

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

CONSENT ORDER

ON THE APPLICATIONS SUBMITTED BY

DEEP STOCKBROKING PVT. LTD.

IN THE MATTER OF

IRREGULARITIES RELATING TO INITIAL PUBLIC OFFERINGS

(CONSENT APPLICATION NOS. 130/2007 AND 207/2007)

1. As a part of its on going surveillance, SEBI had launched an investigation under Section 11C of the SEBI Act, 1992 into the dealings in the shares issued through Initial Public Offerings (IPOs) during 2003-05 before these were listed on the Stock Exchanges. The preliminary investigations, *prima facie*, revealed that a large number of dematerialized accounts with common addresses had been opened in benami or fictitious names with a view to cornering the shares meant for retail individual investors. A few financiers, including Deep Stockbroking Pvt. Ltd., (hereinafter referred to as applicant), provided money for making IPO applications in fictitious/benami names. The applicant was, therefore, alleged to have violated Section 12A of the SEBI Act, 1992, Regulation 3 of the SEBI (Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 and the provisions of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and to have made an unlawful gain of Rs.19,31,824/- in the process.
2. Based on these findings, SEBI passed an ad interim ex parte Order dated April 27, 2006, which was also the show cause notice, under Sections 11 and 11B of the SEBI Act, 1992 directing the applicant not to buy, sell or

deal in securities market, including IPOs, directly or indirectly, till further directions. The applicant submitted reply to the said show cause notice vide his letter dated August 7, 2006. Subsequently, SEBI confirmed its earlier directions against the applicant vide Order dated March 26, 2007. SEBI also initiated an adjudication proceeding under Chapter VI of the SEBI Act, 1992 against the applicant. The Adjudicating Officer issued show cause notice to the applicant on June 16, 2006. The Applicant submitted reply thereto vide his letter dated 7.8.2006 and attended personal hearings on various days, the last one being on 26.7.2007. On completion of investigations, SEBI issued a show cause notice dated July 4, 2008, under Sections 11 and 11B of SEBI Act, 1992.

3. While further proceedings in the matter were in progress, the applicant, vide letter dated September 23, 2008, proposed settlement of the pending proceedings through a consent order. The High Powered Advisory Committee, constituted by SEBI, considered the consent terms proposed by the applicant and, after considering the period of prohibition on buying, selling or dealing in securities undergone by the applicant since April 27, 2006, recommended the case for settlement. As per the terms of settlement, the applicant shall disgorge the unlawful gain of Rs. 19,31,824/- (Rupees nineteen lakh thirty one thousand eight hundred and twenty four only) made by him in the alleged irregularity and pay a sum of Rs 3,68,176/- (Rupees three lakh sixty eight thousand one hundred and seventy six only) towards settlement charges.
4. For the sole purpose of settling the matter on hand and without admission or denial of guilt on the part of applicant to the findings of fact or conclusion of law, the applicant has remitted a total sum of Rs.23,00,000/- (Rupees twenty three lakh only) comprising of Rs. 19,31,824/- (Rupees nineteen lakh thirty one thousand eight hundred and twenty four only) towards disgorgement and Rs.3,68,176/- (Rupees three lakh sixty eight

thousand one hundred and seventy six only) towards settlement charges vide demand draft No.023458 dated October 27, 2008, drawn on HDFC Bank, payable at Mumbai.

5. In view of the above, it is hereby ordered that this consent order disposes of the proceedings under Sections 11 and 11B of the SEBI Act, 1992 and the adjudication proceedings against the applicant and revokes the directions in the ad interim ex parte Order dated April 27, 2006 and confirmatory Order dated March 26, 2007 passed by SEBI to the extent such directions are against the applicant in the matter of IPO irregularities.
6. This order is without prejudice to the right of SEBI to take enforcement action, including commencing / reopening of the pending proceedings against the applicant, if:
  - a. any representation made by the applicant in this consent proceedings is subsequently discovered to be untrue;
  - b. the applicant breaches any of the consent terms or undertakings filed in this consent proceedings.
7. This consent order is passed on this day, the 4th November, 2008 and shall come into force with immediate effect.

**T. C. Nair**  
**Whole Time Member**

**M. S. Sahoo**  
**Whole Time Member**