

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA,
MUMBAI**

CONSENT ORDER

ON THE APPLICATION SUBMITTED BY

NIMISHA KADAKIA

IN THE MATTER OF

IRREGULARITIES RELATING TO INITIAL PUBLIC OFFERINGS

1. As a part of on going surveillance activity by SEBI into the various aspects of working of securities market, SEBI launched an investigation under Section 11C of the SEBI Act to look into the dealings in the shares issued through Initial Public Offerings (IPOs) before the shares are listed on the Stock Exchanges. The investigation revealed that a large number of dematerialized accounts with common addresses had been opened in the name of benami or fictitious entities and/or persons with a view to cornering the shares meant for retail investors. A few financiers provided money for making IPO applications in fictitious/benami names. On noticing these irregularities, SEBI had passed an ad interim ex parte Order dated April 27, 2006 directing the entities/ persons including the applicant who were alleged to have been responsible for the irregularities not to buy, sell or deal in securities market including IPOs, directly or indirectly, till further directions.

2. The applicant was identified as a financier in the said Order. She is alleged to have made a notional undue gain of Rs.2,65,789.35/- in the process. Proceedings under Section 11 and 11B and adjudication under Chapter VI of the Securities and Exchange Board of India Act, 1992 were initiated against the applicant. The Adjudicating Officer issued a show cause notice to the applicant on June 16, 2006. The said proceedings are pending against the applicant.

3. In the meanwhile, the applicant, vide letter dated June 16, 2008 proposed settlement of the pending proceedings through a consent order. Consent terms proposed by the applicant were placed before the High Powered Advisory Committee (HPAC) and the HPAC, after considering the period of prohibition on buying, selling or dealing in securities undergone by the applicant from April 27, 2006, recommended the case for settlement. As per the terms of settlement, the applicant shall disgorge Rs. 2,65,790/- (Rupees Two Lakh Sixty Five Thousand Seven Hundred and Ninety only) being the notional undue gain and pay Rs.1,34,210/- (Rupees One Lakh Thirty Four Thousand Two Hundred and Ten Only) as the settlement charges. In addition, the applicant will undergo voluntary ban of additional three months from dealing in the securities market. The said terms of settlement were communicated to the applicant vide letter dated July 29, 2008.

4. For the sole purpose of settling the matter on hand and without admission or denial of guilt on the part of the applicant to the finding of fact or conclusion of law, the applicant has remitted a sum of Rs.4,00,000/- (Rupees Four Lakh only) vide Demand Draft No.223400 dated July 31, 2008 drawn on HDFC Bank, Mumbai towards the terms of the consent in the matter.

5. In view of the above, it is hereby ordered that this consent order disposes of the proceedings under Section 11 and 11B of the SEBI Act, 1992 and revokes the directions in the Ex parte ad interim Order dated April 27, 2006 passed by SEBI to the extent such directions are against the applicant in the matter of investigations in IPO irregularities. The Adjudicating Officer will pass a separate order disposing of the adjudication proceedings.

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 SEBI finds that :

a. any representations made by the applicant in the consent proceedings are subsequently discovered to be untrue.

b. the applicant has breached any of the clauses / conditions of undertakings/waivers filed during the current consent proceedings.

7. This consent order is passed on this the 12 day of August 2008 and shall come into force with immediate effect.

T.C.Nair

Whole Time Member

M.S.Sahoo

Whole Time Member

CONSENT ORDER IN THE ADJUDICATION PROCEEDINGS AGAINST NIMISHA KADAKIA IN THE MATTER OF IRREGULARITIES RELATING TO INITIAL PUBLIC OFFERINGS.

1. Securities and Exchange Board of India (hereinafter referred to as “SEBI”) vide order dated May 25, 2006 initiated adjudication proceedings against Nimisha Kadakia (hereinafter referred to as “applicant”). I was appointed as Adjudicating Officer to inquire into and adjudge under Section 15 I read with Section 15 HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “SEBI Act”), the violations alleged to have been committed by applicant.
2. In the investigation conducted by SEBI into the dealings in the shares issued through Initial Public offerings (IPOs) by certain companies, it was observed that many entities cornered / acquired shares in the various IPOs during the period 2003-2005 by making fictitious applications in the category reserved for retail investors using the medium of thousands of fictitious / benami applicants. The said key operators were being funded during the IPOs by certain financiers who provided money to the operators for making IPO applications in fictitious / benami names. It is alleged that the applicant acted as a financier to the Key Operators who had opened many demat accounts in fictitious and benami names and made large number of applications in the IPOs in the category of retail investors.
3. In response to the show cause notice A&E/BS/69486/2006 dated June 16, 2006 issued in the adjudication proceedings, the applicant made an application dated 16th June 2008 along with an affidavit of “undertakings / waivers” in the matter in terms of SEBI Circular no. EFD/Cir-1/2007 dated April 20, 2007. In the above application, the applicant proposed consent

terms where the applicant without admitting or denying guilt and subject to the clauses of the undertakings and the waivers proposed to offer Rupees Two Lakh Sixty Five Thousand Seven Hundred and Ninety (Rs. 2,65,790) towards consent terms and Rupees One Lakh Thirty Four Thousand Two Hundred and Ten (Rs. 1,34,210) towards settlement charges in respect of the consent application number 786 of 2008 made by the applicant in the matter. Further the applicant also undertook a voluntary ban of additional three months from dealing in the securities market.

4. The consent terms proposed by the applicant were placed before the High Powered Advisory Committee (hereinafter referred to as "HPAC") and the HPAC, after deliberation, recommended the case for settlement on payment of Rupees Two Lakh Sixty Five Thousand Seven Hundred and Ninety (Rs. 2,65,790) towards consent terms and Rupees One Lakh Thirty Four Thousand Two Hundred and Ten (Rs. 1,34,210) as settlement charges and an additional ban of three months from dealing in the securities market.

5. In terms of the applicant's proposal, for the sole purpose of settling the matter on hand and without admission or denial of guilt on the part of the applicant to any finding of fact or conclusion of law, the applicant has remitted a sum of Rupees Four Lakh (Rs. 4,00,000) vide Demand Draft No. 223400 dated 31st July, 2008 drawn on HDFC Bank, Mumbai towards the terms of consent in the matter of proceedings before in respect of the present adjudication proceedings. This order is being issued in the adjudication proceedings initiated against the applicant vide show cause notice no. A&E/BS/69486/2006 dated June 16, 2006. In this regard it is noted that SEBI vide Order dated 12th August, 2008 disposed of the section 11B proceedings against applicants.

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

- (i) this consent order disposes of the present adjudication proceedings initiated vide show cause notice no. A&E/BS/69486/2006 dated June 16, 2006 against the applicant.
- (ii) passing of 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 SEBI finds that:
 - a. any representations made by the applicant in the consent proceedings are subsequently discovered to be untrue.
 - b. the applicant has breached any of the clauses / conditions of undertakings/waivers filed during the current consent proceedings.

7. This consent order is passed on this 14th day of August, 2008 and shall come into force with immediate effect.

Biju. S

Place: Mumbai

Adjudicating Officer