

WTM/MSS/ISD/ 78 /2010

SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI
CORAM: M. S. SAHOO, WHOLE TIME MEMBER

IN THE MATTER OF IPO IRREGULARITIES - DEALINGS BY JAYESH P. KHANDWALA-HUF, PROPRIETOR OF ZEALOUS TRADING COMPANY IN THE INITIAL PUBLIC OFFERS OF IDFC LTD. (IDFC), SASKEN COMMUNICATION TECHNOLOGIES LTD. (SASKEN) AND SUZLON ENERGY LTD. (SUZLON)

Date of Hearing: June 17, 2009 and October 08, 2010

Appearances:

For Noticee: Mr. Anish Kharidia, Practising Company Secretary, and
Mr. Gaurang H. Dalal, Chartered Accountant.

For SEBI: Mr. N. Murugan, Asstt. Legal Adviser (Presenting Officer)
Mr. B. J. Dilip, Deputy General Manager
Mr. Vineet Kumar Biyani, Manager, and
Ms. Kshama P. Wagherkar, Asstt. Legal Adviser.

**ORDER UNDER SECTIONS 11, 11 (4) AND 11B OF THE SECURITIES AND
EXCHANGE BOARD OF INDIA ACT, 1992**

1. On noticing certain irregularities in the transactions in the shares, that were issued through initial public offers (IPOs) made during the period 2003-2005, before their listing on the stock exchanges, the Securities and Exchange Board of India (SEBI), pending investigations, vide an ad interim ex-parte Order dated April 27, 2006, which itself was a show cause notice, directed certain persons, including Jayesh P. Khandwala-HUF, Proprietor of Zealous Trading Company (Jayesh), not to buy, sell or deal in the securities market, including in IPOs, directly or indirectly, till further directions. The said show cause notice offered opportunities of inspection and personal hearing. Jayesh did not reply to the show cause notice¹. Nor did it avail of inspection of documents. It declined to appear for the personal hearing despite several opportunities, the last of which was offered on November 19, 2008. Vide its letter dated November 18, 2008, it sought adjournment of the hearing scheduled on November 19, 2008 till its revised consent terms (for settlement of the proceedings through the consent procedure) is disposed of by SEBI. Vide letter dated February 24, 2009, SEBI proposed modified terms for consent settlement and advised Jayesh to pay the modified consent amount within 15 days failing which the consent application shall be disposed of as withdrawn. Since the consent amount was not paid, the proceedings revived.

¹ He replied to the show cause notice dated April 27, 2006 vide his letter dated July 24, 2009, i.e., after the hearing on June 17, 2009 on the post investigation show cause notice dated April 8, 2009.

2. On completion of the investigation in the meantime, SEBI issued a show cause notice dated April 08, 2009 (SCN) under Sections 11, 11(4) and 11B of the SEBI Act, 1992 alleging that Jayesh provided finance to three key operators (KOs) viz., Ms. Roopalben Panchal (Roopal), M/s. Sugandh Estates and Investment Pvt. Ltd. (SEIPL) and Mr. Biren Kantilal Shah (Biren) to make applications in the retail category of the IPOs of IDFC Ltd. (IDFC), Sasken Communication Technologies Ltd. (Sasken) and Suzlon Energy Ltd. (Suzlon). On receipt of allotment in those IPOs, the KOs transferred the shares and corresponding refunds to Jayesh, who, in turn, disposed of the said shares and made an unlawful gain of Rs.4,04,20,658. The SCN, therefore, alleges that Jayesh, in collusion with the KOs, employed fraudulent, deceptive and manipulative practices to corner the shares meant for retail individual investors (RIIs) in the three IPOs. It accordingly alleges that these acts were in violation of Section 12A (a), (b) and (c) of the SEBI Act, 1992 and regulations 3 and 4 (1) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003 (PFUTP Regulations). It called upon Jayesh to show cause as to why suitable directions under Section 11(4) read with Section 11 and Section 11B of the SEBI Act, 1992, including directions restraining it from buying, selling or dealing in securities in any manner for a suitable period of time, directions to disgorge Rs.4,04,20,658, and any other direction(s) as deemed appropriate, not be issued.

3. It is alleged in the SCN that Jayesh provided finance to KOs - directly to SEIPL and Roopal and through Ketan Shah & Co. (Ketan) to Biren - to enable them to apply for the shares in the retail category of three IPOs through fictitious / benami demat accounts. On allotment of the shares, the KOs transferred 9,49,620 IDFC, 14,275 Sasken and 28,800 Suzlon shares in off-market to Jayesh directly and 11,00,000 IDFC shares through its front entity, Mr. Bhanu Prasad Trivedi (Bhanu) and transferred the corresponding refunds received from the issuers. Jayesh, in turn, transferred 28,800 Suzlon shares and 9,49,620 IDFC shares in off-market to Ms. Sheelu Lalwani (Sheelu) and Mr. Jitendra Lalwani (Jitendra) respectively for a commission of Rs.4,50,000 and Rs.11,61,875. It transferred 14,275 Sasken shares to Bhanu, who sold the said shares in the market and transferred the entire sale proceeds to Jayesh. Bhanu, who received 11,00,000 IDFC shares from Roopal on behalf of Jayesh, sold the same and transferred the entire sale proceeds to Jayesh. From these transactions, Jayesh made a total unlawful gain of Rs.4,04,20,658, as summarized in Table A. The SCN evidences these transactions by movement of funds in the bank account of Jayesh's proprietary firm, M/s. Zealous Trading Company, and the movement of shares in the demat account of Jayesh P. Khandwala-HUF. A summary of the transactions undertaken by Jayesh, as per the SCN, is as under:

Table A: Summary of Transactions

IPO	KO	Amount (Rs.) provided to KOs	Issue Details					No. of Applications made	Receipt of Shares and Refunds by Jayesh			Disposal of Shares received			Unlawful Gains (Rs.)
			Issue Price (Rs.)	Retail Application Size		Retail Allotment Size			Receipt of Shares		Refund Amount (Rs.)	Transfer red to/ through	No. of Shares transferred	Commission / Sale Proceeds	
				No. of Shares	Amount (Rs.)	No. of Shares	Amount (Rs.)		No. of Shares	Value at issue price (Rs.)					
1	2	3=(6*9)=(11+12)	4	5	6 = (4*5)	7	8=(4*7)	9= (3/6)	10	11=(4*10)	12	13	14	15	16
IDFC	SEIPL	7,14,00,000	34	1,400	47,600	266	9,044	1,500	3,98,734	1,35,56,956	5,78,43,044	Jitendra	9,49,620	3,23,32,300 +11,61,875	11,61,875
	Biren	4,80,65,000			47,600			1,010	2,05,086	69,72,924	4,03,75,000				
	Roopal	12,75,95,000			23,800*			5,360*	3,45,800	1,17,57,200	7,01,22,800				
		Roopal (Bhanu)							11,00,000	3,74,00,000		Bhanu	11,00,000	7,28,75,000	3,54,75,000
Sasken	SEIPL	3,50,00,000	260	350	91,000	25	6,500	385	6,375	16,57,500	--	Bhanu	14,275	70,45,343	33,33,783
	Roopal	9,10,00,000			91,000			1,000	6,500	16,90,000	8,93,10,000				
	Biren	--			--			--	1,400	3,64,000	--				
Suzlon	Roopal	4,89,60,000	510	96	48,960	16	8,160	1,000	16,000	81,60,000	4,07,00,000	Sheelu	28,800	1,46,88,000 +4,50,000	4,50,000
	Biren	4,15,00,000						800	12,800	65,28,000	3,49,72,000				
Total															4,04,20,658

* Rs.12,75,95,000 provided by Jayesh to Roopal was used for meeting 50% margin requirement @ Rs 23,800 for 5,360 applications while the balance came from Bharat Overseas Bank.

4. Jayesh appeared before me through its authorized representatives (Mr. Anish Kharidia and Mr. Gaurang H. Dalal) for the personal hearing on June 17, 2009 and made oral submissions. At its request, it was granted 15 days to make written submissions. Accordingly, vide its two letters dated July 24, 2009, it submitted replies to the ad interim ex parte order-cum-show cause notice dated April 27, 2006 and to the SCN. Before the Order in the matter could be passed, Jayesh again sought the settlement of proceedings through the consent procedure. On conclusion of the consent proceedings, SEBI declined to settle the same as the terms offered by Jayesh for settlement were not appropriate, vide its letter dated June 4, 2010. As considerable time had elapsed since the hearing on June 17, 2009 and I was not fully recollecting the oral submissions made at the hearing, another opportunity of personal hearing was granted to Jayesh on September 16, 2010. It raised certain issues and those were clarified and thereafter it was offered the opportunity of hearing on September 30, 2010. At its request, this was rescheduled to October 8, 2010. It appeared for the hearing on October 08, 2010 through its authorised representative (Mr. Anish Kharidia). It submitted an unsigned written submission at the hearing. On careful consideration of the SCN, the reply dated July 24, 2009 to the SCN, the oral submission at the hearing on October 08, 2010, and the unsigned written submission dated October 08, 2010, I proceed to dispose of the proceedings on merits.

5. Vide its reply dated July 24, 2009 to the SCN, Jayesh has raised the following preliminary objections and desired these to be dealt with first:

- 5.1 Jayesh is deprived of the opportunity of confirmatory Order in pursuance to the interim order-cum-show cause notice dated April 27, 2006.
- 5.2 The findings of the investigation authority are based on data and material made available by third parties. Jayesh is deprived of an opportunity to evaluate the veracity of such third party information.
- 5.3 The investigation authority, which is junior in rank to the authority which passed the interim order, cannot improvise findings contained in the interim order. It cannot include the transactions (e.g. 11,00,000 IDFC shares routed through Bhanu), which were not included in the interim order, in the SCN.

6. Let me deal with the preliminary objections of Jayesh in seriatim.

- 6.1 Jayesh has submitted that it is deprived of confirmatory Order in pursuance to the interim order-cum-show cause notice dated April 27, 2006. I find from records that it was offered several opportunities of hearing and repeatedly reminded to reply to the show cause notice dated April 27, 2006. It did not appear for the hearing. It replied to the said show cause

notice after more than three years vide its letter July 24, 2009, that is, after the hearing of the post investigation SCN. It serves no purpose to issue a confirmatory Order in respect of the show cause notice dated April 27, 2006 when the post investigation SCN dated April 08, 2009, which contains final findings, has been issued. In any case, Jayesh is not prejudiced in any manner if confirmatory order is not issued in the matter and this Order would supersede the interim Order.

6.2 Jayesh has submitted that it is deprived of an opportunity to evaluate the veracity of third party information. I find from the SCN that the charges are based on the movements of funds and securities from and to its own bank and demat accounts only.

6.3 Jayesh has submitted that the investigation authority, which is junior in rank to the authority which passed the interim order, cannot improvise findings contained in the interim order. I note that interim order contains prima facie findings and is issued pending the investigation. If investigation finds that an allegation made in the interim order is not correct, such allegation is dropped in the SCN. Similarly, if investigation reveals a new violation, the same is alleged in the SCN. I find that the investigation has been carried out in accordance with the SEBI Act, 1992. Based on the investigation findings, the SCN has been issued. The SCN is expected to be improvement over the interim order-cum-show cause notice. In fact, if the investigation does not improve upon prima facie findings based on which interim order has been issued, it would be an exercise in futility.

In view of the above, I do not find any merit in the preliminary objections of Jayesh. Nor do these objections have any bearing on disposal of the SCN.

7. Vide its reply dated July 24, 2009 to the SCN, the unsigned written submission dated October 8, 2010 and the oral submission at the hearing, Jayesh has made the following other submissions:

7.1 Jayesh had lender-borrower relationship with the KOs. This is evident from the fact that it extended finance after the closure of the issue in some cases. For example, it provided Rs.7,14,00,000 on July 26, 2005 to SEIPL allegedly for subscription for IDFC IPO, whereas IDFC issue closed on July 22, 2005. Further, it received shares in off-market from KOs independent of the finance extended to them. That is why the shares received from KOs do not correspond to the amounts financed by Jayesh to the KOs.

7.2 The profits, as alleged in the SCN, have been made by other entities (Bhanu, Jitendra and Sheelu) and not the financier, Jayesh. Hence Jayesh cannot be made to disgorge the profits. Further, Jitendra and Sheelu have already disgorged the entire unlawful gain through the consent settlement and hence the same cannot be disgorged again from Jayesh. SEBI has

dropped disgorgement proceedings against Bhanu. This indicates that Bhanu did not make unlawful gain. In that case, Jayesh cannot be asked to disgorge the unlawful gain arising from transactions routed through Bhanu.

7.3 Jayesh did not provide any finance ever to Biren. It paid to Biren only after receipt of shares from him. The finance is alleged to have been provided to Ketan and not Biren and there is no evidence of flow of funds from Ketan to Biren. Further, Jayesh did not sell IDFC shares to Jitendra @ Rs.34 per share. It sold these @ Rs.35.27.

7.4 On conclusion of the investigation, CBI did not file charge sheet against Jayesh. It concluded that Jayesh had financed the KOs, but did not find any evidence of its knowledge of the manipulation committed by them. This proceeding should be dropped to demonstrate honour and mark respect to the conclusion drawn by CBI.

8. I note that the transactions, as stated in table A, have generally not been disputed. These are evidenced by bank and demat transactions. Jayesh has some disagreement (Para 7.3 above), which does not disturb the findings as discussed elsewhere in this Order. The only issues that need to be determined are:

- a. It is admitted that Jayesh financed the KOs. It is also admitted that it received the shares allotted in IPOs. Did it have knowledge at the time of financing that the finance extended by it was being used for making subscriptions in the retail category of IPOs?
- b. It is admitted that the profit has been made. But who – Jitendra, Sheelu and Bhanu, or Jayesh – appropriated it?

9. Let me deal first with the issue at 8a. above.

9.1 Jayesh has submitted that Rs.7,14,00,000 was provided to the KO after the closure of IDFC IPO and hence it could not have financed the application for the said IPO. I note that IDFC IPO closed on July 22, 2005, while the money was provided to the KO on July 26, 2005 and it was debited from the account of the KO on July 27, 2005. It is clear that Jayesh provided money after the closure of the issue but before it was due for collection by the issuer. It is a matter of common sense that one parts with money only when it is required and, therefore, natural that Jayesh provided money in some cases after the closure of the issue, but before it was due for collection by the issuer.

9.2 Jayesh has submitted that there is no correspondence between the shares received from KOs and the amount financed to them. Perfect correspondence is not expected because every application in IPO does not fetch an allotment and a KO may retain a portion of the allotment towards his share of profit in the game. Despite this, I find amazing correspondence in most of

the cases. For example, Jayesh extended Rs.7,14,00,000 to SEIPL corresponding to the amount required to make 1,500 applications in the retail category of IDFC IPO. On allotment, SEIPL transferred 3,98,734 shares to Jayesh corresponding to the allotment in respect of 1,499 applications. Similarly, Jayesh extended Rs.4,89,60,000 to Roopal corresponding to the amount required to make 1,000 applications in the retail category of Suzlon IPO. On allotment, Roopal transferred 16,000 shares to Jayesh corresponding to the allotment in respect of 1,000 applications. There are a few other important relevant correspondences which make it clear that Jayesh extended finance knowingly for IPO subscription. These are:

- a. The finance was extended to enable an exact number of IPO applications. For example, Jayesh extended Rs.7,14,00,000 to SEIPL corresponding to exactly 1,500 applications in the retail category of IDFC IPO.
- b. The KOs transferred shares to Jayesh in multiples of retail allotment size. For example, SEIPL transferred 3,98,734 IDFC shares to Jayesh corresponding to allotment for exactly 1,499 retail applications.
- c. Jayesh received back the entire finance in the form of shares valued at IPO price and the refund of the balance in cash in most of the cases. For example, Jayesh received 3,98,734 IDFC shares from the KO valued at Rs.1,35,56,956 ($3,98,734 \times \text{Rs.34}$). It received the balance money of Rs.5,78,43,044 ($\text{Rs.7,14,00,000} - \text{Rs.1,35,56,956}$) from the KO. Thus, Jayesh got back the money it had extended to SEIPL for IDFC IPO. I find this kind of complete correspondence in other cases also from Table A, where in most cases the product of columns 6 and 9, which indicates utilization of funds for each IPO, equals to the sum of columns 11 and 12, which indicates the return of money, which, in turn, equals to the money provided by Jayesh to the KOs in column 3.

9.3 I find that Jayesh provided finance to different KOs in multiples of retail application size in different IPOs during the period of IPO subscription. It received shares in multiples of retail allotment size in off-market around the date of listing from different KOs in different IPOs. It received the balance money, over and above the shares valued at IPO price, in cash. The precise timing of movement of the precise amounts of funds and of the precise number of shares between the KOs and Jayesh, occurring repeatedly across three IPOs and three KOs over time can, by no stretch of imagination, resemble lender-borrower relationship between Jayesh and the KOs. These rather reflect a deep, prior understanding between them. Further, the standard features of a loan transaction, such as, authorization to lend money, the agreement in support of lending, the security for the loan, the return on loan, terms of repayment, etc. are missing in these financing transactions.

10. Now let me deal with the issue at 8b. above.

10.1 Jayesh has submitted that it sold IDFC shares to Jitendra @ Rs. 35.27 per share and received a total consideration of Rs.3,34,94,175. This is prima facie in contrast to the allegation in the SCN that it transferred the IDFC shares at the issue price of Rs.34 for Rs.3,23,32,300 and received a commission of Rs.11,61,875. According to Jayesh as well as the SCN, Jayesh received a total sum of Rs.3,34,94,175 by transferring 9,49,620 IDFC shares to Jitendra and made a profit of Rs.11,61,875 from such transfer. The only difference is the nomenclature of the receipt, i.e., commission or sale proceeds. This difference does not make any difference to the amount sought to be disgorged in this proceedings.

10.2 Jayesh has submitted that Jitendra and Sheelu have disgorged the entire unlawful gain through the consent settlement and the same gain cannot be disgorged again from it. I find that the SCN is seeking disgorgement of the gain made by Jayesh and not by Jitendra and Sheelu. It is seeking disgorgement of the commission amount only, i.e., the profit made by Jayesh from transfer of shares to Jitendra and Sheelu. It is not seeking disgorgement of the gain made by Jitendra and Sheelu from further sale of shares received from Jayesh.

10.3 Jayesh has contended that the gains made by Bhanu on sale of 11 lakh IDFC shares cannot be disgorged from it because (i) Bhanu received the shares from Roopal in his demat account, sold them in the market and received entire sale consideration in his bank account, and made the profits, and (b) SEBI has not sought disgorgement of the said profits from Bhanu. I find that Jayesh provided Rs.3,74,00,000 to Bhanu on August 13, 2005 which Bhanu transferred on the same day to Roopal and received 11 lakh IDFC shares in an off market transaction from her on the same day. This works out Rs.34 per share, i.e., the issue price, as against the closing market price of Rs.69.55 on the day before. Bhanu sold these shares at the market price of Rs.66.25 per share on August 16, 2005 through a broker, Khandwala Integrated Financial Services Pvt. Ltd. (KIFSPL), and received a sale consideration of Rs.7,28,75,000 on August 17, 2005. He transferred the entire sale proceeds received from KIFSPL to Jayesh on the same day. Therefore, Jayesh is the ultimate beneficiary of the ill-gotten gains of Rs.3,54,75,000 (Rs.7,28,75,000-Rs.3,74,00,000) arising from the transactions routed through its front entity, Bhanu, and I do not find any reason why the disgorgement should be sought from Bhanu, and not Jayesh.

10.4 Hon'ble SAT had the occasion to examine this matter (gains from 11 lakh IDFC shares) in an appeal (Appeal no. 197 of 2009) filed by Bhanu. While dismissing the appeal, Hon'ble SAT held that Bhanu was hand-in-glove with both Roopal and Jayesh with whom he had a prior understanding and he facilitated Jayesh to make ill-gotten gains. It also noted that Jayesh

provided Rs.3,74,00,000 to Bhanu who transferred the amount to Roopal towards consideration for 11 lakh IDFC shares. Roopal, in turn, transferred the amount to Jayesh. All this happened on August 13, 2005. Thus, the amount which came from Jayesh went back to it in its account on the same day through Bhanu and Roopal and the circle was complete. Hon'ble SAT concluded that these facts clearly go to establish that they were acting in concert with each other.

10.5 Jayesh transferred 14,275 Sasken shares received from KOs to Bhanu, who sold these shares @ Rs.493.54 per share on September 9, 2005 through KIFSPL for a total sale consideration of Rs.70,45,343. He passed on the entire sale proceeds received from KIFSPL on September 10, 2005 to Jayesh on September 14, 2005. Thus, Jayesh became the ultimate beneficiary of the ill-gotten gain of Rs.33,33,783 [(Rs.493.54-Rs.260)*14,275]. Hon'ble SAT, in the aforesaid appeal, observed that the transfer of Sasken shares to Bhanu and the subsequent sale by him and remitting the amount to Jayesh proves that Bhanu was a front entity of Jayesh for selling the cornered shares for making illegal profits.

11. Jayesh has submitted that it did not provide any finance ever to Biren and paid to Biren only after receipt of shares from him. I find that the SCN does not specifically allege that it provided finance directly to Biren. It, however, alleges that it provided finance to Ketan and received shares from Biren. While Jayesh did not produce any evidence in support of its claim, SEBI produced evidence to show flow of funds from Jayesh to Ketan to Biren and movement of money from Jayesh to Ketan before receipt of shares by Jayesh from Biren in the case of IDFC and Suzlon IPOs.

12. Jayesh has submitted that SEBI should close proceedings based on CBI finding. I note that SEBI and CBI are different agencies having different responsibilities and objectives. Their focus and scope of investigations are different. It is possible that these agencies arrive at different findings. If they were to arrive at the same finding, there would be no need for two agencies and separate investigations by them. Therefore, I do not agree with Jayesh that the findings of CBI should be taken into account by SEBI for disposal of the quasi-judicial proceedings under the SEBI Act, as much as it would not like the findings of SEBI to be taken into account by CBI.

13. The artifice employed by Jayesh deprived RIIs of their rightful share in IPOs. For example, Jayesh received 16,000 shares of Suzlon from SEIPL. This corresponds to the allotment against 1,000 applications in the RII category. Had Jayesh applied in an individual

capacity, he could have got an allotment of only 16 Suzlon shares. However, by employing a fraudulent scheme, it could get 16,000 Suzlon shares by financing 1,000 applications under the RII category. The DIP Guidelines envisage an investor to apply for shares for a value of up to Rs.1 lakh. These do not envisage an investor making multiple applications each up to Rs.1 lakh, which defeats the solemn objectives of such provisions. If a person does so, it deprives genuine RIIs from getting their fair share in IPO allotment. Jayesh did so by making available the finance to KOs for making multiple applications for an aggregate value in excess of Rs.1 lakh with the full knowledge of prohibition of the same. Had it not done this, these 16,000 Suzlon shares would have been available for allotment to RIIs. Thus, Jayesh clearly cornered the shares meant for RIIs and in the process, deprived them of their rightful share in allotment in these IPOs and made unlawful gains.

14. In the facts and circumstances of the case, I find that Jayesh, in connivance with the KOs and the front entities, manipulated the demand for shares in the RII category and thereby distorted the market integrity. It received the shares from the KOs as per the prior understanding with them. By doing this, it deprived the RIIs of their legitimate share in the allotment in the IPOs and made an unlawful gain of Rs.4,04,20,658 to the detriment of the RIIs. I, therefore, conclude that Jayesh employed fraudulent, deceptive and manipulative practices to corner the shares meant for RIIs in the three IPOs, and made unlawful gains by selling the shares so cornered. Hence, I hold that Jayesh has violated Section 12A (a), (b) and (c) of the SEBI Act, 1992 and regulations 3 and 4 (1) of the PFUTP Regulations.

15. The interests of the securities market and of the investors require that Jayesh - individual or HUF - is not allowed to participate in the market and unjustly enrich itself at the cost of investors. Such acts of serious irregularities threaten the market integrity and orderly development of the market and call for regulatory intervention to protect the interest of investors. Accordingly, in exercise of the powers conferred upon me under Section 19, read with Sections 11, 11 (4) and 11B of the SEBI Act, 1992, and after taking into account the period of prohibition already undergone by the Jayesh pursuant to the interim order, I hereby issue the following directions:

a. Jayesh P. Khandwala-HUF (PAN AAHJ4784N) and Mr. Jayesh P. Khandwala (PAN ABHPK0873H) shall not buy, sell or deal in the securities market in any manner whatsoever or access the securities market, directly or indirectly, for a period three months from the date of this Order;

b. Jayesh P. Khandwala-HUF shall disgorge the unlawful gain of Rs.4,04,20,658. It shall also pay Rs.1,21,26,197, being the simple interest at the rate of 6% per annum for 5 years (2005-10) on the unlawful gain of Rs.4,04,20,658. Thus, it shall pay a total amount of Rs.5,25,46,855 (Rupees five crore twenty five lakh forty six thousand eight hundred fifty five only) within 45 (forty five) days from the date of this order by way of crossed demand draft drawn in favour of 'Securities and Exchange Board of India', payable at Mumbai; and

c. In case the aforesaid amount Rs.5,25,46,855 is not paid within the specified time, Jayesh P. Khandwala-HUF and Mr. Jayesh P. Khandwala shall be restrained for a further period of seven years from (i) buying, selling or dealing in securities market in any manner whatsoever, (ii) accessing the securities market, directly or indirectly, or (iii) associating with any securities market intermediary or listed company in any manner or capacity, without prejudice to SEBI's right to enforce disgorgement.

16. The directions issued in this Order shall supersede the directions issued vide the ad interim ex-parte Order dated April 27, 2006 in respect of Jayesh P. Khandawala-HUF.

17. This Order shall be served on all recognized stock exchanges and depositories to ensure that Jayesh P. Khandwala-HUF and Mr. Jayesh P. Khandwala are not allowed to undertake transactions as prohibited in Para 15 above.

18. This Order shall come into force with immediate effect.

PLACE: MUMBAI
DATE: October 26, 2010

M. S. SAHOO
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA