NARAYAN CHAMBERS ASHRAM ROAD ASHRAM ROAD AHMEDABAD

3.4. Upon perusal of the copies of the application forms submitted by the RTI, it is seen that Ms. Roopalben Nareshbhai Panchal as first applicant along with one Devangiben Dipakbhai Panchal as second applicant and one Shri Dipakbhai Jashvantlal Panchal as third applicant had applied for

1050 shares paying application money of Rs. 47,250/- vide a cheque no. 738952 drawn on Bharat Overseas Bank Ltd., Worli, Mumbai. The address of the first applicant is mentioned as Bharat Overseas Bank Ltd., Century Staff Building, Pandurang Bhudkar Marg, Worli, Mumbai – 400030.

3.5. It is further seen that Ms. Devangi Dipakbhai Panchal as first applicant along with Shri Dipakbhai Jashvantlal Panchal as second applicant had applied for 1050 shares paying application money of Rs. 47,250/- vide a cheque no. 738958 drawn on Bharat Overseas Bank Ltd., Worli, Mumbai. The address of the first applicant is mentioned as Bharat Overseas Bank Ltd., Century Staff Building, Pandurang Bhudkar Marg, Worli, Mumbai – 400030 which is the same as that of Roopalben Panchal.

3.6. Since Ms. Roopalben Panchal had applied for only 1050 shares, she was entitled for an allotment of a maximum of 150 shares as per the basis of allotment which was finalized on July 4, 2005. As mentioned earlier, Ms. Roopalben Panchal had made off market transfers of 9,31,600 shares to various entities on July 11, 2005 i.e. prior to the listing and commencement of trading on the stock exchanges on July 12, 2005. This raised a doubt as to how she had acquired the above 9,31,600 shares in the first place.

3.7. Upon perusal of the transaction statement of the dematerialized account of Roopalben Panchal (Client Id: 11920868) held with the DP Karvy Stockbroking Ltd. ("Karvy - DP") (DP Id: IN300394), as obtained from National Securities Depository Limited ("NSDL"), it was observed that Ms. Roopalben Panchal had received 150 shares each from 6,315 dematerialized accounts aggregating to 9,47,250 shares in off market transactions. It was noticed that all the above dematerialized account transfers to Roopalben Panchal had taken place from various dematerialized accounts held with the Karvy-DP.

3.8. Out of the above 6,315 dematerialized accounts, 20 accounts were randomly selected and Karvy-RTI was advised to furnish the copies of application forms received from the entities holding the above 20 randomly selected dematerialized accounts. Upon perusal of the copies of the application forms furnished by the Karvy-RTI, it is seen that all the applicants had furnished their addresses as Bharat Overseas Bank Ltd., Century Staff Building, Pandurang Bhudkar Marg, Worli, Mumbai – 400030. The above address is the same as that furnished by Roopalben Panchal and Devangiben Panchal in their respective application forms.

3.9. It is seen from the application forms that all the above 20 entities have issued cheques drawn on Bharat Overseas Bank Ltd. ("BhOB"), Worli, Mumbai towards payment for the application.

3.10. ***Information obtained from the Depository***

3.11. SEBI obtained from NSDL, the details of client master and dematerialized account transaction statement in the shares of YBL for the period from June 21, 2005 to July 15, 2005 in respect of those entities that were seen to have made large off market transactions prior to the listing of the shares.

3.12. The transaction statement of Roopalben Panchal (DP : Karvy Stockbroking Ltd. Client Id 11920868) shows that she had received 150 shares each from 6,315 dematerialized accounts aggregating to 9,47,250 shares in off market transactions. She in turn, transferred 9,38,500 shares to the dematerialized account of 8 entities, the details of which is as below:

1. Seer Finlease P Ltd. (DP - H Nyalchand Financial Services P Ltd., Client Id: 10026774) received 3,32,875 shares from Roopalben Panchal on July 11, 2005 and sold the same through the clearing member H Nyalchand Financial Services P Ltd. (Settlement No. : Normal-2005133) on July 12, 2005.

2. Excell Multitech Ltd. (DP – H Nyalchand Financial Services P Ltd, Client Id: 10009317) received 1,61,180 shares from Roopalben Panchal on July 11, 2005 and sold the same through the clearing member H Nyalchand Financial Services P Ltd. (Settlement No. : Normal-2005133) on July 12, 2005.

3. Devangi Dipakbhai Panchal received from Roopalben Panchal 1,70,000 shares in her dematerialized account held with Karvy-DP (Client Id: 11933458) and another 50,000 shares in her dematerialized account held with DP ASE Capital Market Ltd. (Client Id. 10004133) on July 11, 2005. She in turn sold 1,20,000 shares through clearing member Khandwala Integrated Financial Services Ltd. (Settlement No. :Normal-2005133). Devangiben Panchal had further sold 35,500 shares through clearing member H Nyalchand Financial Services P Ltd. (Settlement No. :Normal-2005133). She has also sold 50,000 shares through clearing member ASE Capital Market Ltd. (Settlement No. : Rolling Market Lot- 050675).

4. Zenet Software Ltd. received 92,855 shares in its dematerialized account held with DP H. Nyalchand (Client Id: 10009298) on July 11, 2005. It in turn sold the shares through clearing member H. Nyalchand Financial Services P Ltd. (Settlement No. Normal 2005133).

5. Taurus Infosys Ltd. received 80,590 shares in its dematerialized account held with DP H. Nyalchand (Client Id: 10008962) on July 11, 2005. It in turn sold the shares through clearing member H. Nyalchand Financial Services P Ltd. (Settlement No. Normal 2005133).

6. Rajan Vasudev Dapki received 44,100 shares in his dematerialized account held with DP ASE Capital Market Ltd. (Client Id: 10029333) on July 11, 2005. He in turn sold 2500 shares through clearing member ASE Capital Market Ltd. (Rolling Market Settlement No. 0506075, 0506076 and 0506078).

7. Bhargav Ranchhodlal Panchal received 2550 shares in his dematerialized account held with DP ASE Capital Market Ltd. (Client Id: 10003008) on July 13, 2005.

8. Jayantilal Jitmal received 4350 shares in his dematerialized account held with DP ASE Capital Market Ltd. (Client Id: 10004296) on July 13, 2005.

3.13. Since the transfers to Bhargav Ranchhodlal Panchal and Jayantilal Jitmal involved comparatively smaller number of shares and were done subsequent to the listing and commencement of trading on stock exchanges, they do not appear to be significant for the purpose of this proceeding. The above dematerialized account transactions are summarized in the chart given in the next page.

3.14. Ms. Roopalben Panchal has received 150 shares each from 6315 entities aggregating to 947250 shares and has in turn made off market transfers of 9,31,600 shares to the dematerialized accounts of six entities on July 11, 2005 i.e. one day prior to the listing and commencement of trading of shares on the stock exchanges. Curiously, as per the dematerialized account data furnished by NSDL, out of the above 6315 entities as many as 6221 entities have their address as 402-403 Shashwat Opp. Gujarat College Ellisbridge Ahmedabad -380006. The above address is the same as that of Devangi Dipakbhai Panchal (the sister of Roopalben Panchal) with whom she holds joint dematerialized account. 50 entities out of the above 6315 entities have their addresses as 34 Khetan Tower Camp Road, Shahibaug, Ahmedabad-380004. 44 entities out of 6315 entities have their addresses as 1201/68, Samast B Soc Pinakin Soc Paldi Ahmedabad- 380007. Also, curiously, all the 6315 entities have their bank accounts with Bharat Overseas Bank Ltd. and demat accounts with Karvy-DP.

3.15. The above raises a suspicion that all the above 6315 IPO applicants/allottees are either fictitious or the Benamis of Roopalben Panchal. This suspicion is further strengthened by the fact that all the above allottees immediately transferred the shares allotted to them on July 05,2005 to Roopalben Panchal on July 06,2005 in off market transactions prior to listing and commencement of trading on the stock exchanges.

3.16. ***Observations on Roopalben Panchal's dematerialized account transactions***

Now the following questions arise in respect of the above transactions:

How did Roopalben Nareshbhai Panchal know the details of the 6315 public issue allottees?

How did she persuade 6315 public issue allottees to transfer the shares in her name in off market transactions prior to listing and commencement of trading on the stock exchanges?

Was there any prior arrangement with the above 6315 entities on the basis of which she and the 6315 allottees made applications in the IPO of YBL?

How did Ms Roopalben Panchal fund the acquisition of 9,47,250 shares?

Ms. Roopalben Panchal made off market transfers of YBL shares on 11.07.05 to the following entities:

1. *Seer Finlease P.Ltd. - 3,32,875 shares*
2. *Excell Multitech Ltd. - 1,61,180 shares*
3. *Devangi Dipakbhai Panchal - 2,20,000 shares*
4. *Zenet Software Ltd. - 92,855 shares*
5. *Tauras Infosys Ltd. - 80,590 shares*
6. *Rajan Vasudev Dapki - 44,100 shares*

What was the consideration received by her for the above transfers?

Ms. Roopalben Panchal made the above transfers on 11.07.05 i.e. a day prior to the listing and commencement of trading on the stock exchanges. Why did she make the above off market transfer instead of selling through the stock exchanges the next day?

Was there any prior arrangement with the above six entities pursuant to which Roopalben Panchal made the above transfers? How did she know the above six entities and what is her relationship with them?

3.17. With a view to ascertain the factual position, SEBI gathered details in the course of initial probe and the following interesting points emerge:

3.18. Shri Dipakbhai Panchal, the authorized representative of Ms. Roopalben Panchal and also the husband of Devangi Panchal (the sister of Roopalben Panchal) sought to clarify that Ms. Roopalben Panchal had applied for 1050 shares in the YBL IPO. Ms. Roopalben Panchal transferred about 9,50,000 shares to Devangi Dipakbhai Panchal, Rajan Vasudev Dapki, Zenet Software Ltd., Excell Multitech Ltd., Taurus Infosys Ltd., Seer Finlease P Ltd., Barghav Panchal (HUF), Jayantilal Jitmal in off market transactions. Most of the above off market transactions were done during July 10/11, 2005 i.e. before the shares got listed on the stock exchanges. The shares of YBL were listed on the stock exchanges on July 12, 2005.

3.19. He further clarified that that Ms. Roopalben Panchal had purchased about 9,50,000 shares through off-market transactions from friends and relatives and associates numbering about 6500 entities. Detailing the modus operandi of the above transactions, he explained that Ms. Roopalben Panchal had received funds from 8 entities namely Devangi Dipakbhai Panchal, Rajan Vasudev Dapki, Zenet Software Ltd., Excell Multitech Ltd., Taurus Infosys Ltd., Seer Finlease P Ltd., Barghav Panchal (HUF) and Jayantilal Jitmal prior to the IPO of Yes Bank Ltd. She in turn transferred these funds to 6315 entities who had utilized these funds for making applications in the IPO of YBL.

3.20. He informed that Ms. Roopalben Panchal had obtained from 6315 entities at the time of making the IPO application, debit instruction slips in respect of the above transactions. Subsequent to receiving the IPO allotment, the debit instructions were executed transferring shares from the demat accounts of the respective IPO allottees to Ms. Roopalben Panchal's demat account.

3.21. ***Stock Market dealings of Roopalben Panchal's associates in YBL shares***

3.22. SEBI sought and obtained from BSE and NSE, in respect of the five entities (other than Rajan Vasudev Dapki) that had received shares from Roopalben Panchal through off-market transactions, the price at which they had sold the shares on the stock exchanges. Rajan Vasudev Dapki has apparently sold 2500 shares over two days i.e. on July 13, 2005 (1750 shares) and July 15, 2005 (750 shares). His trades appeared to be insignificant for the purpose of the instant proceeding.

3.23. BSE informed SEBI that Devangi Dipakbhai Panchal had sold 16,500 shares of YBL through ASE Capital Markets Ltd. on July 12, 2005 for a consideration of Rs.10,40,155.97 (about Rs.10.40 lakhs). Her dealings in YBL shares on BSE are as below:

Qty	Price	Buy Or Sell	Date of Trading
1000	64.95	S	12/7/2005

329	64.00	S	12/7/2005
100	64.00	S	12/7/2005
90	64.00	S	12/7/2005
25	63.80	S	12/7/2005
456	63.75	S	12/7/2005
5385	62.85	S	12/7/2005
2115	62.85	S	12/7/2005
2700	62.85	S	12/7/2005
2000	62.85	S	12/7/2005
1	62.85	S	12/7/2005
299	62.85	S	12/7/2005
1000	62.85	S	12/7/2005
1000	62.85	S	12/7/2005
16500	**Total No. of shares sold**		

The dealings in YBL shares on NSE by the five entities that had received YBL shares from Roopalben Panchal through off-market transactions are summarized below:

Name of the client	**Name of the Broker**	**Sett. No.**	**Trade Date**	**Avg. Price**	**Total Traded Qty**	**Value (Rs.)**
Seer Finlease Pvt Ltd.	H.Nyalchand Financial Serv. P. Ltd.	Normal – 2005133	12-Jul-05	61.14	332875	20351572
Excell Multitech Ltd.	H.Nyalchand Financial Serv P Ltd.	Normal – 2005133	12-Jul-05	61.12	161180	9850876
Devangi Dipakbhai Panchal	Khandwala Integrated	Normal – 2005133	12-Jul-05	61.00	120000	7320000
Devangi Dipakbhai Panchal	H.Nyalchand Financial Serv P Ltd.	Normal - 2005133	12-Jul-05	61.86	35500	2196000
Zenet Software Ltd.	H.Nyalchand Financial Serv P Ltd.	Normal - 2005133	12-Jul-05	62.13	92855	5769343
Tauras Infosys Ltd.	H.Nyalchand Financial Serv P Ltd.	Normal - 2005133	12-Jul-05	62.31	80590	5021547
Total					**823000**	**50509337**

Thus it is seen that the above five entities have together sold 8,39,500 shares on BSE and NSE for a total sale value of Rs.5,15,49,492.92. The average sale price works out to Rs.61.40 per share. Upon comparison of the above sale price with the issue price of Rs.45/- per share, the total profit earned by the five entities on sale of 8,39,500 shares works out to Rs. 1,37,67,800/-.

