BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: Order/GR/HK/2023-24/28520-28521)

UNDER SECTION 15 - I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995.

In respect of:

1 Shri Bhargav Panchal (PAN: AADHP0704R)
2 Smt Hina Bhargav Panchal (PAN: AFUPP7738M)

In the matter of irregularities committed in the IPO of several companies

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(The aforesaid entities are hereinafter individually referred to by their respective names/ Noticee numbers and collectively as "Noticees", unless the context specifies otherwise).

BACKGROUND

1. The Hon'ble Securities Appellate Tribunal ("**SAT**") vide its order dated June 06, 2023, set aside the Adjudication order dated October 22, 2019, passed against (hereinafter referred to as 'Bhargav Panchal'/ 'Bhargav R. Panchal/Noticee No.1') and Ms. Hina Bhargav Panchal (hereinafter referred to as 'Hina Panchal'/ 'Hina B. Panchal/Noticee No.2') in the instant matter and remanded the matter back stating *"…the impugned order cannot be sustained and is quashed. The matter is remitted to the AO to decide the matter afresh after giving an opportunity of hearing. Since the matter is old one, we direct the appellant to appear before the AO on June 20, 2023. The AO will thereafter decide the matter within four months."* This aforesaid direction emanated from the Appeal No. 466 of 2021 filed by Mr. Bhargav Panchal and Ms. Hina Panchal. In view of the aforesaid direction, present proceeding was initiated.

FACTS OF THE CASE

2. The Securities and Exchange Board of India (hereinafter referred to as "SEBI") had conducted investigations into the affairs relating to buying, selling and dealings in the shares of certain companies during their Initial Public Offerings (hereinafter referred to as 'IPOs') covering the period from the year 2003-2005.

3. The investigation, *prima facie* revealed that certain entities had opened large number of demat accounts and bank accounts which were in the names of non-existent persons or name lenders or were benami names with each application being of such a value so as to make it eligible for allotment under the retail category. These entities were referred to by SEBI as 'key operators' or 'master account holders'. It was observed that, subsequent to the allotment of shares in IPOs, the shares from the demat accounts of such fictitious/benami allottees were transferred in the demat account of key operators/ master account holders before the listing of such shares on stock exchange(s). The key operators transferred the shares through off market deals to financiers of this scheme or arrangement, to corner shares from the quota for retail investors in the IPOs of various companies and in some cases, they retained a portion for themselves.

4. The investigations also revealed that Noticee No.1 and Noticee No.2 had aided and abetted Mrs. Roopalben Nareshbhai Panchal (hereinafter referred to as "Roopalben Panchal'/ 'Roopalben N. Panchal'/ 'Roopal Panchal') who was one of the key operators, as a part of the 'Panchal group'. It was observed that the Noticees had acted in concert with Mr. Dipakbhai J. Panchal, Ms. Devangi D. Panchal, Ms. Roopalben Panchal and Mr. Arjav N. Panchal (hereinafter collectively referred to as "Panchal Group") who were involved as key operators in the scheme/ arrangement of cornering of shares in the IPO of IL&FS Limited, IDFC Limited (IDFC), Shoppers Stop Limited (Shoppers Stop), Gokaldas Exports Limited, Indraprastha Gas Limited, Jet Airways (India) Limited, Datamatics Technologies Limited (Datamatics), Nandan Exim Limited (Nandan), Yes Bank Limited (Yes Bank), SPL Industries Limited (SPL), National Thermal Power Corporation Limited (NTPC), Dishman Pharmaceuticals Limited (Dishman), Tata Consultancy Services Limited (TCS), Nectar Life Sciences

Limited (Nectar), Sasken communication Technologies Limited (Sasken), Amar Remedies Limited (Amar), Suzlon Energy Limited (Suzlon), FCS Software Solutions Limited (FCS), Gateway Distriparks Limited (Gateway), Patni Computers Limited (Patni) and TV Today Networks Limited (TV) during the period 2003-2005 from the category reserved from Retail Individual Investors ('RII').

5. SEBI had, therefore, initiated adjudication proceedings inter alia against the Noticees under Section 15HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act, 1992**") for the alleged violation of the provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 read with Regulations 3(a), (b), (c), (d) and 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations 2003 (hereinafter referred to as "**PFUTP Regulations**").

6. On examination of the alleged violations, Adjudicating Officer (hereinafter referred to as 'AO') vide Order dated October 22, 2019 ('earlier order') held that the Noticees had violated the aforesaid provisions, and had accordingly imposed a penalty of Rs. 25,00,000/- (**Rupees Twenty Five Lakhs only**) on Noticee No. 1 and Rs. 20,00,000/- (**Rupees Twenty Lakhs only**) on Noticee No. 2.

