

## SECURITIES AND EXCHANGE BOARD OF INDIA

## ORDER

## UNDER SECTIONS 11 AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 - IN THE MATTER OF MORYO INDUSTRIES LIMITED.

In respect of:

Sr. No.	Noticee	PAN	Authorised Representative
Company			
1.	Moryo Industries Ltd.	AACCM5166G	Did Not Appear
Promoters			
2.	Mr. Mohan Jain	AABPJ7629P	Mr. Viral M. Jain, Mr. Shailesh Haridas Bhathiya, CA and Mr. Arun Khamir Kamdar (Advocate)
3.	Ms. Deepika Jain	AABPJ7615H	
Directors			
4.	Mr. Manoharlal Saraf	AAIPS7577C	Did Not Appear
5.	Ms. Geeta Manoharlal Saraf	ANMPS6842B	Did Not Appear
6.	Mr. Shashikumar Jatwal	ALMPJ4216E	Did Not Appear
Preferential Allottees			
7.	Mr. Vivek Kumar Kejriwal	ACXPV7536R	Khaitan & Co.
8.	Vivek Kumar Kejriwal HUF	AAEHV3659N	Khaitan & Co.
9.	Mr. Naresh S. Chandan	AAKPC5639D	Mr. Vinay Chauhan & Mr. K.C. Jacob (Advocate)
10.	Ms. Chetna Naresh Chandan	AADPC1398N	Mr. Vinay Chauhan & Mr. K.C. Jacob (Advocate)
11.	Ms. Kavita Shreeram Singhi	AMCPS1116K	Ms. Shailashri Bhaskar, Company Secretary
12.	Mr. Manish Jagdish Saraf	AUHPS6394N	Mr. Anish Saraf
13.	Mr. Sanjay Anchaliya	AABPA2723R	Mr. Anant Upadhyay
14.	Mr. Suchek Suresh Anchaliya	AJNPA8807F	Mr. Anant Upadhyay
15.	Mr. Nikunj Arvind Desai	ACJPD9611P	Mr. Nikunj Arvind Desai and Mr. Devendra Desai
16.	Veenu Jain HUF	AAAHJ0626D	Mr. Vinay Chauhan & Mr. Prashant Ingle (Advocate)
17.	Mr. Kamal Jajoo	ABVPJ3150A	Did Not Appear
18.	Bhikhabhai H. Prajpati HUF	AAGHB7871J	Mr. Ravi Ramaiya, CA
19.	Jagdish B. Prajapati HUF	AAEHJ9503P	Mr. Ravi Ramaiya, CA
20.	Mr. Amardeep Kadam	ALTPK8993J	Mr. Prakash Shah(Advocate)
21.	Mr. Rajeev Kumar Agarwal	ACPPA7567H	Did Not Appear
22.	Ms. Maha Devi Agarwal	ABMPA2745F	
23.	Mr. Anand Kumar Agarwal	ACMPA4421D	
24.	Mr. Sanjeev Kumar Agarwal	ABMPA2770N	
25.	Mr. Shivshanker C. Joshi	AAEPJ8684M	Joby Mathew & Associates,

26.	Ms. Geetaben S. Joshi	AAJPJ8345A	(Advocates)
27.	Mr. Naresh B. Khatar	AGYPK5408L	Mr. Ankit Lohiya and Mr. Amit Dey (Advocates)
28.	Mr. Vijay Hasmukrai Bhayani	AAEPB8868P	Mr. Ramesh Mishra (Advocate)
29.	Mr. Sachin Gokuldas Mehta	AACPM6569J	Mr. Sachin Gokuldas Mehta, Mr. Ramesh Mishra (Advocate) and Mr. Loknath Mishra (Advocate)
30.	Mr.Chintan Narendra Shah	AKIPS1272J	Mr. Ramesh Mishra
31.	Ms. Dipani Chintan Shah	AMVPS8322G	
32.	Jugal Kishore Chirania HUF	AABHJ8023M	Joby Mathew & Associates (Advocate)
33.	Sanjeev Chirania HUF	AARHS4527D	Joby Mathew & Associates (Advocate)
34.	Sudheer Chirania HUF	AARHS4528N	Joby Mathew & Associates (Advocate)
35.	Mr. Sumit Gupta	AABPG7826K	Joby Mathew & Associates (Advocate)
36.	Deepak Saraf HUF	AAFHD0142R	Joby Mathew & Associates (Advocate)
37.	Mr. Amit Jalan	AFDPJ7855G	Joby Mathew & Associates (Advocate)
38.	Mr. Sumit Jalan	AFDPJ7853A	Joby Mathew & Associates (Advocate)
39.	Mr. Yash Jalan	AHIPJ7654E	Joby Mathew & Associates (Advocate)
40.	Mr. Devendra Jalan	ADBPJ2163K	Joby Mathew & Associates (Advocate)
41.	Mr. Pratap Uttam Purohit	AFZPP9994A	Did Not Appear
42.	Manish S Shah HUF	AAFHM0782E	Dave & Girish & Co.
43.	Ms. Priti A Mehta	ALAPM5609E	Mr. Prakash Shah (C.A.) and Mr. KRCV Seshachalam (Advocate)
44.	Mr. Devang Bhupendra Shah	ADPS1211L	Joby Mathew & Associates (Advocate)
45.	Mr. Deval Devang Shah		
46.	Mr. Anil Kumar Agrawal	ACSPA5647B	Joby Mathew & Associates (Advocate)
47.	Ms. Neeli Agrawal	AAJPA1839J	
48.	Mr. Jitendra Dhirajlal Vora	AABPV8208Q	Joby Mathew & Associates (Advocate)
49.	Mr. Varun Yogesh Vora	AFBPV3801J	
50.	Mr. Manthan Manish Vora	AIAPV6436F	
51.	Jaidev Gupta HUF	AAFHJ5373N	Joby Mathew & Associates (Advocate)

52.	Mr. Jayesh Popatlal Shah	AAGPS4118M	Sanjay Udeshi & Co.
53.	Mr. Kalpana Jayesh Shah	ABDPS8106P	
54.	Mr. Nirav Anil Shah	AAIPS1195G	Dave & Girish & Co.
55.	Mr. Anisha Nirav Shah		
56.	Vinod Kumar Gupta HUF	AAAHV5024M	Joby Mathew & Associates
<b>Moryo Group</b>			
57.	Mr. Anand Kamalnayan Pandit	ADMPP1798B	Mr. Somansekhar Sundaresan and Mr. Paras Parekh, J sagar Associates and Mr. Sanjay Jain (Advocates)
58.	Mr. Shivkumar Kaushik	AAGPK7011H	Mr. Rajesh Khandalwal (Advocate)
59.	Mr. Tushar R Rane	AJCPR9314H	Mr. Rajesh Khandalwal (Advocate)
60.	Mr. Tisha Tushar Rane	AHRPK8922D	Mr. Rajesh Khandalwal (Advocate)
61.	Mr. Mangesh Madhukar Dhotre	AJPPD8297E	Mr. Rajesh Khandalwal (Advocate)
62.	Sanjay Jethalal Soni (HUF)	AAWHS0331J	Mr.Prathan Mathurkar & Ms.Rinku Valanju (Advocate)
63.	Mr. Wakil Rajbhar	AOSPR9100E	Mr. Rajesh Khandalwal (Advocate)
64.	Ms. Tanu Giriraj Agarwal	AADPA7003J	Mr. Anant Upadhyay & ANP Chambers (Advocate)
65.	Kamalakshi Finance Corporation Limited	AAACK1804B	Did Not Appear
66.	Mr. Girish Rajkumar Goel	BDLPG2634K	Mr. Rajesh Khandalwal (Advocate)
67.	Ms. Sapna Ramdas Jatwal	APNPJ7211C	Mr. Rajesh Khandalwal (Advocate)
68.	Ms. Krupali Madhukar Dhotre	BIQPD4268L	Mr. Rajesh Khandalwal & Mr. Hasmukh Ravria (Advocate)
69.	Mr. Vasudev B Panchal	ASIPP8140N	Mr. Nirman Sharma & Mr. Satyam Sancheti (Advocate)
70.	Victory Sales Pvt. Ltd.	AAACV7299K	Ms.Rishika Harisha & Mr. Satyam Sancheti (Advocate)
71.	Sampada Chemicals Ltd.	AACCS7980C	Ms.Rishika Harisha & Mr.Satyam Sancheti (Advocate)
72.	Mr. Sagar Girish Bhatt	ATYPB5376M	Mr. Rajeev Naik & Mr. Satyam Sancheti (Advocate)
73.	Mr. Krupa Sanjay Soni	BVSPS9740P	Mr. Prathan Mathurkar (Advocate)
74.	Mr. Amul Gagabhai Desai	AHDPD3526G	Mr. P.K Ramesh
75.	Mr. Giriraj Kishor Agarwal	AABPA4928N	Mr. Anant Upadhyay & ANP Chambers (Advocate)
76.	Esaar (India) Ltd.	AABCE0478J	Did Not Appear
77.	Savita Sonawane/Rupak Developers Pvt. Ltd	AADCR6341P	Did not Appear
78.	Limestone Properties Pvt. Ltd.	AACCL0133G	Did not Appear

79.	Helpful Investment Advisory Private Limited	AACCH4303G	Did Not Appear
80.	Topwell Properties Private Limited	AADCT8403C	Did Not Appear
The aforesaid entities are hereinafter referred to by their respective names or by their respective category as described in the <i>interim order</i> dated December 04, 2014 or collectively as 'the noticees'.			

1. Securities and Exchange Board of India (SEBI), vide an *ad interim ex-parte* order dated December 04, 2014 (hereinafter referred to as "*interim order*") restrained Moryo Industries Limited (hereinafter referred to as "*Moryo*" or "the company") and 98 other entities from accessing the securities market and further prohibited them from buying, selling or dealing in securities in any manner whatsoever, till further directions. The persons/entities against whom the *interim order* was passed were advised to file their objections, if any, within twenty one days from the date of the order and, if they so desire, to avail themselves of an opportunity of personal hearing before SEBI.
2. The *interim order* was passed taking into account facts and circumstances more particularly described therein and summarised, *inter alia*, as under:-
  - (a) On November 09, 2012, *Moryo* had allotted its 63,50,000 equity shares of ₹10/- each at a premium of ₹15/- on preferential basis to 42 entities (the *preferential allottees*) aggregating to ₹15.87 crores.
  - (b) On January 15, 2013, pursuant to a stock split, the face value of each share of ₹10/- was reduced to ₹5/- per share. The shares allotted on preferential basis to the said 42 entities were locked-in for a period of 1 year from date of preferential allotment in terms of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. Thus, these shares held by the *preferential allottees* pursuant to preferential allotment and share split were not tradable during this lock-in period.
  - (c) During the period January 15, 2013 to November 08, 2013 ("Patch-I") the share price of *Moryo* increased from ₹93.4/- and closed at ₹101.74/- with an average volume of 1363 shares per day in 107 trading days with an average of 3 trades per day. There was price rise of only 8% in the scrip during Patch-I.
  - (d) The shares issued pursuant to the preferential allotment were under lock-in for a period of one year, i.e., till November 08, 2013.
  - (e) During the period November 09, 2013 to August 31, 2014 ("Patch 2"), when the shares held by the preferential allottees were no more in lock-in mode, the share price of *Moryo* opened at ₹106.05/-, increased to a high of ₹241.5/- and closed at ₹225/-.
  - (f) During Patch 2, the average volume increased by 3,661%, from 1,363 shares per day to 51,275 shares per day and the price increased by 112% during the same period, i.e., from ₹106.05/- to ₹225/-.

- (g) While the price in the scrip saw a marginal increase prior to the expiry of the lock-in period after the expiry of the lock-in period, the price and volume in the scrip increased substantially. Such sharp rise in price and volume of the scrip was not supported by any acceptable market factor such as fundamentals, trading history, corporate announcements, etc. as discussed in the *interim order* but was on account of non-genuine and manipulative trading in the scrip by certain entities.
  - (h) A group of entities was acting as buyers in Patch 2 in order to provide exit to the *preferential allottees* and in the process creating artificial volume. Most of the trades were taking place between the *preferential allottees* and the entities connected/related, directly or indirectly to the *Moryo Group* as described in the *interim order*. During this period, the *preferential allottees* were selling and in the process gaining a huge profits/gains.
  - (i) It was *inter alia* noted that:-
    - (i) The fund brought in by way of preferential allotment was utilised for purposes other than those disclosed;
    - (ii) Even when substantial number of shares, i.e., 63.5 lakh shares (127 lakh shares after split) were unlocked for trading, during Patch 2 the prices increased by 112% in 172 days without any material change in the business or financial fundamentals of the company;
    - (iii) During Patch 2, the average volume increased astronomically to the extent of 3661%. Such increase in volume was mainly on account of matched trading amongst the entities of *Moryo Group* and the *preferential allottees*.
  - (j) Following *modus operandi* was observed in the matter:
    - (i) Firstly, shares were allotted on preferential basis to entities connected/related directly or indirectly to *Moryo*.
    - (ii) Then, just prior to the expiry of lock-in of shares issued on preferential basis, *Moryo* made a stock-split to facilitate *preferential allottees* to exit, on expiry of the lock-in, since the stock split would reduce the per share price and increase liquidity.
    - (iii) After the expiry of lock-in, the *preferential allottees* sold the shares to entities connected/related, directly or indirectly, to *Moryo Group* thereby raking in huge profits.
  - (k) It was, thus, *prima facie* observed that the *preferential allottees* acting in concert, with the *Moryo Group* entities along with the promoters and directors of *Moryo*, misused the stock exchange system to generate fictitious long term capital gains (LTCG). In the process, *Moryo Group* entities and the *preferential allottees* artificially increased the volume and price of the scrip and misused securities market system for making illegal gains and to convert ill-gotten gains into genuine one.
3. The allegation against the noticees as mentioned in the *interim order* is that, acts and omissions of the *noticees* are 'fraudulent' as defined under regulation 2(1)(c) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003

(‘PFUTP Regulations’) and are in contravention of the provisions of regulations 3(a), (b), (c) and (d) and 4(1), 4(2)(a), (b), (c) and (g) thereof and section 12A(a), (b) and (c) of the Securities and Exchange Board of India Act, 1992. This allegation against the noticees is made on the basis of following:

- (a) The noticees forming part of the *Moryo Group* acted as buyers to the preferential allottees thereby creating artificial demand for the supply of shares from preferential allottees.
  - (b) The *noticees* forming part of *Moryo Group* are connected among themselves and provided huge profitable exit to the preferential allottees in such a scrip that has hardly any credential in the market.
  - (c) In the process, the *noticees* of *Moryo Group* acting in concert with the preferential allottees misused the stock exchange system to provide fictitious long term capital gain (LTCG) benefit to the preferential allottees so as to convert unaccounted income into accounted one with no payment of taxes as LTCG is tax exempt.
  - (d) As a result, average trading volume in the scrip of *Moryo* increased astronomically to the extent of 3661%. Such increase in volume was mainly on account of matched trading amongst the *noticees* and preferential allottees.
  - (e) Securities market system was used to artificially increase volume and price of the scrip for making illegal gains and to convert ill-gotten gains into genuine one.
  - (f) Thus, the preferential allotment was used as a tool for implementation of the dubious plan, device and artifice of the *noticees* and the *preferential allottees*.
4. While the some of the entities restrained vide the *interim order* filed their replies pursuant to the *interim order*, some others neither filed any replies nor did they avail the opportunity of personal hearing. An *ex-parte* order dated March 18, 2016 was issued against following entities confirming the directions issued vide the *ad interim ex-parte order* dated December 04, 2014:

Sl. No.	Name	PAN	Category
1.	Ms. Deepti Lalwani	AFUPL5641K	Director
2.	Garth Mercantile Private Limited	AAECG9026D	<i>Moryo Group</i>
3.	Romy Realty Private Limited	AADCR6342Q	<i>Moryo Group</i>
4.	Surface Finance Pvt. Ltd.	AABCS1202L	<i>Moryo Group</i>
5.	Olympia Multitrading Private Limited	AABCO7262J	<i>Moryo Group</i>
6.	Isairis Trading Private Limited	AADCI0407P	<i>Moryo Group</i>
7.	Samskara Sales Agency Private Limited	AATCS7717A	<i>Moryo Group</i>
8.	Gulmohar Dealcom Private Limited	AADCG9091K	<i>Moryo Group</i>
9.	Mr. Saurabh Surendra Jadhav	ANGPJ6430Q	<i>Moryo Group</i>

10.	Mr. Deepak Suryakant Chavan	AJAPC0258P	<i>Moryo Group</i>
11.	Mr. Suryakant Chanpur	ANDPC7557J	<i>Moryo Group</i>
12.	Helpful Investment Advisory Private Limited.	AACCH4303G	<i>Moryo Group</i>
13.	Sadakirti Dealer Pvt. Ltd.	AANCS5873M	<i>Moryo Group</i>
14.	Dharti Developers And Constructions Pvt. Ltd.	AADCD5959M	<i>Moryo Group</i>
15.	Mr. Ganesh Eknath Chandanshive	ARWPC4266D	<i>Moryo Group</i>
16.	Goodpoint Impex Private Limited	AAFCG0606G	<i>Moryo Group</i>
17.	Shivsathi Mercantile Private Limited	AASCS6284R	<i>Moryo Group</i>
18.	Shallot Dealtrade Private Limited	AARCS4827R	<i>Moryo Group</i>
19.	Limestone Properties Pvt. Ltd.	AACCL0133G	<i>Moryo Group</i>
20.	Mahasvin Trading Pvt. Ltd.	AAJCM1338F	<i>Moryo Group</i>

5. In the said *ex-parte* order dated March 18, 2016 the names of Helpful Investment Advisory Pvt. Ltd (PAN: AACCH4303G) and Limestone Properties Pvt. Ltd (PAN: AACCL0133G) have also been inadvertently mentioned. It has now been brought to my notice that these two entities had responded to the *interim order* before passing of the aforesaid *ex-parte* confirmatory order. It is, therefore, clarified that the names of Helpful Investment Advisory Pvt. Ltd. and Limestone Properties Pvt. Ltd. shall stand omitted from the said *ex-parte* order dated March 18, 2016 and their replies and submissions as submitted to SEBI are being dealt herein.
6. The noticees who sought inspection/information/documents during the proceedings were provided inspection of documents and were also provide copies of the documents which were relied upon by SEBI for passing the *interim order*.
7. It is relevant to mention that SEBI has passed several interim orders in similar cases against several entities based upon *prima facie* findings and pending investigations in those matters. In response to such interim orders several entities filed their replies praying for revocation of order and for certain common interim reliefs pending passing of confirmatory orders. Considering the large number of entities covered in such orders (more than 1200), complexities involved in the issues such as inter linkages of different tranches of alleged schemes, connection/relation amongst transacting parties in different tranche of scheme, etc., the conclusion of the proceedings to pass confirmatory orders in each case required an holistic view after completing the procedure in compliance of principles of natural justice with regard to each of the entities involved. After considering the facts and circumstances brought out by these entities who had responded to interim orders; in order to avoid erosion of value of securities due to volatility, maintain some investment avenues in the capital

market such as mutual fund and to address the need of funds for meeting the business/any other exigencies, they were granted certain common interim reliefs, including the following:-

