WTM/AB/IVD/ID9/29600/2023-24

SECURITIES AND EXCHANGE BOARD OF INDIA

MISCELLANEOUS ORDER

UNDER SECTION 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992.

IN COMPLIANCE WITH THE ORDER DATED AUGUST 18, 2023, OF THE HON'BLE SECURITIES APPELLATE TRIBUNAL IN THE MATTER OF MAURIA UDYOG LTD., 7NR RETAIL LTD., DARJEELING ROPEWAY COMPANY LTD., GBL INDUSTRIES LTD. AND VISHAL FABRICS LTD.

IN RESPECT OF

SL. NO.	APPLICANT	PAN
1.	MAURIA UDYOG LIMITED	AABCM9522F

Background

1. SEBI passed an Interim Order cum Show Cause Notice dated June 19, 2023 ("**Interim Order**"), against 226 Noticees, including Mauria Udyog Limited ("**Noticee 10 of the Interim Order / Applicant**"), for their alleged role in the manipulation of the price of 5 scrips viz. Mauria Udyog Ltd., 7NR Retail Ltd., Darjeeling Ropeway Company Ltd., GBL Industries Ltd. and Vishal Fabrics Ltd. Vide the Interim Order, the following directions were issued *qua* the Applicant:

    (a) Restrained the Applicant from buying, selling or dealing in the securities market or associating itself with the securities market, either directly or indirectly, in any manner whatsoever until further orders;

    (b) Impounding of the amount of unlawful gains of Rs. 26,19,68,781 generated in the scrip of Mauria Udyog Limited, jointly and severally, from the Applicant and other Noticees;

(c) The Applicant along with ten other Noticees was directed to credit/deposit the aforesaid amount of wrongful gains into an interest bearing Escrow Account or Savings a/c with a lien marked in favour of SEBI, created specifically for the purpose in a Nationalized Bank, within 15 days from the Interim Order. The monies kept therein were not to be released without permission from SEBI.

(d) The banks where the Noticees, including the Applicant, were holding bank accounts, jointly or severally, were directed to ensure that till further directions, except for compliance of directions as stated above, no debits were to be made in the bank accounts of the Noticees without the permission of SEBI. Further, the depositories were also directed that no debit were to be made, without the permission of SEBI, in respect of the demat accounts held by the said Noticees.

2. While the Applicant filed its reply dated July 22, 2023 to the Interim Order with SEBI, it also filed an appeal against the Interim Order before the Hon'ble Securities Appellate Tribunal ("**SAT**"). The Hon'ble SAT disposed of the said appeal vide an Order dated August 18, 2023 ("**SAT Order**") and directed as under:

> *"We accordingly dispose of the appeals directing the appellants to file a reply / objection to the show cause notice as well as, if advised, file an application for vacation / modification of the ex parte ad interim order. If such an application is filed the WTM will fix a date for hearing and would pass appropriate orders on the said application for vacation / modification of the ex parte ad interim order within two weeks after giving an opportunity of hearing."*

3. Accordingly, the Applicant vide letters dated August 18, 2023 and September 20, 2023 filed an application for grant of hearing and modification of the directions in the Interim Order, by way of unfreezing its overdraft accounts held with ICICI Bank. In the abovementioned application, the Applicant has submitted *inter alia* the following:

(a) The only logic to freeze the debit side of the bank accounts of the Applicant was to secure and recover an amount of Rs. 26,19,68,781 being the alleged wrongful gain for which ten other Noticees are also jointly and severally liable. However, the Applicant is shocked to learn that overdraft facility account nos. 630305004429 and 630305006222 maintained at ICICI Bank, Faridabad Branch, were also frozen.

(b) The alleged wrongful gain of Rs. 26,19,68,781 can neither be secured nor be recovered from the abovementioned overdraft bank accounts since the purpose of the overdraft facility is well defined in the agreement between the Applicant and ICICI Bank, which is to augment the working capital for the purpose of the well-defined core manufacturing business. The Applicant is aggrieved because the freezing of these overdrafts facility bank accounts has resulted in the entire business of the Applicant coming to a standstill.

(c) The Applicant will not be able to fulfil its statutory obligations like payment of GST/Income Tax/ESI/PF etc. apart from payment to suppliers, vendors and salary of employees and workers. Further, freezing of overdrafts facility bank accounts will be damaging like a double-edged sword. On one hand, it is not going to fulfil the purpose of securitization and recovery of alleged wrongful gain, on other hand it will impair the ability of the Applicant to shell out the said amount.

4. In view of the above, the Applicant has prayed for the immediate defreezing of the overdrafts facility Account nos. 630305004429 and 630305006222 of the Applicant maintained at ICICI Bank.

5. In compliance with the directions of the Hon'ble SAT, Applicant was provided an opportunity of personal hearing on October 04, 2023. On the said date, Shri Navneet Kumar Sureka and Shri Dinesh Khanna, appeared on behalf of the Applicant and made submissions on the lines of the replies filed with SEBI. During the personal hearing, certain details and documents were sought from the Applicant, which were furnished by the Applicant vide email dated October 06, 2023.

Consideration

5. I note that the Applicant vide letters dated July 22, 2023 and September 20, 2023 has made submissions on merit in respect of the allegations in the Interim Order as well as has made an application praying for modification of the directions in the Interim Order by way of defreezing of its two overdraft accounts with ICICI Bank. As the Interim Order was issued by SEBI *qua* 226 entities, including the Applicant, for their alleged roles in manipulation in five scrips spread over a period of more than 3 years, the adjudication of the allegations against each Noticee would require holistic consideration of all the issues involved and replies of all entities, after granting them suitable opportunity of hearing. However, from the material available on record, it is noted that till date, less than 10 Noticees out of 226 Noticees have filed replies with SEBI. Considering the above and given the timeline imposed by the Hon'ble SAT for passing appropriate order on the application for vacation / modification of the Interim Order, at this stage, it would be appropriate to consider only the Applicant's application for defreezing of its overdraft accounts, as mentioned above. The Application's objections / replies to the Interim Order on merit would be considered at a later stage while passing the final order in respect of all the Noticees together.

6. As regards the Applicant's payer for defreezing the aforementioned overdraft accounts, I note that as per the information submitted by the Applicant and ICICI Bank, the total overdraft limit allotted by the Bank to the Applicant and the limit overdrawn in the afore-mentioned two overdrafts accounts is as given in the table below:

(all figures in INR)

Particulars	Account no. 630305006222	Account no. 630305004429	Total
Total Overdraft Limit provided by the Bank **(A)**	7,10,11,358	3,41,24,068	10,51,35,426

Total overdrawn (as on 10.10.2023) (**B)**	7,08,27,858	3,41,19,766	10,49,47,624
Unutilised amount in Overdraft Account **(C) = (A-B)**	1,83,499	4,301	1,87,801

7. As per the information provided by ICICI Bank, the aforementioned two overdraft accounts have been provided to the Applicant in lieu of various Fixed Deposits amounting to Rs. 11.47 Crore, which have also been frozen by the ICICI Bank, in terms of the directions in the Interim Order. Further, the Applicant has submitted that the Applicant's bank accounts and Fixed Deposits already frozen by SEBI have balance in excess of Rs. 14 Crore (including Rs. 11.47 Crore that has been used as security for the overdraft limits).

8. I note that the Applicant has not yet deposited the alleged wrongful gains of Rs. 26,19,68,781 in an escrow account, as directed in the Interim Order. However, while deciding on the relief sought by the Applicant, I have considered the following:

(a) The debit freeze marked on the bank accounts including the Fixed Deposits of the Noticee (excluding the aforesaid overdraft accounts) have balance of more than Rs. 14 Crore. While the Noticee is liable to deposit alleged illegal gain of Rs. 26,19,68,781 in an escrow account, the said liability is joint and several with other ten Noticees.

(b) The Applicant is a listed entity having around 8,888 public shareholders (as per the information available on BSE Website). As the overdraft accounts of the Applicant are apparently meant for augmenting the working capital for the purpose of Applicant's core manufacturing business, freezing of the said accounts is likely to affect the business of the Applicant and consequently, cause loss to its shareholders.

(c) The two overdraft accounts (630305004429 and 630305006222) of the Applicant held with ICICI Bank are already utilised up to Rs. 10,49,47,624 out of the total overdraft limit of Rs. 10,51,35,426, which indicates that only Rs. 1,87,801 is available for fresh utilization of the Applicant.

9. Taking into consideration the above factors, I am inclined to grant some relaxation to the Applicant, from directions in the Interim Order.

Directions

10. In view of the above, I, in exercise of the powers conferred upon me under Sections 11, 11(4) and 11B read with Section 19 of the SEBI Act, 1992 hereby modify the directions issued vide the Interim Order dated June 19, 2023, to the following extent:

   a. The overdraft bank accounts bearing numbers 630305004429 and 630305006222 of Mauria Udyog Limited (PAN- AABCM9522F) held with ICICI Bank shall be defrozen by the ICICI Bank forthwith. The Applicant and the ICICI Bank shall ensure that the portion of the overdraft facility in the aforesaid two overdraft accounts, which remains unutilized as on date of this Order, is not available for utilization to the Applicant, till further orders.

   b. All other directions of the Interim Order shall continue to apply as before.

11. This Order shall not be taken to have expressed any opinion / given any finding on the merits of the case and is being issued only for the purpose of disposing of the application filed by the Applicant seeking interim relief, in terms of the directions of the Hon'ble SAT.

12. This Order shall come into force with immediate effect. A copy of this Order shall be forwarded to the Applicant and ICICI Bank for necessary compliance.

Place: Mumbai **ASHWANI BHATIA**

Date: October 12, 2023 **WHOLE TIME MEMBER**

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