7. Subsequently, the Hon'ble SAT in Appeal No.466 of 2021 of the Noticees allowed the same on the ground of violation of the principles of natural justice that the hearing notice was never served upon them and no opportunity of personal hearing was provided. Accordingly, the impugned SEBI order dated October 22, 2019, was set aside by Hon'ble SAT vide an order dated June 06, 2023 and the matter was remitted back to the AO for passing a fresh order on merits after giving an opportunity of personal hearing to the appellants. Further, directed the appellant to appear before the AO on June 20, 2023 on which date the AO would conduct the personal hearing and from there onwards the matter would be proceeded in accordance with law.

APPOINTMENT OF ADJUDICATING OFFICER

8. Subsequent to the order dated June 06, 2023 passed by Hon'ble SAT and in furtherance of the direction given in the said order, the undersigned was appointed as Adjudicating Officer ("AO"), vide communication order dated June 09, 2023, in terms of Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "SEBI Adjudication Rules") read with Section 15-I of the Act to inquire and adjudge the aforesaid violations under Section 15HA of the SEBI Act, 1992.

SHOW CAUSE NOTICE AND PERSONAL HEARING

9. Separate Show Cause Notices dated June 15, 2006 (hereinafter referred to as **SCNs**) and Separate supplementary Show Cause Notices (hereinafter referred to as **SSCNs**) dated April 08, 2011, were issued inter alia to the Noticees in terms of Section 15-I of the SEBI Act, 1992 read with Rule 4 of the SEBI Adjudication Rules for the alleged violation of the provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 read with Regulations 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations.

10. Pursuant to the SAT direction in the matter, the Authorized Representative (AR) of the Noticees vide email dated 12/06/2023, enclosing his letter of authority had sought for inspection of documents. However, in response, vide email dated 14/06/2023 an opportunity of personal hearing was granted to the Noticees to appear before me on June 20, 2023, while informing that the Noticees's request for inspection of documents, was not acceded to since the documents relied upon were already provided to them.

11. As a result, the AR of the Noticees attended the personal hearing scheduled on 20/06/2023 and made submissions on their behalf. During the said personal hearing, the AR had requested for one week's time to file a reply in the matter and subsequently, submitted a common reply dated June 27, 2023 on behalf of the Noticees.

REPLY OF THE NOTICEE

12. The Noticees, vide their letter dated June 27, 2023, filed their common written submissions in response to the SCN, the contents whereof are summarized as given below:
    - The Noticees contended that the inspection of relevant documents sought was rejected, because of which they are unable to file proper, cogent and legal reply to the allegation made against them in the SCN and SSCN. In this way the Principle of Natural Justice has been grossly violated.
    - The Noticees refute and deny that they were part of any purported "Panchal Group", or were sharing common addresses with other entities of the Panchal Group. No documents have been provided in support of the same by SEBI. Therefore it is based on conjectures.
    - The Noticees also contended that there are no findings in the SCN to establish that they were in any way involved in opening of the fictitious bank / demat account or no finding is recorded which establishes the fact that their address had been used to open any fictitious bank/demat account. Nor has SEBI found any fund trail from their Bank Accounts to the Bank Accounts of other purported Panchal Group entities.
    - The Noticees have also contended that there was only one adverse finding against them, that we had received certain shares of IDFC, NTPC, TCS, Nandam Exim and FCS from Roopalben Panchal through off-market transaction and the same have been sold in the market. However, no documentary evidence has been annexed to substantiate the said finding.
    - The Noticees submit that the issue of SSCN dated 08-04-2014 by the erstwhile Ld. AO is gross misuse of law as the Ld. WTM had already passed Order dated 25-02-2011. Therefore, the SEBI was estopped from initiating a show cause notice relating to violations of the SEBI Act and SEBI PFUTP Regulations especially when that allegations were not included in the earlier show cause notice. The principle of estoppel will squarely apply in the instant case. Further, there is inordinate delay in the proceeding.
    - The Noticees submitted that they have already deposited the amount of disgorgement of Rs. 23,37,081/- (being Rs 15.58 lakhs unlawful gain + interest of

Rs 7.79 lakhs) with SEBI as directed by the Ld. WTM in his Order dated 25-02-2011 and have also undergone debarment for over 17 years from ex-parte interim order of Ld. WTM dated 27-04-2006.

ISSUES FOR CONSIDERATION

13. I have carefully perused the SCN, the documents/material available on record and submissions of the Noticees. The issues that arise for consideration in the present case are:

    i. *Whether the Noticees have violated the provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 read with Regulations 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations?*

    ii. *Whether the Noticees is liable for imposition of monetary penalty under Section 15HA of the SEBI Act?*

    iii. *If yes, then what should be the quantum of monetary penalty?*

14. Before I proceed further with the matter, it is pertinent to mention the relevant provisions of the SEBI Act, 1992 and PFUTP Regulations, alleged to have been violated by the Noticees. The same are reproduced below:

SEBI Act, 1992

"***Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.***

12A. No person shall directly or indirectly –

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the Rules or the Regulations made thereunder;"

PFUTP Regulations, 2003

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made thereunder;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange.

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made thereunder.

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

OBSERVATIONS AND FINDINGS

15. Before proceeding with the merits of the matter, it would be appropriate to first deal with the preliminary contention raised by Noticee, that the issue of SSCN dated 08-04-2014 by the erstwhile Ld. AO is gross misuse of law as the Ld. WTM had already passed Order dated 25-02-2011. Therefore, the SEBI was estopped from initiating a show cause notice relating to violations of the SEBI Act and SEBI PFUTP Regulations especially when that allegations were not included in the earlier show cause notice. The principle of estoppel will squarely apply in the instant case. Further, there is inordinate delay in the proceeding.

16. As regards the above mentioned contention of the Noticees, I note that the principle of estoppel is used when a particular proceeding has attained finality then the same cause of action cannot be litigated upon. However, it is stated that both the Adjudication proceedings and WTM proceedings are separate and independent of each other, where a competent authority has to come to a well-reasoned out conclusion after proper application of mind to the facts and legal issues. It cannot be held that the

consequences in one of the proceedings can be automatically followed in other proceedings without observing the statutory requirements laid down in respect of the each separate proceedings. Further, I note that in the event that a person violates the provisions of the SEBI Act and the regulations made thereunder, SEBI has the authority to initiate multiple proceedings under Chapter VIA of the SEBI Act and/or under SEBI (Intermediaries) Regulations in the interest of investors or the securities market. Here, I would like to rely on the order dated April 21, 2017 in the matter of Ms. Sunita Gupta Vs. SEBI by the Hon'ble SAT, wherein it is held as under;

"*6. Where a person violates the provisions contained in the SEBI Act and the regulations made thereunder, then, SEBI is empowered to initiate penalty proceedings against that person under Chapter VIA of SEBI Act and also issue directions in the interests of investors or securities market as it deems fit under Chapter IV of SEBI Act. Thus, the powers conferred on the Board under Chapter IV are independent from the powers to impose penalty under Chapter VIA of SEBI Act. Accordingly, in the present case, since the appellant had indulged in synchronized/ circular trades in gross violation of SEBI Act/PFUTP Regulations and the same was detrimental to the interests of the investors and securities market, the Board deemed it fit to issue direction under Chapter IV in addition to the penalty imposed under Chapter VIA of SEBI Act. Therefore, in the facts of present case, initiation of proceedings under Chapter IV even after initiating proceedings under Chapter VIA cannot be faulted.*"

17. Further, the Hon'ble SAT in the case of **Dilip S. Pendse vs. Securities and Exchange Board of India**, (Appeal no.90 of 2007 dated November 20, 2008) has considered the separate and independent character of adjudication proceedings and held that the finding in adjudication proceedings cannot be mixed up with the result of an enquiry under section 11 of the Act. "*Every finding of the adjudicating officer must be passed on an independent appraisal of evidence on record and cannot be allowed to be influenced by extraneous factors. For the same reason, we do not appreciate the adjudicating officer's reference to the appellant being penalized for the same alleged mischief in an enquiry under section 11 of the Act…………".*

18. However, as regards to the contention of delay, I note that they have not stated how long the delay has been and how the said delay has caused any prejudice qua them. Therefore, the submission of the Noticee's in this regard is without any merit.

19. The next issue for consideration is the Noticees argument with respect to denial of inspection of relevant documents and the gross violation of the Principles of Natural Justice.

20. In this regard, I would like to refer to the observation of the Hon'ble SAT in the matter of **Anant R Sathe Vs. SEBI** (Appeal No. 150 of 2020) vide Order dated July 17, 2020, reaffirmed the principle elucidated in the judgment of Shruti Vora's case, which has been reproduced herein above and held that: "*the Authority is required to supply the documents that they rely upon while serving the show cause notice which in the instant case has been done and which is sufficient for the purpose of filing an efficacious reply in his defence*". Accordingly, it may be noted that all the relied upon documents like the certified copies of Investigation report and its annexures have already been provided to the Noticees vide SEBI letter dated March 01, 2013. The same has also been recorded in the SEBI order dated October 22, 2019 and once again informed to the Noticees vide e-mail dated June 14, 2023. Further, I note that no reliance has been placed on any other material. It is also noted that exhaustive reply also has been filed by the Noticees as already detailed in the preceding paragraphs.

21. In view of the above, I note that the principles of natural justice have been complied with and the aforesaid contention of the Noticees in this regard are without merit.

22. Having addressed the preliminary issue, I shall now proceed to examine the key issues to determine the veracity of allegations raised against the Noticees. For that reason, I have carefully perused the SCNs, the communication received from the Noticees and the material available on record. I will proceed to dispose the proceedings on merit.

23. I note from the investigation report (IR) that the Noticees were a part of 'Panchal Group' and had acted in concert with Mrs. Roopalben Nareshbhai Panchal, Mr. Arjav Nareshbhai Panchal, Mr. Dipak Panchal and Ms. Devangi Panchal, aiding and abetting the cornering of shares in the IPOs of various companies during the years 2003 to 2005. The linkages/ connection between these persons are by virtue of being the same family or relatives. The following entities are related to each other and have been identified as 'Panchal group':

a) Mrs. Roopalben Nareshbhai Panchal
b) Ms. Devangi Dipakbhai Panchal
c) Mr. Dipak Jashvantlal Panchal
d) Mr. Bhargav Ranchodlal Panchal
e) Ms. Hina Bhargav Panchal
f) Mr. Arjav Nareshbhai Panchal

24. It is observed from the IR that the entities belonging to 'Panchal Group' had acted as key operators/ financiers in the scam. The Noticees in the instant proceedings are said to have aided other members of the Panchal Group in their activities as key operators and have made illegal gains from the same.

25. It is noted that the entire scheme of cornering of shares started in the year 2003 when the Panchal Group had opened bank accounts with Bharat Overseas Bank ("BHOB"), Ahmedabad Branch and Indian Overseas Bank ("IOB"), Thaltej Branch for the purpose of availing IPO finance from these banks. As per the scheme of arrangement ('idea paper') between BHOB / IOB and Karvy group, BHOB / IOB would extend IPO finance only to those applicants who had their demat accounts with Karvy. Pursuant to the arrangement with IOB, it was found that Karvy DP had introduced 40 bank accounts of the key operator Mrs. Roopalben Panchal with list of 50 names added to it. This scheme of arrangement started with the IPO of Maruti Udyog Limited. The 'Panchal Group' had opened bank accounts in their own names in the said banks and a large number of fictitious names were added to each such bank accounts which were subsequently used for opening of thousands of fictitious demat accounts. Accordingly, Panchal group opened their first bank account with BHOB Ahmedabad bearing account number 50795 in the month of June 2003 and based on this bank accounts, 297 demat accounts were opened with Karvy DP which were used in the IPO of Maruti IPO. Thereafter, the scheme of operation by Panchal group gradually grew by opening another bank account bearing account number 54199 (opened in December 2003) which was used for the purpose of opening 3,250 demat accounts. The accounts were opened in various devious combinations of names and surnames. For instance, some six hundred names starting with Daksha and ending with Induben was used with different surnames viz., Luhar, Pari, Mistri, Shroff and Seth to create afferent demat accounts using the account number 54199. The manners in

which these demat accounts were opened in various combination of names and surnames clearly indicates the magnitude and intention of Panchal Group to corner shares in various IPOs. Thus with passage of time and the growth in IPO market during the period 2004 - 2005, the scale of operation increased significantly which is evident from the manner in which thousands of fictitious demat / bank accounts were opened by using photographs from various sources. In this context, it may be noted that as per press release of CBI on Febraury 22, 2006, *"CBI has found that the main accused persons created fictitious accounts by procuring photographs of a large numer of people. For example, Ms. Roopalben Panchal had inserted advertisements offering to photograph people free of cost. She used these photographs and false names to open bank accounts and D-mat accounts."* The scale of operations multiplied with opening of 39 bank accounts with IOB which were used for cornering shares in IPO of IDFC (around 27,444 demat accounts in the IPO of IDFC) alone.

26. The entire schemes of opening fictitious demat / bank account was masterminded by Panchal Group only for the purpose of using them for cornering shares in various IPO's. Further, Panchal group exercised total controls over these demat / bank accounts. The following observation corroborates the same.

    a) All of the demat accounts (27,444 demat accounts) which were used for the purpose of cornering shares in various IPO's shared the address of 402-403 Shashwat Ellisbrige Opp-Gujarat College Ahmedabad 380006.
    b) The funds were routed only through bank accounts of 'Panchal group' as not through the bank account of fictitious account holders.
    c) CBI press release and demat accounts closed pursuant to verification of SEBI clearly suggest that demat account holders did not exist.
    d) The funds were debited from the bank accounts 'Panchal group' for the purpose of making IPO application and corresponding refunds money were also received in the bank accounts of Panchal group.
    e) 'Panchal group' made consolidated payments towards Account maintenance charges for the demat accounts under their control.
    f) Synchronised manner of off market transfer of shares to Roopal Panchal before the date of listing.

g) All the bank accounts were opened in the name of 'Panchal group' and various fictitious names were added to them.
h) An examination of few afferent demat accounts indicated that there are no other transactions other than off market transfers to 'Panchal group'.

27. It has been observed that 'Panchal group' had mainly availed IPO finance from BHOB and IOB which enabled them to corner shares. In respect of certain IPOs, no finance was taken from Bank but were funded by financiers and as per the scheme of arrangement between them, shares and refunds were transferred to them. The prior understanding/ arrangement is based on the manner in which funds were provided, i.e., by exactly matching with the applications money for set of applications and thereafter transferring shares at issue price (though on the date of transfer the market price was substantially higher) and the manner in which refunds money was paid back to the financiers in exact proportion. It has also been observed that Mrs. Roopalben Panchal had opened various bank accounts with various banks for the purpose of executing the arrangement to corner shares and the bank account held with HDFC Bank was the main account used by her for the purpose of receipt of funds from financiers and repayment of refunds to them.

28. The investigations have established that because of the scheme/ arrangement between BHOB, IOB, Karvy DP and the Panchal group entities, these bank accounts with respective banks were required to enable the Noticees and other Panchal Group entities to avail finance for IPOs from these banks. They also obtained finance from many other financiers. With the funds so procured from various sources and also by making use of their own funds the Noticees and other Panchal Group entities engineered thousands of IPO applications in the retail individual category of over 18 IPOs. For instance, the Panchal group engineered application using 27444 afferent accounts in the retail category of IDFC IPO which fetched an aggregate allotment of 7300914 shares. Before listing, the Panchal Group got the entire shares transferred from the afferent accounts to their own demat accounts in off-market and in turn, disposed of the shares directly or through the financiers. After the allotment, they also received the consolidated refunds from issuers through bank and in turn returned the same to the financiers. The Panchal Group which includes the Noticees, repeated this

modus operandi in over 18 IPOs. In the process, they cornered the shares meant for Retail Individual Investors ("RII"s) in 18 IPOs and made unlawful gains. The fictitious accounts were used only for receiving allotment of shares in these IPOs and transferring those shares to the demat accounts of Panchal Group entities. The Noticees in the instant proceedings were such recipients of shares and they had also acted in concert with other members of the Panchal Group in opening fictitious demat accounts.

29. The details of their common demat account numbers and their addresses as identified during the investigation period are as under;

Demat account number	Name of the account holders	Address
11920868	Roopal Nareshbhai Panchal (first holder) Devangiben Dipakbhai Panchal Dipakbhai Jasvantilal Panchal.	15 SURYADEEP SOC NR TAKSHSHILA VASTRAPUR AHMEDABAD - 380 015
11933474	Dipak Jasvantlal Panchal (first holder) Devangi Dipakbhai Panchal	C/o DIPAK JASHVANTLAL PANCHAL HUF 402-403 SHASHWAT ELLISBRIGE OPP-GUJARAT COLLEGE AHMEDABAD 380006
11933458	Devangi Dipakbhai Panchal (first holder) Dipak Jasvantlal Panchal	402-403 SHASHWAT OPP-GUJARAT COLLEGE ELLISBRIDGE AHMEDABAD – 380006
11932970	Arjav Nareshbhai Panchal (first holder) Devangiben Dipakbhai Panchal Dipakhai Jasvantlal Panchal	15 SURYADEEP SOC NR TAKSHSHILA VASTRAPUR AHMEDABAD – 3800015
10160406	Hina Bargav Panchal (first holder) Bhargav Ranchhdlal Panchal	15 SURYADEEP SOC NR TAKSHSHILA VASTRAPUR AHMEDABAD – 3800015
10003008	Bhargav Ranchhodlal Panchal HUF	15 SURYADEEP SOC NR TAKSHSHILA VASTRAPUR AHMEDABAD – 3800015

30. The details of shares received by the Noticees (obtained from the IR whereof has already been provided to the Noticees) as a part of the Panchal Group and the profits derived from selling them is provided herein below:

BHARGAV PANCHAL

Name of IPO	Name of Key operator form whom shares were received	No of shares received from Key Operator	Issue Price (Rs) (3)	Market / Off market	No of shares sold (1)	Sale price** (2)	Actual Profit (1) * (2 – 3)
TCS	Roopal Panchal	1581	850	Off Market	1581	987.95	218099
Yes bank	Roopal Panchal	2550	45	Market	2550	62.74	45237
IL & FS	Roopal Panchal	600	125	Market	600	204.35	47610
IDFC	Roopal Panchal	8684	34	Market	8684	65.81	276238
FCS	Roopal Panchal	2400	50	ASE	2400	179.1	309840
Total							**897024**

- In the IPO of TCS, Bhargav had transferred 1581 shares to demat account of Arth Stock broking. Therefore the closing price on the first day of listing has been taken for the purpose of computation of ill-gotten gains.
- In the IPO of Yes Bank, sold 2550 shares through ASE Capital Market on 18.07.05
- In the IPO of IDFC, 8290 shares were sold on 12.08.05 through ASE capital market and 394 shares sold on 17.08.05
- In the IPO of IL & FS sold 600 shares on various dates during the period 01.09.05 to 13.09.05.

HINA BHARGAV PANCHAL

Name of IPO	Name of Key operator form whom shares were received	No of shares received from Key Operator	Issue Price (Rs) (3)	Market / Off market	No of shares sold (1)	Sale price** (2)	Actual Profit (1) * (2 – 3)
NTPC	Roopal Panchal	21400	62	Off market	21400	75.5	288900
IDFC	Roopal Panchal	11000	34	Market	11000	67.83	372130
Total							**661030**

31. Thus, it is observed that Bhargav R. Panchal and Hina B. Panchal had earned profit of Rs. 8,97,024/- and Rs. 6,61,030/- respectively from the sale of shares received through the aforesaid arrangement from Mrs. Roopalben Panchal.

32. I observe from the investigation report that the Noticees were related to the other members of the Panchal Group. They had used the same address as the other members in their bank and demat accounts. For instance, the demat account number 11920868 opened with Karvy Stock Broking Limited is held by Mrs. Roopalben Panchal, Ms. Deveangiben Dipakbhai Panchal and Mr. Dipakbhai Jasvantlal Panchal. The address provided for the said account holders is '15 Suryadeep Society, Near Takshshila, Vastrapur, Ahmedabad- 380015' which the same as the residential address of the Noticees. Further, demat account number 11932970 maintained with Karvy Stock Broking Limited is held by Arjav Nareshbhai Panchal (first holder), Ms. Devangiben Dipakbhai Panchal and Dipakhai Jasvantlal Panchal, again having the same address as stated above. The address provided by Mrs. Roopalben Nareshbhai Panchal for opening the bank account number 00062100004760 with HDFC Bank is the residential address of the Noticees as already stated above. It is further noted from the

investigation report that Hinaben B. Panchal had opened joint bank account no. 12000 with IOB, Thaltej Branch, on October 13, 2004, with Mrs. Roopalben Panchal with the address provided as '402-403 Shashwat opp-Gujarat College Ellisbridge Ahmedabad – 380006'. The said address has also been provided for opening of the demat account number 11933458 held by Mr. Dipak J. Panchal and Ms. Devangi D. Panchal and is their residential address as observed from the investigation report. The same address has also been used for opening numerous fictitious demat accounts and bank accounts. Further, there has been instances of transfer of shares from other members of Panchal Group to the Noticees. From the details of the share transfers from Roopalben N. Panchal to other members of the Panchal Group as tabulated at page 3 of the investigation report provided to the Noticees, it is observed that the Noticees had received shares from Roopalben N. Panchal on various dates pertaining to the IPOs of 6 companies. Such numerous instances of having joint bank accounts and demat accounts by the Noticees with other members of the Panchal Group (certain examples whereof has been stated above and is more detailed in the investigation report) and receipt of shares from Roopalben Panchal immediately after allotment of shares pursuant to the IPOs, when looked in totality, clearly establish that they were related to each other and had executed the cornering of the shares acting in concert with each other. It is further noted that there have been no transfer of funds from the Noticees to Roopalben N. Panchal for the shares received by the former from the latter which shows that such transfer of shares were not buy/sale transactions but transfers within a closely related group of individuals with a common objective. In this regard, it is appropriate to refer to the Hon'ble SAT Order dated July 14, 2006, in the case of ***Ketan Parekh vs. SEBI*** (Appeal no. 2/2004), wherein, Hon'ble SAT has observed that: *"… in order to find out whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism, will depend upon the intention of the parties which could be inferred from the attending circumstances of the cases, because direct evidence in such cases may not be available."*

33. However, I note that the Noticees refuted and denied that they were part of any purported "Panchal Group", or were sharing common addresses with other entities of the Panchal Group. Further, they stated that as SEBI had not provided any document in support of the aforesaid of claim of connection with the Panchal Group, it is merely based on conjectures. Further, the Noticees also contended that there are no findings

in the SCN to establish that they were in any way involved in opening of the fictitious bank / demat account or no finding is recorded which establishes the fact that their address had been used to open any fictitious bank / demat account. Nor has SEBI found any fund trail from their Bank Accounts to the Bank Accounts of other purported Panchal Group entities.

34. The above contention of the Noticee regarding not being part of any purported "Panchal Group", cannot be accepted, the reason being the modus operandi followed by them along with the Panchal group i.e. the Key operators or master account holders in the scheme to corner the shares from the quota of the retail investors in the IPO of various companies, as detailed in the preceding paragraphs. Further, I note that though the Noticees have denied their connection with the Panchal Group, they have not explained or provided any evidence to show that they are separate from the said group. Thereafter, the Noticees have also not denied or refuted the fact that they are family / relatives of the Panchal group. This apart, the opening of the joint bank account of Noticee No. 2 along with Roopal Panchal, may not be possible unless there is a close relation or connection between them and more particularly, these accounts were opened during the same day along with all the other Panchal group entities who have opened their bank accounts and also demat accounts. Next, I have also noted from the bank account and demat account as provided in the IR that the IPOs relating to the Panchal group were mostly issued between April 2004 to September 2005, while the dates of opening and closing the demat account/ bank account relating to the Noticees and the Panchal group in several instances are same and/or similar, from which it can be inferred that they had intentionally planned along with the Panchal group, the scheme to corner the shares in the IPOs. Furthermore, the above said bank accounts and demat accounts of the Panchal group and the Noticees were opened with the same address i.e. 15 Suryadeep Soc Nr Takshshila Vastrapur Ahmedabad – 3800015, where they admittedly received the SCNs served by SEBI.

35. In this connection, I also note that vide the SEBI order dated February 25, 2011 passed by Whole Time Member, elucidating the particulars of opening the fictitious bank account/ demat accounts and the fund trails and directing to pay the disgorgement amount, which was admittedly paid by the Noticees. Therefore, the above fact clearly

established the Noticees's involvement/connection with the Panchal group in opening the fictitious bank and demat accounts and the fund trailing between them. In view of the same, I find that the Noticees's connection with the Panchal group is adequately established and are far from being mere conjectures. Therefore, the argument of the Noticee in this regard is without any merit.

36. The Noticees have also contended that there was only one adverse finding against them, that they had received certain shares of IDFC, NTPC, TCS, Nandam Exim and FCS from Roopalben Panchal through off-market transaction and the same have been sold in the market. However, no documentary evidence has been annexed to substantiate the said finding.

37. With regard to the above contention, as detailed in the preceding paragraphs, it is clearly demonstrated how the key operator i.e. the Panchal group engineered the application using 27444 afferent accounts in the retail category of IDFC IPO which fetched an aggregate allotment of 7300914 shares and how before listing, the Panchal Group got the entire shares transferred from the afferent accounts to their own demat accounts in off-market and in turn, disposed of the shares directly or through the financiers. Furthermore, it also demonstrated how the Noticees being a part of the Panchal group, have repeated this modus operandi in over 18 IPOs and made unlawful gains. Therefore, I do not find any merit in the said contention of the Noticees.

38. In light of all the above facts and circumstances of the case, I am of the opinion that the Noticees have indulged into fraudulent and manipulative activities and employed deceptive device and scheme to corner the shares reserved for the retail individual investors in the aforesaid IPOs with the intention to defraud retail individual investors. The activities of the Noticees had therefore adversely affected market integrity. I, therefore, conclude that the Noticees have violated the provisions of Section 12A (a), (b) and (c) of the SEBI Act and Regulations 3(a), (b), (c) and (d) and Regulation 4(1) of the PFUTP Regulations

39. In view of the violation of the provisions of law by the Noticees, as established above, they are liable for monetary penalty under the provisions of Section 15HA of the SEBI Act, which reads as under:

"Penalty for fraudulent and unfair trade practices.

15HA. *If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher."*

The penalty amount was amended to *"shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher"* by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014.

40. As per the dates of commission of the fraudulent and manipulative acts, Section 15HA of SEBI Act, as it stood prior to the amendments, is applicable. Nevertheless, guided by the principle of rule of beneficial construction of even *ex post facto* law to mitigate the rigour of law, as was laid by the Hon'ble Supreme Court in *T. Barai vs. Henry Ah Hoe and Ors.* (07.12.1982 -SC): MANU/SC/0123/1982 -(1983)1SCC177, the amended version of section 15HA of SEBI Act is applied qua the Noticees.

41. While determining the quantum of penalty under Section 15HA of the SEBI Act, it is important to consider the factors stipulated in Section 15J of the SEBI Act, which reads as under:-

"Factors to be taken into account by the adjudicating officer.

15J. *While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-*

a) the amount of disproportionate gain or unfair advantage wherever quantifiable, made as a result of the default

b) the amount of loss caused to an investor or group of investors as a result of the default *c) the repetitive nature of the default"*

[Explanation.—For the removal of doubts, it is clarified that the power [...] to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.]

42. It is noted that the Noticees have cornered shares meant for the retail investors in various IPOs acting in connivance with each other and sold them at profit. The approximate gains made by the Noticees from the said arrangements have already been detailed at paragraph no. 12 in the instant order which is ascertainable from the details contained in the investigation report, supplied to the Noticees. It is noted from the above that the approximate profit made by Mr. Bhargav R. Panchal is Rs. 8,97,024/- (Rupees Eight lakhs Ninety Seven Thousand and Twenty four only) and by Ms. Hina B. Panchal is Rs. 6,61,030/- (Rupees Six Lakhs Sixty One Thousand and Thirty only). I note that this ill-gotten gains of the Noticees is naturally a loss to other retail investors. I am of the opinion that apart from the monetary loss to the investors, incidences of this nature definitely compromise the securities market regulatory framework to the detriment of investors at large. It lowers the confidence of the investors and distorts market integrity.

43. The abovementioned actions of the Noticees in cornering of shares in a large number of IPOs, clearly suggest that them, acting in connivance with other entities as discussed above, executed their arrangement on a large scale and over a long period of time. Further, the Noticees played an important role in the whole process and made illegal gains at the cost of the investors in the securities market. Therefore considering all the facts and circumstances of the case, it is felt that a penalty of **Rs. 25,00,000/-(Rupees Twenty Five Lakh only)** on Bhargav R. Panchal and **Rs. 20,00,000/- /-(Rupees Twenty Lakh only)** on Hina B. Panchal shall be commensurate with the violations committed by them.

ORDER

44. After Taking into consideration the nature and gravity of the charges established in the preceding paragraphs, factors mentioned under Section 15J of the SEBI Act and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act, read with Rule 5 of the Adjudication Rules, I hereby impose penalty of **Rs. 25,00,000/- (Rupees Twenty-Five Lakh only)** on **Shri Bhargav Panchal** (Noticee No.1) and **Rs. 20,00,000/- Rupees Twenty Lakh only)** on **Smt Hina Bhargav Panchal (**Noticee No.2) shall be commensurate with the violations committed by them in terms of provisions of section 15HA of the SEBI act for the violation of the provisions section 12A(a), (b), (c) of the SEBI Act and Regulations 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations which will be commensurate with their violations.

45. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the SEBI website www.sebi.gov.in on the following path, by clicking on the payment link.

ENFORCEMENT →Orders →Orders of AO →PAY NOW

46. The Noticee shall forward the confirmation of penalty so paid to the Enforcement Department – Division of Regulatory Action – 1 of SEBI. The Noticee shall provide the following details while forwarding DD/ payment information:

a) Name and PAN of the entity (Noticee):
b) Name of the case / matter:
c) Purpose of Payment: Payment of penalty under AO proceedings
d) Bank Name and Account Number:
e) Transaction Number:

47. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, consequential proceedings including, but not limited to, recovery proceedings may be initiated under Section 28A of the SEBI Act, for realization of the said amount of penalty along with interest thereon, *inter alia,* by attachment and sale of movable and immovable properties.

48. In terms of the Rule 6 of the SEBI Adjudication Rules, copy of this order is sent to the Noticees and also to Securities and Exchange Board of India.

Date: August 04, 2023 **G Ramar**

Place: Mumbai **Adjudicating Officer**