4.0. **Transactions in YBL Shares by Sugandh Estates and Investments P Ltd. and its Associates**

4.1. Based on the information submitted by BSE, it was noticed that Sugandh Estates and Investments P Ltd. ("Sugandh") had made off-market transactions of 1,96,050 shares on July 8, 2005 i.e. prior to the date of listing on the stock exchanges. The address of Sugandh as per dematerialized account information is 803 Abhijeet-I, Mithakhali Circle, Ellisbridge, Ahmedabad -380006.

4.2. As per the information obtained from Karvy-RTI, Sugandh did not appear to be an applicant in the IPO of YBL. This raised a doubt as to how it had acquired the above 1,96,050 shares in the first place.

4.3. The transaction statement in the dematerialized account of Sugandh (Client Id: 14405199) held with the Karvy-DP (DP Id: IN300394) was obtained from NSDL and the same was examined. It was observed that Sugandh had received 150 shares each from 1315 dematerialized accounts aggregating to 1,97,250 shares in off market transactions. It was noticed that all the above dematerialized account transfers to Sugandh had taken place from various dematerialized accounts held with the Karvy-DP.

4.4. Out of the above 1315 dematerialized accounts, 20 accounts were randomly selected and Karvy-RTI was advised to furnish the copies of application forms received from the entities holding the above 20 randomly selected dematerialized accounts. Upon perusal of the copies of the application forms furnished by Karvy-RTI, it is seen that all these applicants have furnished their address as C/o K P Jhaveri, 803, Abhijeet – I, Mithakhali Circle, Ellisbridge, Ahmedabad 380006. It is observed that this address is the same as that of Sugandh.

4.5. It is seen from the application forms that all the above 20 entities have issued cheques apparently bearing continuous serial numbers drawn on Vijaya Bank, Ambavadi, Ahmedabad, towards payment for the application.

4.6. ***Information obtained from the Depository***

4.7. SEBI obtained from NSDL, the details of client master and dematerialized account transaction statement in the shares of YBL for the period from June 21, 2005 to July 15, 2005 in respect of Sugandh which was seen to have made large off market transactions prior to the listing of the shares as per the information furnished by BSE.

4.8. The dematerialized account transaction statement of Sugandh (DP: Karvy Stockbroking Ltd. Client Id 14405199) shows that it had received 150 shares each from 1315 dematerialized accounts aggregating to 197250 shares in off market transactions. It in turn had, on July 08, 2005 transferred 196050 shares to the dematerialized account of 3 entities, the details of which are as below:

1. On 08.07.05, Sugandh transferred 1,56,750 shares to Sujal Leasing and Finance Pvt. Ltd. ("Sujal") (DP: H. Nyalchand Fin. Ser. Ltd. /10026812). Sujal in turn sold all the 156750 shares to CM H. Nyalchand Fin Srv. Ltd. on 12.07.05 in settlement no. Normal/2005133.

2. On 08.07.05, Sugandh transferred 19,650 shares to Veenaben Y. Thakkar (DP: Khandwala Int. Fin. Ser. P. Ltd. / 10113005). She had also received 150 shares through IPO allotment. She in turn sold 19,650 shares through CM Amrapali Capital and Fin on 12.07.05 in Settlement No. Normal /2005133, leaving a balance of 150 shares in her dematerialized account.

3. On 08.07.05, Sugandh transferred 19,650 shares to Ritaben R. Thakkar (DP: Khandwala Int. Fin, Ser. P Ltd. / 10112980) who in turn sold 350 shares on 12.07.05 in Settlement No. Normal/2005133 and 17,500 shares on 13.07.05 in Settlement No. Normal/2005133 through CM Amrapali Capital and Fin. Ltd., leaving a balance of 1800 shares in her dematerialized account.

The above dematerialized account transactions are summarized in the chart given below:

4.9. SEBI obtained from NSDL, the details of address of the 1315 entities that had made pre-listing transfer of IPO shares to Sugandh. It is seen that all these 1315 entities have furnished their address as C/0 SEIPL, 804 ABHIJEET I, MITHAKHALI CIRCLE, ELLISBRIDGE, AHMEDABAD-380006 which is the same as that of Sugandh. It can be inferred that "SEIPL" stand for Sugandh Estates & Investments P Ltd. Also all the above entities have opened their demat accounts with Karvy-DP on the same day viz. August 16, 2004 and have their bank accounts with Vijaya Bank.

4.10. ***Observations on Sugandh's dematerialized account transactions***

4.11. Now the following questions arise in respect of the above transactions:

How did Sugandh know the details of the 1315 public issue allottees?

How did it persuade 1315 public issue allottees to transfer the shares in her name in off market transactions prior to listing and commencement of trading on the stock exchanges?

Was there any prior arrangement with the above 1315entities on the basis of which she and the 1315 allottees made applications in the IPO of YBL?

How did Ms Sugandh fund the acquisition of 197250 shares?

Sugandh made off market transfers of YBL shares on 08.07.05 to the following entities:

1. *Sujal Leasing and Finance Pvt. Ltd. - 156750 shares*
2. *Veenaben Y. Thakkar - 19650 shares*
3. *Ritaben R. Thakkar - 19650 shares*

What was the consideration received by it for the above transfers?

Sugandh made the above transfers on 08.07.05 i.e. prior to the listing and commencement of trading on the stock exchanges. Why did it make the above off market transfer instead of selling through the stock exchanges?

Was there any prior arrangement with the above three entities pursuant to which Sugandh made the above transfers? How did it know the above three entities and what is its relationship with them?

4.12. With a view to ascertain the factual position, as a part of the initial probe into the matter, SEBI sought clarifications from Sugandh. Shri Parag P Jhaveri, Director of Sugandh informed that he and Shri Tushar Shah are the directors of Sugandh and the registered and corporate office of Sugandh is situated at 804, Abhijeet I, Mithakhali Circle, Ellisbridge, Ahmedabad 380 006. Sugandh had a paid up equity capital of Rs.1 lakh and is engaged in the business of making investments in shares and securities and the company has been active for the last 3 years.

4.13. Sugandh makes some investments on its own account and mainly deals in shares on behalf of companies such as Sujal Leasing Pvt. Ltd., Zenit Software Ltd., Taurus Infosys Ltd. and Excel Multitech Ltd.

4.14. Sugandh mainly deals in primary market by arranging applications in public issues. When some entity desires to apply in a public issue they approach Sugandh and provide the necessary funds to Sugandh for making the applications. Sugandh in turn provides to various friends and relatives of its directors for making applications in public issues. In the application forms Sugandh's address is provided as communication address and upon receipt of allotment / refund, these friends and relatives hand over the shares / money to Sugandh and Sugandh in turn hands over the shares / money to the respective entity from which funds were originally received.

4.15. Some of the public issues in which Sugandh had arranged applications in the recent past include Yes Bank Ltd., IDFC, FCS Software and Sasken Communications Ltd.

4.16. Sugandh had made off market transfers of about 1,56,000 shares to Sujal and about 20,000 shares each to Mrs. Ritaben Thakkar and Mrs. Veenaben Thakkar.

4.17. Shri Tejas Patel a director of Sujal and Shri. Yashwant Thakkar (husband of Veenaben Thakkar) are known to Shri Parag Jhaveri, director of Sugandh.

4.18. Sugandh clarified that on or about June 20, 2005 Sujal approached Sugandh and provided about Rs. 7 crores to Sugandh for making the applications in YBL IPO. Sugandh in turn applied for about 15 lakh shares in the YBL IPO through about 1500 friends and relatives and about 1,97,000 shares were allotted to it. Sugandh pays the applicants at the rate of Rs.5 per application, as per the arrangement.

4.19. All the above 1500 applicants had provided Sugandh's address as their communications address and upon receipt of allotment / refund they had handed over the shares / refund money to Sugandh and Sugandh in turn handed over the shares / refund money to Sujal.

4.20. Since Karvy – DP provided concessional rates for demat charges because Sugandh provides them with bulk business, all the above applicants opened their dematerialized account with Karvy DP as instructed by Sugandh. Also all the above YBL IPO applicants opened their bank account with Vijaya Bank and the payment for the IPO application of the above entities was made by Sugandh.

4.21. Sugandh received from Sujal about Rs.70,000 being 0.1% of the total application amount of Rs.7 crores as consideration for executing the above transaction.

4.22. Sugandh sold about 20,000 shares each to Veenaben and Ritaben Thakkar at the rate of Rs.47.50 per share.

4.23. Based on preliminary examination by SEBI, the following points emerge with regard to the dealings of Mrs. Veenaben Thakkar and Mrs. Ritaben Thakkar in YBL shares.

4.24. They had applied for 1050 shares each in YBL IPO. Veenaben received IPO allotment of 150 shares and Ritaben was not allotted any share in the YBL IPO. Further, they had purchased 20,100 shares and 19,950 shares respectively at the rate of Rs.47.50 per share from Sugandh through off market transactions on July 8, 2005. They bought the above shares in off market transactions done prior to listing on stock exchanges. They sold these shares on July 12, 2005 at a price of about Rs.61-62 per share through Amrapali Capital and Finance Services Ltd.

4.25. Shri Yashwant Thakkar the husband of Veenaben Thakkar is the brother of Shri Rashmikant Thakkar who is the husband of Mrs. Ritaben Thakkar. Thus Veenaben and Ritaben Thakkar are married to brothers.

4.26. ***Stock Market dealings of Sugandh's associates in YBL shares:***

4.27. SEBI sought and obtained from BSE and NSE, in respect of the three entities namely Sujal Leasing and Finance Pvt. Ltd., Veenaben Y. Thakkar and Ritaben R. Thakkar who had received shares from Sugandh through off-market transactions, the price at which they had sold the shares on the stock exchanges.

4.28. BSE informed SEBI that none of the above entities had sold the above shares through the exchange. The dealings in YBL shares by the above three entities on NSE are summarized below:

Name of the client	**Name of the Broker**	**Sett. No.**	**Trade Date**	**Avg. Price**	**Total Traded Qty**	**Value (Rs.)**
Ritaben R Thakkar	Amrapali Capital & Finance	Normal – 2005133	12-Jul-05	62.15	17500	1087635.95
Veenaben Y Thakkar	Amrapali Capital & Finance	Normal – 2005133	12-Jul-05	61.30	20000	1226000.00
Sujal Leasing and Finance P Ltd.	H.Nyalchand Financial Serv P Ltd.	Normal - 2005133	12-Jul-05	61.60	156750	9655072.50
Total					194250	11968708.45
Average Rate					61.61	

4.29. Thus it is seen that the above three entities have sold 1,94,250 shares on NSE for a total sale value of Rs. 1,19,68,708.45. The average sale price works out to Rs.61.61 per share. Upon comparison of the above sale price with the issue price of Rs.45/- per share, the total profit earned by the three entities on sale of 1,94,250 shares works out to Rs. 32,26,492.50.

5.0. **Conclusion**

5.1. YBL came out with an IPO during June 2005. The retail portion of the issue was oversubscribed by 9.96 times and the non-institutional portion was oversubscribed by 43.68 times. The shares were credited to the allottees on July 5, 2005. The shares of YBL were listed on stock exchanges on July 12, 2005.

5.2. In the IPO of YBL, Roopalben Panchal had applied for 1050 shares paying the application money of Rs.47,250/- Apparently she did not receive any allotment in the IPO.

5.3. On July 6, 2005, Roopalben Panchal received 150 shares each from 6315 allottees through off-market transactions. Thus she received 9,47,250 shares in aggregate.

5.4. Curiously, as per the dematerialized account data furnished by NSDL, out of the above 6315 entities as many as 6221 entities have their address as 402-403 Shashwat Opp. Gujarat College Ellisbridge Ahmedabad -380006. The above address is the same as that of Devangi Dipakbhai Panchal (sister of Roopalben Panchal) with whom Roopalben Panchal holds joint dematerialized account. 50 entities out of the above 6315 entities have their addresses as 34 Khetan Tower, Camp Road, Shahibaug, Ahmedabad 380004. 44 entities out of 6315 entities have their addresses as 1201/68 Samast B Soc Pinakin Soc Paldi, Ahmedabad- 380007. Also, strangely, all the 6315 entities have their bank accounts with Bharat Overseas Bank Ltd. and demat accounts with Karvy-DP.

5.5. Copies of the application forms of 20 randomly selected entities out of the above 6315 entities, was examined. It was seen that all these 20 applicants had furnished their addresses as Bharat Overseas Bank Ltd., Century Staff Building, Pandurang Bhudkar Marg, Worli, Mumbai – 400030. The above address is the same as that furnished by Roopalben Panchal and Devangiben Panchal in their respective application forms.

5.6. The above facts cast doubts as to the genuineness of the 6315 applicants. It appears that Ms Roopalben Panchal has made all the applications in fictitious names or she has used the other applicants as benamis for her application. The chain of events as adumbrated above, involving a huge population of putative investors who prima facie appear to be mere name-lenders, mostly sharing a common address, having bank accounts with the same Bank and dematerialized accounts with the same Depository Participant and acting in unison demonstrates unity of control by Roopalben Panchal who herself appears to be a front for financiers. It would take extreme naiveté or suspension of disbelief to accept the intricacies of such convoluted transactions as a normal incidence of genuine dealings in securities.

5.7. The number of shares allotted to applicants in a particular category is determined by the total number of shares applied for in that category. For instance, the IPO of YBL received the highest number of share applications in the category of 1050 shares. 1,16,709 applicants had applied for 12,25,44,450 shares accounting for 70.34% of the IPO applications received. Hence, the highest proportion of allotment in the retail portion was made in the category of 1050 shares. Accordingly, 82,012 applicants in this category got allotment of 1,23,01,800 shares representing 70.30% of the 1,75,00,050 shares allotted in the retail portion of the issue.

5.8. In order to maximize the possibility of getting allotment, all these 6315 applicants acting together would necessarily need to apply in the same category. It is seen from the random sample of 20 applications that this was indeed the case. All these applicants and also Roopalben Panchal and Devangiben Panchal have applied for 1050 shares each paying application money of 47,250/- each.

5.9. The rationale for why these entities chose to apply in the 1050 lot is not far to seek. The market lot for applying in the IPO of YBL was 150 shares. Since the issue price was Rs.45/-, the total application money for 1050 shares works out to Rs.47,250/- and accordingly the applicants become entitled for allotment under the retail portion of the issue. Application for the next higher market lot of 1200 shares would have resulted in the application money being Rs.54,000/- and the applicant would no longer be entitled for allotment under the retail portion.

5.10. By applying for the maximum possible number of shares per applicant while being categorized as retail applicant and by putting in large number of applications in the lot of 1050 shares, Roopalben Panchal and her associates (real or fictitious) have attempted to corner the maximum possible number of shares in the IPO allotment. This tanamounts to an abuse of IPO allotment process.

5.11. Immediately upon receiving the IPO allotment on July 5, 2005, these 6315 IPO allottees made off-market transfer of these shares on July 6, 2005 to the dematerialized account of Roopalben Panchal held jointly with Devangiben Panchal and Dipakbhai Jashvantlal Panchal. This gives rise to the prima facie view that these entities were just lending names for Roopalben Panchal and her associates.

5.12. Though the various parties involved in the different stages of the entire chain of events might claim their part as genuine, the same cannot be countenanced at this juncture of the proceedings, where the materiality of circumstances and the manner in which the entire modus operandi was executed have the ingredients of a manipulative assemblage to scupper the process of IPO allotment.

5.13. Even presuming for a moment that the 6315 IPO applicants who had applied on behalf of Roopalben Panchal were genuine living persons it cannot be gainsaid that they were merely acting as tools for the implementation of Roopalben's plan to corner the YBL IPO shares. Also, these 6315 entitie had no beneficial ownership over the IPO shares allotted to them as Roopalben had admittedly obtained blank debit instruction slips from these entities even prior to their getting allotment. This step was taken by Roopalben presumably to guard herself from being cheated by the 6315 entities, who are men of straw.

5.14. As Roopalben Panchal had provided the requisite funds to 6315 entities for making IPO application and immediately upon allotment, got the shares transferred in her dematerialized account, it appears to me that Roopalben Panchal was the beneficial owner of these shares all along and the use of 6315 entities is merely a ruse to manipulate the IPO allotment process and obtain allotment under the retail portion of the IPO which she was not otherwise entitled to.

5.15. Subsequent to receipt of shares as above, on July 11, 2005 Roopalben Panchal transferred 7,61,600 shares to six entities namely Seer Finlease P.Ltd. (3,32,875 shares), Excell Multitech Ltd. (1,61,180 shares), Devangi Dipakbhai Panchal (2,20,000 shares), Zenet Software Ltd. (92,855 shares), Tauras Infosys Ltd. (80,590 shares) and Rajan Vasudev Dapki (44,100 shares) through off-market transactions.

5.16. On July 12, 2005 i.e. the date of listing on stock exchanges, Devangi Dipakbhai Panchal has sold 1,72,000 shares out of 2,20,000 shares received by her from Roopalben Panchal. On the same day, four out of the remaining five entities (other than Rajan Vasudev Dapki) sold all the shares received by them from Roopalben Panchal.

5.17. The above five entities have together sold 8,39,500 shares valuing Rs.5.15 crores. The average sale price works out to Rs.61.40 per share. Reckoning the issue price of Rs.45/- per share, the total profit earned by the five entities on sale of 8,39,500 shares works out to Rs. 1,37,67,800/-.

5.18. The eight entities namely Devangi Dipakbhai Panchal, Rajan Vasudev Dapki, Zenet Software Ltd., Excell Multitech Ltd., Taurus Infosys Ltd., Seer Finlease P Ltd., Barghav Panchal (HUF) and Jayantilal Jitmal that reportedly provided funds to Roopalben Panchal to enable her to execute the plan of manipulating YBL IPO and cornering the retail portion of the issue are equally responsible for the above devious act of cornering the IPO allotment at the cost of genuine retail investors.

5.19. A similar modus operandi as above has been adopted by Sugandh who received 150 shares each from 1315 dematerialized accounts aggregating to 197250 shares in off market transactions. It in turn had, on July 08, 2005 transferred 196050 shares to the dematerialized account of 3 entities Sujal Leasing and Finance P. Ltd., Ritaben R Thakkar and Veenaben Y Thakkar.

5.20. The above three entities sold 1,94,250 shares at an average sale price of Rs.61.61 per share on NSE for a total sale value of Rs. 1,19,68,708.45. The total profit earned by the three entities on sale of 1,94,250 shares works out to Rs. 32,26,492.50 reckoning the issue price of Rs.45/- as cost of acquisition of these shares.