- (a). to sell the securities lying in their demat accounts as on the date of the respective interim order, other than the shares of the companies which are suspended from trading by the concerned stock exchange and keep the sale proceeds in an escrow account;
  - (b). to utilize such sale proceeds for the purpose of investment in mutual fund units and fixed deposits;
  - (c). to utilize 25% of their portfolio value for their business purposes and/or for meeting other exigencies subject to the condition that the balance portfolio value does not go below the profit/loss made by them;
8. Further, specific representation of any such entity was being separately decided on case to case basis and communicated to them separately during pendency of the proceedings for passing of confirmatory orders. It was also taken into account that such interim reliefs were reasonable and that the same may be granted expeditiously pending passing of the confirmatory order in respective cases which had to take time considering factors mentioned in above paras.
9. In the above background, the noticees who had responded to the *interim order* in this case as on January 15, 2016, were granted the common interim reliefs as aforesaid and the decision in the regard was caused to be communicated to them vide separate letters dated January 15, 2016 permitting them:-
- (i) *to subscribe to units of the mutual funds including through SIP and redeem the units of the mutual funds so subscribed;*
  - (ii) *to avail the benefits of corporate actions like rights issue, bonus issue, stock split, dividend, etc.*
  - (iii) *to sell the securities lying in their demat accounts as on the date of the interim order, other than the shares of the companies which are suspended from trading by the concerned stock exchange, in orderly manner under the supervision of the stock exchanges so as not to disturb the market equilibrium and deposit the sale proceeds in an interest bearing escrow account with a nationalised bank.*
  - (iv) *to utilise and deal with the sale proceeds, lying in the aforesaid escrow account under the supervision of the concerned stock exchange, as provided hereunder:-*
    - (a) *the sale proceeds may be kept in a fixed deposit with a nationalised bank or may be utilised for subscription to units of the mutual funds which shall always be held in the demat form and if such units are redeemed the proceeds thereof shall be credited to the aforesaid escrow account or may be utilised for subscription to the units of mutual funds;*
  - (v) *The aforementioned window for sale of shares lying in respective portfolio shall be withdrawn if the noticees execute any trade beyond those mentioned in clause (iii) above. The aforesaid reliefs shall be subject to the supervision of the stock exchanges and depositories.*



8. In addition to above, the entities mentioned at Sr. No. 1-6 and Sr. No 46-76 were also permitted the following, subject to the condition that the residual value of the portfolio (i.e. remaining 75%) is higher/equal to the profit made as indicated in the *interim order*:

*“to utilise up to 25% of the value of their portfolio as on the date of the interim order for their business purposes and/or for meeting other exigencies.*

*Explanation: For the purposes of determining the portfolio value of the entities, the value of portfolio of securities lying in the demat account/s (individual and joint both) on the date of the interim order after excluding the value of shares that have been suspended from trading as on the date of the communication shall be considered. For NBFCs and stock brokers the value of portfolio shall exclude the value of clients' securities lying in their demat accounts.”*

10. The noticees herein filed their replies on different dates and all of them were granted opportunity of personal hearings on several dates. Some of the noticees availed the opportunity/ies of personal hearing and few of them also filed additional written submissions post hearing/s. As regards, Mr. Kamal Jajoo, it is noted that he has, vide his undated letter (received on July 05, 2016), sought an opportunity of personal hearing and made his submissions vide letter dated July 20, 2016. Further, Rupak Developers Pvt. Ltd. and Mr. Pratap Uttam Purohit have not made any submissions with respect to allegations made in the *interim order*. I note that neither have these noticees, till date, availed the opportunities of personal hearing on any of the scheduled dates despite having been served notices of personal hearings and Rupak Developers Pvt. Ltd. and Mr. Pratap Uttam Purohit have not filed any reply to charges in the *interim order*. In view of these facts, I find the latest request from Mr. Kamal Jajoo for an additional opportunity of personal hearing to be a delaying tactics. I, therefore, do not deem it necessary to provide any more opportunity to these noticees.
11. It is noted that proceedings for passing of confirmatory order pending investigation in the matter are now complete and the confirmatory order in the matter *qua* the noticees herein need to be passed considering their replies/ submissions and relevant material available on record. In addition to the various case laws presented by *the noticees*, the replies/submission of the noticees are *inter alia* as under:

**I. Company:**

**(1) Moryo Industries Ltd:**

- (a) The *interim order* is vitiated by gross violation of principles of natural justice, equity and fair play in as much as no opportunity was ever provided to them to explain their version and circumstances, as the facts stated in the *interim order* do not justify the dispensation of a pre-decision hearing of them.

- (b) There was no such emergent situation or circumstances warranting an *ad-interim ex-parte* order.
- (c) It is denied that the company was acting in concert with the *preferential allottees* or any other entities. No material/evidence has been brought on record to connect it with other entities and to demonstrate even remotely as to how it was acting in concert with others.
- (d) The preferential allotment made by *Moryo* was in the ordinary course and the same had no nexus with the trading done by various entities in the scrip of the company. It had no role to play in the trading done by the *preferential allottees* and the entities belonging to the alleged *Moryo Group* and they were not acting on their behest or behalf.
- (e) *Moryo* is in the business of trading metals and also carries out money lending and trading in shares. Earlier the trading in the scrip of *Moryo* was suspended by BSE due to non compliance of listing agreement. Subsequently it was decided by the management of *Moryo* to revive its business and it had made an application to BSE seeking revocation of suspension. BSE revoked the suspension and from September 21, 2011, the trading in the scrip of *Moryo* recommenced.
- (f) During the year 2011, while the listing application of *Moryo* was under consideration of BSE, its management decided to expand its operations in the field of funding of long term capital requirements, capital expenditure including acquisition of companies/business, marketing, setting up of offices abroad and for other approved corporate purposes.
- (g) Accordingly the management started exploring the options of raising funds for the expansion of *Moryo* through preferential allotment. It was with this background that *Moryo* got in touch with Mr. Manish Gupta in order to tap potential subscribers who would be interested in seeking subscription by way of preferential allotment.
- (h) With regard to observations made in para 4 of the said *interim order*, it is denied that the revenue generated in Financial Year 2012-13 was generated out of trading in the shares of the connected companies. It is also submitted that ₹21,61,000/- as salary was paid in cash out of total salary payout of ₹22,08,400/- for FY 2012-13.
- (i) It is denied that the price rise in the scrip was not supported by fundamentals as alleged. There were no corporate announcements (save and except routine announcements) made by *Moryo*, which is normally resorted to in order to influence the price.
- (j) *Moryo* was able to garner funds by way of preferential allotment on account of the business plans of its and the same cannot be viewed suspiciously. They provided complete information about *Moryo* and its business plans, by way of detailed information memorandum to then proposed preferential allottees, who have, admittedly based on their assessment of *Moryo*, decided to invest in the shares of the

company. Therefore, SEBI cannot based on its own subjective assessment, brand the investment behaviour of preferential allottees as not being rational.

- (k) There is no such *Moryo Group* as alleged in the *interim order*. The whole grouping is misleading and erroneously been lumped with others without any basis.
- (l) With regard to funds transfers between *Moryo* and Five X Finance & Investment Ltd., Rockon Fintech Ltd., Insight Multitrading, Rupak Developers Pvt. Ltd., Handful Investrade Pvt. Ltd. and Shreenath Commercial Finance Ltd., were in normal course of business and were in nature of loan transactions supported by loan agreements.
- (m) The transfer of funds to Mr. Giriraj Kishore Agarwal was in context of reimbursement of expenses incurred on behalf of *Moryo* towards the payment of ROC charges.
- (n) *Moryo* was not related to Rupak Developers, VRP Financial Services Ltd., Five X Finance, Kamalakshi Finance, G K Agarwal and Esaar India as alleged.
- (o) The observations are bald and sweeping and in the air as nothing are there on record to bring out any nexus between *Moryo* and others. With regards to observations in para 13 of the said order pertaining to usage of amounts received by *Moryo* by way of preferential allotment, in so far as investments in shares is concerned, the details set out are correct. Further, in so far as loans and advances given to various entities is concerned, it is submitted that no loans were granted to Rupak Developers Pvt. Ltd., Rock On Capital Market Pvt. Ltd., Kayaguru Capital Market Pvt. Ltd. and Yashasvi Developers Pvt. Ltd. out of the preferential allotments proceeds as alleged. It is also admitted that loans were granted out of the preferential allotment proceeds to Fragrant Multitrading Pvt. Ltd. and Insight Multitrading Ltd.
- (p) The disclosures made to the shareholders regarding the purpose of fund raising through preferential allotment are a matter of record. It is denied that the utilisation of proceeds of preferential allotment was not for the purposes as disclosed. *Moryo* utilised the funds for the purpose of trading in the securities market and for giving loans and advances which were part of the disclosed purposes.
- (q) Mr. Giriraj Kishore Agarwal is currently a promoter and director in several companies and is a practicing chartered accountant and therefore loans and advances were made in such companies for business purpose only on account of his reputation. Merely due to this it cannot be concluded that the entities are related/connected to *Moryo*.
- (r) *Moryo* was not aware of any Mr. Giriraj Kishor Aggarwal or *Moryo Group* and for the alleged acts of Mr. Giriraj Kishor Aggarwal. Hence, it cannot be held liable or responsible in any manner.
- (s) *Moryo* was not aware that the entities to whom it had advanced loans had fund transfers with the *Moryo Group* entities for providing exit to the *preferential allottees* as

alleged in the *interim order*. The loans to some entities were provided sometime around the Financial Year 2012-13 where as the alleged *preferential allottees* exited around December 2013. Hence, there was no nexus between date of advancing of loans and the alleged providing of exit to preferential allottees.

- (t) With regard to Mr. Pankaj Trivedi, he was handling their filing work pertaining to company law/ other compliances since 2011-12. At the time of commencement of his work he was employed with Company secretary firm, ID Joshi & Associates. All along it had a bonafide belief that he was working with ID Joshi & Associates. They were not aware that he is employee of Mr. Giriraj Kishore Agarwal or that he was drawing salary from Shreenath Commercial & Finance Ltd. as alleged.
- (u) Merely because, Mr. Pankaj Trivedi was handling their filing work pertaining to company law/other compliances and had represented them before SEBI, was employee of Mr. Giriraj Kishore Agarwal, the same cannot corroborate the relation between Mr. Giriraj Kishore Agarwal and them as alleged.
- (v) They deny using the preferential allotment as tool for implementation of the dubious plan, device and artifice as alleged. Therefore, based on making of preferential allotment no adverse inference can be drawn against it.
- (w) Moryo prayed that the charges in the *interim order* be dropped and direction issued against it be lifted.

## **II. Promoters:**

### **(2) Mr. Mohan Jain and Ms. Deepika Jain**

- (a) They were no longer promoter nor shareholder of the company since August, 2012 as they have sold their entire shareholding in the company before end of August, 2012. All the required disclosures pertaining to the sale of shares were disclosed as per the Regulations. All the relevant taxes applicable to the said sale of shares were also paid.
- (b) Ms. Deepika Jain had also resigned as the director of the company on September 03, 2012, whereas, Mr. Mohan Jain also resigned from the directorship of the company on September 03, 2012. Their resignation was also accepted and approved by the Board of Directors of the company at their board meeting held on September 03, 2012.
- (c) Post their resignation from the directorship of the company on September 03, 2012, the company also changed its registered office address from their existing office address.
- (d) They were neither the director of the company nor shareholder of the company between January 15, 2013 to August 31, 2014 i.e. examination period. Ever since the disposal of their shares in the company, they have never traded in any shares of the company nor held any shares of the company till date.
- (e) They were holding the shares of the company for a duration of 15 years before

selling their shares and during this tenure the company has neither done any preferential allotment nor any transaction which may be manipulative in nature whatsoever.

- (f) At the time of preferential allotment on November 09, 2012, they were neither the director of the company nor shareholder of the company nor a promoter of the company.
- (g) None of the entities to whom preferential allotment were made by the company are known to them or connected to them or they did not have any nexus with the company in any manner whatsoever after their resignation as a director and sale of shares which were done before the examination period. Hence, they cannot be said to have had any influence on the decisions taken for raising funds through preferential allotment or in any other manner whatsoever.

### **III. Directors:**

- (3) **Mr. Manoharlal Saraf, Mrs. Geeta Manoharlal Saraf and Mr. Shashikumar Jatwal:**

The *interim order* was passed *ex-parte* against them and without providing any opportunity of personal hearing to them. They denied several baseless contentions and allegations of collusion, fraud and irregularities against them.

### **IV. Preferential Allottees:**

- (4) **Mr. Vivek Kumar Kejriwal and Vivek Kumar Kejriwal HUF:**

Mr. Vivek Kumar Kejriwal is the Karta of Vivek Kumar Kejriwal HUF. Mr. Vivek Kumar Kejriwal and Vivek Kumar Kejriwal HUF both were represented by their representatives on June 05, 2015, wherein on request they were granted a week's time to file their written submissions in the matter. However, no written submissions have been received from them.

- (5) **Mr. Naresh S. Chandan and Ms. Chetna Naresh Chandan:**

- (a) Mr. Naresh Chandan is in the business of dealing in metals and is the owner of a proprietorship firm in the name of M/s More Metals. He is also a director in Kalapurna Steel & Engineering Pvt. Ltd. He carries out investments in his name as well as in the name of his wife Ms. Chetna Chandan.
- (b) They approached by a market expert known to him for investing in the preferential allotment of *Moryo*. Their subscription to the shares of *Moryo* was made based on the advice of the market expert known to him.
- (c) Ms. Chetna Naresh Chandan had made investment on the advice of her husband Mr. Naresh Chandan and the funds for the investment were also borrowed from him.

- (6) **Ms. Kavita Singhi:**

- (a) She is a salaried professional and working in Balaji Commercial Company and also deals in securities market on rare occasions. All her dealings in securities market are based on her husband's advice. Her investments in *Moryo* were also made on her husband's advice.
- (b) She has prayed to be allowed to redeem her other investments in shares and mutual funds, etc.

(7) **Mr. Manish Jagdish Saraf:**

- (a) He is a regular investor in securities market. He is proprietor of M/s Shree Rani Sati Enterprises having the business of trading in fabrics.
- (b) He came to know about the issue of preferential allotment of *Moryo* through common market circles and information available. In order to make an investment in the shares of *Moryo*, a loan of amount ₹50 Lakhs was availed from HSCM Realtors Pvt. Ltd.
- (c) He be allowed to redeem his other investments in shares and mutual funds, etc. He has also prayed that the directions issued vide *interim order* be vacated.

(8) **Mr. Sanjay Anchaliya and Mr. Suchek Suresh Anchaliya:**

- (a) Mr. Sanjay Anchaliya is a practicing Chartered Accountant and subscribed to the preferential allotment of shares of *Moryo* based on the advice of one Mr. Narendra Chaudhary who lived in the same premises.
- (b) The address mentioned in the *interim order* w.r.t. Confidence Finance and Trading Ltd. was bought jointly with one Mr. Mohan N. Jain, promoter of Confidence Finance and Trading Ltd.
- (c) As the building is very old and as per the prevailing laws, the buy and sell is carried out on the basis of tenancy rights, no registered agreements are made.
- (d) After purchase of the property the necessary demarcation was made so that each one of the holders may carry out independent activities. Hence, the connection made on the basis of the address is vague, farfetched.
- (e) Mr. Suchek Suresh Anchaliya had subscribed to the preferential allotment of shares of *Moryo* based on the advice of Mr. Narendra Chaudhary, friend of his uncle, Mr. Sanjay Anchaliya.
- (f) The shares were purchased from their own funds.

(9) **Mr. Nikunj Arvind Desai:**

- (a) At present he is not holding any shares of *Moryo* but has various investments consisting of 5 publicly traded shares and having present market value of ₹1,37,16,921/-.
- (b) He is an individual investor and has been dealing in stock market for a considerable period of time.

- (c) In the month of July 2012, he was approached by a chartered accountant known to him through his friend circle, who sought some investments from him through subscription of shares by way of preferential allotment from *Moryo*.
- (d) He invested in the shares of *Moryo* considering potential results.
- (e) After the expiry of the lock-in period in November 2013, he continued to hold the shares till February 2014. Between February 2014 and July 2014, he sold all of his shares of *Moryo* at the prevailing market price.
- (f) The entire sale proceeds were utilised in parts by PV Corporation, where he is the proprietor (TV Trading Pvt. Ltd., a family owned enterprise) and towards purchase of certain shares from the market. The proceeds of sale of shares were not transferred to, whether directly or indirectly to any of the entities as stated in the said *interim order*.
- (g) He does not have any link/connection/nexus either with *Moryo* and its promoter/directors, other preferential allottees as set out in the *interim order*, persons/entities who had traded in the scrip during the examination period or with other persons/entities referred to in the order.
- (h) At no point of time, when the price of the scrip was rising, neither SEBI nor the stock exchanges had raised any alarm bells as to price movement in the scrip not being in consonance with its financials or fundamentals. The preferential allotment cannot be questioned after permitting *Moryo* to make preferential allotment and granting listing and trading permission for the same.
- (i) The observation made in para 2 of the *interim order* which stated that *Moryo* could not have commanded the price observed in Patch 2 is totally misplaced.
- (j) The price which particular scrip would command is a very subjective issue and is contingent upon forces of demand and supply.
- (k) He further denies that the principle of price discovery was set aside and the market lost its purpose as alleged in the said interim order.
- (l) He is not aware as to how the funds obtained by *Moryo*, by way of preferential allotment, were utilised by it as same was of no concern to him.
- (m) He was not aware of the fact that the funds so obtained by *Moryo* were invested in the shares of connected companies or were invested by way of purported loans to a group of companies connected with *Moryo* and the same is of no concern to him.
- (n) If the law provides the facility of long term capital gains ('LTCG') and the shares are sold after a period of more than 1 year, he cannot be faulted for the same even if he was eligible for LTCG. No evidence or basis or quantum of the alleged "unaccounted income" was spelled out in the *interim order*.
- (o) He prayed for unfreezing of his demat account. He also prayed that his joint account with his wife where he was the second holder be also unfrozen as she is a financially independent individual as far as her trading in securities are concerned.

(10) **Veenu Jain HUF:**

- (a) In the month of July 2012, he was approached by an advisor known to his accountant, who sought some investments from them through subscription of shares by way of preferential allotment from *Moryo*.
- (b) He invested in the shares of *Moryo* considering potential results.
- (c) After the expiry of the lock-in period in November 2013, he continued to hold the shares till March 2014.
- (d) Between February 2014 and December 2014, he sold part of his shares of *Moryo* at the prevailing market price. The shares were sold by him as he was in need of funds and was utilised for business and financial purpose.
- (e) At no point of time, when the price of the scrip was rising, neither SEBI nor the stock exchanges had raised any alarm bells as to price movement in the scrip not being in consonance with its financials or fundamentals. The preferential allotment cannot be questioned after permitting *Moryo* to make preferential allotment and granting listing and trading permission for the same.
- (f) The observation made in para 12 of the *interim order* which stated that *Moryo* could not have commanded the price observed in Patch 2 is totally misplaced. The price which particular scrip would command is a very subjective issue and is contingent upon forces of demand and supply.
- (g) He was not aware as to how the funds raised by *Moryo* through preferential allotment were utilised by it and same was of no concern to him.
- (h) He was not aware of the fact that the funds so obtained by *Moryo* were invested in the shares of connected companies or were invested by way of purported loans to a group of companies connected with *Moryo* and the same is of no concern to them.
- (i) If the law provides the facility of LTCG and the shares are sold after a period of more than 1 year, they cannot be faulted for the same if they were eligible for LTCG. No evidence or basis or quantum of the alleged "unaccounted income" was spelled out in the *interim order*.

(11) **Bhikhabhai Prajapati HUF and Jagdishbhai Prajapati HUF:**

- (a) Jagdish Prajapati is son of Bhikhabhai Prajapati. Bhikhabhai Prajapati and Jagdish Prajapati are promoters of Panam Engineers Limited. Panam Engineers Ltd. is a manufacturer and exporter of precision tube fittings and instrumentation valves.
- (b) They subscribed to the preferential allotment of shares of *Moryo* after receiving a proposal of investment from one of the business connects. The investments were made from own funds.

(12) **Mr. Amardeep Kadam:**



- (a) He is a doctor by profession and also carries wholesale business of surgical items.
- (b) He has made investments in shares of *Moryo* in the normal and ordinary course of his share investment activity.
- (c) His investment in shares of *Moryo* was made after meeting one of the directors of *Moryo* at a social function. He received a proposal to invest in shares of *Moryo* from the director of *Moryo*. He sold his shares of *Moryo* once it appeared that his investment has peaked.
- (d) He prayed that the directions issued vide *interim order* be vacated.

(13) **Mr. Rajeev Kumar Agarwal, Ms. Mahadevi Kumar Agarwal, Mr. Anand Kumar Agarwal and Mr. Sanjeev Kumar Agarwal:**

- (a) Their investments in *Moryo* were based on the information memorandum provided by *Moryo* which stated that the company was in the business of investments and providing inter-corporate deposits for which it was supposed to apply to Reserve Bank of India for registration as a non banking financial company (NBFC).
- (b) They are in the business of gems and jewellery and recently have diversified into hotel business.
- (c) As regards financial transactions between them and *Moryo Group* entities, namely Esaar (India) Ltd., Five X Finance & Investment Ltd. and Banas Finance Ltd., these transactions were with respect to a business loan undertaken from the above mentioned entities for purchase of a land.

(14) **Mr. Anil Kumar Agarwal and Ms. Neeli Agarwal:**

- (a) The investments in *Moryo* were made on the advice of Mr. Uday Shah, now deceased and an erstwhile member of Cricket Club of India (CCI). Late Mr. Shah was known to them as a fellow member of the CCI.
- (b) They were regular investors in securities and their investment in *Moryo* was not the first investments made by them or even significant when compared to their portfolio.
- (c) The trade data relied upon shows that the shares were sold by them over a period of several months and that the shares were not sold on all the trading days and that they have not sold all the shares allotted to them.

(15) **Mr. Shivshanker C. Joshi and Ms. Geetaben S. Joshi:**

- (a) They are regular investor in securities including shares of listed companies. They have been investing and trading in shares of several companies from time to time.
- (b) They came to know about the preferential allotment of shares of *Moryo* through common market circles and information available.
- (c) SEBI has allegedly shown Mr. Shivshanker C. Joshi to be connected with a *Moryo Group* entity Rupak Developers Pvt. Ltd. on the basis of bank transactions taken

place between them.

- (d) One of the professional intermediary at that time who was known to them and was also common between them and Rupak Developers Pvt. Ltd., had approached him in February 2011 and informed that the said entity was in financial need for business purpose in the form of short term loans on interest basis with assured repayment within one year and requested to be given short term loan of ₹67 Lac on interest at the rate of 18% p.a. to Rupak Developers Pvt. Ltd. on friendly basis, return of which was guaranteed/assured by the said professional intermediary. Therefore, believing upon the words, requests and assurances of the said common intermediary and its supervision, they gave a short term friendly loan of ₹35 Lacs on February 22, 2011 and ₹32 Lacs on March 2011 respectively to Rupak Developers Pvt. Ltd. on an interest at the rate of 18% p. a.
  - (e) It is pertinent to note that, though Rupak Developers Pvt. Ltd. have repaid the principal amounts of the said loan in parts, i.e., ₹10 Lacs on October 18, 2011, ₹25 Lacs on March 22, 2012 and ₹32 Lacs on March 22, 2012 (transactions which are impugned in the *interim order* by SEBI) respectively. However, they have not yet received interest amounts on the said principal amount, as was agreed, and are in the process of recovering the same.
  - (f) They deny that they are connected with Rupak Developers Pvt. Limited or with any other entity. The said loan transaction with Rupak Developers Pvt. Ltd. cannot be the basis of showing connection of them with the alleged entity.
  - (g) They sold 173900 shares of *Moryo* after the lock in period was over and in the normal course of business. They are still holding 1,26,100 shares out of their total shareholding.
  - (h) There is a difference in the quantity of his orders with counterparty and there is a large time gap between the time of his orders and time of the counterparty.
- (16) **Mr. Jitendra D. Vora, Mr. Manthan M. Vora and Mr. Varun Vora:**
- (a) The investments in *Moryo* were made by Mr. Jitendra D. Vora as he was the co-owner of the demat account and that they bought in good faith and valuable consideration.
  - (b) They have sold only 36,925 shares out of allotted 2,00,000 shares (1,00,000 before split) and are still holding 82% of their shareholding in *Moryo*. Their continued holding in *Moryo* implies that they had no intentions to make a profitable exit giving artificial rise to the price.
- (17) **Mr. Naresh Khatar:**
- (a) He is the promoter of 'Me N Moms', a company dealing in quality maternity products.
  - (b) His investments in preferential allotment of *Moryo* were based on the advice of a

professional known to him.

- (i) He sold his shares of *Moryo* in the price range of ₹165/- - ₹230/- share. Further, if the allegations contained in the *interim order* were true he should have sold his shares at a higher price wherein the stock reached an all time high of ₹241/-.

(18) **Mr. Vijay H. Bhayani:**

- (a) While investing in the shares of *Moryo* as well as while selling the shares of *Moryo* he could not find any adverse record of *Moryo*.
- (b) He has never dealt with the shares of *Moryo* prior to preferential allotment of shares made to him and he had no role to play in the price rise of the scrip as it was purely market driven.
- (c) He was not connected with any promoter or the persons or organizations named in the *interim order* in connection with the alleged transaction as mentioned in the said order.

(19) **Mr. Sachin Gokuldas Mehta:**

- (a) While investing in the shares of *Moryo* as well as while selling the shares of *Moryo* he could not find any adverse record of *Moryo*.
- (b) He has never dealt with the shares of *Moryo* prior to preferential allotment of shares made to him and he had no role to play in the price rise of the scrip as it was purely market driven.
- (c) He was not connected with any promoter or the persons or organizations named in the *interim order* in connection with the alleged transaction as mentioned in the said order.
- (d) He prayed for de-freezing of his demat accounts and the *interim order* against him to be vacated.
- (e) His wife, Ms. Damyanti G. Mehta, in her separate submissions, stated that she holds a joint demat account (account no. 10447964) with the Kapol Co-Op Bank Ltd. as the first holder along with Mr. Sachin Mehta as a joint holder to the account.
- (f) The said demat account was never used for transacting in the shares of *Moryo* and as she is not banned under the aforesaid *interim order* in her personal capacity. Therefore, the said demat account be unfreezed.

(20) **Mr. Chintan Narendra Shah:**

- (a) He is a general investor and invested in the shares of *Moryo* on the advice of his professional company secretary.
- (b) He was not connected with any promoter or the person named in the *interim order* in connection with the alleged transactions before or after the sale of shares by him.

(21) **Ms. Dipani Chintan Shah:**

- (a) She is a joint allottee with Mr. Chintan Narendra Shah.
- (b) The shares of *Moryo* allotted pursuant to the preferential allotment were in the demat account no. “11004200” which is jointly held with Mr. Chintan Narendra Shah with him being the second holder. The buy and sell were carried out by Mr. Chintan Narendra Shah and the payment obligations were also met by him.
- (c) She has not dealt or subscribed to the shares in any manner.

(22) **Mr. Jayesh P. Shah and Ms. Kalpana Jayesh Shah:**

- (a) Ms. Kalpana Jayesh Shah is a housewife and all of her financial decisions relating to the stock market are taken by her husband Mr. Jayesh P. Shah.
- (b) Investments in preferential allotment of *Moryo* were also the decision of her husband.
- (c) They hold some demat accounts jointly where Mr. Jayesh P. Shah is first holder and Ms. Kalpana Jayesh Shah is the second holder.
- (d) The demat accounts where Ms. Kalpana Jayesh Shah is the first and sole holder as well as where her husband Mr. Jayesh P. Shah is the second holder are frozen erroneously and unintentionally.
- (e) The *interim order* passed is *ex-parte* without according an opportunity of hearing and which is against the principal of natural justice, fairness and equity.
- (f) The demat accounts where Ms. Kalpana Jayesh Shah is the first and sole holder and where her husband is second holder to the account should be defreezed.
- (g) Jayesh P. Shah has submitted that investment in the shares of *Moryo* were made by him and the appearance of Ms. Kalpana J. Shah in the joint demat account was for the sake of convenience only.
- (h) He is a genuine investor and invests in many companies where his current investments as on December 31, 2014 were in 12 companies amounting to an equivalent of ₹86,00,000/-.
- (i) He had no intention of creating any kind of artificial price rise, nor concealment of any fact or making a false representation.
- (j) Out of the total number of shares allotted to him, he has sold only 21,750 shares which merely constitute 10.87% of the total shares allotted and held by him. If he had any intention to create any artificial price rise, he could have sold his entire shareholding at a higher price intending to make a profitable exit.
- (k) He has made only two sale transactions and is still holding 90% of the shares allotted to him. His transactions expressly show that he had no intention of contributing towards the alleged artificial price rise.
- (l) As an individual shareholder he cannot be held responsible for split of shares by *Moryo* nor could any motive be ascribed to him for the same.
- (m) He denied the connection with the alleged entities mentioned in the *interim order*.
- (n) The *interim order* passed is *ex-parte* without according an opportunity of hearing and which is against the principal of natural justice, fairness and equity.

(23) **Jugal Kishore Chirania HUF:**

- (a) Mr. Jugal Kishore Chirania is the Karta of Jugal Kishore Chirania HUF. Mr. Jugal Kishore Chirania is not a director of any company and is a simple investor.
- (b) He came to know about the preferential allotment of shares of *Moryo* through common market circles and information available.
- (c) He sold 1,43,000 shares out of 6,00,000 shares (post share-split) only, almost 5 months post lock-in period.
- (d) The comparison between Patch 1 and Patch 2 with respect to the increase in volume of shares being traded is highly deceptive. It may not be appropriate to compare the volumes traded for the two periods since the circumstances attached with both the periods are different, in particular, there was a stock split and the release of locked in shares increased the equity base and liquidity in Patch 2.
- (e) There is a difference in the quantity of his orders with counterparty and there is a large time gap between the time of his orders and time of the counterparty.

(24) **Sudheer Chirania HUF:**

- (a) Mr. Sudheer Chirania is the karta of Sudheer Chirania HUF.
- (b) Mr. Sudheer Chirania is not a director of any company and is a simple investor.
- (c) He came to know about the preferential allotment of shares of *Moryo* through common market circles and information available. Further, based on information available on BSE website, it was understood that in principle approval has been granted by BSE to *Moryo* for the said issue.
- (d) The payment for the allotment was made from funds belonging to the HUF and Karta.
- (e) The firm's karta is neither a director in Aadishu Securities Pvt. Ltd. nor a director in Perfect Corporate Services Pvt. Ltd. Nor in any way connected to them, as alleged in the *interim order*.
- (f) Out of 6,00,000 shares (post share-split), the client sold 1,06,816 shares, more than 5 months after the lock-in period was over. Around 75% of the shares allotted preferentially to them are still held by them.
- (g) There is a difference in the quantity of his orders with counterparty and there is a large time gap between the time of his orders and time of the counterparty.

(25) **Sanjeev Chirania HUF:**

- (a) Mr. Sanjeev Chirania is the karta of Sanjeev Chirania HUF. Mr. Sanjeev Chirania is not a director of any company and is a simple investor.
- (b) He came to know about the preferential allotment of shares of *Moryo* through common market circles and information available.
- (c) The firm's Karta is neither a director in Aadishu Securities Pvt. Ltd. nor a director in

Perfect Corporate Services Pvt. Ltd. as alleged in the *interim order*.

- (d) He sold 1,41,002 shares out of 6,00,000 shares only after 5 months after the lock in period.
- (e) There is a difference in the quantity of his orders with counterparty and there is a large time gap between the time of his orders and time of the counterparty.

(26) **Jaidev Gupta HUF:**

- (a) Mr. Jaidev Gupta is the karta of Jaidev Gupta HUF. As the karta of the noticee, he has been investing in equity shares of several companies from time to time and is an investor simplicitor.
- (b) The major income of the HUF is from investment in shares and other securities. He is a regular investor in securities including shares of listed companies. He has been investing and trading in shares of several companies from time to time.
- (c) He came to know about the preferential allotment of shares of *Moryo* through common market circles and information available.
- (d) He has not traded in the scrip and is still holding the shares of *Moryo* allotted to him in the preferential allotment.

(27) **Vinod Kumar Gupta HUF:**

- (a) Mr. Vinod Kumar Gupta is the karta of Vinod Kumar Gupta HUF. The firm's Karta has been investing in equity shares of several companies from time to time and is an investor simplicitor. The major income of the HUF is from investment in shares and other securities.
- (b) He is a regular investor in securities including shares of listed companies. He has been investing and trading in shares of several companies from time to time. He came to know about the preferential allotment of shares of *Moryo* through common market circles and information available.
- (c) He has not traded in the scrip and is still holding the shares of *Moryo* allotted to him in the preferential allotment.

(28) **Mr. Sumit Gupta:**

- (a) He is a regular investor in securities including shares of listed companies. He has been investing and trading in shares of several companies from time to time.
- (b) He came to know about the preferential allotment of shares of *Moryo* through common market circles and information available.
- (c) SEBI has no jurisdiction to examine and come to a finding that the noticee has avoided payment of tax. The Income Tax Department, and not SEBI, are empowered to do so under the Income Tax Act, 1961 and the rules and regulations framed therein. SEBI has come to such a finding without even examining his income tax records or its financial statements and therefore, such a finding is baseless,

erroneous, false and unsustainable.

- (d) There is a difference in the quantity of his orders with counterparty and there is a large time gap between the time of his orders and time of the counterparty orders.

(29) **Deepak Saraf HUF:**

- (a) Mr. Deepak Saraf is the karta of Deepak Saraf HUF. The firm's Karta has been investing in shares of several companies from time to time.
- (b) He is a director only in Advance Cargo Movers (India) Private Limited, a family transport company.
- (c) He is a regular investor in securities including shares of listed companies. He has been investing and trading in shares of several companies from time to time.
- (d) He came to know about the preferential allotment of shares of *Moryo* through common market circles and information available.
- (e) SEBI has no jurisdiction to examine and come to a finding that the noticee has avoided payment of tax. The Income Tax Department, and not SEBI, are empowered to do so under the Income Tax Act, 1961 and the rules and regulations framed therein. In this regard, it is pertinent to note that SEBI has come to such a finding without even examining the noticee's income tax records or its financial statements and therefore, such a finding is baseless, erroneous, false and unsustainable.
- (f) There is a difference in the quantity of his orders with counterparty and there is a large time gap between the time of his orders and time of the counterparty orders.

(30) **Mr. Amit Jalan:**

- (a) Mr. Amit Jalan is one of the directors of Jalan Texfab Pvt. Ltd. as mentioned in the *interim order*.
- (b) SEBI has allegedly shown him to be connected with one of the *Moryo Group* entity, namely, Romy Realty Private Limited on the basis of bank transactions taken place with Jalan Texfab Pvt. Ltd.
- (c) Jalan Texfab Pvt. Ltd. had taken an unsecured loan from Romy Realty Pvt. Ltd. of ₹11,00,000/- on May 28, 2009 with interest at the rate of 12% for the Financial Year 2009-10, 13% for Financial Year 2010-11 and 15% for 2011-12 to 2013-14. This was an inter-corporate loan taken for business purpose which was repaid by Jalan Texfab Pvt. Ltd. on December 30, 2013. Further the same was duly recorded and accounted for in the books of Jalan Texfab Pvt. Ltd.
- (d) He is not connected with Romy Realty Private Limited or with any other entity in any manner. The said loan transaction of Jalan Texfab Pvt. Ltd. cannot be the basis of showing connection of the noticee with the alleged entity.
- (e) He came to know about the preferential allotment of shares of *Moryo* through common market circles and information available.
- (f) He sold 62000 shares of *Moryo* after the lock in period was over and in the normal

course of business. He is still holding 1,38,000 shares out of his total shareholding.

- (g) There is a difference in the quantity of his orders with counterparty and there is a large time gap between the time of his orders and time of the counterparty.

(31) **Mr. Sumit Jalan:**

- (a) He is one of the directors of Jalan Texfab Pvt. Ltd. as mentioned in the *interim order*.
- (b) SEBI has allegedly shown him to be connected with one of the *Moryo Group* entity Romy Realty Private Limited on the basis of bank transactions taken place between Jalan Texfab Pvt. Ltd and Romy Realty Pvt. Ltd.
- (c) Jalan Texfab Pvt. Ltd. had taken an unsecured loan of ₹11,00,000/- from Romy Realty Pvt. Ltd. on May 28, 2009 with interest at the rate of 12% for the Financial Year 2009-10, 13% for FY 2010-11 and 15% for 2011-12 to 2013-14. This was an inter-corporate loan taken for business purpose which was repaid by Jalan Texfab Pvt. Ltd. on December 30, 2013. Further, the same was duly recorded and accounted for in the books of Jalan Texfab Pvt. Ltd.
- (d) He is not connected with Romy Realty Private Limited or with any other entity in any manner. The said loan transaction of Jalan Texfab Pvt. Ltd. cannot be the basis of showing connection of himself with the alleged entity.
- (e) He came to know about the preferential allotment of shares of *Moryo* through common market circles and information available.
- (f) He sold 63,000 shares of *Moryo* after the lock in period was over and in the normal course of business. He is still holding 127000 shares out of his total shareholding.
- (g) There is a difference in the quantity of his orders with counterparty and there is a large time gap between the time of his orders and time of the counterparty.

(32) **Mr. Yash Jalan and Mr. Devendra Jalan:**

- (a) They are regular investor in securities including shares of listed companies. They have been investing and trading in shares of several companies from time to time.
- (b) They came to know about the preferential allotment of shares of *Moryo* through common market circles and information available.
- (c) Mr. Yash Jalan and Mr. Devendra Jalan sold 1,05,000 and 41,000 shares, respectively and are still holding 95,000 and 1,59,000 shares respectively.
- (d) There is a difference in the quantity of his orders with counterparty and there is a large time gap between the time of his orders and time of the counterparty.

(33) **Manish Shah HUF:**

- (a) Manish Shah, karta of Manish Shah HUF, is not a trader or stock broker or regular investor of shares. He generally invests in shares only by seeking advice from friends or stock brokers, sometimes on his own behalf and sometimes on behalf of his the HUF, which in the present case is one of the *preferential allottees* of shares *Moryo*.



- (b) He invested in the shares of *Moryo* based on his father's advice considering prospects of the company.
- (c) As a *preferential allottee*, he did not have any nexus with *Moryo* and its directors/promoters or there was any pre-arrangement between *Moryo* and him.
- (d) They sold shares at prevailing market prices and their sale had no effect on the price of the scrip.
- (e) The shares of *Moryo* were sold on the exchange platform and he was not aware of the identity of the buyers.
- (f) There was no matched trading to which he was a party.
- (g) The *interim order* passed is *ex-parte* without according an opportunity of hearing and which is against the principal of natural justice, fairness and equity.

(34) **Mr. Nirav Anil Shah and Ms. Anisha Nirav Shah:**

- (a) Mr. Nirav Anil Shah and Ms. Anisha Nirav Shah were the joint allottees in the preferential allotment by *Moryo*.
- (b) He applied for the preferential allotment of shares on account of a reference received an acquaintance of Late Mr. Suresh C Shah, his uncle. The shares were subsequently sold under the belief that the period was good for selling and the stock market was on the rise during this period.
- (c) They sold shares at prevailing market prices and their sale had no effect on the price of the scrip.
- (d) Ms. Anisha Nirav Shah has not invested in the shares of *Moryo* nor has she been allotted any shares of *Moryo*. Though she and her husband did make a joint application, however, the same was rejected and she was never allotted shares in joint name with her husband. She has submitted the holding statement issued by her depository participant, Moneybee Securities Private Limited emphasizing the same.

(35) **Ms. Priti A. Mehta:**

- (a) She had applied for 50,000 shares in the preferential allotment of *Moryo* based on the information memorandum sent to her by *Moryo*. The application was made out of her own funds and the investment was not in furtherance to of any fraud or part of any scheme or connivance to defraud as alleged in the *interim order*.
- (b) She sold 53,102 shares (out of 1,00,000 post split shares) in the open market through her broker for a total consideration of ₹94,92,005/-.
- (c) The proceeds of the sale of the shares of *Moryo* were utilised for genuine business purposes.
- (d) There was no material available with SEBI for coming to a conclusive finding that she was related to the promoters/directors of *Moryo* or *Moryo* itself. The *interim order* does not establish her relationship with any of the exit providers.
- (e) She converted her allotted shares into stock-in-trade on December 02, 2013 at

prevailing market rate of ₹129/-per share. As per provision of section 45(2) of Income Tax, 1961, wherever any investment is converted into stock-in-trade, a notional gain considering fair market value on the date of such conversion is taken as sale consideration and the same has to be recorded, which will be taxable at the time of sale of such stock-in-trade. Accordingly a sum of ₹1,16,50,000/- is recorded as long term capital gain on conversion of investment into stock-in-trade. Of the 1,00,000 shares held post split, 53,102 shares were sold after conversion to stock-in-trade in the Financial Year 2013-14. Hence, proportionate capital gain of ₹61,18,603/- was offered as Long Term Capital Gain under section 112 of the Income Tax Act. This was taxable since there was no sale on the stock exchange but notional gain on conversion of investment into stock-in-trade. Balance income was treated as business income under section 20 of the Income Tax Act, 1961 and tax was paid accordingly.

- (f) She paid total tax of ₹22,56,917/- including interest of ₹3,60,390/- on the total income declared during the assessment year 2014-15. The funds so received after the sale of shares were duly accounted funds and disclosed in the returns filed by her and the due tax was also paid. Therefore, the allegation that the whole exercise was to convert the unaccounted income with no payment of taxes in so far as her case is concerned is untrue.
- (g) The sale of 53,102 shares on eight trading days by way of 8 orders which resulted into 182 trades. If it was a case of synchronised trading, as alleged, the time gap between the sell order and buy order will not be that high and the number of trades will not be split into higher number of trades.
- (h) She was not part of any scheme devised to make ill gotten gains. She never had any black money and the question of conversion of black money into white does not arise. There was no proof to show that any black money was transferred to any person or to any exit provider from her. There was also no proof that the pay-in received from the market was transferred to any other party.

(36) **Mr. Devang Bhupendra Shah and Mr. Deval Devang Shah:**

- (a) Mr. Devang Bhupendra Shah and Mr. Deval Devang Shah were the joint allottees of the preferential allotment in *Moryo*.
- (b) The *interim order* was passed without bringing the allegations against them and without giving them an opportunity of hearing. There was and is no emergent situation that required an interim order of this nature to be passed against them.
- (c) They are not connected in any manner to the said alleged *Moryo Group* or to *Moryo* or its directors/promoters.
- (d) They are regular investors in securities including shares of listed companies and have invested in several companies from time to time. As a regular investor, they look out

- for opportunities to make profit, in the short term, medium term or long term.
- (e) Their investment in *Moryo* was based on the information gathered from the common market circles and further encouraged by the increasing trend in price-volume of the said scrip for the period previous to the said issue.
  - (f) The profits made on the sale of shares were not just on account of increase in prices but also on account of stock split by *Moryo* in January 2013 and such profits are legally permitted in the normal course of business.
  - (g) They also deny conversion of any unaccounted income into accounted income with no payment of taxes as alleged in the order. Neither the Income Tax Department nor any other revenue department has ever alleged them of avoidance of tax on account of sale of shares. The *interim order* does not show that the source of money paid by them as allotment money was "unaccounted income".
  - (h) They have made payments for the preferential allotment from their bank account.
  - (i) The shares were sold more than two months after the lock-in period was over.
  - (j) There is a large difference in his order quantity and order quantity of the counter party and there is no matching at all in the same. There is also a large gap of time between their order time and order time of the counter party.
  - (k) Their stock broker placed orders for sale of shares based on the demand for the scrip as shown on the stock exchange's trading platform. Evidently, there was sufficient demand for the share to absorb their sales since the sell order was executed on the exchange.
  - (l) The directions passed against them vide the *interim order* be revoked immediately.

(37) **Mr. Kamal Jajoo**

- (a) He acquired shares through preferential allotment in the scrip and selling of the same have been considered and treated as objectionable. He has not sold a single share in the market and remained invested after acquisition. He transferred to his son, Mr. Archit Jajoo demat account and the shares still in his account.
- (b) Power to issue directions under section 11 and 11B is a drastic power having serious civil consequences and ramifications on the reputations and livelihood of those against whom it is directed. The said power is not available for routine and retrospective application and cannot be used for penal action. It is exceptional, extraordinary and discretionary power and SEBI has to justify the need for invocation of the said power.
- (c) There is no warrant the issuance of a direction of serious consequences against him which is out and out penal in nature and not regulatory qua him. The exercise of such an arbitrary power is unwarranted and unjustified in the facts and circumstances of the instant case.
- (d) He is an investor in the capital market. He has been investing some part of his

savings in equity shares of certain companies depending upon the advice from friends and relatives. He invested in this scrip from his own funds.

- (e) Acquisition of shares per se is not irregular, wrong or invalid. He is holding 2,00,000 shares only at the time of allotment. He is not in position to influence any share price movement of the company.
- (f) He is never known, met or interacted with the trading group, funding group, promoter, management or any of the employee of *Moryo*.
- (g) He denied the allegations to volume contribution and manipulation of price rise. Hence, it does not apply to his as a part of prior understanding, arrangement and purpose.
- (h) No connection or nexus or relationship is established with any of the buyers of *Moryo* shares.
- (i) He denied violations of provisions of regulations 2 (1) (c) of PFUTP Regulations, 2003. Further, He has not contravened the provisions of Regulations 3 (a), (b), (c) and (d), 4 (1), (2) (a), (b), (e), and (g) of PFUTP Regulations, 2003 and section 12 A of SEBI Act, 1992.
- (j) The *interim order* is complete miss-appreciation of factual aspects qua him and *interim order* is ill logical, irrational and misdirected against him.
- (k) He has not dumped his shares in the market nor aligned or for that matter has never entered into any arrangement with anyone at all and has no contribution to "any matching" trade or to the "Net buy or sell position".
- (l) The directions against him should be lifted and requested to his demat and trading account be defreezed.

## **V. Moryo Group:**

### **(38) Mr. Giriraj Kishor Agarwal:**

- (a) The *interim order* is vitiated by gross violation of principles of natural justice, equity and fair play in as much as no opportunity was ever provided to them to explain their version and circumstances, as the facts stated in the *interim order* do not justify the dispensation of a pre-decision hearing of them.
- (b) There was no such emergent situation or circumstances warranting an *ad-interim ex-parte* order.
- (c) He is a chartered accountant by profession and has been on board of various companies at different point of time.
- (d) He has been grouped with other entities and adverse inferences have been drawn against him on the basis of baseless imaginary grouping. The entire grouping is erroneous and completely contrary to the factual position on record. Unrelated and unconnected entities have been grouped together based on mere surmises and conjectures to draw adverse inferences against him.

- (e) The relationship with alleged *Moryo Group* entities and the clubbing of companies promoted by him is a baseless imagination, surmises and conjectures.
- (f) The linkages and allegations against him in the said order are drawn on the basis that he was the partner in Praveen Chandak & Associates and was one of the directors in Esaar (India) Ltd. He had resigned as a partner from Praveen Chandak & Associates on June 15, 2010 and as a director of Esaar (India) Ltd on March 18, 2011. Mr. Pankaj Trivedi is a company secretary and was associated with one of his promoter companies. He might have appeared for *Moryo* in his independent capacity and he is nowhere concerned with it.
- (g) He purchased 11,120 shares which is approximately 0.12 % of the total volume and the same are held till date. There is no documentary evidence to show financial relationship with Mr. Sanjay Parmar and companies promoted by him.
- (h) It was a commercial decision of giving loans and advances by *Moryo* to companies promoted by him. Hence, no adverse inference can be drawn against him for the same. The loans are accounted and in many cases supported by formal agreement. Absence of any formal agreement does not make loans and advance defective.
- (i) The allegation of layering in funds is vague, sweeping, baseless and unfounded. The fund transfers between companies promoted by him and Mr. Anand Kumar Agarwal, Mrs. Mahadevi Agarwal, Mr. Sanjeev Kumar Agarwal and Mr. Rajeev Kumar Agarwal were loan transactions for loans given on interest supported by proper documents.
- (j) The shares were purchased from his own funds and the same can be verified.
- (k) The charges in the *interim order* be dropped and directions issued against him be lifted.

(39) **Ms. Tanu Giriraj Agarwal:**

- (a) The *interim order* is vitiated by gross violation of principles of natural justice, equity and fair play in as much as no opportunity was ever provided to them to explain their version and circumstances, as the facts stated in the *interim order* do not justify the dispensation of a pre-decision hearing of them.
- (b) There was no such emergent situation or circumstances warranting an *ad-interim ex-parte* order.
- (c) She is a self employed person and partner with her husband, Mr. Giriraj Kishor Agarwal, in his business ventures.
- (d) The entire grouping is erroneous and completely contrary to the factual position on record. Unrelated and unconnected entities have been grouped together based on mere surmises and conjectures to draw adverse inferences against her.
- (e) Any relationship with the alleged *Moryo Group* entities and the clubbing of companies promoted by her or her husband is a result of baseless imagination, surmises and conjectures.
- (f) Mr. Pankaj Trivedi is a company secretary and was associated with one of her

promoted companies. He might have appeared for *Moryo* in his independent capacity and she is nowhere concerned with it.

- (g) She purchased 38,000 shares which is approximately 0.46 % of the trading of shares of *Moryo* and still holding the shares till date.
- (h) She did not create any demand for the shares of *Moryo*.
- (i) It was a commercial decision of giving loans and advances by *Moryo* to companies promoted by her. Hence, no adverse inference can be drawn against her for the same. The loans are accounted and supported by formal agreement. Absence of any formal agreement, does not mean loans and advance are defective.
- (j) The allegation of layering in funds is vague, sweeping, baseless and unfounded. The fund transfers between companies promoted by her and Mr. Anand Kumar Agarwal, Mrs. Mahadevi Agarwal, Mr. Sanjeev Kumar Agarwal and Mr. Rajeev Kumar Agarwal were loan transactions for loans given on interest supported by proper documents.
- (k) The shares were purchased from her own funds and the same can be verified.
- (l) The charges in the *interim order* be dropped and directions issued against her be lifted.

(40) **Mr. Anand Kamalnayan Pandit:**

- (a) The *interim order* is vitiated by gross violation of principles of natural justice, equity and fair play as no opportunity of hearing was provided to him.
- (b) The *interim order* states that it is the outcome of a 'preliminary inquiry'. However, there is no record to show it. Therefore, powers under section 11B of the SEBI Act for issuing order are not available in this matter for the reason that direction can be issued only '*after making or causing to be made an enquiry*'.
- (c) As per SEBI (Procedure of Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002, the regulations are applicable only for SEBI registered intermediaries and not to the individual. The *interim order* is in total disregard to the mandatory provisions in section 11(4) that "*the Board shall either before or after passing such orders, give opportunity of hearing to such intermediaries or persons concerned*".
- (d) No imminent urgency has been brought in the order exercising the powers delegated under section 11(1), 11(4) and 11(B) of SEBI Act to issue an order. The exercise of such an arbitrary power, which has to be used judiciously, is unwarranted or unjustified in the facts and circumstances of the case.
- (e) The charges are based on surmise and conjectures with regard to nexus between him and alleged entities in the order. It is all assumptions without any concrete proof. There is no evidence to show the connection with alleged entities in the *interim order*. There is no justification and hence any punishment meted to him will be unsustainable.
- (f) He denied all allegations mentioned in the *interim order* including violations of regulations of 2(1) (c), 3 (a), (b), (c) and (d) and 4(1) 4(2) (a), (b), (c) and (g) of the

PFUTP Regulations and section 12A (a), (b) and (c) of the SEBI Act, 1992.

- (g) He is not connected to *Moryo* and/or alleged *Moryo Group* entities including Kamalakshi Finance Corporation Ltd (KFCL) and/or *preferential allottees*. The *interim order* also does not provide any documentary evidence to show his alleged connection/relationship with *Moryo/Moryo Group* entities including KFCL/*preferential allottees*.
- (h) He is high net worth investor and has 18 years of experience in investment in securities and real estate business. His portfolio in capital market is more than ₹2-3 Crores.
- (i) He invested in *Moryo* on the basis of his gut feeling and the market sources including future prospects of *Moryo*, looking at upward trend of *Moryo* in respect of price and volume and on the recommendation of Chartered Accountants & investor friends. He invested in *Moryo* from its own resources and not taken any loans for the said investment.
- (j) He denied the allegation that he traded amongst alleged *Moryo Group* entities in creating artificial volume and price rise. He also denied the allegation about his involvement in dubious plan, device and artifice mentioned in the *interim order* and correlation with the increased traded volume and price of the scrip only after alleged *Moryo Group* entities including KFCL and *preferential allottees* started trading in the scrip.
- (k) The allegation that entities of the alleged *Moryo Group* entities provided a hugely profitable exit to the allottees is baseless as he bought shares of *Moryo* on the anonymous trading platform of stock exchange where the identity of counter party is not disclosed.
- (l) He does not have any nexus with the *preferential allottees* and hence the allegation made in the *interim order* that creating demand against the supply from *preferential allottees*, providing profitable exit to them and hand in glove with them are denied. Further, there is no documentary evidence provided for the same in the *interim order*.
- (m) He is not connected/associated with Mr. Giriraj Kishore Agarwal. He has not received/transferred funds from/to alleged *Moryo Group* entities and no single suspicious transaction in its bank statement.
- (n) He does not have common address, director/shareholder, etc. with that of alleged *Moryo Group* entities including KFCL. Hence, the allegation of connection with the entities is denied.
- (o) His trading in the scrip of *Moryo* was not above the last traded price and his trades did not create artificial volume and manipulation of price of the scrip.
- (p) He has not used the securities market system to artificially increase volume and price of the scrip and making illegal gains into genuine one.
- (q) He is not connected to KFCL. He applied for preferential allotment of KFCL after

doing due diligence and on the basis of market sources and its credentials of KFCL. The shares are still holding which were locked in till March 20, 2015. His interference is limited to the extent of being shareholder in the activities of KFCL. Hence, the allegation that he is connected to *Moryo* is baseless merely on the basis of being *preferential allottee* in KFCL.

- (r) The directions issued against him has resulted in deprivation of his right to carry on legitimate investment activities in securities market. The findings of the order has not only jeopardized his reputation but also caused grave difficulty to carry on day to day business activities.
- (s) The *interim order* is passed based on merely surmises and conjectures which would adversely affect him and besmirch his impeccable reputation.
- (t) Pursuant to the *interim order* his demat account has been frozen as result of which his investment to the tune of ₹9.13 Crores has been trapped.
- (u) He has prayed for the following:
  - The directions *qua* him in the *interim order* be withdrawn; and
  - In the interim, he be permitted to redeem his other investments in shares and mutual funds.

(41) **Kamalakshi Finance Corporation Ltd. (KFCL)**

- (a) It has been alleged to be part of the *Moryo Group*, on the basis that one of its directors, Mr. Dheeraj Shah is also a director in Esaar (India) Ltd. Further, Ms. Deepti Lalwani, director in Esaar (India) Ltd is also a director in *Moryo*. However, there was no common director between KFCL and *Moryo* and hence they cannot be considered as part of *Moryo Group*.
- (b) KFCL is carrying out business of an investment company and is primarily engaged in the business of finance, investment and share trading. The *interim order* was passed without giving them a chance to offer explanation. Within the course of last three and half years, i.e., with effect from April 01, 2011 till the date of order, they have traded in many scrips and *Moryo* is only one of them. The trading in *Moryo* was only 0.81% of the total trading carried out by it. Their investment in *Moryo* was part of their routine investment activity as per object clause contained in the MOA of the company and the value of their portfolio as on December 04, 2014 (i.e. date of passing the order) was around ₹8 crores.
- (c) KFCL is not a part of the *Moryo Group* since there is no connection of any common address, common director, etc. and they have traded on the anonymous trading platform of the stock exchange where the counterparty is not known.
- (d) KFCL has bought only 41,490 shares of *Moryo* which is only 0.46% of total volume in *Moryo* during Patch 2 as identified in the *interim order*, which is a miniscule percentage of total trading which by any stretch of imagination cannot give any exit to the *preferential allottees*.



- (e) They bought shares of *Moryo* only on four days out of a total period of more than one and half years and they have only bought shares and not sold them and hence it cannot be alleged that they have created artificial volume.
- (f) Their trading in various scrips establishes that their investment in stock market is diversified and not concentrated in few scrips.
- (g) KFCL has not received any funds from any person to purchase shares of *Moryo* and they have dealt in stock market through their own funds. The transfer of funds if any with any entity is purely a commercial transaction and is not related/connected to their dealing in the scrip of *Moryo*.
- (h) The interim order *qua* them be reconsidered and the directions against KFCL be withdrawn.

(42) **Mr. Tushar R. Rane and Ms. Tisha Tushar Rane:**

- (a) They invest in securities market to earn profits and basically do jobbing transactions. They do not consider investment in the shares of a company on the basis of any fundamentals analysis but rather bases his decision on investment on the performance of the scrip in terms of prices.
- (b) They denied that the identity of the counterparties while placing orders or even after the order was executed, was known to them. They relied on the exchange platform which is anonymous and automated.
- (c) There was no specific role/allegation against them and such general observations and findings involving them and other alleged entities do not substantiate any charges against them. The allegations against them are levelled only by taking their trades together with the trades of other entities which were not connected or related to them as there is no evidence to show that they were related to them.
- (d) They denied that their trades were manipulative or created any artificial market leading to fraud/misuse of market.
- (e) Mr. Tushar R. Rane denied the allegation of connection mentioned in the *interim order* on the premise that he is currently not the director of Tilak Finance Ltd.
- (f) Further, they denied the connections as mentioned in the *interim order*, based on reliance on bank statements/transactions, as they have not been provided the inspection of documents which formed the basis of connection.
- (g) The *interim order* was passed without providing an opportunity of hearing.
- (h) The *interim order* and directions issued therein *qua* be withdrawn.

(43) **Mr. Mangesh Madhukar Dhotre, Mr. Wakil Rajbhar, Mr. Girish Rajkumar Goel, Mr. Sapna Ramdas Jatwal and Mr. Krupali Madhukar Dhotre:**

- (a) They invest in securities market to earn profits and basically do jobbing transactions. They do not consider investment in the shares of a company on the basis of any

fundamentals analysis but rather bases his decision on investment on the performance of the scrip in terms of prices.

- (b) They denied that they their stock broker had known the identity of the counterparties while placing orders or even after the order was executed. They relied on the exchange platform which is anonymous and automated.
- (c) There was no specific role/allegation against them and such general observations and findings involving them and other alleged entities do not substantiate any charges against them.
- (d) The allegations against them are levelled only by taking their trades together with the trades of other entities which were not connected or related to them as there is no evidence to show that they were related to them.
- (e) They denied that any of their orders/trades by themselves were manipulative in nature and/or were in connivance with any of the other entities.
- (f) They denied that their trades created any artificial market and/or led to an increase in the price of the scrip of *Moryo* during the period of examination leading to fraud/misuse of market.
- (g) They denied their relation/connection with *Moryo* and allegation that they traded amongst any of the alleged entities and created artificial volume and contributed to artificial price rise in the scrip.
- (h) The reliance on off market transactions for establishing connection between Wakil Rajbhar and Surface Finance Pvt. Ltd., Girish Rajkumar Goel and Garth Mercantile Pvt. Ltd., Sapna Ramdas Jatwal are not correct as the same transaction was done out of his interest in the stock and was completed through his stock broker with both the parties approaching the stock broker without knowing each other.
- (i) They denied the connections as mentioned in the *interim order* based on reliance on bank transactions/ statements as the same was not provided in the inspection of documents.
- (j) The *interim order* was passed without providing an opportunity of hearing.
- (k) The *interim order* and directions issued therein *qua* them should be withdrawn.

(44) **Mr. Shivkumar Kaushik:**

Mr. Rajesh Khandelwal (Adv.), appearing on his behalf, submitted that this noticee has died. He also submitted a copy of death certificate of Mr. Shivkumar Kaushik issued on dated September 15, 2015 under his name.

(45) **Esaar (India) Ltd.:**

- (a) It was alleged that Esaar (India) Ltd. is part of the *Moryo Group*, on the basis of the fact that one of its directors, Ms. Deepti Lalwani is also a director in *Moryo*.
- (b) Ms. Deepti Lalwani is an independent non-executive director in *Moryo*. The affairs of Esaar (India) Ltd. are being managed by Mr. Dheeraj Shah and Ms. Deepti

Lalwani is not involved in its day to day affairs and operations.

- (c) Mr. Giriraj Kishore Aggarwal, partner at Praveen Chandak & Associates, auditor for Esaar (India) Limited, was director of Esaar (India) Limited from July 26, 2010 to March 18, 2011, i.e., for a span of 7 months. He was not involved in any major activity and had not taken any major decisions.
- (d) Esaar (India) Limited is carrying on the business of an investment company and is primarily engaged in the business of finance, investment and share trading. During the course of last three and a half years, i.e., from April 01, 2011 till the date of the *interim order*, Esaar (India) Limited has traded in many scrips and *Moryo* was only one of them. During this time period, the gross trade in *Moryo* was 50,210 shares, i.e., only 0.39% of the total gross trade of Esaar (India) Limited. Such facts and figures imply that it is a regular investor in the securities market. The value of its portfolio as on December 04, 2014 (i.e., date of passing of the *interim order*) was around ₹13,21,88,503/- which deteriorated by around 91% since the date of *interim order*.
- (e) Esaar (India) Limited had bought 50,210 shares of *Moryo*, i.e., only 0.56% of the total volume of *Moryo* traded in BSE, during January 15, 2013 to August 31, 2014.
- (f) Esaar (India) Limited had traded in the shares of *Moryo* only on 4 days out of the total of period of more than one and half years and it only bought the shares and not sold the shares.
- (g) Esaar (India) Limited had not received any funds from anyone for purchasing the shares and had dealt in the stock through its own funds. Any transfer of funds, with any entity is purely a commercial transaction and not connected/related to dealing in the scrip of *Moryo*.

(46) **Rupak Developers Pvt. Ltd. and Mr. Pratap Uttam Purohit:**

No submissions made.

(47) **Topwell Properties Pvt. Ltd.:**

- (a) The *interim order* was passed *ex-parte* without granting it an opportunity of hearing and the same is therefore in gross violation of principles of natural justice. The urgency in passing an *ex-parte* order, dispensing with the requirement of pre-decisional hearing, has also not been spelt out in the *interim order*.
- (b) Its investments are made after considering several factors viz., the sector in which the company operates, the profile of the products, their market share, credit rating of the company, financials of the company, future growth, planned expansions and diversifications, order books position, profile of the management, corporate governance standard, profile of the major shareholders, market capitalisation of the company, liquidity in the scrip, etc.
- (c) Beside investment activities, it engages in momentum play, by trading in shares and securities having sudden price and volume action, to make profit out of such

trading bets. It trades in securities out of its own funds and as on March 31, 2014 its networth was ₹99.95 crores. Its investment in *Moryo* was also from own funds.

- (d) It purchased only 52,000 shares of *Moryo* amounting to 0.58% of the market volume during the examination period. Thus, the allegation of it being amongst the top entities based on gross buy/trade quantity is wrong and flawed.
- (e) It is not connected with *Moryo*, its promoters/directors nor has any relationship with any other entity as established in the *interim order*.
- (f) Topwell Properties Pvt. Ltd. and Helpful Investment Advisory Pvt. Ltd., both have received shares from Meena Arvind Rambhia who in turn had received from Rajshri Ranjan Bhambhale. Rajshri Ranjan Bhambhale was in turn found to be trading in off market shares with Garth Mercatile Pvt. Ltd. It has not received any shares from Meena Arvind Rambhia in off market mode. Even if it had received shares in off market from her, how can it be penalized for the action of certain entities in the chain, having off market transaction with her. It is not related to the said entities.
- (g) It is not connected/related to *Moryo*, its promoters/directors, *preferential allottees* and the *Moryo Group*.
- (h) It is not related to Helpful Investment Advisory Private Ltd. and Limestone Properties Pvt. Ltd. Despite having common directors among the company, Helpful Investment Advisory Private Ltd. and Limestone Properties Pvt. Ltd. all three have separate stakeholders. The ownership of all the companies are different despite having common directors it is for the purpose of investment and share trading activities, all of these companies trade independent of each other, out of their own wisdom and out of their own funds.
- (i) There are no details of match trades with preferential allottees in the *interim order*. In anonymous order matching system of the exchange, it is difficult to identify the counterparties to ones trade.
- (j) It is not aware of any scheme of operation employed by the alleged *Moryo Group* and denied all allegations relating to the scheme.
- (k) The alleged preferential allotment made by *Moryo* was not questioned by either stock exchange or SEBI while granting approval of the same.
- (l) It has not provided any LTCG benefit to any of the *preferential allottees*. It has not violated provisions of regulations 2(1)(c) of the PFUTP Regulations, 2003. Further, it has not contravened the provisions of regulations 3(a), (b), (c) and (d), 4(1), (2) (a), (b), (e) and (g) of the PFUTP Regulations, 2003 and section 12A of the SEBI Act, 1992.

(48) **Helpful Investment Advisory Private Ltd.:**

- (a) The *interim order* was passed *ex-parte* without granting it an opportunity of hearing and the same is therefore in gross violation of principles of natural justice. The

urgency in passing an *ex-parte* order, dispensing with the requirement of pre-decisional hearing, has also not been spelt out in the *interim order*.

- (b) Its investments are made after considering several factors viz., the sector in which the company operates, the profile of the products, their market share, credit rating of the company, financials of the company, future growth, planned expansions and diversifications, order books position, profile of the management, corporate governance standard, profile of the major shareholders, market capitalisation of the company, liquidity in the scrip, etc.
- (c) Beside investment activities, they engage in momentum play, by trading in shares and securities having sudden price and volume action, to make profit out of such trading bets.
- (d) Its trades in securities out of its own funds and as on March 31, 2014 its networth was ₹30.27 crores. Its investment in *Moryo* was also from own funds.
- (e) It purchased only 50,000 shares of *Moryo* amounting to 0.55% of the market volume during the examination period. Thus, the allegation of it being amongst the top entities based on gross buy/trade quantity is wrong and flawed.
- (f) It is not connected with *Moryo*, its promoters/directors nor has any relationship with any other entity as established in the *interim order*.
- (g) Topwell Properties Pvt. Ltd. and Helpful Investment Advisory Pvt. Ltd., both have received shares from Meena Arvind Rambhia who in turn had received from Rajshri Ranjan Bhambhale. Rajshri Rajan Bhambhale was in turn found to be trading in off market shares with Garth Mercatile Pvt. Ltd. In this regard, it has not received any shares from Meena Arvind Rambhia in off market mode. Even if it had received shares in off market from her, how can it be penalized for the action of certain entities in the chain, having off market transaction with her. It is not related to the said entities.
- (h) It is not connected/related to *Moryo*, its promoters/directors, *preferential allottees* and the *Moryo Group*.
- (i) It is not related to Topwell Properties Pvt. Ltd. and Limestone Properties Pvt. Ltd. Despite having common directors among the company, Topwell Properties Pvt. Ltd. and Limestone Properties Pvt. Ltd. all three have separate stakeholders. The ownership of all the companies are different despite having common directors, it is for the purpose of investment and share trading activities, all of these companies trade independent of each other, out of their own wisdom and out of their own funds.
- (j) There are no details of match trades with the *preferential allottees* in the *interim order*. In anonymous order matching system of the exchange, it is difficult to identify the counterparties to ones trade.
- (k) They are not aware of any scheme of operation employed by the alleged *Moryo*

*Group* and denies all allegations relating to the scheme.

- (l) The alleged preferential allotment made by *Moryo* was not questioned by either stock exchange or SEBI while granting approval of the same.
- (m) It has not provided any LTCG benefit to any of the *preferential allottees*.

(49) **Limestone Properties Pvt. Ltd.:**

- (a) The *interim order* was passed *ex-parte* without granting it an opportunity of hearing and the same is therefore in gross violation of principles of natural justice. The urgency in passing an *ex-parte* order, dispensing with the requirement of pre-decisional hearing, has also not been spelt out in the *interim order*.
- (b) It is engaged in the activity of making investments and trading in the capital market. Its investments are made after considering several factors viz., the sector in which the company operates, the profile of the products, their market share, credit rating of the company, financials of the company, future growth, planned expansions and diversifications, order books position, profile of the management, corporate governance standard, profile of the major shareholders, market capitalisation of the company, liquidity in the scrip, etc.
- (c) Beside investment activities, it also engages in momentum play, by trading in shares and securities having sudden price and volume action, to make profit out of such trading bets. Its trades in securities is out of its own funds and as on March 31, 2014 its networth was ₹99.95 crores. Its investment in *Moryo* was also from own funds.
- (d) They had purchased only 20,000 shares of *Moryo* and that too on only two days amounting to 0.22% of the total volume. Thus, the allegation of them being amongst the top entities based on gross buy/trade quantity is wrong and flawed.
- (e) They are not connected with *Moryo*, its promoters/directors nor has any relationship with any other entity as established in the *interim order*.
- (f) With respect to connection mentioned in the *interim order*, it has not been spelt out as to how the company and Topwell Properties Pvt. Ltd., an entity sharing common address with it, are related to *Moryo*, its promoters/directors, *preferential allottees* or other entities of the alleged *Moryo Group*. On the basis of the same, that allegation of it being part of the *Moryo Group* is flawed, irrational, devoid of any merits and is erroneous.
- (g) Despite having common directors among the company, Topwell Properties Pvt. Ltd. and Helpful Investment Advisory Pvt. Ltd.; all three having separate stakeholders. The ownership of all the companies is different despite having common directors. For the purpose of investment and share trading activities, all of these companies trade independent of each other, out of their own wisdom and out of their own funds.
- (h) They have traded on only two days during the entire examination period, on June

19, 2013 (Patch -I) and February 13, 2014 (Patch -II). On June 19, 2013, it traded in only 8,000 shares out of total volume of 23,069 shares on that day and on June 19, 2014 it traded in 12,000 shares out of total volume of 75,000 shares on that day. All of their trades were at prevailing market prices and were in small lots and in the ordinary course of business.

- (i) There are no details of match trades with preferential allottees in the *interim order*. In anonymous order matching system of the exchange, it is difficult to identify the counterparties to ones trade.
- (j) It is not aware of any scheme of operation employed by the alleged *Moryo Group* and denied all allegations relating to the scheme.
- (k) The alleged preferential allotment made by *Moryo* was not questioned by either stock exchange or SEBI while granting approval of the same.
- (l) It has not provided any LTCG benefit to any of the *preferential allottees*.

(50) **Mr. Amul Gagabhai Desai:**

- (a) He has traded only on 16 days out of an investigation period of 279 days and that too with delivery based transactions that resulted into net purchase of 17,090 shares. He executed all the transactions and settled all its obligations with his own funds and not received funds from any other entities as mentioned in the *interim order*. He traded during May 07, 2014 to July 19, 2014 and has not traded a single share during the first six months of Patch 2 examination period.
- (b) His percentage contribution to overall market volume on days of his trade was within the range of 0.04% to 0.44%.
- (c) Since high, low and close price of *Moryo* on the days of his trades were close to same, it means price of *Moryo* had hit an upper circuit since morning and on account of it, there were only buyers and very few sellers in the scrip.
- (d) It was a seller's driven market and he had no role to play in the price determination as alleged. Hence it cannot be said that he had any role in price variation as he had no control in determining the price and quantity of the trade.
- (e) There was no common address or email id attributed to them in the *interim order*. He is not connected directly or indirectly to any of the *Moryo Group* entities and nor is it established in the *interim order*.
- (f) He prayed that he be discharged from all the charges as levied vide *interim order*.

(51) **Mr. Soni Krupa Sanjay:**

- (a) There is no common address or email id is attributed to them in the *interim order*. He is not connected directly or indirectly to any of the *Moryo Group* entities and nor is it established in the *interim order*.
- (b) He has traded only on 28 days out of an investigation period of 279 days and that too with delivery based transactions that resulted into net purchase of 50,150

shares. He executed all the transactions and settled all its obligations with his own funds and not received funds from any other entities as mentioned in the *interim order*. He traded between May 09, 2014 to October 07, 2014 and has not traded a single share during the first five months of Patch 2 examination period.

- (c) All orders placed by him were not executed and that his executed volume was in the range of 0.51% to 50% of the total orders placed in the market on the respective days of his trades.
- (d) Since high, low and close price of *Moryo* on the days of his trades were close to same, it means price of *Moryo* had hit an upper circuit since morning and on account of it, there were only buyers and very few sellers in the scrip.
- (e) It was a seller's driven market and he had no role to play in the price determination as alleged. Hence it cannot be said that he had any role in price variation as he had no control in determining the price and quantity of the trade.
- (f) He prayed that he be discharged from all the charges as levied vide *interim order*.

(52) **Sanjay Jethalal Soni HUF:**

- (a) There is no common address or email id attributed to them in the *interim order*. He is not connected directly or indirectly to any of the *Moryo Group* entities and nor is it established in the *interim order*.
- (b) He traded only on 20 days out of an investigation period of 279 days and that too with delivery based transactions that resulted into net purchase of 10,015 shares. He executed all the transactions and settled all its obligations with his own funds and not received funds from any other entities as mentioned in the *interim order*. He traded between May 12, 2014 to August 26, 2014 and has not traded a single share during the first five months of Patch 2 examination period.
- (c) All orders placed by him were not executed and that his executed volume was in the range of 1% to 1.2% of the total orders placed in the market
- (d) Since high, low and close price of *Moryo* on the days of his trades were close to same, it means price of *Moryo* had hit an upper circuit since morning and on account of it, there were only buyers and very few sellers in the scrip.
- (e) It was a seller's driven market and he had no role to play in the price determination as alleged. Hence it cannot be said that he had any role in price variation as he had no control in determining the price and quantity of the trade.
- (f) He prayed he be discharged from all the charges as levied vide the *interim order*.

(53) **Victory Sales Pvt. Ltd.:**

- (a) It is an innocent investor in no way connected to *Moryo* and not contributed towards the artificial increase in the price and volume of the scrip.
- (b) The *interim order* is simply trying to create a false impression whereby in spite having no connection with *Moryo* and its repeated usage may generate a contrary view in



the mind of reader.

- (c) Its trades have not been contributed to volume of the scrip and the same can be seen in the *interim order*.
- (d) It purchased shares of *Moryo* in six transactions on June 04, 2013 at the rate of ₹100.9/- per share and on June 10, 2013 at the rate of ₹102.65/- per share. The open price, high price, low price and close price were all the same and remained constant through the day, and its purchases in the scrip of *Moryo* also took place at the same rate. It only contributed 3.43% to the total volume of shares bought in Patch 1. Further, its contribution to the total shares traded in the scrip of *Moryo*, is as less as 1.71%. Hence, it is not correct to include in the *Moryo Group* on the basis of its paltry contribution to the total volume of shares.
- (e) As alleged, the *Moryo Group* has provided exit to the *preferential allottees* in Patch 2 whereas it has not done single transaction in the said patch.
- (f) The basis of connection as established in the *interim order* is of common director between the company and Sampada Chemicals Pvt. Ltd. Except the said connection, there was no other connection with entities belonging to the *Moryo Group*. The basis of connection as established in the *interim order* of having off market transfers with one Mr. Deepak Raval who in turn had an off market transfer with Romy Realty Pvt. Ltd. is also flawed.
- (g) The additional basis of connection as established in the *interim order* is their company shares a similar address with Mr. Vasudev Panchal. It was denied that the company was connected with Mr. Vasudev Panchal as the address was similar but not the same.
- (h) The additional basis of connection with Mr. Vijay Bhatt and Mr. Ajay Mohan Bhatt was also on the basis of similar address but not the same address. Hence this basis of connection was also denied.

(54) **Sampada Chemicals Ltd.:**

- (a) It is an innocent investor in no way connected to *Moryo* and has not contributed towards the artificial increase in the price and volume of the scrip.
- (b) Its trades have not been contributed to volume of the scrip and the same can be seen in the *interim order*.
- (c) It purchased shares of *Moryo* in six transactions on June 04, 2013 at the rate of ₹100.9/- per share. On that day, the open price, high price, low price and close price were all the same and remained constant through the day at ₹100.9/-.
- (d) Its trades have only contributed 2.74% to the total volume and its contribution to the total shares traded is as less as 1.37% during Patch 1. Hence, it is incorrect to include its name in '*Moryo Group*' on the basis of its paltry contribution to the total volume of shares.
- (e) It sold shares at prevailing market price during Patch 2.

- (f) The only basis of connection as established in the *interim order* is of common director between the company and Victory Sales Pvt. Ltd. Its trades have taken place only on two distinct occasions and on both these days it was devoid of any external ulterior influences.

(55) **Mr. Vasudev Panchal:**

- (a) He is an innocent investor, in no way connected to *Moryo* and the entity has not contributed towards the artificial increase in the price and volume of the scrip.
- (b) The *interim order* is simply trying to create a false impression whereby they are not connected with *Moryo* and its repeated usage may generate a contrary view in the mind of reader.
- (c) They purchased 8,000 shares of *Moryo* in six transactions on May 30, 2013 at the rate of ₹117.67/- per share and on June 10, 2013 at the rate of ₹102.75/- per share. On that date, the open price, high price, low price and close price were all the same and remained constant through the day.
- (d) His trades have only contributed 10.96% to the total volume and contribution to the total shares traded is as less as 5.48% during Patch 1. Hence, it is incorrect to include in the *Moryo Group* on the basis of its paltry contribution to the total volume.
- (e) As alleged, *Moryo Group* has provided exit to preferential allottees in Patch 2 whereas they have not done single transaction in the said patch.
- (f) The basis of connection as established in the *interim order* of having off market transfers with one Mr. Deepak Raval who in turn had an off market transfer with Romy Realty Pvt. Ltd. is also flawed. The *interim order* has further provided that he shares same address with Mr. Deepak Raval and that the address is similar but not the same. Jariwala building is a chawl wherein more than 100 tenants stay and thus it cannot be said that all the tenants are connected to each other.

(56) **Mr. Sagar Girish Bhatt:**

- (a) He is an innocent investor in no way connected to *Moryo*. He has not contributed towards the artificial increase in the price and volume of the scrip.
- (b) He purchased 2,500 shares of *Moryo* in one single transaction on May 30, 2013 at the rate of ₹117.55/- per share. On that date, the open price, high price, low price and close price were all the same.
- (c) His trades have only contributed 1.71% to the total volume and their contribution to the total shares traded is as less as 0.86% in Patch 1. It is incorrect to include his name in '*Moryo Group*' on the basis of its paltry contribution to the total volume of shares. He sold shares at prevailing market price during Patch 2.
- (d) He denied being part of *Moryo Group*. He also denied being connected to the *preferential allottees*.

12. It has been brought on record that Mr. Shiv Kumar Kaushik an entity belonging to *Moryo Group* (PAN: AAGPK7011H) has expired on September 15, 2015. It is noted that the violations alleged to have been committed by Mr. Shiv Kumar Kaushik relates to the period from January 15, 2013 to August 31, 2014. The *interim order* was passed against Mr. Shiv Kumar Kaushik on December 04, 2014. Thus, the proceedings were initiated against the personal acts of omission and commission of a person who is no more to face the charges. It is worth mentioning in this regard that in *Girijanandini Vs Bijendra Narain* (AIR 1967 SC 2110), the Hon'ble Supreme Court observed that in case of personal actions, i.e., the actions where the relief sought is personal to the deceased, the right to sue will not survive to or against the representatives and in such cases the maxim *actio personalis moritur cum persona* (personal action dies with the death of the person) would apply. It is also relevant to refer to the decision of Hon'ble Securities Appellate Tribunal (SAT) in *Chandravadan J Dalal vs. SEBI* (Appeal No. 35/2004 decided on June 15, 2005) wherein it was held as under:

*“The appeal abates since the appellant during the pendency of the appeal died on 29th November 2004. The appeal accordingly abates. The penalty imposed on the original appellant being personal in nature also abates.”*

13. In view of the foregoing, I am of the view that the proceedings against Mr. Shiv Kumar Kaushik are liable to be abated without going into the merits of the case *qua* him. I, therefore, revoke the ad interim order dated December 04, 2014 as against him.

14. While the proceedings pursuant to the *interim order* was going on, one of the noticees, Mr. Anand Kamalnayan Pandit filed an appeal before the Hon'ble Securities Appellate Tribunal ("the Hon'ble SAT"), challenging the *interim order*. The Hon'ble SAT, vide its order dated June 28, 2016 as amended by its order dated July 15, 2016, disposed of the said appeal with the direction to SEBI to pass an appropriate order *qua* Mr. Anand Kamalnayan Pandit in accordance with law within a period of eight weeks from June 28, 2016. In terms of said order of the Hon'ble SAT and also to take a holistic view in this matter, I deem it necessary to deal with the arguments of Mr. Anand Kamalnayan Pandit in this order.

15. I have carefully considered the allegations and the submissions of the noticees. In this case, the limited issue to be considered, in view of submissions made by the noticees and in the facts and circumstances so far brought on record in the instant case, is as to whether the directions in the *interim order qua* the noticees need to be continued, revoked or modified in any manner.

16. The facts and circumstances of the instant case as brought out in the *interim order, prima facie*, show the *modus operandi* employed by *Moryo*, its directors, its promoters, *preferential allottees* and *Moryo Group* entities, wherein *Moryo*, in nexus with the *preferential allottees* made façade of

preferential allotment. After the expiry of the lock-in period, the *Moryo Group* entities provided the exit opportunity to the *preferential allottees* by buying the shares of *Moryo* at artificially increased prices. In the whole process, the entities of *Moryo Group* provided a hugely profitable exit to the *preferential allottees*. Hence, the *preferential allottees* with the aid of the *Moryo Group* entities misused the stock exchange mechanism to exit at a high price in order to book illegitimate/unlawful gains with no payment of taxes as LTCG is tax exempt. Further, the *interim order* discusses the manner by which the *preferential allottees* sold their shares pursuant to abnormal increase in price in a manipulative way and made huge illegitimate/unlawful profit in the whole event.

17. Before dealing with replies/submissions of the noticees on merit I deem it necessary to deal with preliminary and common contentions raised by some of the noticees. The first such contention is that the *interim order* has been passed in complete disregard of the principles of natural justice in as much as no opportunity of hearing was provided to the noticees. In this regard, I note that the *interim order* has been passed on the basis of *prima facie* findings observed during the preliminary examination/inquiry undertaken by SEBI. The facts and circumstances necessitating issuance of directions by the *interim order* have been examined and dealt with in the *interim order*. The *interim order* has also been issued in the nature of show cause notice affording the noticees a post decisional opportunity of hearing. This position has been upheld in various judgements of the Hon'ble SAT, the Hon'ble High Courts and the Hon'ble Supreme Court. Relevant portions of few such judgments are referred to hereinafter:-

(a) Hon'ble Bombay High Court in *Anand Rathii & Others Vs. SEBI* (2002 (2) BomCR 403 upheld the procedure of post decisional hearing in such matters and observed as under:

*"31. It is thus clearly seen that pre decisional natural justice is not always necessary when ad-interim orders are made pending investigation or enquiry, unless so provided by the statute and rules of natural justice would be satisfied if the affected party is given post decisional hearing. It is not that natural justice is not attracted when the orders of suspension or like orders of interim nature are made. The distinction is that it is not always necessary to grant prior opportunity of hearing when ad-interim orders are made and principles of natural justice will be satisfied if post decisional hearing is given if demanded.*

*32. Thus, it is a settled position that while ex parte interim orders may always be made without a pre decisional opportunity or without the order itself providing for a post decisional opportunity, the principles of natural justice which are never excluded will be satisfied if a post decisional opportunity is given, if demanded."*

(b) Hon'ble High Court of Judicature for Rajasthan at Jaipur in the matter *M/s. Avon Realcon Pvt. Ltd. & Ors Vs. Union of India & Ors* (D.B. Civil WP No. 5135/2010 Raj HC) has held that:

*“...Perusal of the provisions of Sections 11(4) & 11(B) shows that the Board is given powers to take few measures either pending investigation or enquiry or on its completion. The Second Proviso to Section 11, however, makes it clear that either before or after passing of the orders, intermediaries or persons concerned would be given opportunity of hearing. In the light of aforesaid, it cannot be said that there is absolute elimination of the principles of natural justice. Even if, the facts of this case are looked into, after passing the impugned order, petitioners were called upon to submit their objections within a period of 21 days. This is to provide opportunity of hearing to the petitioners before final decision is taken. Hence, in this case itself absolute elimination of principles of natural justice does not exist. The fact, however, remains as to whether post-decisional hearing can be a substitute for pre-decisional hearing. It is a settled law that unless a statutory provision either specifically or by necessary implication excludes the application of principles of natural justice, the requirement of giving reasonable opportunity exists before an order is made. The case herein is that by statutory provision, principles of natural justice are adhered to after orders are passed. This is to achieve the object of SEBI Act. Interim orders are passed by the Court, Tribunal and Quasi Judicial Authority in given facts and circumstances of the case showing urgency or emergent situation. This cannot be said to be elimination of the principles of natural justice or if ex-parte orders are passed, then to say that objections thereupon would amount to post-decisional hearing. Second Proviso to Section 11 of the SEBI Act provides adequate safeguards for adhering to the principles of natural justice, which otherwise is a case herein also...”*

18. I, therefore, do not find any violation of principles of natural justice while passing the *interim order* as has been contended by the noticees. In this case, as discussed hereinabove, the purpose of the *interim order* is to achieve the objectives of investor protection and safeguarding the market integrity by enforcing the provisions of the SEBI Act. In my view, section 11(1) of the SEBI Act casts the duty on SEBI to protect the interests of the investors, promote development of and regulate the securities market, “*by such measures as it thinks fit*”. Apart from this plenary power, section 11(2) of the SEBI Act enumerates illustrative list of measures that may be provided for by SEBI in order to achieve its objective. One of the measures enumerated in section 11(2)(e) is “*prohibiting fraudulent and unfair trade practices relating to securities markets*”. The word ‘*measure*’ has not been defined or explained under the SEBI Act. It is well settled position that this word has to be understood in the sense in which it is generally understood in the context of the powers conferred upon the concerned authority. From the provisions of section 11, it is clear that the purpose of section 11(2)(e) of the SEBI Act is to prohibit all fraudulent and unfair trade practices relating to the securities market and the Board may take any ‘*measures*’ in order to achieve this purpose.
19. The ‘*measures*’ and the directions under sections 11 and 11B of the SEBI Act can be taken/issued for prohibiting the fraudulent and unfair trade practices relating to securities market and achieving the objective of investor protection, and promotion of and regulation

of the securities market. It is also pertinent to mention that the *interim order* has been passed in the course of preliminary inquiry and the investigation in the matter is ongoing. Based on the *prima facie* findings in the matter and in order to protect the interest of investors in the securities market, SEBI had issued directions vide the *interim order*.

20. In this case, as discussed hereinabove, the purpose of the *interim order* is to achieve the objectives of investor protection and safeguarding the market integrity by enforcing the provisions of the SEBI Act and the SCRA. I, therefore, do not agree with the contentions of these noticees with regard to the scope of the *interim order* and the power of SEBI in the matter.
21. Some of the noticees have raised another preliminary contention that no emergency situation existed warranting such an *ex parte ad-interim* order. I note that the time taken to arrive at such decision/action is dependent on the complexity of the matter, its scale and *modus operandi* involved and other attendant circumstances. The power under section 11 and 11B of the SEBI Act can be invoked at any stage, i.e., either during pendency or on completion of enquiry/inquiry or investigation. The new *modus operandi* where suspected entities were misusing the stock exchange mechanism came to light only in later half of the year 2014. The *interim order* clearly brings out the reasons and circumstances for issuance of *ex-parte ad-interim directions*. I, therefore, do not find any merit in these common preliminary contention of the noticees.
22. Some of the noticees have also contended that after giving permission to make preferential allotment, granting listing and trading permission for the shares issued in preferential allotment, the issuance of the same cannot be questioned, has no merit as preferential allotment is like any other corporate action/instrument which is allowed as per the extant regulations for raising funds by corporate bodies for the purpose of business requirements. However, the same become questionable/doubtful when it is used as tool for implementation of any dubious plan or mala fide intention as done in the instant case in the manner described in the interim order. I, therefore, find no merit in the submission of the company that nobody raised grievance about preferential allotments made by the company during the relevant period and hence reject the same.
23. I now proceed to deal with the common contentions of the *preferential allottees* and the *Moryo Group* entities in response to the allegations in the *interim order*.
24. The *preferential allottees* have contended that there is nothing in the *interim order* to allege or demonstrate any wrong-doing on their part. They have further contended that they are not connected/related to *Moryo* or its promoters or directors or with any entities who are alleged to be indulged in the price manipulation or with the entities who have provide exit to the *preferential allottees*. It is trite to say that the preferential allotment of shares is an issue of shares

by an issuer to select person or group of persons on a private placement basis unlike a public issue where funds are raised by inviting subscriptions from public in general. It is also a matter of common knowledge that a preferential allotment is made to the persons/entities on a one-to-one basis who are acquainted/familiar with the company and/or its promoters/directors. A preferential allotment is always for the purposes of meeting fund requirements of the concerned company and involves a covert, manifested and planned actions by the concerned parties, i.e.,-

- (a) the company to identify select persons/group of persons who are known to it or its promoters/directors for investing in its share capital;
- (b) select persons/group of persons (preferential allottees) exercise due diligence and then finance the fund requirements of the company and subscribe to its shares issued on preferential basis;
- (c) the company allots shares to the preferential allottees.

25. It is well accepted position that a preferential allotment signifies that the allottees agree with the issuer on one-to-one basis to finance its fund requirements and is not open to general public as an investment opportunity. Such financing pre-supposes nexus and prior understanding amongst the issuer, its promoters/directors and the allottees. A stranger cannot just make investment in a preferential allotment merely on the basis of an advice without having any connection, direct or indirect, and prior understanding with the company. A preferential allotment is not open to all type of investment opportunity as sought to be contended by the *noticees*. A company will, in no case, make a preferential allotment to a stranger who just approaches it for allotment of its shares.

26. In the instant case, the *preferential allottees* have claimed that they were approached by certain individuals with a presentation and were asked to make investment in the preferential allotment by *Moryo*. However, the *preferential allottees* have failed to provide any details (such as address, contact details, etc.) of the individuals who had approached them for subscribing to the preferential allotment by *Moryo*. The *preferential allottees* have failed to give any plausible explanation as to how *Moryo* could make allotment to them if they were not known to it or its promoters/directors and if they had no connectivity with them. They have also failed to explain as to how only they were selected for making individual presentation. It may be noted that no offering other than public offer can be widely distributed; and as the concerned allotment as claimed by *Moryo* is a preferential issue and not a public issue, the contention that the preferential allotment was openly made to investors at large, cannot be accepted. Thus, I am unable to accept the explanation of the *preferential allottees* that they invested in the shares of *Moryo* on the advice/tips of some random public sources. I note that the *preferential allottees* have not been able to furnish any satisfactory documentary evidence to explain how they were approached by *Moryo* for the preferential allotment, or in providing the details of the offer made by *Moryo* to them and other details of communication

between them and *Moryo* in that regard. It is important to note that financing of a company by way of preferential allotment, as found in this case, pre-supposes a nexus and prior understanding amongst the issuer, its promoters/directors and the allottees.

27. Some of the *preferential allottees* have contended that they have only sold a small percentage of their total shares allotted under preferential allotment and were still holding majority of the shares in *Moryo*. It is hereby mentioned that at the time of issuance of the *interim order*, the price of *Moryo* was still at ₹225 per share which was 9 times more than the allotment price and the *preferential allottees* were still in the phase of exiting. It is noted that the *interim order* has duly provided the reasons for directions issued against these noticees. In this regard I would like to reiterate para 31 of the *interim order* which reads as under:

*"31. In this case it is noted that as on November 15, 2014 the allottees are still holding 4032070 shares of Moryo that were allotted to them in the preferential allotment. The price of the scrip is still around Rs. 225 per share which is 9 times more than the allotment price. Unless prevented they may use the stock exchange mechanism in the same manner as aforesaid for the purposes of their dubious plans as prima facie found in this case.....".*

28. The above facts and circumstances including the pattern of trades after the preferential allotment, indicate that *Moryo* and the *preferential allottees* were acting in concert towards a common objective that has been brought out in the *interim order*. Considering the background of *Moryo*, the investment made by the *preferential allottees* cannot be termed as a rational investment behaviour and such investment, as in this case, could be possible only if the *preferential allottees* had nexus with *Moryo* and its promoter/directors and the issue of such shares was under a prior arrangement between them for an objective other than providing equity capital to the company. This is further substantiated by the fact that funds received as proceeds of preferential allotments were immediately transferred by *Moryo* to various entities and were never retained with the company for expansion of its business or for execution of its plans as envisaged in the special resolution in respect of the aforesaid preferential allotments. The trading data also reveals that significant number of shares sold by the *preferential allottees* were bought by the entities of *Moryo Group*. In my view, this cannot be termed as a mere coincidence especially when sellers have nexus with the company and buyers who are either connected amongst themselves or connected to *Moryo*, directly or indirectly, as mentioned in the *interim order*. As brought out in the *interim order*, the ultimate beneficiaries of the whole scheme in question are the *preferential allottees*. It is beyond reason to hold that *Moryo* and other entities mentioned in the *interim order*, except the *preferential allottees*, would devise the impugned plan/scheme for the benefit of the entities who are neither party to the plan/scheme nor have any complicity in the plan with others. Since, the *preferential allottees* are the ultimate beneficiaries, they cannot pretend to be oblivious to the scheme/plan. The facts and circumstances of this case, in my view, strongly indicate that the



issue of these shares was under a prior arrangement between them for the ulterior motive or the end objective of the scheme that has been brought out explicitly in the interim order. Also, the contention of the *preferential allottees* that no specific allegation has been levelled against them in the *interim order* does not hold any merit in light of the fact that the *preferential allottees* have *prima facie* been found to be a part of the holistic scheme as discussed hereinabove and in the *interim order*. In view of the foregoing, I reject the contentions of the *preferential allottees* in this regard.

29. I note that certain entities of *Moryo Group* had acted as a buyer when the *preferential allottees* were selling the shares of *Moryo* after the lock-in period. It is apparent from the trading pattern that the said *Moryo Group* entities had bought shares at high prices in a market which saw sudden sale of huge number of shares post expiry of lock-in period for the *preferential allottees*. As observed in para 12 of the *interim order*:

*"12. In any market, a sudden supply if not matched by similar demand leads to price fall. Considering the same, any rational investor would not have dumped a large number of shares without facing the risk of a significant price fall until and unless he was sure of the demand side absorbing the supply. In this case, the entities of Moryo Group created the demand against the supply from the preferential allottees."*

30. Such trading behaviour belies any economic rationale and indicates existence of premeditated arrangement among the *preferential allottees* and those *Moryo Group* entities. Moreover, as discussed in the *interim order*, had the *Moryo Group* entities not traded/dealt in the scrip of *Moryo* during the relevant time, it would not have been possible for the *preferential allottees* to offload/sell in large numbers at such price in such a stock that has hardly any intrinsic value. The conduct of parties as deduced from the pattern of transaction in such a scrip and such a high percentage of contribution of the *preferential allottees* and the said *Moryo Group* entities on the opposite sides of the trade corroborate existence of a premeditated plan amongst these transacting parties. Thus, the mere *ipse dixit* denial by the *preferential allottees* does not absolve them of the charges/allegations against them in the *interim order*. I, therefore, am not convinced with the contentions of the *preferential allottees* in this regard.
31. Another common contention of the *preferential allottees* and the *Moryo Group* entities is that they had traded on the anonymous screen based system of the stock exchanges and as such their trades cannot be regarded as having manipulative/fraudulent intent. They have further contended that they have not provided exit to the *preferential allottees*. In this context, I note that in the screen based trading, the manipulative or fraudulent intent can be inferred from various factors such as conduct of the party, pattern of transactions, etc. In this context, vide its order dated July 14, 2006, in *Ketan Parekh vs. SEBI* (Appeal no. 2/2004), the Hon'ble SAT has observed that:

*"The nature of transactions executed, the frequency with which such transactions are undertaken, the*

*value of the transactions, ....., the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn."*

32. The *preferential allottees* have also contended that they had invested in the scrip of *Moryo* from their own funds as genuine investors considering the preferential allotment a good investment opportunity. The infusion of funds by way of preferential allotment that too at a premium in a company like *Moryo* that hardly had any credentials in the market at the time of allotment could only be possible if the *preferential allottees* had nexus and prior understanding with the *Moryo Group* with regard to the dubious plan, device and artifice as *prima facie* found in the *interim order*. As brought out in the *interim order*, ultimate beneficiaries of the whole scheme in question are the *preferential allottees* as such they cannot pretend to be oblivious to the scheme/plan/device/artifice in question. The facts and circumstances of this case, in my view, strongly indicate that the issue of these shares was under a prior arrangement between them for the ulterior motive and the end objective of the scheme that has been brought out explicitly in the *interim order*.
33. In this case, considering the background of *Moryo*, as brought out in the *interim order*, the investment made by the noticees cannot be termed as rational investment behaviour. It is strange to note that a company with continuously increasing losses and no business and financial standing was able to make preferential allotment at premium of ₹15/-. Further, the funds raised by *Moryo* in the purported preferential allotment were transferred to various other entities shortly after receipt from the *preferential allottees* and were never retained by *Moryo* for expansion of its business or for execution of its plans as disclosed in the special resolution in respect of the said preferential allotments. These facts and circumstances strongly indicate that the preferential allotment was just a facade and was never done with the real intent of raising capital for *Moryo*.
34. The trading data has revealed that most of the shares sold by the *preferential allottees* were bought by the entities who were either connected amongst themselves or connected to *Moryo* directly or indirectly as mentioned in the *interim order*. A group of entities was acting as buyers in Patch 2 in order to provide exit to the *preferential allottees* and in the process creating artificial volume. Most of the trades were taking place between the *preferential allottees* and the entities connected/related, directly or indirectly to the *Moryo Group* as described in the *interim order*. During this period, the *preferential allottees* were selling and in the process reaping huge profits/gains. The fact that scrip in question was not supported by business fundamentals or any other genuine factor and the trading volume and price of the scrip gradually increased in Patch 1 and unassumingly increased in Patch 2 on account of manipulative trading. In view of these facts and circumstances, matching of transactions of *preferential allottees* with the

*Moryo Group* entities cannot be a mere coincidence of anonymous screen based trading as sought to be contended by the *preferential allottees*. The above facts and circumstances of the case reinforce the *prima facie* finding that preferential allotment was used as a tool for implementation of the dubious plan, device and artifice of the *Moryo Group* and the *preferential allottees*.

35. Some of the *preferential allottees* have contended that SEBI has no jurisdiction to examine the issue of avoidance of taxes which falls under the purview of the Income Tax Department. I note that the *interim order* has reasonably highlighted about the *modus operandi* wherein *Moryo* in nexus with the *preferential allottees* was able to float equity shares on preferential basis and thereafter entities of the *Moryo Group* in concert with the *preferential allottees* misused the stock exchange mechanism to provide exit to *preferential allottees* at a high price in order to generate fictitious long term capital gain (LTCG). The *interim order* has clearly described the manner in which price and volume of the scrip were *prima facie* manipulated by the entities of the *Moryo Group*, the *preferential allottees*. The schemes, plan, device and artifice employed in this case, apart from being a possible case of money laundering or tax evasion which could be seen by the concerned law enforcement agencies separately, is *prima facie* also a fraud in the securities market as it involves manipulative transactions in securities and misuse of the securities market. The manipulation in the traded volume and price of the scrip by a group of connected entities has the potential to induce gullible and genuine investors to trade in the scrip and harm them. As such the acts and omissions of *Moryo Group* and allottees are 'fraudulent' as defined under regulation 2(1)(c) of the PFUTP Regulations and are in contravention of the provisions of regulations 3(a), (b), (c) and (d) and 4(1), 4(2)(a), (b), (e) and (g) thereof and section 12A(a), (b) and (c) of the SEBI Act, 1992. I, therefore, reject the contention of the *preferential allottees* in this regard.
36. Some of the *preferential allottees* have submitted that their demat accounts which they were holding jointly with individuals, who have not been restrained by the *interim order*, have also been frozen pursuant to the *interim order*. The demat account holders who have not been restrained by the *interim order* have requested that they be permitted to trade in such demat accounts. In this regard, I note that pursuant to the *interim order*, all the demat accounts where the *preferential allottees* were either individual or one of the joint holders were frozen for any further debits or credits. In terms of section 2(1)(a) of the Depositories Act, 1996, all the holders of a joint account are joint beneficial owner of the securities lying in a joint demat account. This legal presumption cannot be rebutted merely on the basis of a letter from the joint holders as sought to be done in few such cases. Further, during the personal hearing, these noticees were advised to furnish documentary evidences in support of their claims and to show that the securities lying in the respective joint demat account were purchased by the other holder out of his own resources and not from the resources of the restrained entity. They had to show necessary documents to *prima facie* indicate that the securities lying in those

joint accounts belonged to the other holder and not to the restrained noticee. However, the noticees have failed to submit any document in support of their claims despite having ample time and opportunity to do so. In view of these facts and circumstances, I am not convinced with the contention of the noticees in this regard.

37. While some of the *preferential allottees* have contended that they had only loan relationship with some of the alleged entities in the *interim order* and cannot be considered as related with the *Moryo Group* entities. It is undisputed fact that some of the *preferential allottees* had fund transaction, on more than one occasions, with the *Moryo Group* entities, who had, in turn, transferred them to the trading members, which fact clearly establishes connection between the *Moryo Group* entities and the *preferential allottees*. Further, the loans and advances, pursuant to any agreement, whether formal or informal, indicate acquaintances between concerned parties to such transactions.
38. Having dealt with the preliminary and common contentions of the noticees, I now proceed to separately deal with the specific submissions of the entities of the respective categories.

#### **I. Company - Moryo Industries Limited**

39. *Moryo* has claimed that they had approached one Mr. Manish Gupta in order to tap the potential subscribers who would be interested in seeking subscription by way of preferential allotment and there is nothing on record to bring out any nexus between *Moryo* and others. I note that despite having ample opportunities to provide any details (such as address, contact details, etc.) of Mr. Manish Gupta, *Moryo* has failed to furnish such details to SEBI. Further, had there been any iota of truth in this submission of *Moryo* and Mr. Manish Gupta been the so-called connecting link between *Moryo* and the *preferential allottees*, then the *preferential allottees* too, in their replies/submissions, would have claimed to have been approached by Mr. Manish Gupta for subscribing to preferential allotment of *Moryo*. However, in the instant case, none of the *preferential allottees* have made any claims to this effect. I, therefore, find that *Moryo* has failed to give any plausible explanation as to how it could make preferential allotment to these *preferential allottees* only if they were not known to it or its promoters/directors and if they had no nexus/connection with them.
40. It is well accepted position that a preferential allotment signifies that the allottees agree with the issuer on one-to-one basis to finance its fund requirements and is not open to general public as an investment opportunity. Such financing pre-supposes nexus and prior understanding amongst the issuer and the allottees. A stranger cannot just make investment in a preferential allotment merely on the basis of an advice without having nexus, directly or indirectly, and prior understanding with the company. A preferential allotment is not open to all type of investment opportunity as sought to be contended by *Moryo*. A company will, in no case, make a preferential allotment to a stranger who just approaches it for allotment of

its shares.

41. *Moryo* has also contended that the funds transfers between it and various other companies on account of which a connection was established in the *interim order* were in nature of loan transactions supported by loan agreements. In support of this contention *Moryo* has submitted copies of some loan agreements that has purportedly been executed on a ₹100 Non-Judicial Stamp Paper. I note that earlier vide email dated September 03, 2014 SEBI had sought details of the loan agreements from *Moryo*, if any, entered into between it and such other entities with which it claims to have loan transactions. In response thereto, vide letter dated September 09, 2014, *Moryo* had submitted that it does not enter into loan agreements for the loans advanced to various entities and in fact relies on the confirmation received from the borrowers regarding receipt of money, etc. In view of these contradictory statements of *Moryo*, I find that the submission of loan agreement for the fund transfers is clearly an afterthought and the manner in which such loan agreements have been executed also raises suspicion about the authenticity/genuineness of the same. I, therefore, do not agree with the contention of *Moryo* in this regard.
42. *Moryo* has further contended that loans and advances to the companies associated with Mr. Giriraj Kishore Aggarwal were made for business purposes only on account of his reputation. It has also claimed that payments made to Mr. Giriraj Kishore Aggarwal were in context of reimbursement of expenses incurred on behalf of *Moryo* towards the payment of RoC charges. It is noted that Mr. Giriraj Kishor Aggarwal has not been associated with *Moryo* either in the capacity of auditor or as the company secretary since 2011-12. Hence, the claim that he was being reimbursed by *Moryo* for expenses incurred on behalf of *Moryo* towards the payment of RoC charges in his professional capacity cannot be accepted. These facts do not show connection of Mr. Giriraj Kishor Aggarwal with *Moryo* merely in his professional capacity as claimed. I, therefore, find that *Moryo* has failed to give any plausible explanation to the allegation of its connection with Mr. Giriraj Kishor Aggarwal.
43. With regard to the basis of connection that Mr. Pankaj Trivedi, who represented *Moryo* before SEBI in the preliminary examination, was an employee of a firm promoted by Mr. Giriraj Kishore Aggarwal, *Moryo* has also submitted that Mr. Pankaj Trivedi was employed with ID Joshi & Associates, its Company Secretary firm, which was handling work pertaining to company law/other compliances since 2011-12. It has claimed that it was not aware that Mr. Pankaj Trivedi is an employee of Mr. Giriraj Kishor Aggarwal or that he was drawing salary from Shreenath Commercial and Finance Ltd., a company found to be connected with Mr. Giriraj Kishore Aggarwal. In this regard, *Moryo* has failed to establish its claim that Mr. Pankaj Trivedi was, at the relevant time, an employee of its company secretary firm viz; ID Joshi & Associates. Further, it has even failed to show that it has given any authorisation to said company secretary firm for representing it during preliminary examination. I, therefore,

do not find such claim convincing or plausible.

44. *Moryo* had also contended that loans advanced to Rupak Developers Ltd., Rock On Capital Market Pvt. Ltd., Kayaguru Capital Market Pvt. Ltd. and Yashasvi Developers Pvt. Ltd. were not made out of the preferential allotment as alleged in the *interim order*. The fund flows in the relevant bank account of *Moryo* as relied upon in the *interim order* show transfer of funds to the accounts of these companies after receipt of allotment monies in the preferential allotment. This claim of *Moryo* also remains unsubstantiated as it has failed to show fund transfers to the aforesaid companies otherwise than as *prima facie* found in the *interim order*.

45. *Moryo* has denied that the proceeds of preferential allotment were not utilised for the purposes as disclosed to the stock exchange. It has claimed that it utilised the proceeds of preferential allotment, *inter alia*, for the purposes of trading in the securities market and for giving loans and advances which were part of the disclosed purposes. It is undisputed fact that *Moryo* had disclosed that the purpose of fund raising through preferential allotment was-

- to meet requirements for capital expenditure including acquisition of company/business,
- funding long term working capital requirements,
- marketing,
- setting up of offices abroad; and
- for other approved corporate purposes.

46. In this case as brought during preliminary examination the proceeds of the preferential allotment were utilised by *Moryo* for investments in the shares of its connected companies and for providing loans and advances to entities including those who are connected with it. Such utilisation of funds *prima facie* is not for any of the above mentioned disclosed purposes. Moreover, *Moryo* has also failed to produce any evidence to establish that such utilisation of proceeds was even for any purpose incidental to the disclosed purposes.

47. *Moryo* has denied that revenue generated in the Financial Year 2012-13 was generated out of trading in the connected companies. It has submitted that it is in the business of trading metals as well as money lending and trading in shares. It is undisputed fact that *Moryo* had made an investment of ₹10,33,37,467/- in shares of its connected companies. From its audited account statement of *Moryo* for the Financial Year 2012-13 it is observed that *Moryo* had a revenue of ₹5,34,91,444/- from its operations against an expense of ₹10,33,37,468/- towards purchase of traded goods. Thus, the revenue generated for the Financial Year 2012-13 was on account of its trades in the shares of connected companies. In view of these facts, I reject the contention of *Moryo* in this regard.

## **II. Promoters – (1) Mr. Mohan Jain and (2) Ms. Deepika Jain:**

48. Mr. Mohan Jain and Ms. Deepika Jain have claimed that they had sold their entire shareholding in *Moryo* and ceased to be the promoters or shareholders of *Moryo* after September 2012. Further, they had also resigned from the directorship of *Moryo*. I note that the observation in respect of these two promoters in the *interim order* was based on the details of their shareholding in *Moryo* till March 2013 as published on Bombay Stock Exchange's (BSE) website. These noticees have now brought on record copies of their bank account statements reflecting the funds received from sale of shares in September, 2012. They have also demonstrated that they had made requisite disclosures to BSE with regard to their sale of *Moryo* shares as claimed by them. In order to verify their claims, an independent verification was also undertaken with Purva Share Registry Pvt. Ltd., the Registrar and Transfer Agent (RTA) of *Moryo* who has confirmed that Mr. Mohan Jain and Ms. Deepika Jain had indeed sold their complete shareholding in *Moryo* and exited the company by September 30, 2012. The RTA has further informed that on account of non-payment of the applicable taxes by the buyer, the transfer deed was returned to the buyer by the RTA and after re-submission of the transfer deed with all relevant taxes being paid RTA executed the transfers in the name of transferees in the registers. However, Mr. Mohan Jain and Ms. Deepika Jain were not aware of the said fault in the transfer. In these facts and circumstances, it is established that Mr. Mohan Jain and Ms. Deepika Jain had ceased to be the shareholders, directors or promoters of *Moryo* at the time of the preferential allotment prior to the preferential allotment in question. Mr. Mohan Jain and Ms. Deepika Jain were not responsible for acts and omissions of *Moryo* as *prima facie* found in the *interim order* and they had no role or involvement in the dubious plan, scheme or devices in question.

## **III. Preferential Allottees:**

49. In addition to the general and common contentions of the preferential allottees, the specific contentions so raised by the preferential allottees has been separately dealt below.
50. It is undisputed fact that Mr. Sanjay Anchaliya, a preferential allottee, has the same address as of Confidence Finance and Trading Limited (CFTL) an entity connected with *Moryo*. Mr. Sanjay Anchaliya has contended that this basis of connection is erroneous on account of the property being a joint property purchased along with Mr. Mohan Jain (Director of CFTL). He has claimed, though without any proof, that necessary demarcations have been done in order to separate the areas of both the parties. I do not find this explanation plausible as facts remains that he shares common address with CFTL.
51. With regard to the basis of connection with *Moryo* Group entities i.e. fund transfers as alleged in the *interim order*, the *preferential allottees viz:* Mr. Amit Jalan, Mr. Sumit Jalan, Mr.

Shivshanker C. Joshi, Mr. Rajeev Kumar Agrawal, Ms. Mahadevi Kumar Agarwal, Mr. Anand Kumar Agarwal and Mr. Sanjeev Kumar Agarwal have contended that the said fund transfers were in the nature of interest bearing loans and advances either availed or granted by them. However, none of these entities have substantiated their claims with supporting documents. I find that they have failed to refute the allegation of connection on the basis of such fund transfer, be it loan or otherwise. Further, the loans and advances, if any, pursuant to any agreement, whether formal or informal, indicate acquaintances between concerned part to such transaction.

52. Ms. Priti A. Mehta has contended that she had paid a total tax of ₹22,56,917/- including interest of ₹3,60,390/- on the total income declared during the assessment year 2014-15. The funds so received after the sale of shares were duly accounted funds and disclosed in the returns filed by her and the due tax was also paid. She has submitted copy of income tax return. I note that the *interim order* has been passed against the entities therein for misuse of stock exchange mechanism for generating fictitious LTCG benefit. The claims made by the aforesaid noticee needs to be further verified and is a matter of further investigation. With respect to fictitious LTCG benefit, the matter has been already referred to Income tax Department, Enforcement Directorate and Financial Intelligence Unit. SEBI is investigating the probable violations of securities laws including the misuse of stock exchange mechanism for generating fictitious LTCG, wherein detailed investigation is still in progress.

#### ***IV. Moryo Group/Exit Provider:***

53. I now proceed to deal with specific submissions of the *Moryo Group* entities on merit. Mr. Giriraj Kishore Aggarwal and his wife Ms. Tanu Giriraj Aggarwal (part of the *Moryo Group*) have submitted that Mr. Pankaj Trivedi as alleged in the *interim order* was a company secretary associated with one of the companies promoted by Mr. Giriraj Kishore Aggarwal and received fees for his services. They contended that Mr. Pankaj Trivedi might have appeared for *Moryo* in his independent capacity and they are nowhere concerned with it. It is undisputed fact that Mr. Pankaj Trivedi was getting funds on a monthly basis from Shreenath Commercial Finance Ltd. shown as salary in the bank statement. This fact shows that Mr. Pankaj Trivedi was an employee of Shreenath Commercial Finance Ltd. I, therefore, reject this contention of these noticees.
54. The above noticees have further contended that the loans and advances given by *Moryo* to the companies promoted by Mr. Giriraj Kishore Aggarwal was a commercial decision of the company and no adverse inference be made against them. They have submitted that the loans were duly accounted and supported by formal agreement and that mere absence of any formal agreement does not make the loans and advances ineffective. It is noted that during the preliminary enquiry (para 16 of the *interim order*), *Moryo* had stated that the loans and advances were without any loan agreement. It is relevant to mention that, in the *interim order*,



these fund transfers are taken into account as one of the several factors for determining connection between *Moryo* and the companies promoted by Mr. Giriraj Kishore Aggarwal. As observed in the *interim order* and hereinabove, *Moryo* and Mr. Giriraj Kishore Aggarwal were connected beyond professional arrangements. Further, the loans and advances, pursuant to any agreement, whether formal or informal, indicate acquaintances between concerned part to such transaction. In this case, it is noted that *Moryo* had similar funds transfers with more than one companies promoted by Mr. Giriraj Kishore Aggarwal. Such repeated financing that too under informal arrangements as observed in this case corroborates the *prima facie* finding that Mr. Giriraj Kishore Aggarwal and *Moryo* are connected with each other.

55. Mr. Giriraj Kishore Aggarwal and Ms. Tanu Giriraj Aggarwal have also contended that the funds transfers between companies promoted by them and Mr. Anand Kumar Aggarwal, Ms. Mahadevi Aggarwal, Mr. Sanjeev Aggarwal and Mr. Rajeev Kumar Aggarwal (*preferential allottees*) were loan transactions given on interest supported by proper documents. It is reiterated that in the *interim order* these funds transfers were identified to be the basis for establishing the connection between the *preferential allottees* and the companies promoted by Mr. Giriraj Kishore Aggarwal. The fund transaction between companies promoted by Mr. Giriraj Kishore Aggarwal and Ms. Tanu Giriraj Aggarwal and some of the *preferential allottees*, namely, Mr. Anand Kumar Aggarwal, Ms. Mahadevi Aggarwal, Mr. Sanjeev Aggarwal and Mr. Rajeev Kumar Aggarwal is an undisputed fact. The loans and advances, pursuant to any agreement, whether formal or informal, indicate acquaintances between concerned parties to such transactions. In my view, such fund transactions clearly establish connection between these noticee and the aforesaid *preferential allottees*.
56. Mr. Anand Kamalnayan Pandit has questioned that the basis of his connection with KFCL, one of the *Moryo Group* entities in this case, is flawed. In this regard, I note that Mr. Anand Kamalnayan Pandit is one of the *preferential allottees* in the preferential allotment of KFCL which is subject matter of another *ad interim ex parte* order dated February 20, 2015. As elucidated elsewhere in this order, preferential allotment of shares is an issue and allotment of shares by an issuer to select person or group of persons on a private placement basis unlike a public issue where funds are raised by inviting subscriptions from public in general. A preferential allotment is made to the persons/entities on a one-to-one basis who are acquainted/familiar/known with/to the company and/or its promoters/directors. In view of the above, I find that Mr. Anand Kamalnayan Pandit has failed to substantiate his claim that he was not known to KFCL.
57. Mr. Anand Kamalnayan Pandit has further submitted that he generally follows a trading pattern that is long term in nature and invests a substantial amount in the market, after anticipating any positivity in a company and after detailed study. His investments in *Moryo*

were on the same line. It is to be noted that he is a well qualified person. As established in the *interim order*, *Moryo* had no business or financial standing in the market warranting such a price for its shares which a person of his qualification and financial standing could have easily deduced. His trade in the shares of *Moryo* is in contradiction of his admitted trading pattern based on detailed study of a stock. This *prima facie* cannot be termed as rational investment behavior by any person of ordinary prudence leave alone a person who claims to be well-qualified as him. Mr. Anand Kamalnayan Pandit has refuted the allegation of his involvement along with that of the *Moryo Group* entities in creation of artificial volume and price. I note from Table III and Annexure C of the *interim order* that Mr. Anand Kamalnayan Pandit had placed orders above LTP in multiple instances and he along with the *Moryo Group* entities had contributed significantly to the volumes in the scrip. Thus, the facts of this case do not support the contention of Mr. Anand Kamalnayan Pandit and as such I reject his contention in this regard.

58. Mr. Tushar R. Rane, Ms. Tisha Tushar Rane, Mr. Mangesh Madhukar Dhotre, Mr. Wakil Rajbhar, Mr. Girish Rajkumar Goel, Ms. Sapna Ramdas Jatwal and Ms. Krupali Madhukar Dhotre have submitted in their replies that they invest in securities market to earn profits and basically do jobbing transactions. They have also contended that the basis of connection/relation between them and the *Moryo Group* in the *interim order* is the fund transfers amongst them. They have submitted that such allegation cannot be replied to unless opportunity of inspection of documents based on which connection between them has been alleged is not provided to them. I note that these noticees had availed opportunity of inspection of documents. However, after inspection, they have not filed further replies refuting the basis of connection as established in the *interim order*. Thus, mere denial of connection cannot be construed to be a valid rebuttal by these noticees. The mere presence of all these clients claiming to be jobbers and connected to each other and *Moryo* is highly suspicious and a matter of further investigation. I, therefore, reject the contention of these noticees in this regard.

59. KFCL, in its reply, has admitted to having a common director between *Moryo*, Esaar (India) Ltd and KFCL. However, they have contended this as being a sufficient evidence of its connection with *Moryo*. The presence of both Esaar (India) Ltd. and KFCL as part of the *Moryo Group* providing exit to the *preferential allottee* having common directors in itself is suspicious and desires a further investigation. It has also been highlighted in the *interim order* that there were additional basis of connections between KFCL and *Moryo* which have not been replied by KFCL. I, therefore, reject the contention of the noticee in this regard.

60. Esaar (India) Ltd. in its reply has submitted that during the period from April 01, 2011 till the date of order, it has traded in many scrips and *Moryo* was only one of them of which it held only 50,210 shares which was 0.39% of its gross trade during the period. It has also

submitted that value of its portfolio as on the date of the *interim order* was ₹13,21,88,503/-. It is observed that in addition to *Moryo*, KFCL and Esaar (India) Ltd. were other publicly listed companies found to be providing exit to the *preferential allottees*. It was also established in the *interim order* that these companies either had financial transactions between each other or had funds transfers with the *preferential allottees*. It is also noted that all of these companies had submitted to be carrying out the business of investment company. As established in the *interim order* these companies were found to be connected to each other on the basis of common directors.

61. As these companies have taken the plea of their day to day management being handled by directors who were not common to each other, in order to verify the independence of their decision making, the portfolio as on the date of order was examined on account of them being an investment company. Below Table illustrates their portfolio as on December 04, 2014:

Noticee Name	Holding Scrip Name	No. Of Shares Held	Value of Holding	% holding out of total holding
Esaar (India) Ltd	Banas Finance Limited	2031228	2,93,71,557	20.2
	Confidence Finance and Trading Limited	468490	43,61,642	3.0
	Moryo Industries Limited	50210	1,15,98,510	8.0
	NCL Research And Financial Services Limited	35000	0	0.0
	Proaim Enterprises Limited	348137	20,57,490	1.4
	Rockon Enterprises Limited	17968	90,559	0.1
	Sunteck Realty Limited	5	1,450	0.0
	Tilak Ventures Limited	316366	9,80,57,642	67.4
Total			14,55,38,848	
Moryo Industries Ltd	Banas Finance Limited	151482	21,90,430	5.1
	Confidence Finance And Trading Limited	1547010	1,44,02,663	33.4
	Five X Finance & Investment Limited	303690	2,61,173	0.6
	NCL Research and Financial Services Limited	37175	0	0.0
	Ojas Asset Reconstruction Company Ltd	2000	11,19,800	2.6
	Proaim Enterprises Limited	17100	0	0.0
	Spectra Industries	3649	70,78,500	16.4
	Tilak Ventures Limited	58156	1,80,25,452	41.8
Total			4,30,78,018	
Kamalakshi Finance Corporation Ltd	Banas Finance Limited	95200	13,76,592	1.7
	Confidence Finance and Trading Limited	372399	34,67,035	4.3
	Moryo Industries Limited	56100	1,29,59,100	16.0
	Ojas Asset Reconstruction Company Ltd	19800	1,10,86,020	13.7
	Tilak Ventures Limited	168783	5,23,14,291	64.4

<b>Total</b>			<b>8,12,03,038</b>	

62. From the above Table, it is noticed that all three companies have substantially invested in the same companies. It is further observed that all three companies have substantial investment in companies promoted by Mr. Giriraj Kishore Aggarwal, evidently in Banas Finance Limited, Tilak Ventures Ltd., Five X Finance and Investment Ltd. and Rockon Enterprise Ltd. Individually, Esaar (India) Ltd. holds around 87%, *Moryo* holds around 46% and KFCL holds around 65%; in companies promoted by Mr. Giriraj Kishore Aggarwal. It is also observed that all three companies taken together hold around 40% shares in Confidence Finance and Trading Ltd., which has been observed to be connected with *Moryo* in the *interim order*.
63. It is evident from the above details that all three companies despite claiming to be operationally managed by different directors while having a common director amongst them, were in fact taking their investment decisions in tandem. Their high percentage of holding in companies promoted by Mr. Giriraj Kishore Aggarwal who is found to be connected to *Moryo* coupled with the fact that they had common directors between them raises high suspicion and requires further investigation. I, therefore, reject the contention of these noticees in this regard.
64. Helpful Investment Advisory Pvt. Ltd. (HIA), Limestone Properties Pvt. Ltd. (LPL) and Topwell Properties Pvt Ltd (TPL) were found to be connected to each other. While TPL and LPL were found to be connected on the basis of common address and email id, TPL and HIA were found to be connected on the basis of common directors and hence all three were found to be connected to each other. While the basis of connection has not been challenged by these entities, they have contended that despite having common directors, the ownership of all the companies were different. It is also submitted that for the purpose of investment and share trading activities, all of these companies traded independently of each other, out of their own wisdom and out of their own funds. However, all three have failed to submit a list of documents disclosing the list of their shareholders or documents substantiating their claim of independence in the day to day decision making of the company.
65. These three entities have further contended that their contribution to the total market volume was very less and insignificant. HIA has submitted that it traded only in 50,000 shares of *Moryo* and that too only on 4 days during Patch 2 amounting to 0.55% of the total market volume. LPL has submitted that it traded only 8,000 shares in Patch 1 on one single day and 12,000 shares were traded in Patch 2 on one single day amounting to 0.22% of the market volume during the examination period. TPL has traded in 52000 shares in Patch 2 amounting to 0.58% of the market volume during the examination period.

66. As regards the submissions of the aforesaid three noticees, viz., HIA, LPL and TPL, I reiterate that individually their contribution might appear to be a very small percentage of the total trade on a given day, however, when seen holistically, even such small percentage of trades contributed to the profitable exit of the *preferential allottees*. I note that these noticees have denied any connection/relation with *Moryo*, its promoters/directors or the *preferential allottees*. Though, these noticees were not found to be directly connected with *Moryo*, its promoters/directors or the *preferential allottees*, these noticees were found to be indirectly connected to *Moryo Group* as mentioned in the *interim order*. The role of buyers in creating such demand cannot be out rightly ignored, the facts and circumstances of each case need to be holistically examined. In this case, from the material available on record, I note that there is as substantial volume (1,14,000 shares) of trade contributed by these noticees during Patch 2. In view of these facts and circumstances, their role in the dubious plan, scheme or devices is a matter of further investigation.
67. Mr. Amul Gagabhai Desai has submitted that he had traded only on 16 days out of an investigation period of 279 days and that too with delivery based transactions that resulted into net purchases of 17,090 shares. He also submitted that his percentage contribution to overall market volume on days of his trades were within the range of 0.04% to 0.44%. Since high, low and close price of *Moryo* on the days of his trades were close to same, it means price of *Moryo* had hit an upper circuit since morning and on account of it, there were only buyers and very few sellers in the scrip. He has further submitted that it was a seller driven market and he had no role to play in the price determination as alleged. As regards his connection with other entities in the *interim order*, he has contended that no basis of connection pertaining to him has been given in the *interim order* and he is not connected, directly or indirectly, to any one of the *Moryo Group* entities.
68. Mr. Soni Krupa Sanjay submitted that he had traded only on 28 days out of an investigation period of 279 days and that too with delivery based transactions that resulted into net purchases of 50,150 shares. His percentage contribution to overall market volume on days of his trades was within the range of 0.51% to 0.50%. Since high, low and close price of *Moryo* on the days of his trades were close to same, it means price of *Moryo* had hit an upper circuit since morning and on account of it, there were only buyers and very few sellers in the scrip. It was a sellers driven market and he had no role to play in the price determination as alleged. It was contended that no common address or *email id* or any other basis of connection was attributed to the noticee in the *interim order*. He is not connected, directly or indirectly, to any one of the *Moryo Group* entities.
69. Sanjay Jethalal Soni HUF submitted that it has traded only on 20 days out of an investigation period of 279 days and that too with delivery based transactions that resulted into net purchases of 10,015 shares. Its percentage contribution to overall market volume on days of

his trades was within the range of 1% to 1.2%. Since high, low and close price of *Moryo* on the days of his trades were close to same, it means price of *Moryo* had hit an upper circuit since morning and on account of it, there were only buyers and very few sellers in the scrip. It was a sellers driven market and it had no role to play in the price determination as alleged. It was contended that no common address or email id or any other basis of connection was attributed to the noticee in the *interim order*. He is not connected, directly or indirectly, to any one of the *Moryo Group* entities.

70. As regards the submissions of the aforesaid three noticees, namely, Mr. Amul Gagabhai Desai, Mr Soni Krupa Sanjay and Sanjay Jethalal Soni HUF, I reiterate that individually their contribution might appear to be a very small percentage of the total trade on a given day, however, when seen holistically, even such small percentage of trades contributed to the profitable exit of the *preferential allottees*. Although the role of buyers in creating such demand cannot be out rightly ignored, the facts and circumstances of each case need to be holistically examined. In this case, I note from the material available on record that these noticees are not connected/related to *Moryo* or its directors or with any other entity as mentioned in the *interim order* nor any such connection, direct or indirect, has been established in the *interim order*. These noticees have been able to demonstrate that they had placed the buy orders when the price had already hit the day's high during the morning trade and remained approximately same across the day. It was alleged in the *interim order* that these aforesaid noticees in addition to being the exit providers were contributing towards the price rise during the exit phase by trading above LTP. However, it has been observed that the percentage of their trades above LTP to their total trade as a client in the market was very low (i.e., less than 3%). In view of these facts and circumstances, I do not find sufficient material at this stage to attribute role of these noticees in the dubious plan, scheme or devices.
71. Victory Sales Pvt. Ltd., Mr. Vasudev B. Panchal, Mr. Sagar Girish Bhatt and Sampada Chemicals Pvt. Ltd. have submitted that they had purchased only in Patch 1 of the examination period and have not purchased in Patch 2, hence, the allegation of providing a profitable exit to the *preferential allottees* by purchasing the shares in Patch 2 does not stand. Though, Sampada Chemicals Ltd. and Mr. Sagar Girish Bhatt were found to be trading in Patch 2, they were on the sell side of the transaction and so they cannot be treated as providing exit to the *preferential allottees*. As observed from the *interim order*, these noticees have purchased only during Patch 1 and hence cannot be treated as exit providers. Considering, that the trades of these noticees pertain to the period where the shares allotted under preferential allotment were still locked-in for trade, the submissions of these noticees are accepted.

72. It is worthwhile to note that there was hardly any trading history in the scrip of *Moryo* nor

*Moryo* had any business or financial standing in the securities market. Considering these poor credentials of the company, in my opinion, no prudent investor would like to invest in such company unless there was a pre-mediated plan. This is further corroborated by the fact that a set of entities named as the *Moryo Group* entities continuously acted as buyers while the other set of entities named as the *preferential allottees* acted as seller. This trading pattern or behaviour in itself suggests that entities are acting in concert for a common objective that is to provide profitable exit to the *preferential allottees* as a part of the scheme or device as brought out in the *interim order*. In view of these facts and circumstances of this case and pending investigation in the matter, I do not find merit in the contentions of the noticees.

73. In this case it has, *inter alia*, been found that *Moryo* in connivance with the *preferential allottees* floated the scheme of preferential allotment and the *preferential allottees* in connivance/nexus with the *Moryo Group* misused the stock exchange mechanism to get the benefit of LTCG in the manner as specified in the *interim order*. The *Moryo Group* entities had acted in concert and indulged in fraudulent and manipulative trading that provided exit to the preferential allottees and thereby created artificial volumes in the scrip of *Moryo* as brought out in the *interim order*.
74. While some of the *Moryo Group* entities have contended that loan transaction or bank statement cannot form the basis of connection, some others have raised contentions on off market transactions being the basis of connections. In this regard, I note that the connection established in the *interim order* on the basis of KYC and Bank Statement analysis, off market analysis, data available with the exchange and MCA details is not to be seen selectively but holistically whereby entities connected/related to/forming part of the *Moryo Group* have given exit to the *preferential allottees*. It is a fact that the *Moryo Group* entities had bought 71,19,898 (82.60% of Net Buy) shares during Patch 2 and the *preferential allottees* had sold 74,80,122 (84.84% of Net Sell) shares, in the open market. The percentage contribution of the *Moryo Group* and the *preferential allottees* on the opposites sides of the trade clearly indicate a matching intention.
75. It is hereby mentioned that in the *modus operandi* as observed in the matter, an individual contribution to the scheme might look to be insignificant but collectively it completes the circle of manipulation, deceit or fraud. Individually, entities forming part of the *Moryo Group* might look to be contributing a very small percentage of the trade on the day of his trading, but all were collectively responsible for the profitable exit of the *preferential allottees*.
76. In the instant case, the *interim order* has reasonably highlighted the *modus operandi* wherein *Moryo Group* in nexus with the *preferential allottees* made a facade of preferential allotment ostensibly to raise money and thereafter the *preferential allottees* with the aid of the *noticees* misused the stock exchange mechanism to exit at a high price in order to generate fictitious LTCG. Therefore, the acts and deeds of the *noticees* are fraudulent and are in contravention

of the provisions of the Securities Laws so far as it relates to the misuse of securities market system.

77. In view of the findings hereinabove with regard to the following noticees, the facts and circumstances of the case do not justify the continuation of the directions issued against them :

Sr. No.	Noticee	PAN
<b>Erstwhile Promoters</b>		
1	Mr. Mohan Jain	AABPJ7629P
2	Ms. Deepika Jain	AABPJ7615H
<b>Moryo Group</b>		
3	Mr. Vasudev B. Panchal	ASIPP8140N
4	Victory Sales Pvt. Ltd.	AAACV7299K
5	Sampada Chemicals Ltd.	AACCS7980C
6	Mr. Sagar Girish Bhatt	ATYPB5376M
7	Mr. Amul Gagabhai Desai	AHDPD3526G
8	Mr. Krupa Sanjay Soni	BVSPS9740P
9	Sanjay Jethalal Soni HUF	AAWHS0331J

78. I, therefore, in exercise of the powers conferred upon me under section 19, read with sections 11(1), 11(4) and 11B of the SEBI Act, hereby revoke the directions against the above 9 noticees, contained in the *ad interim ex-parte order*.

79. I, however, find that, at this stage, the other 70 noticees have failed to give any plausible reasoning/explanation for their acts and omissions as described in the *interim order* and have not been able to make out a *prima facie* case for revocation of the *interim order*. I, therefore, in this case, reject the prayers of such noticees for setting aside the *interim order* or for complete removal of restraint imposed by it. I, therefore, do not have any reasons to change or revoke the *ad interim* findings as against them. The list of these noticees is as under:-

Sl. No.	Name	PAN
1	Moryo Industries Limited	AACCM5166G
<b>Directors of Moryo Industries Ltd</b>		
2	Mr. Manoharlal Saraf	AAIPS7577C
3	Ms. Geeta Manoharlal Saraf	ANMPS6842B
4	Mr. Shashikumar Jatwal	ALMPJ4216E
<b>Preferential Allottees</b>		
5	Mr. Vivek Kumar Kejriwal	ACXPV7536R
6	Mr. Vivek Kumar Kejriwal HUF	AAEHV3659N
7	Mr. Naresh S Chandan	AAKPC5639D



8	Mr. Chetna Naresh Chandan	AADPC1398N
9	Ms. Kavita Shreeram Singhi	AMCPS1116K
10	Mr. Manish Jagdish Saraf	AUHPS6394N
11	Mr. Sanjay Anchaliya	AABPA2723R
12	Mr. Suchek Suresh Anchaliya	AJNPA8807F
13	Mr. Nikunj Arvind Desai	ACJPD9611P
14	Veenu Jain HUF	AAAHJ0626D
15	Mr. Kamal Jajoo	ABVPJ3150A
16	Bhikhabhai H Prajapati HUF	AAGHB7871J
17	Jagdish B Prajapati HUF	AAEHJ9503P
18	Mr. Amardeep Kadam	ALTpk8993J
19	Mr. Rajeev Kumar Agarwal	ACPPA7567H
20	Ms. Maha Devi Agarwal	ABMPA2745F
21	Mr. Anand Kumar Agarwal	ACMPA4421D
22	Mr. Sanjeev Kumar Agarwal	ABMPA2770N
23	Mr. Anilkumar Agrawal	ACSPA5647B
24	Ms. Neeli Agrawal	AAJPA1839J
25	Ms. Priti A Mehta	ALAPM5609E
26	Mr. Shivshanker C Joshi	AAEPJ8684M
27	Ms. Geetaben S. Joshi	AAJPJ8345A
28	Mr. Jitendra Dhirajlal Vora	AABPV8208Q
29	Mr. Varun Yogesh Vora	AFBPV3801J
30	Mr. Manthan Manish Vora	AIAPV6436F
31	Mr. Naresh B Khatar	AGYPK5408L
32	Mr. Vijay Hasmukrai Bhayani	AAEPB8868P
33	Mr. Sachin Gokuldas Mehta	AACPM6569J
34	Mr. Chitan Narendra Shah	AKIPS1272J
35	Mr. Dipani Chintan Shah	AMVPS8322G
36	Mr. Jayesh Popatlal Shah	AAGPS4118M
37	Ms. Kalpana Jayesh Shah	AAGPS4118M
38	Jugal Kishore Chirania HUF	AABHJ8023M
39	Sanjeev Chirania HUF	AARHS4527D
40	Sudheer Chirania HUF	AARHS4528N
41	Mr. Devang Bhupendra Shah	AADPS1211L
42	Mr. Deval Devang Shah	
43	Jaidev Gupta HUF	AAFHJ5373N
44	Vinod Kumar Gupta HUF	AAAHV5024M
45	Mr. Sumit Gupta	AABPG7826K
46	Deepak Saraf HUF	AAFHD0142R
47	Mr. Amit Jalan	AFDPJ7855G
48	Mr. Sumit Jalan	AFDPJ7853A

49	Mr. Yash Jalan	AHIPJ7654E
50	Mr. Devendra Jalan	ADBPJ2163K
51	Mr. Pratap Uttam Purohit	AFZPP9994A
52	Manish S Shah HUF	AAFHM0782E
53	Mr. Nirav Anil Shah	AAIPS1195G
54	Mr. Anisha Nirav Shah	
<b>MORYO GROUP</b>		
55	Mr. Anand Kamalnayan Pandit	ADMPP1798B
56	Ms. Savita Sonavane/ Rupak Developers Pvt. Ltd.	AADCR6341P
57	Mr. Tushar R Rane	AJCPR9314H
58	Ms. Tisha Tushar Rane	AHRPK8922D
59	Mr. Mangesh Madhukar Dhotre	AJPPD8297E
60	Esaar India Ltd.	AABCE0478J
61	Mr. Wakil Rajbhar	AOSPR9100E
62	Ms. Tanu Giriraj Agarwal	AADPA7003J
63	Kamalakshi Finance Corporation Limited	AAACK1804B
64	Mr. Girish Rajkumar Goel	BDLPG2634K
65	Mr. Sapna Ramdas Jatwal	APNPJ7211C
66	Mr. Krupali Madhukar Dhotre	BIQPD4268L
67	Mr. Giriraj Kishor Agarwal	AABPA4928N
68	Limestone Properties Pvt. Ltd.	AACCL0133G
69	Helpful Investment Advisory Private Limited	AACCH4303G
70	Topwell Properties Private Limited	AADCT8403C

80. Having dealt with the contentions of the noticees as aforesaid, I note that majority of them have raised concern over challenges in running their activities on account of ban and consequent freezing of their demat accounts. Many of these entities have pleaded for removal of the restraint imposed vide the *interim order* or atleast allow them partial relief of permitting trading in securities other than those involved in this case. It is worth mentioning that the case in hand is peculiar as large number of entities have been restrained and the ongoing investigation in the matter may take time in completion. I have been conscious that the restraint order should not cause disproportionate hardship or avoidable loss to the portfolio of the noticees. That is why several relaxations, such as allowing investment in mutual fund units, permission to liquidate existing portfolio and keep the proceeds in escrow account and even utilize 25% of the proceeds for meeting exigencies, etc. have been made in the past. Now at this stage, considering the facts and circumstances of this case and submissions/oral arguments made before me, I deem it appropriate to make further relaxations so as to address the issues of the personal and business exigencies or other liquidity problems.

81. Considering the above, I, in exercise of the powers conferred upon me under section 19 of the SEBI Act, read with sections 11(1), 11(4) and 11B thereof, hereby confirm the directions issued vide the *ad interim ex parte* order dated December 04,2014 as against the aforesaid 71 noticees except that they can:-

- (a) enter into delivery based transactions in cash segment in the securities covered in NSE Nifty 500 Index scrips and/ or S&P BSE 500 scrips;
- (b) subscribe to units of the mutual funds including through SIP and redeem the units of the mutual funds so subscribed;
- (c) deal in Debt/Government Securities;
- (d) invest in ETF
- (e) avail the benefits of corporate actions like rights issue, bonus issue, stock split, dividend, etc.;
- (f) tender the shares lying in their demat account in any open offer/delisting offer under the relevant regulations of SEBI;

82. Further considering business and personal exigencies and liquidity problems submitted by the restrained entities I allow them further relaxations/reliefs as under:-

- (a) They are permitted to sell the securities lying in their demat accounts as on the date of the interim order, other than the shares of the companies which are suspended from trading by the concerned stock exchange, in orderly manner under the supervision of the stock exchanges so as not to disturb the market equilibrium and deposit the sale proceeds in an interest bearing escrow account with a nationalized bank.
- (b) They may deal with or utilize the sale proceeds lying in the aforesaid escrow account under the supervision of the concerned stock exchange as provided:-

- i. the sale proceeds may be utilised for investments permitted in para 81;
- ii. upto 25% of the value of the portfolio as on the date of the *interim order* or the amount\* in excess of the profit made /loss incurred or value of shares purchased to give exit, whichever is higher, may be utilized for business purposes and/or for meeting any other exigencies or address liquidity problems etc.

\* *The amount will include the value of portfolio in the demat account*

Explanation: For the purposes of determining the portfolio value of the entities, the value of portfolio of securities lying in the demat account/s (individual and joint both) on the date of the interim order after excluding the value of shares that have been suspended from trading as on the date of the communication shall be considered. For NBFCs and stock brokers the value of portfolio shall exclude the value of clients' securities lying in their demat accounts.

- (c) The aforesaid reliefs shall be subject to the supervision of exchanges and depositories. The stock exchanges may use this existing mechanism available for implementing the similar interim relief earlier granted to some of the entities.
83. It is, however, clarified that the aforesaid exceptions/relaxation/reliefs shall be available
- (a) To the noticees except those who have not replied to the *interim order* as mentioned in para 10 and those in respect of whom the *ex parte* confirmatory orders have already been passed as mentioned in para 4 above.
  - (b) The common interim reliefs already granted in the matter earlier are subsumed in the aforesaid general relaxations/reliefs. The specific reliefs granted if any, to any of the Noticees shall remain in operation.
84. This order is without prejudice to any enforcement action that SEBI may deem necessary against the aforesaid *noticees* on completion of the investigation in the matter.
85. This order shall continue to be in force till further directions.
86. A copy of this order shall be served on all recognized stock exchanges and depositories to ensure compliance with above directions.

Sd/-

**DATE: AUGUST 22<sup>nd</sup>, 2016**

**PLACE: MUMBAI**

**RAJEEV KUMAR AGARWAL**

**WHOLE TIME MEMBER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**