

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
INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LTD. (IDFC).**

WTM/GA/ 43 /ISD/01/06

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 the recent past, while examining the IPO dealings of Yes Bank Ltd., SEBI had noticed that certain entities had cornered IPO shares reserved for retail applicants by making applications in the retail category through the medium of thousands of fictitious / benami IPO applicants with each of the application being for small value so as to be eligible for allotment under the retail category. Subsequent to the receipt of IPO allotment these fictitious / benami allottees had transferred shares to their principals who in turn transferred the shares to the financiers that had originally made available the funds for executing the game-plan. The financiers in turn sold most of these shares on the first day of listing thereby realising the windfall gain of the price difference between IPO price and the listing price. In the process a chosen few virtually monopolises the retail segment, by elbowing out the genuine retail investors.
- 1.3. The entire modus operandi as detailed above, led to the suspicion that the thousands of entities in each of whose name separate dematerialized accounts and bank accounts had been opened and IPO applications made were merely name-lenders or non-existent. SEBI had earlier made reference to Reserve Bank of India (RBI) in this regard and had also directed the depositories to conduct inspection of the concerned depository participant (DP).

- 1.4. The preliminary findings of RBI and the inspection findings of the depositories also confirm the preliminary findings of SEBI that these thousands of name-lenders are fictitious. Even the key persons who had executed the game plan were merely intermediaries acting on behalf of financiers. These key persons and their financiers are not investors but mere rank opportunists who seek to make a killing by disposing the IPO shares cornered by them on the date of listing. The banks have also played their part by opening bank accounts and providing a pro-tempore loan to these fictitious entities with the objective of earning interest and other charges. While all the participants in the above scheme of arrangement may have gained in some way or the other, the only loser was the genuine retail investor who failed to get allotment or who got allotment for a fewer number of shares than he would have otherwise got.
- 1.5. Thus, the entire problem is not with the allotment process, which has by and long come to stay as stable and secure, but the way in which banks and DPs in some cases, which have come to the notice of SEBI and which are being investigated, have connived with the key operators in derailing the tried and tested process of fair and transparent allotment of shares in IPO.
- 1.6. But for the opening of benami depository and bank accounts in gross disregard of KYC norms, the IPO issue would have stayed on course without such underbelly of glaring distortions.

2.0.IPO of IDFC

2.1.Infrastructure Development Finance Company Ltd. (IDFC) was one such company that had come out with an IPO in the recent past.

2.2.The Initial Public Offer (IPO) of IDFC opened on July 15, 2005 and closed on July 22, 2005. The shares of IDFC were listed on the Stock Exchanges, namely Bombay Stock Exchange (“BSE”) and National Stock Exchange (“NSE”) on August 12, 2005.

2.3.Central Depository Services Limited (“CDSL”) and National Securities Depository Limited (“NSDL”) were advised by the surveillance department of

SEBI to furnish the details of large off-market transactions in IDFC shares during the period from July 22, 2005 to August 15, 2005 (“the relevant period”).

2.4. Based on information furnished by CDSL, it was observed that Ms. Roopalben Nareshbhai Panchal had received 39,43,184 shares from 14,807 dematerialized accounts through off-market transactions on August 11, 2005 and one Mr. Purshottam Ghanshyam Budhwani had received 2,98,412 shares from 1122 dematerialized accounts through off-market transactions on August 08, 2005 i.e. prior to the listing and commencement of trading on the Stock Exchanges. Similarly, upon examining the data furnished by NSDL it was seen that the same Ms. Roopalben Panchal had received 32,61,426 shares from 12,257 dematerialized accounts through off-market transactions on August 08, 2005 and one Sugandh Estates and Investments Pvt. Ltd. had received 27,08,944 shares from 10181 dematerialized accounts through off market transactions on August 08, 2005.

2.5. In view of the above significant off-market transactions prior to the date of listing on the stock exchanges, the matter was taken up for further examination. The findings of the preliminary enquiry are given below:

3.0. Findings of Preliminary Enquiry

3.1. IDFC came out with a public issue of 403,600,000 equity shares of Rs. 10 each for cash at a price of Rs. 34 per equity share aggregating to Rs. 13,72,24,00,000 constituting 35.96 % of the fully diluted post issue paid up capital of IDFC.

3.2. The 403,600,000 equity shares offered in the public issue comprised of 120,000,000 Equity Shares under Fresh Issue and 283,600,000 Equity Shares under Offer for Sale, out of which minimum 141,260,000 equity shares were to be offered to Retail Individual Investors (defined as Individual Bidders who bid for equity shares for an amount less than or equal to Rs. 1,00,000 as per prospectus), minimum 60,540,000 equity shares were to be offered to the Non-Institutional Investors and up to 201,800,000 Equity Shares were to be offered to the QIB Investors. The pre-issue capital of IDFC consisted of 1,002,453,512

equity shares and the post issue capital of IDFC was to be 1,122,453,512 equity shares.

3.3.The IPO opened on July 15, 2005 and closed on July 22, 2005. Kotak Mahindra Capital Company Ltd was the Book Running Lead Managers to the issue, DSP Merrill Lynch Limited was the Senior Co-Book Running Lead Manager and SBI Capital Markets Limited was the Co-Book Running Lead Manager and Karvy Computershare Ltd. (“Karvy-RTI”) was the Registrar to the Issue (“RTI”).

3.4.The retail portion of the issue was oversubscribed by 5.27 times and the non-institutional portion was oversubscribed by 56.53 times.

3.5.The basis of allotment was finalized on 04.08.05. The shares were credited to the IPO allottees on August 05/06, 2005. On August 12, 2005, the shares of IDFC got listed on the Stock Exchanges.

4.0. Transactions in IDFC Shares by Ms. Roopalben Panchal and her Associates

4.1. SEBI sought from NSDL and CDSL, the details of transactions in dematerialized accounts after the date of allotment and before the date of listing in the shares of IDFC.

4.2. The dematerialized account transaction statement of Roopalben Panchal (DP : Karvy Stockbroking Ltd. Client Id 11920868), as obtained from NSDL, shows that on August 08, 2005, she had received 266 shares each from 12253 dematerialized accounts aggregating to 32,59,298 shares and 532 shares each from 04 dematerialized accounts aggregating to 2,128 shares. Thus she had received a total of 32,61,426 shares in off market transactions from 12257 dematerialized accounts.

4.3. Further, as per the data furnished by NSDL in respect of the transactions of Roopalben Panchal, it is seen that all the above 12,257 dematerialized account-holders that had made off-market transfers to Roopalben Panchal have their dematerialized accounts with Karvy Stock Broking Ltd. and as many as 75 have their address as 34 Ketan Tower, Camp Road, Shahibaugh, Ahmedabad-380004, which is the same as that of Jayantilal Jitmal and the balance 12182

dematerialized account holders have their address as 402-403, Shashwat, Opp. Gujarat College, Ellisbridge, Ahmedabad . Almost all the dematerialized account-holders (for a few data is not available) have their bank accounts with BhOB, C G Road, Ahmedabad. Also, all the 12,257 dematerialized accounts have been opened in various batches on 21 different dates as detailed below:

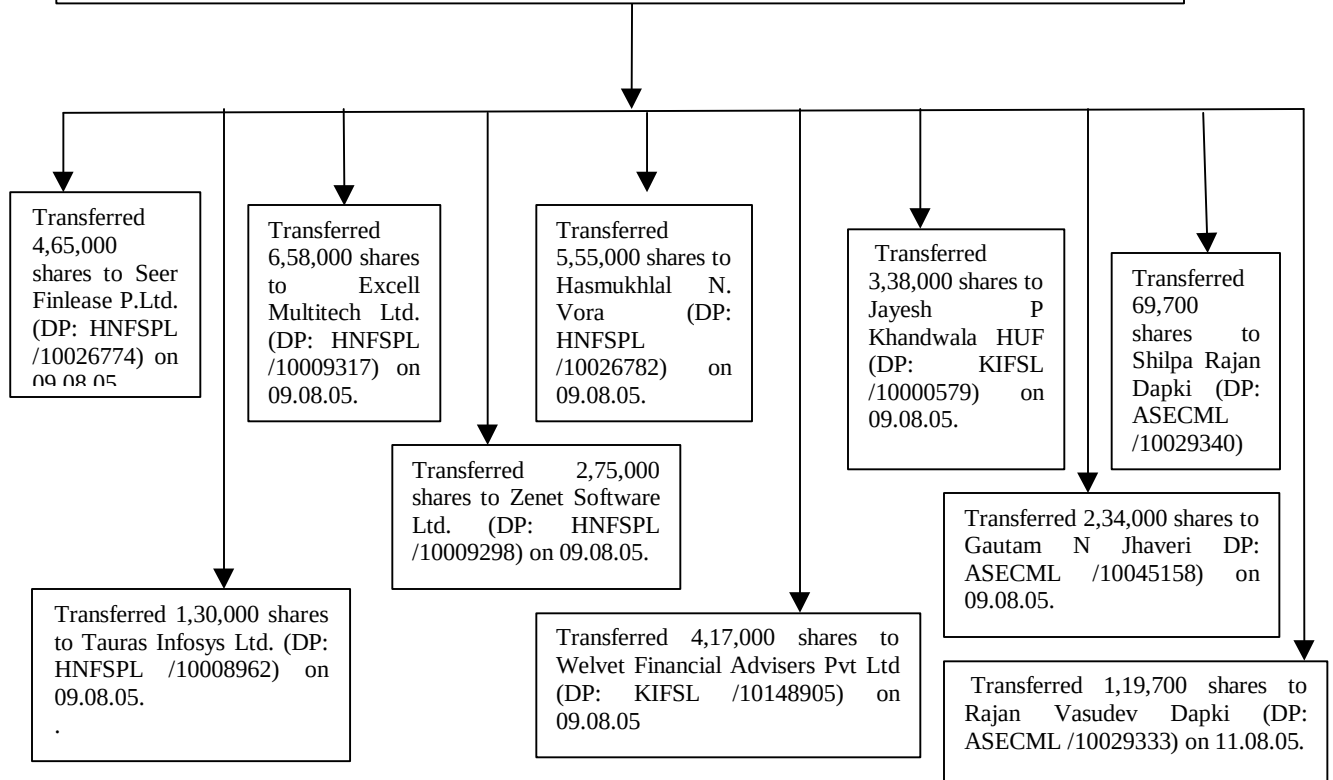
Sr. No.	Date of Dematerialized Account opening	No. of accounts
1.	27.06.03	196
2.	30.06.03	125
3.	06.11.03	570
4.	24.11.03	05
5.	16.12.03	517
6.	17.12.03	748
7.	19.12.03	01
8.	18.12.03	04
9.	05.01.04	1088
10.	06.01.04	1095
11.	08.01.04	40
12.	16.02.04	1522
13.	17.02.04	21
14.	18.02.04	52
15.	12.04.04	06
16.	16.08.04	2729
17.	17.08.04	195
18.	18.08.04	59
19.	19.07.05	1001
20.	20.07.05	1525
21.	21.07.05	758
	Total	12257

4.4. Out of the above IDFC shares received by her, she in turn, transferred 32,61,400 shares to the dematerialized account of 10 entities, the details of which is as below:

1. 4,65,000 shares on 09.08.05 to Seer Finlease P. Ltd. (DP:H Nyalchand Financial Services P Ltd. Client Id. 10026774).
2. 1,30,000 shares on 09.08.05 to Taurus Infosys Ltd. (DP: H Nyalchand Financial Services P Ltd. Client Id.10008962).
3. 6,58,000 shares on 09.08.05 to Excell Multitech Ltd. (DP: H Nyalchand Financial Services P Ltd. Client Id. 10009317).
4. 2,75,000 shares on 09.08.05 to Zenet Software Ltd. (DP: H Nyalchand Financial Services P Ltd. Client Id. 10009298).
5. 5,55,000 shares on 09.08.05 to Hasmukhlal N. Vora, 20 Basant Bahar Nr. Purshottam Nagar Bus Stand, Bopal, Ahmedabad-380058 (DP: H Nyalchand Financial Services P Ltd client Id. 10026782).
6. 4,17,000 shares on 09.08.05 to Velvet Financial Advisers Pvt. Ltd., B-25/A 68 Gate No 6 Malwani Malad West Mumbai - 400095 (DP: Khandwala Integrated Financial Services Ltd. Client Id. 10148905).
7. 3,38,000 shares on 09.08.05 to Jayesh P Khandwala HUF, B - 81, " Pariseema " Complex, C.G.Road Ellisbridge Ahmedabad - 380006 (DP: Khandwala Integrated Financial Services Ltd. Client Id. 10000579).
8. 2,34,000 shares on 09.08.05 to Gautam N Jhaveri, 113, Kamdhenu Complex, Opp. Sahajanand College, Ambawadi, Ahmedabad- 380015 (DP: ASE Capital Market Ltd. Client Id. 10045158).
9. 69,700 shares on 11.08.05 to Shilpa Rajan Dapki, 163, Kamdhenu Complex, Panjara Pole, Ahmedabad- 380015 (DP: ASE Capital Market Ltd. Client Id.10029340).
10. 1,19,700 shares on 11.08.05 to Rajan Vasudev Dapki, 163, Kamdhenu Complex, Panjara Pole, Ahmedabad-380015 (DP: ASE Capital Market Ltd. Client Id.10029333).

