

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

SR. NO.	APPLICANT	PAN
1.	ECONO BROKING PRIVATE LIMITED	AADCB8817A

**Background**

1. SEBI passed an Interim Order cum Show Cause Notice dated June 19, 2023 ("**Interim Order**"), against 226 Noticees, including Econo Broking Private Limited ("**Noticee 6 of the Interim Order / Applicant**"), for their alleged role in the manipulation of the price of five 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.1,36,40,65,941 generated in the 5 scrips, jointly and severally, from the Applicant and other Noticees;
- (c) The Applicant along with various 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. The Applicant 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 letter dated September 21, 2023 filed its reply / objections to the Interim Order as well as application for vacation / modification of the directions in the Interim Order. Subsequently, 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, Authorised

Representative of the Applicant appeared and made submissions on the lines of the reply filed with SEBI. Further, vide letter dated October 07, 2023, the Applicant filed a post hearing reply.

4. While the Applicant has made submissions on merit in respect of the allegations in the Interim Order, it has made *inter alia* the following submissions in respect of its application for vacation / modification of the directions in the Interim Order:
  - a) The Applicant is a stock broker of NSE, BSE and MCX as well as a Depository Participant of CDSL. The Applicant currently has about 48,671 registered clients of which about 24,332 clients are active trading clients. It also operates out of 9 branches and has about 115 employees.
  - b) The only allegation against the Applicant in the Interim Order is that it acted as a conduit in passing on the alleged gains between parties who were alleged to be involved in the manipulation.
  - c) The Interim Order has the effect of shutting down the entire business of the Applicant. The same is causing irreparable and irretrievable harm, loss, damage and injury to the Applicant, its clients and its employees.
  - d) The interim directions in the Interim Order have resulted in freezing of even client bank accounts and client demat accounts of the Applicant in which the money and securities of its clients are held. If the interim directions in the Interim Order are not vacated immediately, all the clients and the employees of the Applicant will suffer and it will lose all its clients and business, causing irretrievable loss and injustice, which cannot be rectified.
  - e) Due to the Interim Order, there is a real risk of the Applicant being declared as a defaulter by the exchanges.
  - f) More than 190 clients out of 24,332 active trading clients of the Applicant have already closed their trading accounts with the Applicant and have shifted to other brokers because of the directions in the Interim Order. Due to freezing of even bank accounts where clients' money is held, the Applicant is unable to pay the funds to the clients, causing them loss and inconvenience. Further, even the mutual fund business has been frozen and AMFI is not allowing even SIPs of existing clients.

- g) Due to the Interim Order, the Applicant's expense account has also been frozen. This account is used to pay rent, utilities, bills, staff salary, franchisee payments, vendor payments, etc.
5. In view of the above, the Applicant has prayed for immediate defreezing of certain bank accounts and demat accounts essential for running its broking business.

### **Consideration**

5. I note that the Applicant vide letters dated September 21, 2023 and October 07, 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 certain bank accounts and demat accounts. I note that the *prima facie* findings against the Applicant made in the Interim Order are very serious in nature. The role allegedly played by the Applicant in the manipulation in five scrips is intertwined with the roles allegedly played by many of the 225 other entities named in the Interim Order and any conclusive inference in respect of the allegations against them can be drawn only after a 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, a large number of the Noticees have not 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 certain demat and bank 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 prayer for defreezing certain bank accounts and demat accounts, I note that the Applicant has sought de-freezing of the following bank accounts:

**Table 1**

Sr. No.	Bank Name	Bank Account No.	Type and purpose of Bank account
1	Axis Bank	911020018552727	Client Bank Account
2	ICICI Bank	027205004032	Client Bank Account
3	SBI Bank	31191192656	Client Bank Account
4	HDFC Bank	01370340000408	Own Bank Account
5	HDFC Bank	01370340000294	Own Bank Account

7. Applicant has submitted that the bank accounts mentioned at serial nos. 1 to 3 in Table 1 above are Client Bank Accounts used by the Applicant for transferring client's funds. The same has also been confirmed by NSE. It is thus likely that the said accounts may be having funds belonging to the clients. I note that the refund of money to respective clients from the said bank accounts cannot be made unless the said bank accounts are unfrozen.
8. As regards the bank accounts mentioned serial nos. 4 and 5 in Table 1, the Applicant has submitted that such bank accounts are used by it for the purpose of incurring expenses involved in running day-to-day broking activities such as rent payments, employees salary, vendor payments, etc. and servicing its clients. NSE has confirmed that these accounts are Applicant's own accounts. As per available records, the bank account no. 01370340000294 has a debit balance of Rs. (-) 7,75,93,086 and the account no. 01370340000408 has a credit balance of Rs. 2,68,317 only, as on October 12, 2023. Considering that the bank account no. 01370340000294 has a debit balance, unfreezing the said bank account would not cause any prejudice to SEBI's case. As regards the bank account no. 01370340000408, having balance of Rs. 2,68,317, the said bank account may be defrozen, subject to the condition that money currently lying therein is not available for the Applicant for its use.
9. In addition to the above, the Applicant has also, requested SEBI to de-freeze the following demat accounts:

**Table 2**

Sr. No.	Demat Account number
1	1206740000592461
2	1206740000691606
3	IN30097413415926
4	IN30009511487504
5	IN30009511487498

10. It is noted from the information provided by the CDSL and NSDL that the demat accounts bearing numbers 1206740000691606 and IN30097413415926 (mentioned at serial nos. 2 and 3 in Table 2 above) are nomenclated as 'Client Unpaid Securities Pledgee Account'. NSDL has further informed that demat accounts bearing numbers IN30009511487504 and IN30009511487498 (mentioned at serial nos. 4 and 5 in Table 2 above) are pool accounts used by the Applicant for the purpose of settlement of trades of its clients. As the abovementioned four demat accounts are likely to be holding securities belonging to the clients, the continuation of freeze on such accounts would cause inconvenience to the clients of the Applicant due to bar on debits in such accounts.
11. As regards demat account no. 1206740000592461 of the Applicant (mentioned at serial no. 1 in the Table 2 above), it is gathered from information provided by CDSL that the same is used by the Applicant for its proprietary trades. Considering that the Applicant has been restrained from buying, selling or dealing in securities market vide the Interim Order, de-freezing of such proprietary account at this stage may not be appropriate.
12. Taking into consideration the above factors, I am inclined to grant some relaxation to the Applicant, from the directions in the Interim Order.

### **Directions**

13. 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, hereby modify the directions issued vide the Interim Order dated June 19, 2023, to the following extent:
- (a) The following bank accounts of Econo Broking Private Limited (PAN - AADCB8817A) shall be defrozen by the concerned banks:

<b>Sr. No.</b>	<b>Bank Name</b>	<b>Bank Account No.</b>
1	Axis Bank	911020018552727
2	ICICI Bank	027205004032
3	SBI Bank	31191192656
4	HDFC Bank	01370340000408
5	HDFC Bank	01370340000294

- (b) While complying with the aforesaid direction, the Applicant and the HDFC Bank shall ensure that the amount of Rs. 2,68,317 lying in the bank account no. 01370340000408 is marked lien in favour of SEBI, till further orders and such amount is not available for the Applicant to utilize.
- (c) The directions mentioned at paragraph 172.14 of the Interim Order, *qua* the Applicant, are modified as follows:

*The Depositories shall allow debits in the following demat accounts held by the Applicant solely for the purposes of transferring securities which are already lying in such demat accounts to the Applicant's clients:*

<b>Sr. No.</b>	<b>Demat Account number</b>
1	1206740000691606
2	IN30097413415926
3	IN30009511487504
4	IN30009511487498

- (d) All other directions of the Interim Order shall continue to apply as before.
14. 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.
15. This Order shall come into force with immediate effect. A copy of this Order shall be forwarded to the Applicant, Depositories and concerned Banks to ensure necessary compliance.

**Place: Mumbai**

**Date: October 13, 2023**

**ASHWANI BHATIA  
WHOLE TIME MEMBER  
SECURITIES AND EXCHANGE BOARD OF INDIA**