

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA,

MUMBAI

CONSENT ORDER

ON THE APPLICATIONS SUBMITTED BY

**SANJAY. R. SHAH, SANJAY RAMESHCHANDRA SHAH (HUF) AND
RAMESH CHIMANLAL SHAH**

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 applicants 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 applicants were identified as financiers in the said order. The applicants are alleged to have made notional undue gain of Rs.4,18,320/- 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 applicants. The Adjudicating Officer issued show cause notices to the applicants on November 17, 2006. The said proceedings are pending against the applicants.
3. In the meanwhile, the applicants, vide letters dated March 21, 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 applicants from April 27, 2006, recommended the case for settlement. As per the terms of settlement, the applicants shall disgorge Rs. 4,18,320/- (Rupees Four Lakh Eighteen Thousand Three Hundred and Twenty only) being the notional undue gain and pay Rs.61,680/- (Rupees Sixty One Thousand Six Hundred and Eighty only) as settlement charges. The said terms of settlement were communicated to the applicants 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 applicants have remitted a sum of Rs.4,80,000/- (Rupees Four Lakh Eighty Thousand Only) vide Demand Draft No.076920 dated August 5, 2008 drawn on Axis Bank payable at 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 applicants 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 applicants, if SEBI finds that :

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

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

7. This consent order is passed on this the 13th 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 SANJAY R. SHAH, SANJAY RAMESHCHANDRA SHAH (HUF) AND RAMESH CHIMANLAL SHAH 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 Sanjay R. Shah, Sanjay Rameshchandra shah (HUF) and Ramesh Chimanlal Shah (hereinafter referred to as "applicants"). 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 applicants.
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 applicants 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/69369/2006 dated June 15, 2006 and A&E/BS/69440/2006 dated June 16, 2006 issued in the adjudication proceedings, the applicants made an application dated 21st

March 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 applicants proposed consent terms where the applicants without admitting or denying guilt and subject to the clauses of the undertakings and the waivers proposed to offer Rupees Four Lakh Eighteen Thousand Three Hundred and Twenty (Rs. 4,18,320) towards consent terms and Rupees Sixty One Thousand Six Hundred and Eighty (Rs. 61,680) towards settlement charges in respect of the consent application number 598,599 and 600 of 2008 made by the applicants in the matter.

4. The consent terms proposed by the applicants 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 Four Lakh Eighteen Thousand Three Hundred and Twenty (Rs. 4,18,320) towards consent terms and Rupees Sixty One Thousand Six Hundred and Eighty (Rs. 61,680) as settlement charges.

5. In terms of the proposal submitted by applicants, for the sole purpose of settling the matter on hand and without admission or denial of guilt on the part of the applicants to any finding of fact or conclusion of law, the applicants have remitted a sum of Rupees Four Lakh Eighty Thousand (Rs. 4,80,000) vide Demand Draft No. 076920 dated 5th August , 2008 drawn on Axix Bank, payable at Mumbai towards the terms of consent in the matter of present adjudication proceedings. This order is being issued in the adjudication proceedings initiated against the applicants vide show cause notice no. A&E/BS/69369/2006 dated June 15, 2006 and A&E/BS/69440/2006 dated June 16, 2006. In this regard it is noted that

SEBI vide Order dated 13th 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/69369/2006 dated June 15, 2006 and A&E/BS/69440/2006 dated June 16, 2006 against the applicants.

(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 applicants, if SEBI finds that:

- a. any representations made by the applicants in the consent proceedings are subsequently discovered to be untrue.
- b. the applicants have breached any of the clauses / conditions of undertakings/waivers filed during the current consent proceedings.

7. This consent order is passed on this 18th day of August, 2008 and shall come into force with immediate effect.

Biju. S

Place: Mumbai

Adjudicating Officer