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

Roopalben Nareshbhai Panchal. – KSBL/11920868. 266 shares each from 12253 dematerialized accounts aggregating to 32,59,298 shares and 532 shares each from 04 dematerialized accounts aggregating to 2,128 shares aggregating to a total of 32,61,426 shares on 08.08.05. Transferred out 32,61,400 shares on 09.08.05 and 11.08.05.



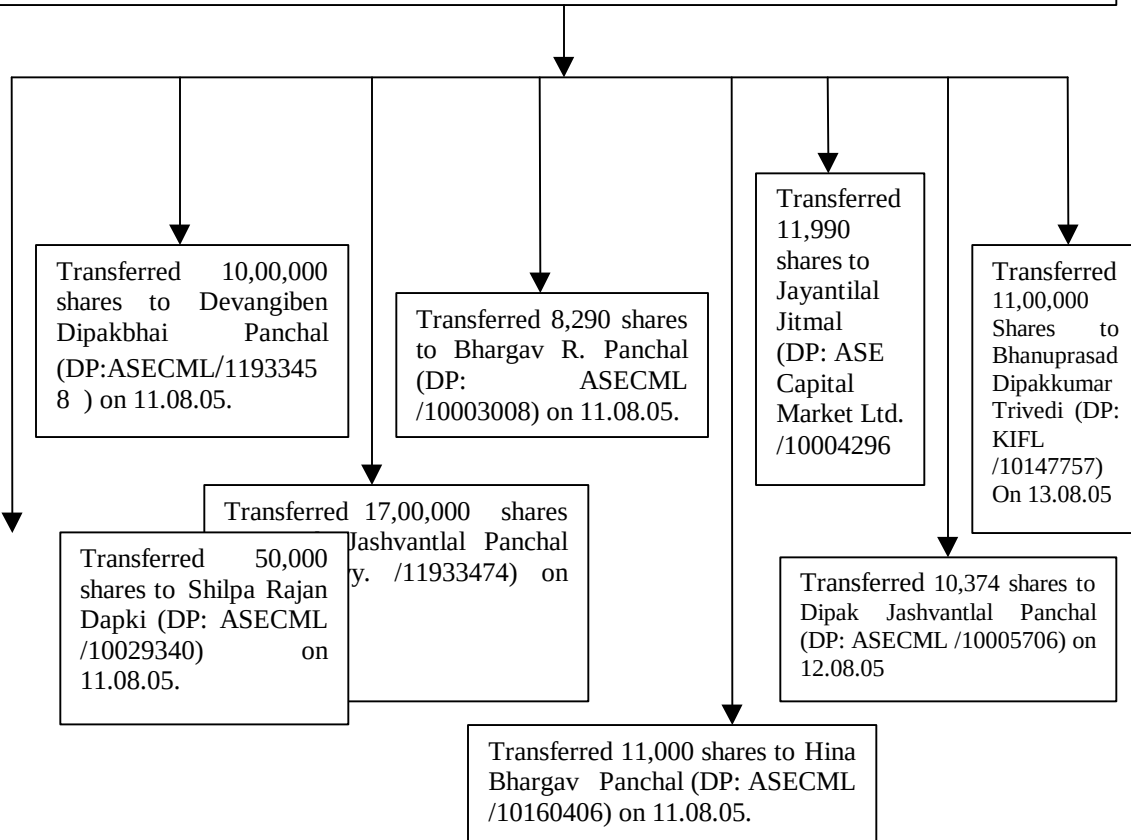
4.5.As per the information furnished by CDSL, the transaction statement of Roopalben Panchal (DP : Karvy Stockbroking Ltd. Client Id 1301440000307503) shows that on August 11, 2005 she had received 266 shares each from 14790 dematerialized accounts aggregating to 39,34,140 shares and 532 shares each from 17 dematerialized accounts aggregating to 9,044 shares. Thus she had received a total of 39,43,184 shares through off market transactions from 14,807 dematerialized accounts prior to listing on the stock exchanges.

4.6.On the same day i.e. August 11, 2005 she had transferred all these shares from her CDSL dematerialized (DP : Karvy Stockbroking Ltd. Client Id 1301440000307503) to her NSDL Dematerialized Account (DP : Karvy Stockbroking Ltd. Client Id 11920868). Subsequently she had made further off-market transfers as below:

1. 50,000 shares on 11.08.05 to Shilpa Rajan Dapki, 163, Kamdhenu Complex, Panjara Pole, Ahmedabad-380015 (DP: ASE Capital Market Ltd Client Id. 10029340).
2. 10,00,000 shares on 11.08.05 to Devangi Dipakbhai Panchal, 402-403 Shashwat Opp-Gujarat College, Ellisbridge, Ahmedabad-380006 (DP: Karvy Stockbroking Ltd. Client Id. 11933458)
3. 17,00,000 shares on 11.08.05 to Dipak Jashvantlal Panchal C/o Dipak Jashvantlal Panchal HUF, 402-403 Shashwat Ellisbridge, Opp-Gujarat College, Ahmedabad - 380006 (DP: Karvy Stockbroking Ltd. Client Id. 11933474).
4. 8,290 shares on 11.08.05 to Bhargav Ranchhodlal Panchal, 15 Suryadeep Bunglows, B/S Takshashila Towers, Vastrapur, Ahmedabad-380015 (DP: ASE Capital Market Ltd. Client Id. 10003008)

5. 11,000 shares on 11.08.05 to Hina Bhargav Panchal, 15 Suryadeep Bunglows, B/S.Takshashila Towers Vastrapur, Ahmedabad-380015 (DP: ASE Capital Market Ltd Client Id. 10160406).
6. 11,990 shares on 11.08.05 to Jayantilal Jitmal, 34 Ketan Tower, Camp Road, Shahibaugh, Ahmedabad- 380004 (DP: ASE Capital Market Ltd Client Id. 10004296).
7. 10,374 shares on 12.08.05 to Dipak Jashvantlal Panchal C/o Grace Investment, 402 -403 Shashwat Opp Gujarat College Ellisbridge, Ahmedabad-380006 (DP: ASE Capital Market Ltd. Client Id.10005706)
8. 11,00,000 shares on 13.08.05 to Bhanuprasad Dipakkumar Trivedi, 802 Bageshree Appartments, Satellite Road,Nr. Fun Republic Ahmedabad-380015 (DP: Khandwala Integrated Financial Services Ltd. Client Id. 10147757)

Roopalben Nareshbhai Panchal. – KSBL/1301440000307503 received 266 shares each from 14790 dematerialized accounts aggregating to 3934140 shares and 532 shares each from 17 dematerialized accounts aggregating to 9044 shares aggregating to a total of 39,43,184 shares on 11.08.05. Transferred out 38,91,654 shares on 11.08.05, 12.08.05 and 13.08.05.



4.7. Curiously, as per the dematerialized account data furnished by CDSL, out of the 14,807 dematerialized accounts from which Roopalben Panchal had received IDFC shares through off-market transactions on August 11, 2005 i.e. prior to the date of listing on the stock exchanges, as many as 4946 entities have their address as 307, Shashwat Opp. Gujarat College Ellisbridge, Ahmedabad - 380006, 4990 entities have their address as 406, Shashwat Opp. Gujarat College Ellisbridge, Ahmedabad-380006 and 4871 entities have their address as Office No.403, Shashwat Bldg. Nr. Hotel Kanak Ellisbridge, Ahmedabad -380006. It may be noted that the address of Ms. Roopalben Panchal as provided by CDSL is 402-403 Shashwat Opp Guj College Ellisbridge,-380006. Curiously, all the 14,807 dematerialized account-holders have their bank accounts with Bharat Overseas Bank Ltd., Ahmedabad and dematerialized accounts with Karvy-DP. Also, all the 14,807 dematerialized accounts with Karvy-DP have been opened on July 15-16, 2005. Further, the bank account details of all the above dematerialized account-holders show that the BhOB bank account numbers apparently bear continuous serial numbers running from 9550-1 to 9550-15000 (with minor breaks in between).

4.8. It was further observed that out of the above 14,807 dematerialized accounts, 996 dematerialized account-holders have their last names as “Zala”, 987 as “Rathod”, 976 as “Vania”, 976 as “Patil”, 936 as Ranka, 1000 as “Pandya”, 1000 as “Desai”, 999 as “Rathi”, 1000 as “Verma”, 991 as “Gandhi”, 995 as “Trivedi”, 1000 as “Barot”, 999 as “Vala”, 975 as “Pathak” and 977 as “Bhatt”. The above raises a suspicion that all the above 14,807 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 IPO shares to Roopalben Panchal on August 11, 2005 in off market transactions prior to the date of listing and commencement of trading on the stock exchanges, in the same way as seen in the case of Yes Bank Ltd.

4.9. The facts as discussed above raise suspicion as to the genuineness of these 12,257 NSDL dematerialized account-holders and 14,807 CDSL dematerialized

account-holders that have made off-market transfers to Roopalben Panchal. **It taxes my credence that a single individual can know as many as 27,064 entities and further manage to persuade all these 27,064 entities to make off-market transfers to her dematerialized account during the period immediately prior to the scheduled listing on the stock exchanges. It is simply fairy-talish.**

4.10. It is clear that all these 27,064 dematerialized account-holders have made IPO application in the IDFC IPO. A random sample of 50 applications (out of the above 27,064) was sought from Karvy-RTI and Karvy-RTI furnished to SEBI, copies of 49 application forms. The observations emerging from a perusal of these application forms, as discussed in a later paragraph, does support the suspicion that the above 27,064 IPO applicants are not genuine living persons. The follow-up move of Karvy-DP in the wake of Yes Bank Ltd. in starting the process of closing these dematerialized accounts, as narrated in a later paragraph, probably after trying to verify the existence of these dematerialized account-holders and realizing that they do not exist, also strengthens the doubt that these 27,064 dematerialized account-holders are fictitious.

9.0. Transactions in IDFC Shares by Sugandh Estates and Investments Pvt. Ltd. and its Associates

9.1. As per the information furnished by NSDL, the transaction statement of Sugandh Estates and Investments Pvt. Ltd. (“ Sugandh”) (DP : Karvy Stockbroking Ltd. Client Id 14405199) shows that on August 08, 2005 i.e. prior to the date of listing on the stock exchanges, it had received 266 shares each from 10178 dematerialized accounts and 532 shares each from 3 dematerialized accounts aggregating to a total of 27,08,944 shares in off market transactions from 10,181 dematerialized account-holders.

9.2. The details of the above 10,181 dematerialized account-holders were obtained from NSDL and the following observations emerged therefrom:

9.3.Out of the above 10,181 dematerialized account-holders as many as 9956 have their address as c/o SEIPL, 802 to 806, Abhijit-I, Mithakhali Circle, Ellisbridge, Ahmedabad – 380006 which is the same as that of Sugandh. The balance 225 have their address as A3 Vishal Flat, Nr. Rajnagar Club Lane, Ellisbridge, Ahmedabad – 380006 and these 225 dematerialized accounts have been opened on October 15-16, 2004. In respect of the 9,956 dematerialized account-holders having their address as that of Sugandh, the dematerialized accounts have been opened in different batches on various dates as below:

Sr. No.	Date of opening of dematerialized account	No. of accounts
1.	16.08.04	3836
2.	18.10.04	2129
3.	23.10.04	1555
4.	25.10.04	817
5.	16.10.04	624
6.	19.10.04	346
7.	17.08.04	295
8.	15.10.04	172
9.	20.10.04	100
10.	18.08.04	52
11.	27.10.04	10
12.	07.04.05	08
13.	26.10.04	07
14.	19.08.04	03
15.	20.09.04	01
16.	16.11.04	01
	Total	9956

9.4.Further, all the above 10,181 dematerialized account-holders have their bank accounts with Vijaya Bank Ambavadi Branch, Ahmedabad - 380015 and the bank

account numbers appear to run in continuous serial numbers of different batches e.g. 2071151 to 2071250 (100 nos.), 2072151 to 2072250 (100 nos.), 2073151 to 2073250 (100 nos.), 2074151 to 2074250 (100 nos.) and so on.