5.21. It appears that the above profit has been earned by abusing the IPO allotment process and cornering the shares meant for the retail applicants. It appears that Roopalben Panchal, Sugandh and their respective associates have adopted the modus operandi of making applications in fictitious / benami names for cornering the retail of portion of IPO shares. The shares allotted in IPO to the benamis of Roopalben Panchal and Sugandh would have otherwise gone to genuine retail applicants. The entire gameplan, craftily designed , masterminded and executed by a coterie of operators acting in concert, in a tout ensemble through the mechanism of front entities of name-lenders seeking to impart a veneer of acceptability to a deal which is otherwise sham in an agonistic aggression in the market through predatory cornering is a clear abuse of the very process of IPO, meant to shore up the participation of retail investors.

5.22. What is equally reprehensible is the unjust enrichment by a few masquerading in the retail category at the cost of genuine retail investors.

5.23. Further probe is required for examining the systemic fault, if any, of the registrar Karvy-RTI i.e. Karvy Computershares P Ltd. and the lead managers DSP Merrill Lynch Ltd. and Enam Financial Consultants P Ltd. in identifying and weeding out the benami applications.

5.24. Also, the role of Karvy-DP i.e. Karvy Stockbroking Ltd. that opened the dematerialized accounts of 6315 entities being benamis of Roopalben Panchal and 1315 entities being benamis of Sugandh probably without taking adequate steps to ascertain the genuineness of these entities while acting as a facilitator in what appears to be an act of either gross negligence or active collusion ill behoves them as a SEBI registered market participant.

5.25. There is a likelihood that benamis and front entities as above, may end up acting as conduits for laundering of ill-gotten funds that may arise out of proceeds of crime, drug trafficking, terrorist financing and a host of other related activities.

5.26. It is matter of concern that NSDL, which is a self-regulatory organization and within whose regulatory domain Karvy-DP falls, could not detect in advance the apparently systemic deficiencies in Karvy-DP.

5.27. The findings of preliminary enquiry as detailed above bring out a prima facie case of violation of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003. SEBI is initiating formal investigations into the matter.

6.0. **Order**

6.1. Therefore, in view of the grave emergency arising out of the conduct of parties with the added risk of recrudescence of such devious practice in future and, with a view to protect the interest of investors and securities market from further such acts, in exercise of the powers delegated to me by the SEBI Board in terms of Section 19 of the Securities and Exchange Board of India Act 1992 read with Section 11B and 11(4)(b), pending investigation and passing of final order, I hereby issue the following directions, by way of ad interim, ex-parte order:

6.2. The following entities are directed not to buy, sell or deal in the shares of Yes Bank Ltd. and in other ensuing IPOs, directly or indirectly, till further directions:

i. Ms. Roopalben Nareshbhai Panchal

ii. Devangi Dipakbhai Panchal

iii. Seer Finlease P.Ltd.

iv. Excell Multitech Ltd.

v. Zenet Software Ltd.

vi. Tauras Infosys Ltd.

vii. Rajan Vasudev Dapki

viii. Barghav Panchal (HUF)

ix. Jayantilal Jitmal

x. Sugandh Estates and Investments Pvt. Ltd.

xi. Sujal Leasing and Finance P Ltd.

xii. Ritaben R Thakkar

xiii. Veenaben Y Thakkar

6.3. NSDL is directed to ensure that the 6315 dematerialized accounts which served as conduit for Roopalben Panchal and the 1315 dematerialized accounts which served as conduit for Sugandh are not utilized for manipulation of IPO allotment in future.

6.4. NSDL is directed to undertake a comprehensive inspection of Karvy-DP particularly focusing on the sytems and procedures, if any, put in place by Karvy-DP for implementing the 'know your client' norms that DPs are required to follow. NSDL shall identify the deficiencies in Karvy-DP with regard to the above and also ascertain from Karvy-DP the particulars of other potential benami accounts more particularly those multiple accounts having the same contact address and / or having the same person / entity authorized to operate these dematerialized accounts. Karvy-DP is directed to fully co-operate with NSDL in the above inspection. NSDL shall submit a report to SEBI detailing the findings of its inspection in a time-bound programme.

6.5. NSDL and CDSL are advised to enhance their surveillance and also devise and put in place systems and procedures for identifying multiple dematerialized accounts of suspicious nature and reporting the same to SEBI, as expeditiously as possible.

6.6. Reference is being made to the Reserve Bank of India to examine the role of BhOB and Vijaya Bank in opening the bank accounts of these benami entities and funding their IPO applications.

6.7. The major stock exchanges viz. BSE and NSE and the depositories viz. NSDL and CDSL are directed to ensure that all the above directions are strictly enforced.

6.8. Further the entities/persons against whom this direction is issued may file their objections, if any, to this order within 15 days from the date of this order and, if they so desire, avail themselves of an opportunity of personal hearing at the Securities and Exchange Board of India, Head Office, First Floor, Mittal Court B wing, Nariman Point, Mumbai 400 021 on a date and at a time to be fixed on a specific request, to be received in this behalf from the entities/persons within 15 days from the date of this order.

This order shall come into force with immediate effect.

Place: Mumbai
Date: 15-12-2005

G ANANTHARAMAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA