

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

**CONSENT ORDER**

**ON THE APPLICATIONS SUBMITTED BY**

**SUGANDH ESTATES & INVESTMENTS PVT. LTD.,**

**PARAG P. JHAVERI, KAMAL P. JHAVERI**

**AND**

**AMBUJA ESTATES & HOLDINGS PVT. LTD.**

**IN THE MATTER OF**

**IRREGULARITIES RELATING TO INITIAL PUBLIC OFFERINGS**

**(CONSENT APPLICATION NOs. 07-08-09-10/2007)**

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 were opened in benami names with a view to cornering the shares meant for retail individual investors. It was alleged that certain entities, including Sugandh Estates & Investment Pvt. Ltd. (SEIPL), Parag P. Jhaveri, Kamal P. Jhaveri and Ambuja Estates & Holdings Pvt. Ltd. (hereinafter referred to as 'applicants'), acted as key operators and that certain entities including Parag P. Jhaveri, acted as a financier in various IPOs to corner shares. It was, therefore, alleged that the applicants violated section 12A of the SEBI Act, 1992, regulation 3 and 4 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.
2. Based on these findings, SEBI initiated following enforcement actions:-
  - a. SEBI passed an ad interim *ex parte* Order dated April 27, 2006 under sections 11 and 11B of the SEBI Act, 1992 directing the applicants not to buy, sell or deal in securities market, including IPOs, directly or indirectly, till further directions. The directions in the interim order were confirmed in respect of Parag P Jhaveri, Kamal P Jhaveri and SEIPL vide Order dated May 09, 2007.
  - b. SEBI issued a post investigation show cause notice dated August 14, 2008 under section 11, section 11(4) read with section 11B of the SEBI Act, 1992. The applicants replied to the show cause notice vide letter dated September 20, 2008.

- c. SEBI initiated adjudication proceedings under chapter VI A of SEBI Act, 1992 against the applicants. The Adjudicating Officer issued a show cause notice to the applicants on June 07, 2006.
  - d. SEBI approved initiation of prosecution against SEIPL and Parag P. Jhaveri.
  - e. SEBI filed a criminal complaint with Special Court, CBI dated February 20, 2006 against various entities, including SEIPL and Parag P. Jhaveri.
  - f. SEBI filed a protest petition (MA No. 63/2008 on 24.01.2008) before CBI Special Court against non-inclusion of certain persons, including SEIPL, in the charge sheet filed by the CBI (Special Case No. 47/2007).
3. While further proceedings in the matter were in progress, the applicants, vide letters dated July 03, 2007, October 21, 2008 and December 12, 2008, proposed settlement of the pending proceedings through a consent order in terms of SEBI Circular No. EFD/ED/Cir-1/2007 dated April 20, 2007. The High Powered Advisory Committee, constituted by SEBI, considered the consent terms proposed by the applicants and, after considering the period of prohibition on buying, selling or dealing in securities already undergone by the applicants since April 27, 2006, and the facts and circumstances, recommended the case for settlement. As per the terms of settlement, the applicants shall disgorge the unlawful gain of Rs. 24,00,000/- (Rupees twenty four lakh only) made by them, pay a sum of Rs. 1,80,00,000/- (Rupees one crore eighty lakh only) towards settlement charges and undergo voluntary debarment for a period of 3 years from the date of consent order. Further, High Powered Advisory Committee recommended that this settlement shall dispose of all proceedings, except the proceedings before CBI (Para 2(e) above), against the applicants. SEBI accepted the recommendations of the Committee and communicated the same to the applicant vide letter dated December 17, 2008.
  4. For the sole purpose of settling the matter on hand and without admission or denial of guilt on the part of the applicants to the findings of fact or conclusion of law, the applicants, vide letter dated January 10, 2009, have undertaken to suffer the debarment and to pay the sum of Rs.2.04 crore. However, they have requested SEBI to permit them to sell shares in the following demat accounts held by them with M/s. Karvy Stockbroking Ltd, depository participant of NSDL, which were frozen pursuant to SEBI order dated April 27, 2006, to enable them to pay the aforesaid amounts to SEBI as they have no other source of income:

<b>Name of account holder</b>	<b>Demat account number</b>
Parag Jhaveri	10004600 (DP ID IN300394)
Kamal Jhaveri	10004626 (DP ID IN300394)
Ambuja Estates and Holding Pvt. Ltd	13997078 (DP ID IN300394)
Sugandh Estates and Investment Pvt. Ltd.	14405199 (DP ID IN300394)

5. Further, the applicants have submitted a list of shares along with specific quantities proposed to be sold through M/s. Khandwala Integrated Financial Services Pvt. Ltd. (designated broker), member of NSE from abovementioned demat accounts. The said list of shares proposed to be sold in terms of this order shall be sent by SEBI directly to NSE and NSDL seperately.

6. Therefore, in view of the facts and circumstances of the case, following directions are issued:-
  - a. NSDL shall permit operation of demat accounts (as mentioned in para 4) for the limited purpose of sale of the shares in the enclosed list. This is subject to any encumbrance/attachment by any Enforcement/Investigating Agency/Court on the shares stated in the list or by operation of law.
  - b. Depository Participant(DP) M/s. Karvy Stockbroking Ltd. of NSDL and the designated Broker M/s. Khandwala Integrated Financial Services Pvt. Ltd., member of NSE through whom the applicants intend to sell these shares are instructed to take prior clearance from NSDL to the effect that the shares proposed to be sold are free from any encumbrance. Further, they shall ensure that the total sale by the applicants should not exceed Rs. 2.04 crore in value net of brokerage.
  - c. The NSE, in coordination with the designated broker, shall ensure that entire sale proceeds (pay out) in respect of shares sold by the applicants are directly paid to SEBI within 7 days from the date of sale.
  - d. Applicants are directed to complete the sale of shares latest by February 20, 2009.
7. It is hereby ordered that with effect from March 1, 2009, subject to compliance with the directions issued at para 6, this consent order shall:
  - a. dispose of pending proceedings under sections 11 and 11B of the SEBI Act, 1992;
  - b. revoke the directions issued in the ad-interim confirmatory order dated May 09, 2007; and
  - c. dispose of pending adjudication proceedings in the matter of IPO irregularities against the applicants.
8. It is further ordered that:
  - a. No prosecution shall be filed against the SEIPL and Parag P. Jhaveri in respect of the alleged IPO irregularities.
  - b. SEBI shall file an application in the CBI Court, Mumbai for withdrawal of the Protest Petition No. 63/2008 against the SEIPL.
  - c. Applicants, SEIPL (PAN No.AACCS1085N), Parag P. Jhaveri (PAN No.AAKPJ5052F), Kamal P. Jhaveri (PAN No.AAKPJ5051G) and Ambuja Estates & Holdings Pvt. Ltd (PAN No.AABCA2992H) are debarred from dealings in securities in whatsoever manner for a period of 3 years starting from March 1, 2009.

9. A copy of this order shall be served on all stock exchanges, depositories, M/s. Karvy Stockbroking Ltd., DP of NSDL and M/s. Khandwala Integrated Financial Services Pvt. Ltd., member of NSE to ensure implementation of directions contained herein.
10. This order is without prejudice to the right of SEBI to take enforcement action, including reopening of the pending proceedings against the applicants, if:
  - a. any representation made by the applicants in this consent proceeding, is subsequently discovered to be untrue;
  - b. the applicants breach any of the consent terms or undertakings filed in this consent proceeding.
11. The directions issued in Para 6 shall come into force with immediate effect. The directions at para 7 and 8 shall come into force from March 1, 2009, only if the directions at para 6 are complied with. Otherwise they would automatically lapse and shall not be given effect to.

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

**Place: Mumbai**  
**Date: 10.02.2009**

**K. M. Abraham**  
**Whole Time Member**