9.5. Subsequent to the receipt of shares as above, during August 08-12, 2005, Sugandh transferred 26,77,870 shares in 20 off-market transactions, the details of which are as below:

1. 4,90,504 shares on 08.08.05 and 532 shares on 12.08.05 to Sujal Leasing Pvt. Ltd. (Client Id. 10026812, DP: H Nyalchand Financial Services P Ltd.)
2. 46,550 shares on 08.08.05 to Excell Multitech Ltd. (Client Id. 10009317, DP: H Nyalchand Financial Services P Ltd.)
3. 2,51,902 shares on 09.08.05 and 266 shares on 12.08.05 to Taurus Infosys Ltd. (Client Id.10008962, DP: H Nyalchand Financial Services P Ltd.)
4. 73,150 shares on 09.08.05 to Zenet Software Ltd. (Client Id. 10009298, DP: H Nyalchand Financial Services P Ltd.)
5. 1,96,574 shares on 09.08.05 and 798 shares on 12.08.05 to Dushyant Natwarlal Dalal and Puloma Dushyant Dalal, Flat No 4 A Chandan 4th Floor, 62 B Dr Gopalrao Deshmukh Marg, Peddar Road, Mumbai - 400026 (Client Id. 40033412, DP: Karvy Stockbroking Ltd.)
6. 2,65,468 shares on 09.08.05 to Amadhi Investments Ltd., 13/14, Radhakunj Society, B/H Kamla Kamdhenu Hall, Drive In Road, Ahmedabad - 380052 (Client Id. 10154728, DP: Khandwala Integrated Financial Services Ltd.)
7. 79,800 shares on 09.08.05 to Ritaben R Thakkar, 19-20 Narayan Chambers, 3 Rd Floor, Ashram Road, Ahmedabad-380009 (Client Id. 10112980; DP: Khandwala Integrated Financial Services Ltd.)
8. 79,800 shares on 09.08.05 to Monal Y. Thakkar, 19-20-21, Narayan Chambers, 3rd Floor, Ashram Road, Ahmedabad - 380006 (Client Id. 10112752, DP: Khandwala Integrated Financial Services Ltd.)
9. 3,98,202 shares on 09.08.05 to Jayesh P Khandwala HUF, B-81, "Pariseema " Complex, C.G.Road, Ellisbridge, Ahmedabad - 380006 (Client Id.10000579, DP: Khandwala Integrated Financial Services Ltd.)

10. 1,99,234 shares on 09.08.05 and 266 shares on 12.08.05 to Seer Finlease Pvt. Ltd., H.N.House, 2nd floor, Nr. Old High Court Rly Crossing, Navrangpura, Ahmedabad – 380009 (Client Id. 10026774, DP: H Nyalchand Financial Services P Ltd.)
11. 66,234 shares on 09.08.05 to Vinod Modha, 502, Aniket, CG Road, Navrangpura, Ahmedabad - 380009 (Client Id. 10004691, DP: Karvy Stockbroking Ltd.)
12. 2,63,340 shares on 10.08.05 and 580 shares on 12.08.05 to Gautam N Jhaveri, 113, Kamdhenu Complex, Opp. Sahajanand College, Ambawadi, Ahmedabad - 380015 (Client Id.10045158, DP: ASE Capital Market Ltd.)
13. 2,63,606 shares on 11.08.05 and 1064 shares on 12.08.05 to Jitendra Lalwani, R-596 New Rajendra Nagar, New Delhi - 110060 (Client Id. 10153198 ,DP: Khandwala Integrated Financial Services Ltd.)

6.0.Transactions in IDFC Shares by Pushottam Ghanshyam Budhwani and his Associates

- 6.1.The transaction statement in the dematerialized account of Pushottam Ghanshyam Budhwani (“Purshottam Budhwani”), B/4, Panchsheel Building, Nath Pai Nagar, Ghatkopar (East), Mumbai-400077 (Client Id: 1202020000006413) held with DP Pratik Stock Vision Pvt Limited (“Pratik –DP”) and client ID: 130144000247208 held with Karvy-DP, was obtained from CDSL. It is seen that on August 8, 2005 Purshottam Budhwani received 266 shares each from 1121 and 226 shares from one entity, aggregating to 2,98,412 shares in his CDSL dematerialized account held with Pratik-DP through off-market transactions i.e. prior to the date of listing on the stock exchanges.
- 6.2. On August 12, 2005, Purshottam Budhwani had received through off-market transactions, 266 shares each from 2821 dematerialized account-holders and 532 shares from one dematerialized account-holder in his CDSL dematerialized account held with Karvy-DP. Thus, he had received in aggregate 7,50,918

shares through off-market transfers from 2822 dematerialized account-holders in his CDSL dematerialized account held with Karvy-DP.

- 6.3. Further, on August 12, 2005, Purshottam Budhwani had received 266 shares each from 172 dematerialized accounts aggregating to 45,752 shares in his dematerialized account held with Pratik-DP (Client Id: 1202020000006413) .
- 6.4. Thus on August 8, 2005 and August 12, 2005, Purshottam Budhwani had received 10,95,082 IDFC shares from 4116 dematerialized accounts in his CDSL dematerialized account held with Karvy-DP and Pratik-DP. Further, it is seen from the transaction statement of his dematerialized account Karvy-DP (Client ID: 1301440000247208) that Purshottam Budhwani had received IPO allotment of 266 shares.
- 6.5. It is seen that out of the above 4116 dematerialized account-holders that had made off-market transfers to Purshottam Budhwani on August 8, 2005 and August 12, 2005, 1294 holders have their dematerialized accounts with Pratik-DP and 2822 holders have their dematerialized accounts with Karvy-DP. All the 2822 dematerialized accounts held with Karvy-DP have been opened on the same date i.e. July 22, 2005.
- 6.6. Out of the above 4116 dematerialized account-holders, as many as 2631 have their address as B-2,Himalaya Society Milind Nagar, Asalfa Ghatkopar (West), Mumbai -400084 which is the same as that of Purshottam Budhwani (as per information furnished by CDSL), 737 have their address as Himalaya Parvatiya CHS, B-2, Govind Nagar, Ghatkopar (W), Mumbai – 400084, 589 entities have their address as B/4 Panchseel, Nath Pai Nagar, Ghatkopar (East), Mumbai-400077 which is the same as that of Purshottam Budhwani, 84 have their address as Room No.2, Crystal Premises, 2nd Floor, 3rd Road, Khar(West), Mumbai -400052, 73 have their address as Office 6 or 9 Samarpan Complex, Hiraghat, Section – 17, Ulhasnagar, Mumbai – 421003 and two have their address as Barrack – 1007, Section 17 (or) 23, Ulhasnagar, Mumbai - 421003. Also, all the 4116 dematerialized accounts have been opened in various batches on 11 different dates as detailed below:

Sr. No.	Date of Dematerialized account opening	No. of accounts
1.	26.06.03	110
2.	09.09.03	99
3.	10.09.03	100
4.	02.02.04	147
5.	12.03.04	199
6.	31.07.04	15
7.	13.10.04	424
8.	10.06.05	40
9.	14.06.05	18
10.	15.06.05	142
11.	22.07.05	2822
	Total	4116

6.7. Out of the above 4116 CDSL dematerialized account-holders that made off market transfers to Purshottam Budhwani, CDSL has provided bank account details in respect of 167 as under :

Sr. No.	Name of the Bank and Branch	No. of account holders
1.	HDFC Bank Ltd., Ghatkopar (E), Mumbai	02
2 .	HDFC Bank Ltd., Fort, Mumbai	95
3 .	HDFC Bank Ltd., Kalan (W)	42
4 .	ING Vysya Bank, Kohinoor Road Branch	28
	Total	167

6.8. Upon examining the transaction statement of the CDSL dematerialized account of Purshottam Budhwani held with Karvy-DP (client Id: 1301440000247208) it is seen that he had received IPO credit of 266 shares on August 06, 2005. Further, on August 12, 2005, he had received 7,50,918 shares through off-market transaction from various dematerialized accounts. It is seen that he had sold 5,00,000 shares on NSE and 1,59,600 shares on BSE. As per data obtained from NSE it is seen that Purshottam Budhwani has sold 5,00,000 shares on August 12, 2005 at an average rate of Rs. 61.05. Similarly as per the data obtained from

BSE, he has sold 1,59,600 shares on August 12, 2005 at an average rate of Rs. 64.60 per share.

- 6.9. From the transaction statement of Purshottam Budhwani's CDSL dematerialized account held with Pratik-DP (Client Id: 1202020000006413) it is seen that on August 12, 2005 he had made inter depository transfer of 15,000 shares to a NSDL dematerialized account (Client Id: 10108120, DP Id: IN 302201), on August 13, 2005 he had made inter depository transfers of 2,00,000 shares to client Id: 40033326 (DP Id: IN 302470) (1,44,000 shares) and to client Id: 10023690 (DP Id: IN 301604) (56,000 shares). He transferred 2,99,400 shares through off-market deals to various entities on 18/08/2005, he transferred 79,800 shares each to Manoj Chhavda, Prabhavati Chhavda and Parul Chhavda on 18/8/2005 who have their accounts with IndusInd Bank Ltd.
- 6.10. Based on information obtained from NSDL, it is seen that during August 10-13, 2005, Purshottam Budhwani had received 266 shares each from 632 dematerialized account-holders aggregating to 1,68,112 shares in his NSDL dematerialized account held with the DP Anagram Stock Broking Ltd. (Anagram- DP) (DP Id: IN302201 Client Id: 10093022). It is seen that out of these 632 dematerialized account-holders 239 have their dematerialized accounts with ING Vysya Bank Ltd. (DP Id: IN300610) and the balance 393 have their dematerialized accounts with HDFC Bank Ltd. (DP Id: IN301549). Further, out of the above 632 dematerialized account-holders as many as 628 have their address as B/2 Himalaya Soc, Milind Nagar, Asalfa, Ghatkopar (W), Mumbai-400084 which is the same as that of Purshottam Budhwani and the balance four have their address as Brij Enclave No. 1, Near Sawan Aashram, Balkeshwar Road, Agra-282005.
- 6.11. From the above discussions, it is seen that Purshottam Budhwani had received IDFC shares in his CDSL (Karvy-DP and Pratik-DP) and NSDL (Anagram- DP) dematerialized accounts through off-market transactions from as many as 4748 dematerialized account-holders.
- 6.12. In view of the above, the broader question of whether Purshottam Budhwani had indulged in similar modus operandi in other IPOs during the year 2005 was

examined by SEBI by obtaining data from the depositories. Based on the information obtained from NSDL and CDSL the following emerge:

6.13. Purshottam Budhwani has been using mainly three addresses in respect of dematerialized accounts opened in his name. The three addresses used by Shri Budhwani are as follows:

1. *B-2 Himalaya Society, Milind Nagar, Asalpha , Ghatkopar(W), Mumbai*
2. *B/4, Panchsheel Building , Barrister Nath Pai Nagar, Ghatkopar(E), Mumbai*
3. *Room No 2, Crystal Premises, 2nd Floor, 3rd Road, Khar(W), Mumbai – 400 052.*

6.14. Large number of dematerialized account-holders have any one of the above three addresses as their address and have received IPO allotments in various public issues. Curiously, after receiving the IPO allotments in various public issues they have transferred these IPO shares to Purshottam Budhwani through off market transactions, mostly prior to the date of listing on the stock exchanges. In a few cases, the off market transfers were also made on the day of listing or immediately after listing. As informed by NSDL the total number of dematerialized account-holders with NSDL who had any one of the three addresses mentioned above is 1036 nos. As informed by CDSL, about 4000 dematerialized account-holders that had made off-market transfers of IDFC shares to Purshottam Budhwani had one of the above three addresses.

6.15. Shri Budhwani has 22 dematerialized accounts through eight DPs in NSDL namely, Anagram Stock Broking Ltd, HDFC Bank , Citibank , SSKI Investor Services Pvt Ltd, Centurion Bank, Cholamandalam Securities, Karvy Stock Broking Ltd. and Kotak Securities Limited and 12 dematerialized accounts with 4 DPs in CDSL viz. BRICS Securities Ltd., Pratik Stock Vision Private Ltd., Mangal Keshav Securities Ltd. and Karvy Stock Broking Ltd. As regards the 1036 NSDL dematerialized account-holders mentioned above as having common addresses, it is observed that 607 dematerialized accounts have been

opened in HDFC Bank and 368 dematerialized accounts with ING Vysya Bank both DPs of NSDL.

6.16. As per information furnished by CDSL, as many as 8476 dematerialized account-holders have the same address as Purshottam Budhwani. These 8476 dematerialized account-holders have their dematerialized accounts with 23 different DPs and the largest number of 6312 out of the above 8476 dematerialized account-holders have their dematerialized accounts with Karvy – DP.

6.17. It is seen that Purshottam Budhwani has adopted a similar *modus operandi* as in the IDFC IPO in respect of various other IPOs during the year 2005 such as Suzlon Energy Ltd., SPL Industries Ltd., Shoppers' Stop, Provogue India Ltd., Nectar Lifesciences Ltd., IL&FS Investsmart Ltd., Gokuldas Exports Ltd., Gateway Distriparks Ltd. etc. The detailed investigation in the case of Purshottam Budhwani which is to follow will deal with the role of all the other players across the various IPOs

7.0. Transactions in IDFC Shares by Manojdev Seksaria and his Associates

7.1. In addition to Roopalben Panchal and / or Sugandh and / or Purshottam Budhwani, as per data furnished by CDSL, an other entity was also seen to have received IDFC IPO shares through off-market transactions from numerous dematerialized account transferors. It is seen that on August 12, 2005, one Manojdev Seksaria, 33 Maheshwar Niketan 5B Peddar Rd Mumbai 400026 having his dematerialized account with Karvy-DP (client ID: 1301440000051951) has received in his above mentioned dematerialized account 266 shares each from as many as 1989 dematerialized account-holders aggregating to 5,29,074 shares. It is further seen that 36 other dematerialized

account-holders having the same address as Manojdev Seksaria as above have also received shares in their respective dematerialized accounts on August 12, 2005 from various dematerialized account-holders. Further, all of these 36 dematerialized account-holders also have 'Seksaria' as their surname or part of their name. All the above Seksarias including Manojdev Seksaria having a common address and a common surname / part-name have together received 266 shares each from 2025 dematerialized account-holders aggregating to 538650 shares in off-market transactions on August 12, 2005. Since the shares of IDFC commenced trading on the stock exchanges only on August 12, 2005 and hence no market buyer could have received delivery from the exchange on August 12, 2005 (settlement is on T+2 basis) it stands to reason that the above 2025 dematerialized account-holders who made off-market transfers to the Seksarias on August 12, 2005 have received these shares through IPO allotment. For the same reasons as discussed earlier in the case of Roopalben Panchal, it is reasonable to suspect that the above 2025 dematerialized account-holders are either fictitious or benamis of Seksarias.

7.2. A summary of the details of dematerialized accounts that apparently served as conduits for cornering IDFC IPO shares for Roopalben Panchal, Sugandh, Purshottam Budhwani and Manojdev Seksaria is as below:

Name of the entity / particulars	Roopalben Panchal	Sugandh	Purshottam Budhwani	Manojdev Seksaria	Total
No. of dematerialized accounts	27,064 (14807 in CDSL and 12257 in NSDL)	10,181 (all in NSDL)	4748 (4116 in CDSL and 632 in NSDL)	1989 (all in CDSL)	43,982
No of IDFC shares	72,04,610	27,08,994	12,63,194	5,29,074	1,17,05,872

accumulated					
Name of the DP	Karvy-DP	Karvy-DP	Karvy-DP and Pratik-DP (CDSL) and Anagram-DP, ING-Vysya Bank and HDFC Bank (NSDL)	Karvy-DP	--
Name of the Bank	Bharat Overseas Bank	Vijaya Bank, Ambawadi Branch	HDFC Bank and ING-Vysya Bank	NA	--

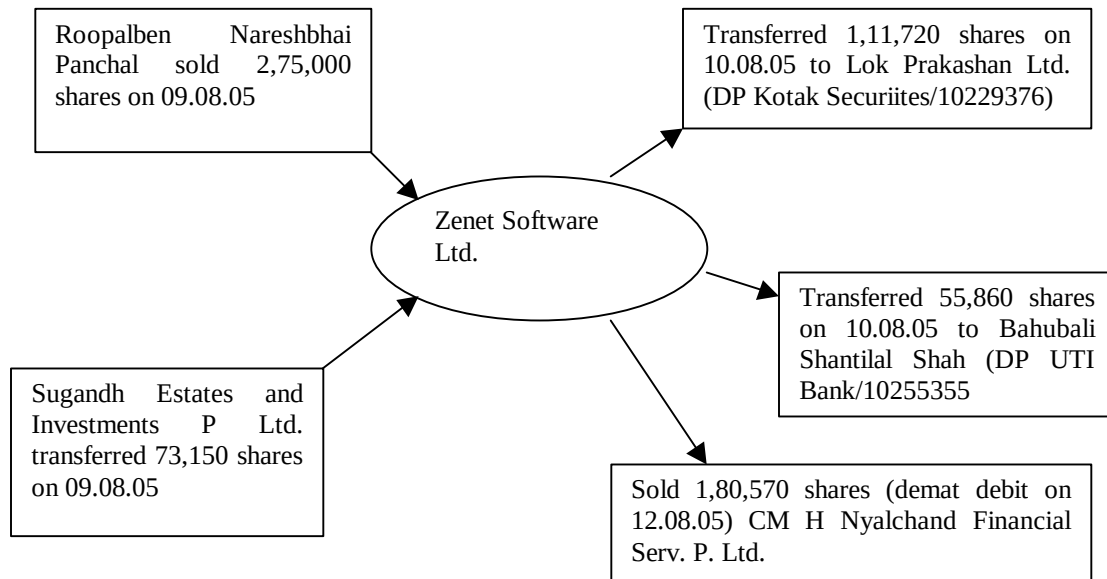
8.0. Examination of the transactions entered into by the other entities

8.1. At the outset, it is to be mentioned that the interim order seeks to highlight the role of the dominant players having regard to the scale of their operations. In the ensuing investigations all others who have contributed to the IPO abuse will be examined in extenso.

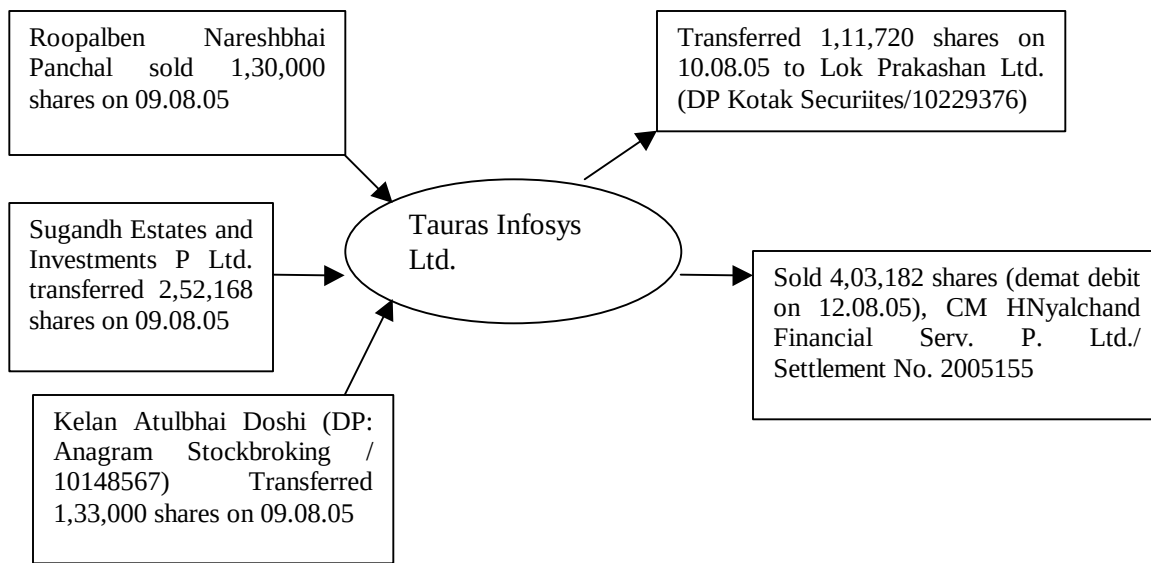
8.2. In the case of IDFC the dealings of some of the entities who have either made or received off market transfers to / from Roopalben Panchal, Sugandh and / or Manojdev Seksaria were examined and the findings are as below:

- 1) Zenet Software Ltd.: It received 2,75,000 shares from Roopalben Nareshbhai Panchal on 09.08.05 and 73,150 shares from Sugandh Estates and Investments P Ltd., it in turn transferred 1,11,720 shares to Lok Prakashan Ltd. (DP: Kotak Securities/ 10229376) on 10.08.05. It transferred 55,860 shares to Bahubali Shantilal Shah Gujarat Samachar Bhavan Khanpur Ahmedabad 380001 (DP: UTI Bank/10255355) on 10.08.05. It sold 1,80,570 shares on NSE on 12.08.05

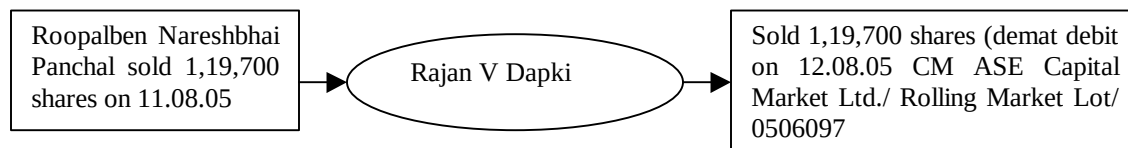
(CM H.Nyalchand Financial Serv. P. Ltd./ Settlement No. 2005155) at the rate of Rs. 62.30 per share.



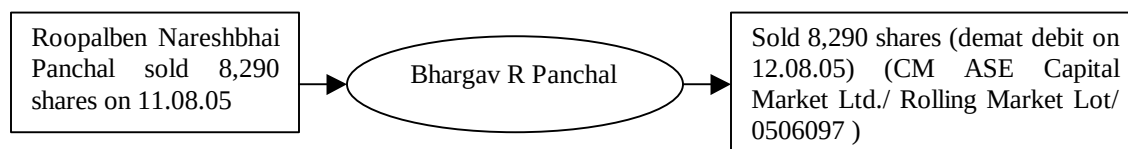
- 2) Tauras Infosys Ltd. : It received 1,30,000 shares from Roopalben Nareshbhai Panchal on 09.08.05 and 2,51,902 shares and 266 shares from Sugandh Estates and Investments P Ltd. on 09.08.05 and 12.08.05 respectively. Also, it received 1,33,000 shares from Kelan Atulbhai Doshi 68 Samast B Society Opp. Pinakin Society Paldi Ahmedabad 380007 (DP: Anagram Stockbroking / 10148567) on 09.08.05. It in turn transferred 1,11,720 shares to Lok Prakashan Ltd., Gujarat Samachar Bhavan Khanpur Ahmedabad 380001 (DP Kotak Securities/ 10229376) on 10.08.05. It sold 4,03,182 on NSE on 12.08.05 (CM H.Nyalchand Financial Serv. P. Ltd./ Settlement No. 2005155) at the rate of Rs. 65.28 per share.



- 3) Rajan V Dapki received 1,19,700 shares from Roopalben Panchal on 11.08.05 and sold the same on BSE (demat debit on 12.08.05 CM ASE Capital Market Ltd. /Rolling Market Lot/0506097) at the rate of Rs.64.54 per share.



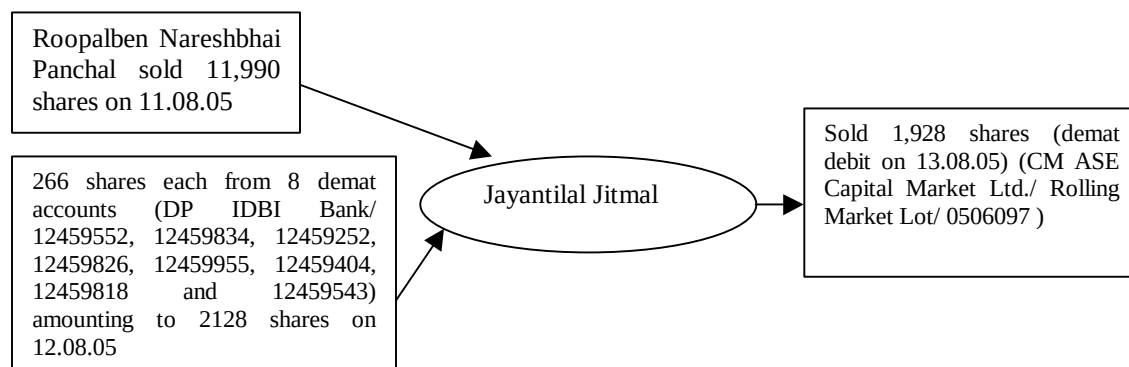
- 4) Bhargav R Panchal received 8290 shares from Roopalben Panchal on 11.08.05 and sold the same in the market on 12.08.05 (CM ASE Capital Market Ltd. /Rolling Market Lot/0506097)



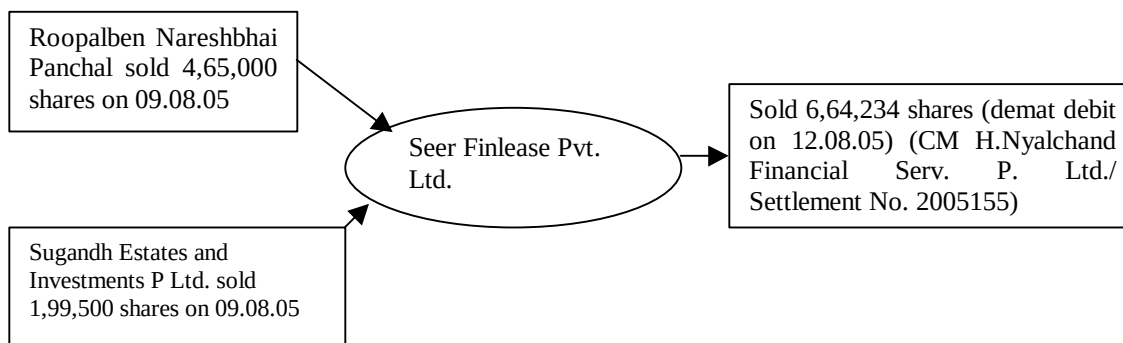
5) Jayantilal Jitmal received 11,990 shares from Roopalben Panchal on 11.08.05 and 266 shares each from 8 demat accounts amounting to 2128 shares on 12.08.05, the details of which are as below:

- 1) Gitaben Jagdishchandra Talati, 1665 Pali Ta Thasra Laxmi Soc., Sevalia Bazar-388245, (DP IDBI Bank/ 12459552)
- 2) Bahvnaben S Patel 1601 Pali Ta Thasra 16 Ashish Socitey Dist Kheda At Post Sevalia Tal Thasra-388245 (12459834)
- 3) Patel Jeetendrakumar Jashabhai, 1605, Pali Sevalia C P Patelrld Ashish Society Sevalia Bazar At Post Selavia -388245 (DP IDBI Bank/ 12459252)
- 4) Patel Durgaben J,1601 Pali Ta Thasra, 16 Ashish Socitey Dist Kheda At Post Sevalia Tal Thasra-388245 (DP IDBI Bank/ 12459826)
- 5) Sunitaben V Chaudhari1597 Kh Pali Tal Thasra Dist Kheda Ashish Socitey Sevalia- 388245 (DP IDBI Bank/ 12459955)
- 6) Nitaben A Shah, 236 Poli Rajapar, 14 Ashish Soc. Ta Thasra Di Khida-388245 (DP IDBI Bank/ 12459404)
- 7) Shah Rasiklal Babulal 1602 Pali Ta Thasra 14 Ashish Soc Dist Kheda Tal Thasra-388245 (DP IDBI Bank/ 12459543)
- 8) Shah Padmaben Rasiklal, 236 Pal Rajupar Ashish Soc, At Part Sevalia, Tal Thasra -388245 (DP IDBI Bank/ 12459818)

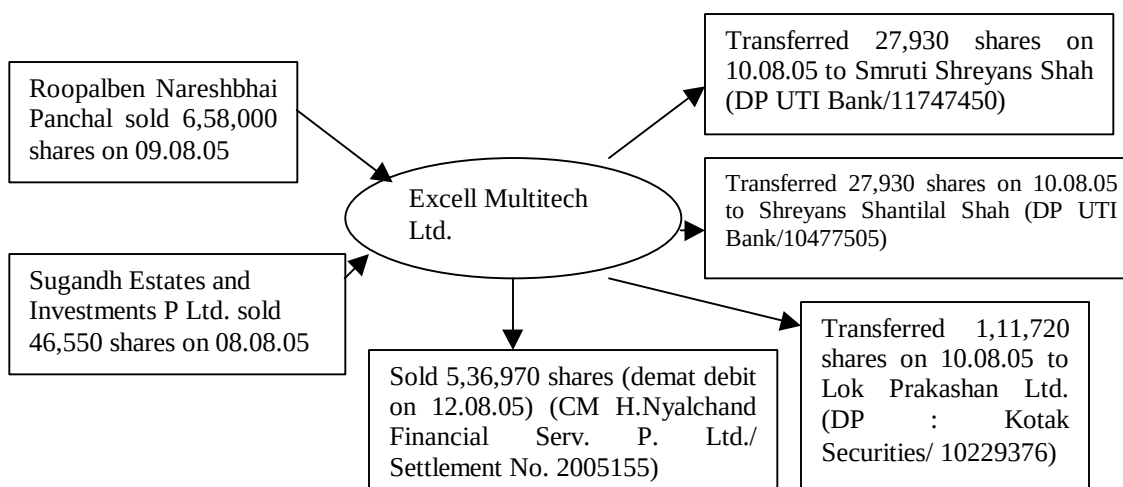
He in turn sold 1,928 shares in the market on 12.08.05 (CM ASE Capital Market Ltd. /Rolling Market Lot/0506097) at an average rate of Rs. 66.37 per share.



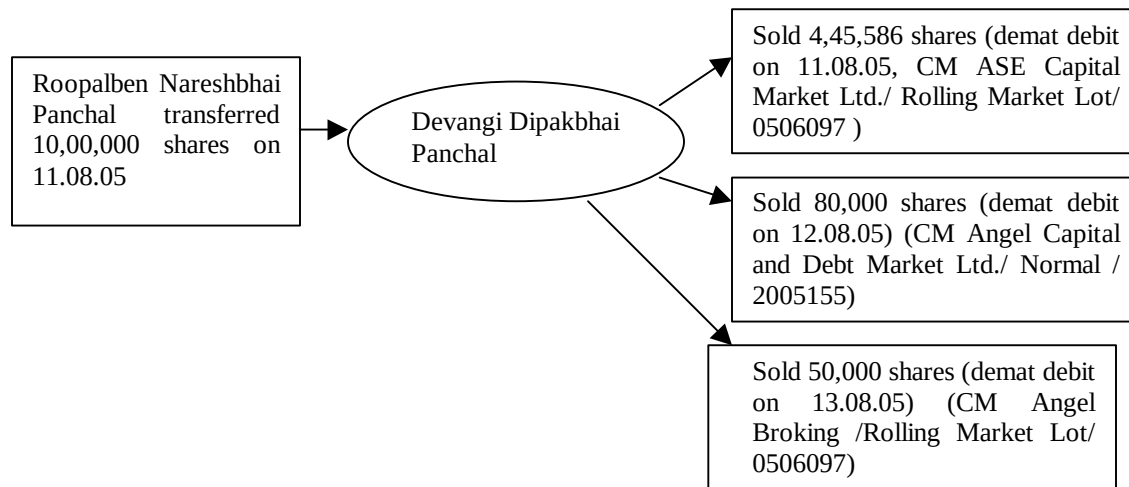
- 6) Seer Finlease P.Ltd. received 1,99,500 shares from Sugandh Estates and Investments P Ltd. on 09.08.05 and 4,65,000 shares from Roopalben Panchal on 09.08.05 and in turn sold 6,64,234 shares on NSE on 12.08.05. (CM H.Nyalchand Financial Serv. P. Ltd./ Settlement No. 2005155) at the rate of Rs. 67.32 per share.



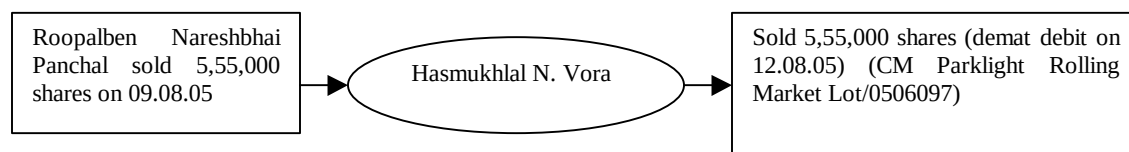
- 7) Excell Multitech Ltd. received 46,550 shares from Sugandh Estates and Investments P Ltd. on 08.08.05 and 6,58,000 shares from Roopalben Panchal on 09.08.05 and in turn transferred 27,930 shares to Smruti Shreyans Shah, Gujarat Samachar Bhavan, Khanpur, Ahmedabad - 380001 (DP UTI Bank/ 11747450) on 10.08.05, 27,930 shares to Shreyans Shantilal Shah, 607, ' Sakar'-I, Nr. Gandhigram Rly Station, Ashram Road, Ahmedabad – 380009 (DP UTI Bank/ 10477505) on 10.08.05, 1,11,720 shares to Lok Prakashan Ltd (DP : Kotak Securities/ 10229376) on 10.08.05. It sold 5,36,970 shares on NSE on 12.08.05 (CM H.Nyalchand Financial Serv. P. Ltd./ Settlement No. 2005155) at the rate of Rs. 65.56 per share.



- 8) Devangi Dipakbhai Panchal : She received 10,00,000 shares from Roopalben Panchal on 11.08.05 and in turn sold 4,45,586 shares on BSE at the rate of Rs. 68.51 per share (Demat Debit on 11.08.05, CM ASE Capital Market Ltd. /Rolling Market Lot/0506097), 80,000 shares on NSE on 12.08.05 (CM Angel Capital and Debt Market Ltd./ Normal / 2005155) at the rate of Rs. 62.58 per share and 50,000 shares in the market on 13.08.05 (CM Angel Broking /Rolling Market Lot/ 0506097) at the rate of Rs.56.61.

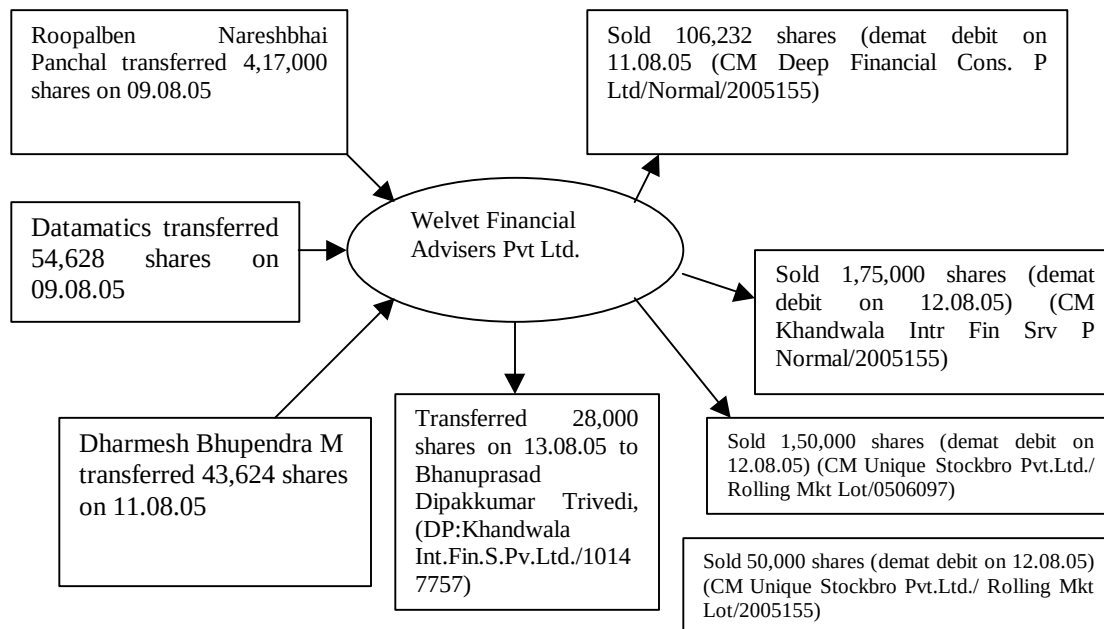


- 9) Hasmukhlal N. Vora, 20 Basant Bahar Nr. Purshottam Nagar Bus Standm, Bopal, Ahmedabad-380058 (DP: H Nyalchand Financial Services P Ltd client Id. 10026782) received 5,55,000 shares on 09.08.05 from Roopalben Panchal and sold the same in the market (CM Parklight Rolling Market Lot/0506097) (demat debit on 12.08.05) at the rate of Rs. 66.11 per share.



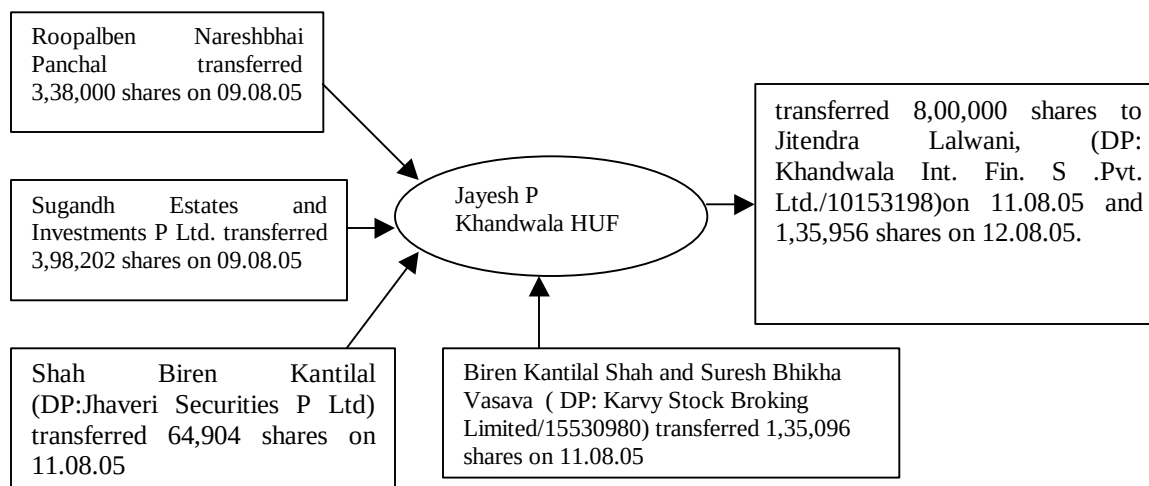
- 10) Welvet Financial Advisers Pvt Ltd., B-25/A 68, Gate No 6 Malwani, Malad (West), Mumbai - 400095 (DP: Khandwala Integrated Financial Services Ltd.

Client Id. 10148905) received 4,17,000 shares on 09.08.05 from Roopalben Panchal, 54,628 shares from Datamatics Technologies Ltd., Knowledge Centre, Plot No. 58, Street No. 17, MIDC, Andheri (E), Mumbai – 400093 (DP: Navratan Cap.And Sec.Pvt. Ltd./10019296) on 09.08.05 and 43,624 shares from Dharmesh Bhupendra M, Kailash Nivas 2, Block No. 39, 6th Floor, Mehta Road, Ghatkopar (E), Mumbai – 400077 (DP: Karvy Stock Broking Ltd./ 40081967) on 11.08.05. It in turn sold 106,232 shares on 12.08.05 on NSE at the rate of Rs. 61.13 (CM Deep Financial Cons. P Ltd/Normal/2005155), 1,75,000 shares on 12.08.05 on NSE at the rate of Rs. 66.65 (CM Khandwala Intr Fin Srv P Normal/2005155), 1,50,000 shares on BSE at the rate of Rs.68.63 (demat debit on 12.08.05) (CM Unique Stockbro Pvt.Ltd./ Rolling Mkt Lot/0506097) and 50,000 shares on NSE on 12.08.05 at the rate of Rs. 68.01 (CM Unique Securities/ Normal/2005155) and transferred 28,000 shares on 13.08.05 to Bhanuprasad Dipakkumar Trivedi, (DP: Khandwala Int.Fin.S.Pvt.Ltd./10147757).



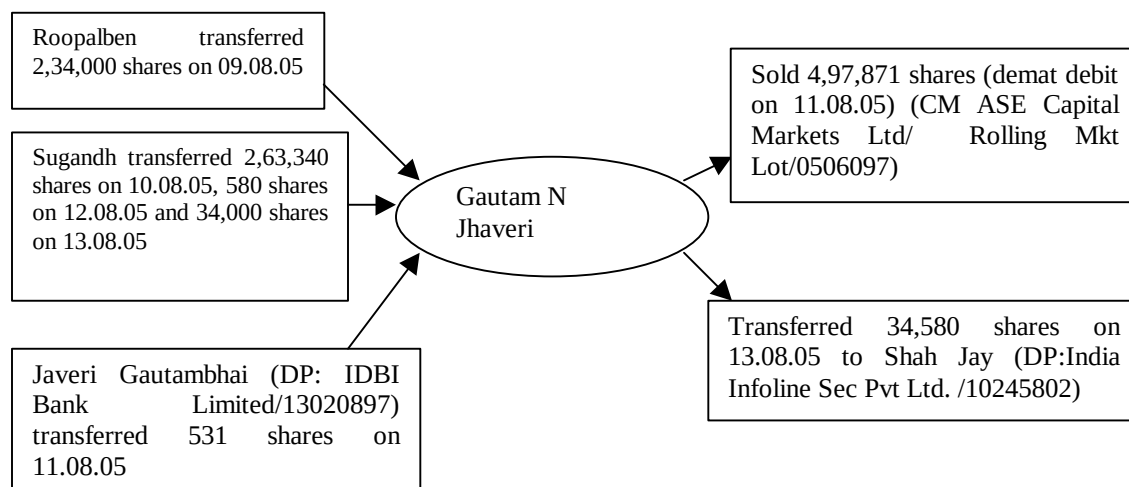
- 11) Jayesh P Khandwala HUF, B - 81, " Pariseema " Complex, C.G.Road, Ellisbridge, Ahmedabad - 380006 (DP: Khandwala Integrated Financial Services Ltd. Client Id. 10000579) received 3,38,000 shares on 09.08.05 from Roopalben Panchal, 3,98,202

shares on 09.08.05 from Sugandh Estates and Investments Pvt. Ltd., 64,904 shares on 11.08.05 from Shah Biren Kantilal, 23 Payal Complex, SayajiGunj, Baroda – 390005 (DP: Jhaveri Securities P Ltd/10258111) and 1,35,096 shares on 11.08.05 from Biren Kantilal Shah and Suresh Bhikha Vasava, 23 Payal Complex, SayajiGunj, Paldi, Baroda- 390005 (DP:Karvy Stock Broking Limited/15530980). He in turn transferred 8,00,000 shares to Jitendra Lalwani, R-596, New Rajendra Nagar, New Delhi – 110060 (DP: Khandwala Int.Fin.S.Pvt.Ltd./10153198) on 11.08.05 and 135956 shares on 12.08.05.



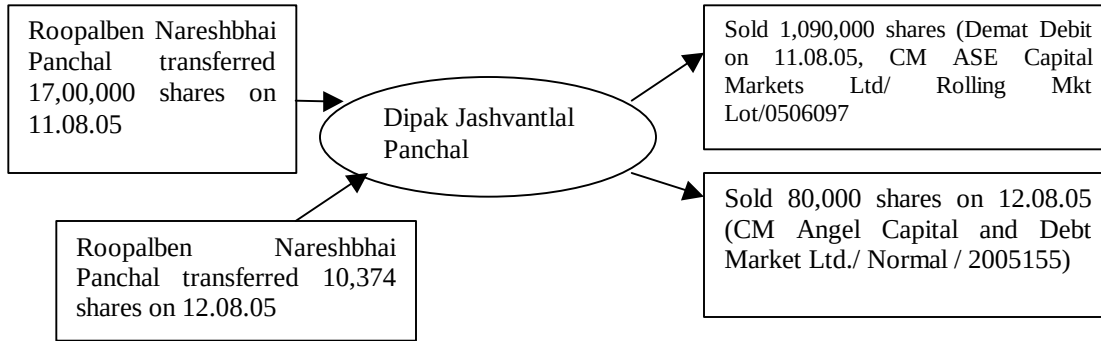
- 12) Gautam N Jhaveri, 113, Kamdhenu Complex, Opp. Sahajanand College, Ambawadi, Ahmedabad-380015 (DP: ASE Capital Market Ltd. Client Id. 10045158) received 2,34,000 shares from Roopalben Panchal on 09.08.05, 2,63,340 shares from Sugandh Estates and Investments Pvt. Ltd. on 10.08.05, 531 shares from Javeri Gautambhai, E-1, Real Flat, Vikasgruh, Ellisbridge, Ahmedabad – 380007 (DP:IDBI Bank Limited/13020897) on 11.08.05, 580 shares from Sugandh Estates and Investments Pvt. Ltd. on 12.08.05 and 34,000 shares from Sugandh Estates and Investments Pvt. Ltd. on 13.08.05. He in turn sold 4,97,871 shares on BSE at the rate of Rs. 68.32 (CM ASE Capital Markets Ltd/ Rolling Mkt. Lot/0506097) and 34,580 shares to Shah Jay, 1134, Girdharlal, No Khancho,

Khadia, Ahmedabad – 380001 (DP:India Infoline Sec Pvt Ltd. /10245802) (demat debit on 13.08.05).

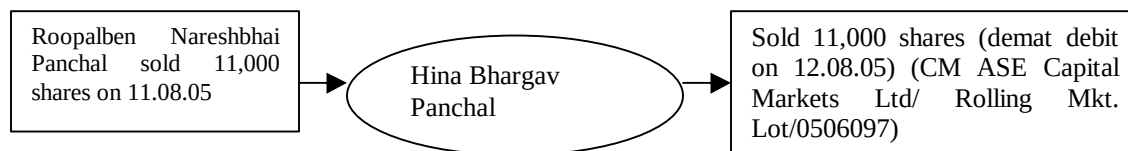


13) Shilpa Rajan Dapki, 163, Kamdhenu Complex, Panjara Pole, Ahmedabad- 380015 (DP: ASE Capital Market Ltd. Client Id.10029340) received 1,19,700 shares on 11.08.05 from Roopalben Panchal. She in turn sold all these shares on BSE at the rate of Rs. 63.06 (demat debit on 12.08.05) (CM ASE Capital Market Ltd./ Rolling Mkt. Lot/ 0506095).

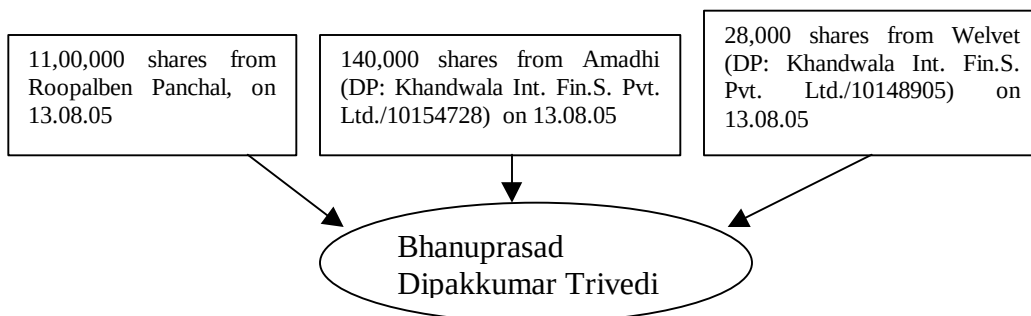
14) Dipak Jashvantlal Panchal C/o Dipak Jashvantlal Panchal HUF, 402-403 Shashwat Ellisbrige, Opp-Gujarat College, Ahmedabad - 380006 (DP: Karvy Stockbroking Ltd. Client Id. 11933474) received 17,00,000 shares from Roopalben Panchal on 11.08.05. He in turn sold 10,90,000 shares on BSE at the rate of Rs. 69.29 (demat debit on 11.08.05) (CM ASE Capital Markets Ltd/ Rolling Mkt Lot/0506097) and 80,000 shares on 12.08.05 on NSE at the rate of Rs. 66.68 (CM Angel Cap And Debt Mkt Ltd./ Normal/2005155).



- 15) Hina Bhargav Panchal, 15 Suryadeep Bunglows, B/S.Takshashila Towers Vastrapur, Ahmedabad-380015 (DP: ASE Capital Market Ltd Client Id. 10160406) received 11,000 shares on 11.08.05 from Roopalben Panchal and sold the same (demat debit on 12.08.05) (CM ASE Capital Markets Ltd/ Rolling Mkt. Lot/0506097)



- 16) Bhanuprasad Dipakkumar Trivedi, 802 Bageshree Apartments, Satellite Road, Nr. Fun Republic Ahmedabad- 380015 (DP: Khandwala Integrated Financial Services Ltd. Client Id.10147757), received 11,00,000 shares from Roopalben Panchal, 140,000 shares from Amadhi Investments Ltd. (DP: Khandwala Int. Fin.S. Pvt. Ltd./10154728) and 28,000 shares from Welvet Financial Advisors Pvt. Ltd. (DP: Khandwala Int. Fin. S. Pvt. Ltd. /10148905) on 13.08.05.



- 17) Sujal Leasing Pvt. Ltd., Sujal Bungalows, Behind UCO Bank, Paldi, Ahmedabad-380007, (DP: H. Nyalchand Fin. Ser. Ltd. /10010440) has received 4,90,504 shares on 08.08.05 from Sugandh and sold all these shares on 12.08.05 on NSE at the rate of Rs. 68.79 through H. Nyalchand/Normal/2005155.
- 18) Dushyant Natwarlal Dalal and Puloma Dushyant Dalal, Flat No 4 A Chandan 4th Floor, 62 B Dr Gopalrao Deshmukh Marg, Peddar Road, Mumbai - 400026 (Client Id. 40033412, DP: Karvy Stockbroking Ltd.) has received 1,96,574 shares from Sugandh on 09.08.05 and sold all these shares to the dematerialized account Karvy-DP/ 40033429 on 11.08.05.
- 19) Amadhi Investments Ltd., 13/14, Radhakunj Society, B\H Kamla Kamdhenu Hall, Drive In Road, Ahmedabad - 380052 (Client Id. 10154728, DP: Khandwala Integrated Financial Services Ltd.) has received IPO allotment of 1,41,514 shares. Further, it received 2,65,468 shares on 09.08.05 from Sugandh and in turn transferred 2,65,468 shares to Jitendra Lalwani on 11.08.05 and also transferred 1,40,000 shares to Bhanuprasad Dipakkumar Trivedi on 13.08.05.
- 20) Ritaben R Thakkar, 19-20 Narayan Chambers, 3 Rd Floor, Ashram Road, Ahmedabad-380009 (Client Id. 10112980: DP: Khandwala Integrated Financial Services Ltd.) received 531 shares in IPO allotment, has received in off-market transactions 79,800 shares from Sugandh on 09.08.05 and 266 shares each from 33 dematerialized account-holders amounting to 8778 shares. She in turn sold 87,500 shares on 12.08.05 on NSE at the rate of Rs. 64.92 (CM Amrapali Capital & Fin, Normal/2005155)
- 21) Monal Y. Thakkar, 19-20-21, Narayan Chambers, 3rd Floor, Ashram Road, Ahmedabad - 380006 (Client Id. 10112752, DP: Khandwala Integrated Financial Services Ltd.) received 531 shares in IPO allotment, received in off market transactions 79,800 shares from Sugandh on 09.08.05 and a few hundred shares each from 6 dematerialized account-holders on August 12-13, 2005 and sold 69,846

shares on 12.08.05 on NSE at the rate of Rs. 65.85 through CM Amrapali Capital & Fin, Normal/2005155.

- 22) Vinod Modha, 502, Aniket, CG Road, Navrangpura, Ahmedabad - 380009 (Client Id. 10004691, DP: Karvy Stockbroking Ltd.) received 531 shares in IPO allotment and also received 66,234 shares in off market transaction from Sugandh on 09.08.05. He in turn sold 66,234 shares on BSE at the rate of Rs. 65.70 (demat debit on 11.08.05) through CM ASE Capital Markets Ltd Rolling Mkt Lot/0506097.
- 23) Kelan Atulbhai Doshi, 68 Samast B Society, Opp. Pinakin Society, Paldi, Ahmedabad- 380007 (DP: Anagram Stockbroking / 10148567), received 524,552 shares from KARVY STOCK BROKING LIM1/12501284 on 09.08.05 and in turn transferred 1,33,000 shares to Taurus on 09.08.05 and has also made few other off market transactions for fewer number of shares.
- 24) Jitendra Lalwani, R-596 New Rajendra Nagar, New Delhi - 110060 (Client Id. 10153198 ,DP: Khandwala Integrated Financial Services Ltd.) received 8,00,000 shares from Jayesh P Khandwala HUF on 11.08.05, 26,010 shares from KHANDWALA INT.FIN.S.PV.L/10000334 on 11.08.05, 2,63,606 shares from Sugandh on 11.08.05, 2,34,612 shares from KARVY STOCK BROKING LIM1/10004626 on 11.08.05 , 5,54,078 shares from KARVY STOCK BROKING LIM1/10004600 on 11.08.05, 26,010 shares from KHANDWALA INT.FIN.S.PV.L/10000318 on 11.08.05, 2,65,468 shares from Amadhi on 11.08.05, 52,024 shares from KHANDWALA INT.FIN.S.PV.L/10139974 on 11.08.05. He on 12.08.05 received 1,35,956 shares from Jayesh P Khandelwal HUF and 1064 shares from Sugandh and in turn sold 23,57,764 shares (CM Khandwala Intr Fin Srv P , Normal/2005155) (demat debit on 12.08.05)

9.0.Information obtained from the Registrar to the Issue (“RTI”)

9.1. Karvy Computershare Pvt. Ltd. (Karvy – RTI) had acted as the RTI to the IDFC Public Issue. 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.

9.2. Ms. Roopalben Panchal had applied for 1400 shares, making a payment of Rs. 47,600 vide cheque no. 773122 dated 22.07.05, drawn on Indian Overseas Bank, Stadium Road, Ahmedabad – 380009.

9.3. Out of the above 41,361 dematerialized account-holders that had made off market transfers to Roopalben Panchal, Sugandh and Purshottam Budhwani, 100 were randomly selected and Karvy-RTI was advised to furnish the copies of application forms received from these entities. Upon perusal of the copies of the application forms (99 nos.) furnished by the Karvy-RTI, it is seen that:

- 1) All the 24 dematerialized account holders (for which application forms have been furnished by Karvy-RTI) who have transferred shares to Roopalben Panchal in her CDSL account have mentioned their address as 402, Shahshwat, Opp Guj College, Ellisbridge, Ahmedabad, which is the address of Roopalben Panchal as per her CDSL account details. No details have been provided in respect of Bank Account or payment mode in all the above application forms.
- 2) Further the 25 dematerialized account holders who have transferred shares to Roopalben Panchal in her NSDL account have mentioned their address and Bank details as Indian Overseas Bank, Stadium Road Ahmedabad. Further all the above 25 entities have issued cheques apparently bearing continuous serial numbers, towards payment for the application
- 3) 25 dematerialized account holders who had transferred shares in the account of Sugandh Estates and Investments Pvt. Ltd. maintained with NSDL have mentioned their address as c/o SEIPL, 804, Abhijeet-I, Mithakhali Circle, Ellisbridge, Ahmedabad which is the same as the address of Sugandh as per the details provided by NSDL. All the above 25

entities have issued cheques apparently bearing continuous serial numbers drawn on Vijaya Bank, Ambavadi, towards payment for the applications.

- 4) 25 dematerialized account holders who had transferred shares in the account of Pushottam Budhwani maintained with CDSL have mentioned their address as B/2 Himalata Society, Milind Nagar Asalfa, Ghatkopar (W), Mumbai in their IPO application forms. Also, all these IPO applicants have issued cheques bearing various sets of continuous serial numbers (e.g. 378131 to 378141, 379157 to 379166, 378587 to 378590) drawn on HDFC Bank, Ghatkopar (E), Mumbai, towards payment for the applications.

9.4. Further, all these entities have applied for 1400 shares as their maximum bid for which they must have paid $1400 \times 34 = \text{Rs. } 47600$, probably being unaware of the amendment in the definition of the Retail Individual Investors. It may be noted that before the amendment, Retail Individual Investor was considered to be the one who invests not more than Rs. 50000 in a public offer. However vide SEBI Circular No. SEBI/CFD/DIL/DIP/15/2005/29/3 dated March 29, 2005, the limit has been enhanced from Rs. 50,000 to Rs. 1,00,000.

10.0. Observations on Karvy-DP inspection Report by NSDL & CDSL

10.1. As directed by SEBI in the context of 'Yes Bank Ltd.', NSDL and CDSL have inspected Karvy-DP and have submitted their respective inspection reports to SEBI. From the inspection reports the following major observations emerge:

- a) Karvy-DP has opened the accounts of the investors by obtaining the supporting documents mechanically and has not taken proper precautions to ascertain the identity or genuineness of the persons and execution of the DP-BO agreements.

- b) Karvy-DP has entirely relied upon the documents issued by the Scheduled Commercial Bank submitted by the investors as documents in support of "Proof of Identity" and "Proof of Address", even though the same persons opened BO accounts in different names.
- c) Karvy-DP has not exercised proper care and precautions while processing of the debit instruction slips for transfer of securities.
- d) Such slackness and deficiencies in procedures and manner of conducting the depository participant operations are not in conformity with the procedures prescribed by SEBI and the depositories and also the code of conduct stipulated for the depository participants and not in the interest of the investors.

The above confirms SEBI's preliminary findings and suspicion.

10.2. From the observations of the depositories, it is clear that there have been serious lapses on the part of Karvy-DP in the opening of dematerialized accounts as well as in the monitoring of the operations in these accounts. The applications for opening dematerialized accounts have been dealt with perfunctorily in gross disregard of KYC norms / due diligence with which account opening applications ought to have been processed. The management of Karvy has admitted that the process of KYC has been carried out mechanically. Karvy-DP collected the account opening documents through a sub-broker. When trouble arose, the sub-broker is not traceable. This is not a desirable state of affairs. In view of the serious lapses on the part of Karvy-DP and its abysmal failure to exercise due diligence, the depositories have instructed Karvy-DP to stop opening new accounts till it completely rectifies its earlier lapses in conducting due diligence.

10.3. Inspection / investigation of some of the concerned banks by RBI has also revealed significant irregularities in the opening of bank accounts and IPO funding by the concerned banks. It also helps to confirm SEBI's prima-facie findings. Further, the findings of RBI also strengthen the preliminary findings of

SEBI that the concerned DPs specifically Karvy-DP has actively facilitated the opening of dematerialized accounts in the name of fictitious/benami entities, in gross disregard of the extant procedure of verification.

11.0. Conclusion

11.1. IDFC came out with an IPO during July 2005. The retail portion of the issue was oversubscribed by 5.27 times and the non-institutional portion was oversubscribed by 56.53 times. The shares were credited to the allottees on August 5-6, 2005. The shares of IDFC were listed on stock exchanges on August 12, 2005.

11.2. On August 8, 2005 i.e prior to the date of listing on stock exchanges, Roopalben Panchal received in her dematerialized account (DP: Karvy-DP BO ID: 1301440000307503) held with CDSL 266 shares each from 14790 dematerialized accounts and 532 shares each from 17 dematerialized accounts aggregating to a total of 39,43,184 shares in off market transactions from 14,807 dematerialized account-holders.

11.3. Curiously, as per the dematerialized account data furnished by CDSL, out of the above 14807 dematerialized account-holders as many as 4946 have their address as 307, Shashwat Opp. Gujarat College Ellisbridge, Ahmedabad -380006, 4990 entities have their address as 406, Shashwat Opp. Gujarat College Ellisbridge, Ahmedabad-380006 and 4871 have their address as Office No.403, Shashwat Bldg. Nr. Hotel Kanak Ellisbridge, Ahmedabad -38006. It may be noted that the address of Roopalben Panchal as provided by CDSL is 402-403 Shashwat Opp Guj College Ellisbridge,-380006.

11.4. **Strangely, all the 14,807 dematerialized account-holders have their bank accounts with Bharat Overseas Bank Ltd., Ahmedabad and demat accounts with Karvy-DP. Also, all the 14,807 dematerialized accounts have been opened with Karvy-DP on July 15-16, 2005. Further, the bank account details of all the above dematerialized account-holders show that almost all these dematerialized account-holders have their bank accounts with BhOB**

and the bank account numbers apparently bear continuous serial numbers running from 9550-1 to 9550-15000 (with minor breaks in between).

- 11.5. A similar pattern as above was observed in respect of Roopalben Panchal's dematerialized account held with NSDL (DP: Karvy-DP Client Id 11920868). On August 08, 2005, she had received 266 shares each from 12253 dematerialized accounts aggregating to 32,59,298 shares and 532 shares each from 04 dematerialized accounts aggregating to 2,128 shares. Thus she had received a total of 32,61,426 shares from 12,257 dematerialized accounts in off market transactions.
- 11.6. All the above 12,257 dematerialized account-holders that had made off-market transfers to Roopalben Panchal have their dematerialized accounts with Karvy Stock Broking Ltd. and as many as 75 have their address as 34 Ketan Tower, Camp Road, Shahibaugh, Ahmedabad- 380004, which the same as that of Jayantilal Jitmal and the balance 12182 demat account holders have their address as 402-403, Shashwat, Opp. Gujarat College, Ellisbrodge, Ahmedabad . Almost all the dematerialized account-holders (for a few data is not available) have their bank accounts with BhOB. Also, all the 12,257 dematerialized accounts have been opened in various batches on 21 different dates
- 11.7. Copies of the application forms of 49 IPO applicants (out of above 14,807 CDSL dematerialized account transferors and 12,257 NSDL dematerialized account transferors to Roopalben Panchal) were randomly selected (25 nos. each were sought from Karvy-RTI in respect of NSDL and CDSL however, Karvy-RTI furnished copies of only 49 application forms) was examined. It was seen that all the 24 IPO applicants (holding their dematerialized accounts with CDSL) have mentioned their address as 402, Shahshwat, Opp Guj College, Ellisbrodge, Ahmedabad, which is the address of Roopalben Panchal as per her CDSL account details. The application forms apparently bear continuous serial nos. in different batches (e.g. running from 3016215-3016218, 2990772-2990776, 3016058 to 3016071 etc.). No details have been provided in respect of Bank Account or payment mode in all the above application forms.

- 11.8. Similarly, all the 25 IPO applicants who had made off-market transfers to Roopalben Panchal (and holding their dematerialized accounts with NSDL) have furnished “Indian Overseas Bank, Stadium Road, Ahmedabad” as their address. Further 24 out of the above 25 IPO applicants have issued cheques drawn on Indian Overseas Bank, Stadium branch, Ahmedabad and apparently bearing continuous serial numbers (775886 to 775910), towards payment for the application.
- 11.9. It is also seen that all the above 49 applicants have applied for 1400 shares each making payment of Rs.47,600/-.
- 11.10. Subsequent to the receipt of shares in her dematerialized account from thousands of entities as above, Roopalben Panchal has in turn transferred it to various entities with most of the transfers taking place prior to August 12, 2005 i.e. the date of listing on stock exchanges. It is seen that many of these entities have in turn either made further off-market transfers or sold the shares in the market.
- 11.11. A similar pattern of dealing in IDFC shares were observed in the case of Sugandh having its dematerialized account with NSDL ((DP: Karvy-DP Client Id 14405199). Sugandh had received 27,08,944 shares from 10,181 dematerialized account-holders on August 8, 2005 and in turn transferred most of these shares (i.e. 26,77,870 shares) to various entities who in turn have made further off-market transfers or sold the shares in the market.
- 11.12. Purshottam Budhwani having his dematerialized accounts with CDSL ((DP: Pratik –DP Client Id: 1202020000006413 and DP: Karvy-DP Client ID: 1301440000247208) and NSDL (DP Anagram Client Id: 10093022) was seen to have indulged in similar pattern of dealing in IDFC shares. Purshottam Budhwani had received 12,63,194 shares from 4748 dematerialized account-holders on August 8, 2005 and August 12, 2005.
- 11.13. Purshottam Budhwani has sold 6,59,600 shares on August 12, 2005 on BSE and NSE at rates ranging about Rs.61.05 – Rs. 64.60 and has also made some inter-depository transfers to certain NSDL dematerialized accounts.

- 11.14. SEBI obtained from Karvy-RTI copies of application forms in respect of 25 randomly selected IPO applicants that had made off-market transfers to Sugandh. It is seen that all these IPO applicants have mentioned their address as c/o SEIPL, 804, Abhijeet-I, Mithakhali Circle, Ellisbridge, Ahmedabad which is the same as the address of Sugandh as per the details provided by NSDL. All these addresses are stamped and stampings appear to have similar layout and design. Also, all the above 25 IPO applicants have applied for 1400 shares each making payments of Rs.47,600/- each and have issued cheques apparently bearing continuous serial numbers (from 291941 to 291965) drawn on Vijaya Bank, Ambavadi, towards payment for the IPO applications.
- 11.15. Similarly, SEBI examined 25 randomly selected IPO applications selected out of the 4116 dematerialized account-holders who made pre-listing off-market transfers to Purshottam Budhwani. It is seen that all these IPO applicants have mentioned their address as B/2 Himalata Society, Milind Nagar Asalfa, Ghatkopar (W), Mumbai which is the same as that of Purshottam Budhwani. Also, all these IPO applicants have issued cheques bearing various sets of continuous serial numbers (e.g. 378131 to 378141, 379157 to 379166, 378587 to 378590) drawn on HDFC Bank, Ghatkopar (E), Mumbai, towards payment for the applications.
- 11.16. Further the reports of inspection of Karvy-DP submitted to SEBI by NSDL and CDSL shows that 'Know your client' norms have not been adhered at all while opening the dematerialized accounts.
- 11.17. Further, Karvy's internal e-mail correspondences given as Annexure to the NSDL inspection report show that even during November 2005 the top management of Karvy-DP were aware of the issue of multiple dematerialized accounts opened with the same address. It appears that the management of Karvy-DP, on coming to know of the same in the wake of a query from SEBI in some other case had, as early as November 2005, internally decided to process these multiple dematerialized accounts bearing the same address for closure. The above goes to confirm that Karvy-DP had knowledge about the fictitious nature of such multiple accounts.

- 11.18. Also, some of the documents collected by CDSL during the course of inspection show that Karvy-DP has obtained letters purported issued by the concerned banks such as Bharat Overseas Bank as proof of identity and proof of address of the person for the purpose of opening dematerialized accounts. It is seen that one branch manager has on the same date signed as authorized signatory of different branches of the bank. This raises a doubt as to the authenticity of the bank documents obtained by Karvy-DP for opening dematerialized accounts. SEBI is making reference to RBI regarding such apparent irregularities in the bank documents submitted to Karvy-DP for the purpose of opening the dematerialized accounts.
- 11.19. It is also noted that in view of significant irregularities noticed during the course of inspection of Karvy-DP, both NSDL and CDSL have directed Karvy-DP not to open new dematerialized accounts till the issue of verifying the genuineness of multiple dematerialized account-holders having the same address is addressed to the satisfaction of the depositories.
- 11.20. The above facts cast grave doubts as to the genuineness of the thousands of IPO applicants who have apparently furnished the address of Roopalben Panchal or Sugandh or Purshottam Budhwani as their address. The findings of the investigation/Inspection of the concerned banks by RBI has fortified the initial findings of SEBI that Karvy-DP has actively colluded with the above entities in opening multiple/benami bank accounts and dematerialized accounts in the names of fictitious persons.
- 11.21. Even presuming for the sake of argument that these dematerialized account-holders do exist, 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, Sugandh, Purshottam Budhwani and Manojdev Seksaria. Since Roopalben Panchal and Sugandh have in turn transferred the shares to various other entities, it is

suspected that Roopalben Panchal and Sugandh were themselves merely a front for financiers.

11.22. 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 IDFC received the highest number of share applications in the category of 1400 shares. 2,54,828 applicants had applied for 35,67,59,200 shares accounting for 47.93% of the IPO applications received. Hence, the highest proportion of allotment in the retail portion was made in the category of 1400 shares. Accordingly, 2,54,828 applicants in this category got allotment of 6,77,84,248 shares representing 47.99% of the 14,12,60,000 shares allotted in the retail portion of the issue.

11.23. **Out of the above 2,54,828 applicants that had applied in the 1400 shares category and had received allotment in the IPO of IDFC, as many as 43,982 applicants representing 17.26% of the number of applicants that had made off-market transfers to Roopalben Panchal, Sugandh, Purshottam Budhwani and Manojdev Seksaria appear to be fictitious. Also, the above suspected fictitious applicants had received IPO allotment of about 1,17,05,872 shares representing about 8.29% of the retail portion of 14,12,60,000 shares of the IDFC IPO.**

11.24. In order to maximize the possibility of getting allotment, all these 41,361 applicants acting together would necessarily need to apply in the same category. It is seen from the random sample of 99 applications that this was indeed the case. All these applicants had applied for 1400 shares each paying application money of 47,600/- each.

11.25. The fact that all the IPO allottees made off-market transfer of these shares immediately after receiving allotment and prior the listing of shares on the stock exchanges to the dematerialized account of Roopalben Panchal, Sugandh, Purshottam Budhwani and Manojdev Seksaria gives rise to the prima facie view that these entities were either fictitious or were just lending names for Roopalben Panchal, Sugandh, Purshottam Budhwani and Manojdev Seksaria and their associates.

- 11.26. 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.
- 11.27. It appears that unfair gain has been made by abusing the IPO allotment process and cornering the shares meant for the retail applicants. It appears that Roopalben Panchal, Sugandh, Purshottam Budhwani, Manojdev Seksaria 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 Purshottam Budhwani 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.
- 11.28. What is equally reprehensible is the unjust enrichment by a few masquerading in the retail category at the cost of genuine retail investors, who have been crowded out by the “hyperplasia” engineered and induced by the machinations of a few to monopolise the retail segment through colorable devices and make-believe arrangements. **The entire gamut of elaborate game-plan of queering the pitch in the market is driven by base cupidity to wangle a patently unfair gain.**
- 11.29. Further probe is required for examining the systemic fault, if any, of the registrar Karvy-RTI i.e. Karvy Computer Shares P Ltd. and the lead managers Kotak Mahindra Capital Company Ltd., DSP Merrill Lynch Ltd. and SBI Capital Markets Ltd. in identifying and weeding out the benami applications.

- 11.30. It appears that Karvy-DP relied on a sub-broker namely Deepak Panchal for the purpose of opening the above dematerialized accounts without conducting any due diligence of its own to verify the identity and address of thousands of dematerialized account-holders. The role of Karvy-DP and Pratik-DP in acting as facilitators for Roopalben Panchal, Sugandh, Purshottam Budhwani and Manojdev Seksaria needs further examination to ascertain whether it was gross negligence or blatant complicity that caused these SEBI registered intermediaries to fail in discharging their obligations.
- 11.31. The findings of preliminary enquiry as detailed above bring out a prima facie case of violation of Regulation 3 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003. SEBI is initiating formal investigations into the matter.
- 11.32. It appears that Roopalben Panchal, Sugandh, Purshottam Budhwani and Manojdev Seksaria have perfected the 'art' of IPO manipulation as evidenced by their apparent indulging in similar malfeasances in numerous other IPOs in the recent past. These are being examined by SEBI and appropriate action will be taken based on the findings.

12.0. Order

- 12.1. In the interim, in view of the grave emergency arising out of the conduct of parties with the added risk that such devious practices, if unchecked, would be continued with impunity 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:
- 12.2. The following entities are directed not to buy, sell or deal in the securities market, directly or indirectly, till further directions:

- i. Ms. Roopalben Nareshbhai Panchal
- ii. Sugandh Estates & Investments P Ltd.
- iii. Shri Purshottam Ghanshyam Budhwani
- iv. Shri Manojdev Seksaria

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

- i. Zenet Software Ltd.
- ii. Taurus Infosys Ltd.
- iii. Rajan Vasudev Dapki
- iv. Bhargav Ranchhodlal Panchal
- v. Jayantilal Jitmal
- vi. Seer Finlease Pvt. Ltd.
- vii. Excell Multitech Ltd.
- viii. Devangi Dipakbhai Panchal
- ix. Hasmukhlal N. Vora
- x. Velvet Financial Advisors Pvt. Ltd.
- xi. Jayesh P Khandwala HUF
- xii. Guatam N Jhaveri
- xiii. Shilpa Rajan Dapki
- xiv. Dipak Jashvantlal Panchal
- xv. Hina Bhargav Panchal
- xvi. Bhanuprasad Dipakkumar Trivedi
- xvii. Sujal Leasing Pvt. Ltd.
- xviii. Dushyant Natwarlal Dalal
- xix. Puloma Dushyant Dalal
- xx. Amadhi Investments Ltd.
- xxi. Ritaben R Thakkar
- xxii. Monal Y Thakkar

xxiii.	Vinod Modha
xxiv.	Kelan Atulbhai Doshi
xxv.	Jitendra Lalwani
xxvi.	Lok Prakashan Ltd.
xxvii.	Bahubali Shantilal Shah
xxviii.	Smruti Shreyans Shah
xxix.	Shreyans Shantilal Shah
xxx.	Datamatics Telecom Ltd.
xxxi.	Dharmesh Bhupendra M
xxxii.	Biren Kantilal Shah
xxxiii.	Suresh Bhikha Vasava
xxxiv.	Javeri Gautambhai
xxxv.	Jay Shah

12.4. NSDL and CDSL are directed to ensure that the dematerialized accounts which served as conduit for Roopalben Panchal, Sugandh, Purshottam Budhwani and Manojdev Seksaria are not utilized for manipulation of IPO allotment in future.

12.5. **Thousands of dematerialized accounts being opened on the same day with the same branch and being introduced by the same bank should have alerted the DPs at the time of opening of the dematerialized accounts. However the fact that DPs failed to exercise even this basic due diligence gives rise to a suspicion that they have actively colluded with the perpetrators. It is a matter of serious concern that Karvy-DP has opened such apparently benami / fictitious accounts working out to over 95% (42,056 nos) of the multiple dematerialized accounts in relation to IDFC IPO.** I note that Karvy-DP has already been directed by the depositories to verify the genuineness of the dematerialized account-holders and to close those dematerialized accounts where it is unable to verify the genuineness of identity and address of the dematerialized account-holders. The depositories have prohibited Karvy-DP from opening new dematerialized accounts till the above

process has been completed. I hereby direct Karvy-DP and Pratik-DP to complete the process of verifying the identity and address of dematerialized account-holders and to close / freeze the dematerialized accounts where they are unable to do the verification not later than January 31, 2006. Further, Karvy-DP and Pratik-DP shall put in place systems and procedures to ensure that in future no non-genuine dematerialized accounts are opened by them. Karvy-DP and Pratik-DP shall submit a detailed report to SEBI narrating the actions taken by them in this regard and also give an undertaking that the SEBI's above directions have been fully complied with. I further direct that Karvy-DP and Pratik-DP shall not open new dematerialized accounts till the submission of above report and undertaking to SEBI and obtaining a no-objection from SEBI for accepting fresh business as a DP.

12.6. Depositories and DPs have an agent-principal relationship in terms of the Depositories Act, 1996 entailing liability on them for the conduct of DPs. Also, Depositories being SEBI registered intermediaries under Section 2(e) of the Depositories Act, 1996 read with sub-section (1A) of Section 12 of SEBI Act, 1992 are charged with the responsibility of protecting the interests of investors.

12.7. This is the second time in the recent past when the opening of several thousands of dematerialized accounts in the name of fictitious persons with common address, without adhering to the KYC norms have come to my notice. Therefore there is an imperative need to constantly monitor securities flow in dematerialized accounts. The recurring disconcerting developments as above underscore the need that both NSDL and CDSL should assume greater responsibility in the interest of the investors and integrity of the market by getting real about such distortions with celerity of action. Further any system that is unable to identify and alert SEBI about multiple dematerialized accounts based on common addresses cannot be accepted. Accordingly, NSDL and CDSL are advised to set up a surveillance cell to detect abnormal and unusual flow of securities in the depository accounts maintained with them and submit periodical reports to SEBI.

- 12.8. SEBI is directed to conduct immediately inspection of Karvy-RTI as well as the merchant bankers associated with IDFC IPO namely Kotak Mahindra Capital Company Ltd, DSP Merrill Lynch Ltd and SBI Capital Markets Ltd. to ascertain the reasons for the systemic failure and also to determine the qualification of Karvy-RTI as a fit and proper person.
- 12.9. In the IPOs as examined by SEBI the rampant misuse of multiple bank accounts by name-lenders / non-genuine persons sharing common addresses have come to notice and the same needs to be taken note of for protecting the integrity of the market. Therefore, reference is being made to the Reserve Bank of India to examine the role of Bharat Overseas Bank, HDFC Bank, Indian Overseas Bank, ING Vysya Bank and Vijaya Bank in opening the bank accounts of these benami entities and apparently funding their IPO applications in the case of IDFC.
- 12.10. It appears that many of the DPs named in this order are also acting as brokers. The stock exchanges are advised to examine the role and involvement of brokers / sub-brokers by way of participation in IPOs either directly or indirectly and their dealings in the shares subsequent to listing.
- 12.11. 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.
- 12.12. 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: 12th January, 2006

G ANANTHARAMAN
WHOLE-TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA