

WTM/AB/EFD-1/DRA-4/26/ 2018-19

**SECURITIES AND EXCHANGE BOARD OF INDIA  
CORAM: ANANTA BARUA**

**FINAL ORDER**

**Under Sections 11, 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 in the matter of Moryo Industries Ltd.**

**In respect of:**

<b>Sr. No.</b>	<b>Name of the Entity/Noticees</b>	<b>PAN no.</b>
1.	Badri Lal Birla	ABDPB7183R
2.	Chandrakanta Laddha	ABIPL0665K
3.	Moryo Industries Limited	AACCM5166G
4.	Manoharlal Saraf	AAIPS7577C
5.	Geeta Manoharlal Saraf	ANMPS6842B

*The aforesaid entities are hereinafter referred to by their respective names/serial numbers or collectively as “the Noticees”.*

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1. SEBI had conducted a preliminary enquiry into the dealings in the scrip of Moryo Industries Limited (**“Moryo”/ “the Company”**) on BSE during the period from May 22, 2013 to January 30, 2015 as there was huge rise in the traded volume and price of the scrip. As certain activities of Moryo and its Promoter/Directors, Preferential Allottees, Moryo Group entities were prima facie in violation of SEBI Act, 1992 (**“SEBI Act”**) and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market), 2003 (**“PFUTP Regulations”**) SEBI passed an Ad-interim ex-parte order dated December 04, 2014 (**“interim order”**) inter alia against Noticee no. 3,4 and 5 restraining them from accessing the securities market and further prohibited them from buying, selling or

dealing in securities, either directly or indirectly, in any manner whatsoever, till further directions.

2. The directions issued in the interim order, against Noticee no. 3, 4 and 5 were confirmed vide confirmatory Order dated August 22, 2016.
3. Pursuant to the interim order, SEBI has conducted a detailed investigation of the entire scheme employed in the instant matter, connection amongst the debarred entities, funds used for the price manipulation of the scrip of Moryo .etc., so as to ascertain the violation of securities laws. Upon completion of investigation by SEBI, it was observed that inter alia Noticee no. 3, 4 and 5 had violated provisions of PFUTP Regulations. Accordingly, a Show-Cause Notice dated December 05, 2017 (**'SCN'**) was issued against the Noticees, alleging that Noticee no. 1 and 2 have violated Regulation 3(a),3(b),3(c),3(d) and Regulation 4(1),4(2)(a), 4(2)(e) of PFUTP Regulations and Noticee no. 3,4 and 5 have violated Regulation 3(a),3(b),3(c),3(d) and Regulation 4(1), 4(2)(f), 4(2)(k), 4(2)(r) of PFUTP Regulations. All the Noticees were called upon to show cause as to why suitable directions under section 11B, 11(4) and 11(1) of the SEBI Act cannot be passed against them for violation of the aforementioned provisions of PFUTP Regulations.
4. The SCN alongwith the documents relied upon as Annexures was sent to the Noticees by speed post. However, the SCN's were returned undelivered. Subsequently, the delivery of SCN was completed on all the Noticees by way of affixture. SEBI issued letter dated November 20, 2018 to all the Noticees by Speed Post, conveying them the date of personal hearing. On the scheduled date of personal hearing .i.e. December 21, 2018, only Noticee no. 2 appeared through her son. Noticee no. 1 did not turn up for the personal hearing scheduled on December 21, 2019. Noticee no. 3 to 5 had requested for an adjournment of hearing vide their letter received by SEBI on December 19, 2018. In the interest of justice, hearing for Noticee no. 3 to 5 was adjourned to January 7, 2019. However, none of the Noticee

nos. 3 to 5, appeared for the personal hearing on January 7, 2019, but the said Noticees have filed their replies dated January 5, 2019, received by SEBI on January 7, 2019. I note that Noticee no. 1 and 2 have not filed any replies.

**Consideration of issues and findings:**

5. The SCN has alleged that during the period from Jan 15, 2013 - Nov 08, 2013, two entities viz., Mr. Badri Lal Birla (Noticee no. 1) and Ms. Chandrakanta Laddha (Noticee no. 2) were observed to have manipulated the scrip price of Moryo and created a misleading appearance of trading in the scrip.

LTP contributor as buyer:

6. The SCN further alleges that Noticee no. 1 bought 32 shares through 22 trades and contributed Rs 86.40 of positive LTP (30.46% of market positive LTP) in 18 trades for 23 shares.
7. It was further observed that from the said 18 positive LTP contributing trades of Noticee no. 1, he had placed small quantity buy orders. The details of these trades along with their LTP contribution is given below:

<b>Sl. No.</b>	<b>Description</b>	<b>No. of trades</b>	<b>LTP Contribution (Rs)</b>	<b>% of total market positive LTP</b>
1	Trades where buy order qty is 1 share	15	77.05	27.16%
2	Trades where buy order qty is 2 shares	2	7.15	2.52%
3	Trades where buy order qty is 6 shares	1	2.2	0.78%

4	All buy trades which contributed to positive LTP	<b>18</b>	<b>86.40</b>	<b>30.46%</b>
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8. As can be seen from the above, out of 18 buy trades of Noticee no. 1 for 15 trades, buy order quantity was 1 share, which contributed to positive LTP of Rs 77.05. Further, for all 18 trades, buy order quantity was in the range of 1-6 shares, which contributed positive LTP of Rs 86.40, i.e., 30.46% of total market positive LTP.
9. On further analysis, investigation observed that out of the above 18 positive LTP contributing trades, there were 12 trades wherein the buy order was placed for small quantity (less than or equal to 6 shares) while the disclosed quantity of sell order was large (more than or equal to 100 shares). Such 12 trades were executed on 12 different days and resulted in positive LTP contribution of Rs 56.65 (19.97% of total market positive LTP) during Patch 1. Details of these 12 positive LTP contributing trades of Noticee no. 1, is given below:

Sr No	Batch Date	Buyer Name	Seller Name	Trade Time	Buy Order Time	Sell Order Time	Trade Price	LTP Diff	Buy Order Price	Sell Order Price	Trade Quantity	Sell Order Disclose Volume	Buy Order Original Quantity
1	31.01.2013	Badri Lal Birla	Rakesh Kumar Modi	09:54:43.5050340	09:54:43.4767400	09:44:49.7451510	113.60	2.20	113.60	113.60	6	100	6
2	16.04.2013	Badri Lal Birla	Vinod Banwarilal Sharma	14:15:33.5017690	13:58:34.4683990	13:57:34.4912230	76.00	3.60	76.00	76.00	1	300	1
3	06.05.2013	Badri Lal Birla	Rakesh Kumar Modi	15:15:26.3704090	15:09:40.7919310	15:03:58.9738280	104.00	4.40	104.00	104.00	1	500	1
4	07.05.2013	Badri Lal Birla	Sunil Kr Bagaria Huf	15:15:21.8107230	15:01:15.8389440	15:01:52.1442820	109.20	5.20	109.20	109.20	1	1000	1
5	15.05.2013	Badri Lal Birla	Insight Multitrading Private	14:15:23.8931650	14:02:44.4628580	13:43:02.6466090	132.00	5.00	132.00	132.00	1	500	1
6	20.05.2013	Badri Lal Birla	Prem Ratan Bhaiya	11:15:29.3936290	10:35:23.4013120	11:09:29.4392630	138.50	6.50	138.60	138.50	1	100	1
7	22.05.2013	Badri Lal Birla	Sunil Kr Bagaria Huf	15:15:24.6336290	14:49:44.4699300	14:50:46.2692270	137.00	5.00	138.00	137.00	1	400	1
8	06.06.2013	Badri Lal Birla	Vivekanand Bagadia Huf	15:15:21.6561930	15:13:43.8089390	15:06:28.3626280	108.00	7.45	111.05	108.00	1	170	1
9	11.06.2013	Badri Lal Birla	Narendra G Navalakha	15:15:23.5523810	15:09:11.9484130	14:55:04.5389920	107.25	4.60	107.25	107.25	1	250	1

Sr No	Batch Date	Buyer Name	Seller Name	Trade Time	Buy Order Time	Sell Order Time	Trade Price	LTP Diff	Buy Order Price	Sell Order Price	Trade Quantity	Sell Order Disclose Volume	Buy Order Original Quantity
10	12.06.2013	Badri Lal Birla	Narendra G Navalakha	15:15:29.9985050	15:08:25.7440170	14:30:04.8607650	111.40	4.15	111.40	111.40	1	250	1
11	15.07.2013	Badri Lal Birla	Coline Computer Private Limited	15:15:30.3478120	15:00:19.3921620	14:37:34.3355630	112.00	4.80	112.00	112.00	1	100	1
12	18.07.2013	Badri Lal Birla	Vinubhai Khushalbhai Patel	15:15:29.1054690	14:56:55.3713750	14:32:21.4881380	100.00	3.75	106.00	100.00	1	122	1

10. From the above table, I note that, in respect of trades at sl. no. 4, 6 and 7 (i.e., where buy order was placed before the sell order), the buy orders were placed for 1 share at prices significantly (approximately ₹ 5) above LTP, which were subsequently matched by sell orders. In the remaining trades (i.e., where buy order was placed after the sell order), while the disclosed volume of the sell orders were large, buy orders were placed for small quantities, for which quantity the above trades were executed. These trades for small quantity were executed on 12 days and contributed to significant positive LTP of Rs 56.65 (19.97% of total market positive LTP).
11. I note from the table at para 9, that Noticee no. 1, had repeatedly entered into trades - Sr. no. 1 to 12, on several days (12 days) and contributed to significant positive LTP of Rs 56.65 (19.97% of total market positive LTP). It is observed that Noticee no. 1 was not acting as genuine buyer and had no bona fide intention to buy because in-spite of large disclosed quantity of sell orders, he was placing small quantity buy orders (1 share in 11 trades and 6 shares in 1 trade) by either matching or placing higher than sell order rate which were already above LTP at the time of buy order entry, or by placing buy orders at prices above LTP which were subsequently matched by sell orders, thereby contributing to significant positive LTP of Rs 56.65 (19.97% of total market positive LTP). It is evident from the above trading pattern that the intention of Noticee no. 1 was to mark the price higher and not merely to enter into the buy transactions carried out by him.

LTP contributor as Seller:

12. Investigation observed that Noticee no. 1, contributed Rs. 68.65 of positive LTP (24.20% of market positive LTP) through 14 trades for 23 shares. It was further observed that Noticee no. 1, indulged in trades with very small share sell quantity (between 1 to 5 shares), details of which are given below:

Sl. No.	Batch Date	Buyer Name	Seller Name	Trade Time	Buy Order Time	Sell Order Time	Trade Price	LTP Diff	Buy Order Price	Sell Order Price	Trade Quantity	Sell Order Volume	Buy Order Volume	No. of shares held before these trades
1	10.04.2013	Chandra kanta Laddha	Badri Lal Birla	15:15:28.0197830	15:09:25.3511850	15:11:51.8788370	66.00	5.00	66.00	66.00	1	1	5	700
2	11.04.2013	Chandra kanta Laddha	Badri Lal Birla	15:15:20.9609680	14:30:39.5564540	14:32:19.9057080	69.00	3.00	69.00	69.00	1	1	10	699
3	17.04.2013	Shyam Kanheyal Vyas	Badri Lal Birla	11:15:36.5707650	10:30:05.0960430	10:32:27.2075950	79.80	3.80	79.80	79.80	1	1	500	700
4	17.04.2013	Badri Lal Birla	Badri Lal Birla	15:15:32.7875170	14:51:16.1298750	14:34:09.0199340	79.80	7.30	79.80	79.80	1	1	1	699
5	18.04.2013	Badri Lal Birla	Badri Lal Birla	15:15:21.5569810	14:35:52.0683860	15:04:14.6230220	83.75	3.95	83.75	83.75	1	1	1	699
6	13.05.2013	Chandra kanta Laddha	Badri Lal Birla	15:15:29.0931230	14:31:43.9379730	14:32:47.9692090	121.20	5.20	121.20	121.20	3	3	5	703
7	17.05.2013	Chandra kanta Laddha	Badri Lal Birla	15:15:31.5513270	14:30:34.6734180	14:31:15.3454240	132.00	5.50	132.00	132.00	2	2	10	702
8	21.05.2013	Chandra kanta Laddha	Badri Lal Birla	15:15:30.7855600	15:06:01.1523290	15:04:14.3967600	132.00	6.00	132.00	132.00	1	1	2	701
9	24.06.2013	Amritlal Kanji Haria	Badri Lal Birla	10:15:27.0151350	09:59:55.6360840	10:04:28.8100230	100.35	4.75	100.35	100.35	1	1	1	704
10	27.06.2013	Chandra kanta Laddha	Badri Lal Birla	15:15:26.5524120	14:33:10.3273100	15:13:35.9956750	108.00	2.65	109.35	107.95	1	1	2	703
11	01.07.2013	Chandra kanta Laddha	Badri Lal Birla	15:15:30.3549310	14:53:06.6327380	14:59:55.9148270	106.80	4.15	106.80	106.75	2	2	5	704
12	02.07.2013	Chandra kanta Laddha	Badri Lal Birla	15:15:35.1818470	14:39:36.1466430	14:48:16.2415370	109.90	3.10	109.90	109.85	1	1	3	702
13	04.07.2013	Chandra kanta Laddha	Badri Lal Birla	10:15:46.2864050	10:03:36.6494630	10:04:35.0806030	114.80	4.90	114.85	114.80	5	5	5	701
14	19.07.2013	Chandra kanta Laddha	Badri Lal Birla	15:15:36.1418160	14:48:21.9549690	15:04:47.1531770	104.45	9.35	105.00	104.45	2	2	2	705

13. From the above table, I note that, in spite of having sufficient quantity of shares of Moryo with him (approximately 700 shares before each trade), Noticee no. 1 was placing small quantity sell orders (1 to 5 shares) at higher than LTP. Such trades were executed on 13 days and contributed to significant positive LTP. It is also observed that in a span of 6 days when

shares of Moryo were traded at BSE during April 10, 2013 to April 18, 2013, Noticee no. 1 had indulged into such positive LTP contributing trades (as shown in the above table) on 4 days. Also, in a span of 7 days when shares of Moryo were traded at BSE during June 24, 2013 to July 04, 2013, Noticee no. 1 had indulged into such positive LTP contributing trades (as shown in the above table) on 5 days. I note that Noticee no. 1 has not appeared for personal hearing on the scheduled date. I note that Noticee no. 1 has not filed any reply to the SCN. I also note that Noticee no. 1 did not avail the opportunity of personal hearing that was granted to him.

14. It is evident from the trading pattern of Noticee no. 1, both as buyer and seller, that he has purposely indulged in trades with very small quantity at prices higher than LTP, and that his intention was to mark the price higher and not merely to enter into the buy/ sell transactions carried out by him. Hence, I find that Noticee no. 1 had manipulated the scrip price and created a misleading appearance of trading in the scrip of Moryo.
15. Hence, Noticee no. 1 has violated Regulation 3(a),(b),(c),(d) and Regulation 4(1), 4(2)(a) and (e) of SEBI (PFUTP) Regulations, 2003, and hence, he is liable for appropriate directions u/s 11B and 11(4) r/w 11(1) of SEBI Act.
16. Investigation has observed that Noticee no. 2 has bought 1235 shares of Moryo, through 28 trades and has contributed Rs 77.85 of positive LTP (27.45% of market positive LTP) in 14 trades for 36 shares. On further analysis, investigation observed that out of the above 14 positive LTP contributing trades, there were 10 trades wherein the buy order was placed for small quantity (less than or equal to 10 shares) before the sell order. Such 10 trades were executed on 10 different days and resulted in positive LTP contribution of Rs 46.55 (16.41% of total market positive LTP) during Jan 15, 2013 - Nov 08, 2013. Details of these 10 positive LTP contributing trades of Noticee no. 2 is given below:

Sl. No	Batch Date	Buyer Name	Seller Name	Trade Time	Buy Order Time	Sell Order Time	Trade Price	LTP Diff	Buy Order Price	Sell Order Price	Trade Quantity	Sell Order Disclose Volume	Buy Order Original Quantity
1	10.04.2013	Chandrakanta Laddha	Badri Lal Birla	15:15:28.0197830	15:09:25.3511850	15:11:51.8788370	66.00	5.00	66.00	66.00	1	1	5
2	11.04.2013	Chandrakanta Laddha	Badri Lal Birla	15:15:20.9609680	14:30:39.5564540	14:32:19.9057080	69.00	3.00	69.00	69.00	1	1	10
3	13.05.2013	Chandrakanta Laddha	Badri Lal Birla	15:15:29.0931230	14:31:43.9379730	14:32:47.9692090	121.20	5.20	121.20	121.20	3	3	5
4	17.05.2013	Chandrakanta Laddha	Badri Lal Birla	15:15:31.5513270	14:30:34.6734180	14:31:15.3454240	132.00	5.50	132.00	132.00	2	2	10
5	27.06.2013	Chandrakanta Laddha	Badri Lal Birla	15:15:26.5524120	14:33:10.3273100	15:13:35.9956750	108.00	2.65	109.35	107.95	1	1	2
6	01.07.2013	Chandrakanta Laddha	Badri Lal Birla	15:15:30.3549310	14:53:06.6327380	14:59:55.9148270	106.80	4.15	106.80	106.75	2	2	5
7	02.07.2013	Chandrakanta Laddha	Badri Lal Birla	15:15:35.1818470	14:39:36.1466430	14:48:16.2415370	109.90	3.10	109.90	109.85	1	1	3
8	04.07.2013	Chandrakanta Laddha	Badri Lal Birla	10:15:46.2864050	10:03:36.6494630	10:04:35.0806030	114.80	4.90	114.85	114.80	5	5	5
9	08.07.2013	Chandrakanta Laddha	Narendra G Navalakh	15:15:32.6766650	14:43:07.8061160	15:13:06.9253630	118.70	3.70	120.65	118.65	5	5	10
10	19.07.2013	Chandrakanta Laddha	Badri Lal Birla	15:15:36.1418160	14:48:21.9549690	15:04:47.1531770	104.45	9.35	105.00	104.45	2	2	2

17. As can be seen, in the above trades, I find that, buy order was placed before the sell order. The buy orders were placed for small quantity (less than or equal to 10 shares) at prices significantly above LTP, which were subsequently matched by sell orders. These trades for small quantity were executed on 10 days and contributed to significant positive LTP of Rs 46.55 (16.41% of total market positive LTP). It is also observed that in a span of 7 days when shares of Moryo were traded at BSE during June 27, 2013 to July 08, 2013, Noticee no. 2 had indulged in such positive LTP contributing trades (as shown in the above table) on 5 days.

18. I note that Noticee no. 2 has not filed any reply to the SCN. At the personal hearing Noticee no. 2 submitted that she traded in the script of Moryo without any malafide intention of manipulating the script price. However, considering that Noticee no. 2 had repeatedly entered into such trades (10 nos.) on several days (10 days) and contributed to significant positive LTP



of Rs 46.55 (16.41% of total market positive LTP), I find that Noticee no. 2 was not acting as genuine buyer and had no bona fide intention to buy because she was placing small quantity buy orders at prices significantly above LTP which were subsequently matched by sell orders, thereby contributing to significant positive LTP. It is evident from the above trading pattern that the intention of Noticee no. 2 was to mark the price higher and not merely to enter into the buy transactions carried out by him. Hence, I find that Noticee no. 2, manipulated the scrip price and created a misleading appearance of trading in the scrip by such trades as explained above and she has violated Regulation 3(a),(b),(c),(d) and Regulation 4(1), 4(2)(a) and (e) of SEBI (PFUTP) Regulations and is liable for appropriate directions u/s 11B and 11(4) r/w 11(1) of SEBI Act.

19. Investigation has also observed that Noticee no. 3 had made preferential allotment of its 63,50,000 shares at the price of Rs 25/- per share to 42 persons (including joint allottees) on November 09, 2012. However, the SCN alleges that Moryo utilized preferential issue proceeds for investments in shares and for providing loans & advances which were not disclosed as objects of the issue. SCN further alleges that, the objects of the issue as presented to shareholders/public in notice of Extra Ordinary General Meeting of the members of the Company held on Oct 01, 2012 was not true, was misleading and contained information in a distorted manner which may influence the decision of the investors.
20. From the copy of notice of Extra Ordinary General Meeting of the members of the Company held on Oct 01, 2012 wherein special resolution was passed under section 81(1A) of the Companies Act, 1956, I note that Moryo had disclosed to its shareholders and public that the purpose of aforesaid fund raising through preferential allotment was to fulfil the additional fund requirements for:
  - i. capital expenditure including acquisition of companies/business
  - ii. funding long term working capital requirements
  - iii. marketing

- iv. setting up of offices abroad and
  - v. for other approved corporate purposes.
21. I note that, vide its letter dated Jan 12, 2016 to SEBI, Moryo has submitted that the allotment proceeds were utilised for purchase of share and securities and for giving loans and advances/ repayment of loan. I also note that, in response to the interim order, Moryo vide its letter dated May 29, 2015 has also admitted that it had invested in shares, out of proceeds of preferential allotment. However vide the said letter dated May 29, 2015, Moryo has denied that it has given any loan/ advance to certain entities (more specifically named therein) out of the preferential allotment proceeds, as was alleged in the interim order. Therefore, the SCN had alleged that Moryo had made contradictory and incorrect submissions vide its letter dated May 29, 2015 and Jan 12, 2016, with regard to use of allotment proceeds.
22. In its reply dated January 5, 2019, Noticee no. 3 has contended that:-
- a. After receipt of preferential allotment proceeds, due to market conditions, the funds could not be deployed as per the object of the issue as disclosed in the notice of EGM, and instead considering the object incidental or ancillary to attainment of main objects of our Company (as per MoA) which formed part of its business, only a part of the preferential issue proceeds was used for investments in shares and to temporarily lent to entities by way of loan majorly on which income was generated and which have been repaid.
  - b. That as per clause III (B) (2) and (12) of the MoA of the Company, it was permitted to make investment in shares and as per Clause III (B) (11), the Company was empowered to advance money to companies, firms or person, whether the terms and conditions of the loan includes interest or not.

- c. Therefore, the Company submits that it had invested the money for the purpose of purchasing shares and giving loans and advances which were part of the disclosed purpose.
23. I am not inclined to accept the arguments raised by Noticee no. 3 in the above para, for the following reason:
- i. The objects of the preferential allotment as stated in the notice of the EGM dated October 21, 2012, cannot be equated with the objects of the company as stated in its MoA. The MoA of a company reflects the broad contours and objective of establishing the company, whereas the objects of a particular issue reflects the narrow/limited purpose for which finance is raised in a particular capital raising exercise by the company.
  - ii. Even if for the sake of argument, if I were to consider the ancillary/incidental objects as contained in the MoA of the Company, I do not find Clause III (B) (11) of MoA to authorize the giving of Loans and Advances by the Company, rather it permits the Company to give guarantees or act as security. I also note that in its reply dated January 5, 2019, the Company has stated that Moryo had modified the objects clause of the MoA by way of special resolution in its general meeting on March 12, 2014, to suitably include financing, investment and share trading. However, such a post-facto amendment cannot remedy the illegality of its earlier exercise.
  - iii. In its reply dated January 5, 2019, Moryo has submitted that its shareholders vide special resolution dated September 29, 2017 passed in AGM, have already accorded their ratification and approval to all acts, deed and things done by the Company in entering into and giving effect to the utilisation of proceeds in the said preferential issue which is in variance to the objects as stated out in the Notice of the EGM held on October 1, 2012. I note that past illegal acts/deeds of the Company cannot be legitimised by subsequent ratification by passing resolution of the shareholders of the Company.

24. Hence, I find that Moryo has made investments in shares and given loans & advances, which were not disclosed as objects of the preferential issue in the notice of EGM. Thus, the objects of the issue as presented to shareholders/public in notice of Extra Ordinary General Meeting of the members of the Company held on Oct 01, 2012 was not true and might have mislead the investors, thereby violating Regulations 3 (a), (b), (c), (d), 4(1), 4(2)(f), (k) and (r) of SEBI (PFUTP) Regulations, 2003.
25. A company is a separate legal entity, it cannot act by itself, but only through its directors who are expected to exercise their powers on behalf of the company with due diligence and within the framework of law. The aforesaid fraudulent act by Moryo could not have been done without the knowledge of the directors of Moryo. Accordingly, SCN was issued against Noticee no. 4 and 5 to show cause as to why suitable directions u/s 11(1), 11(4) and 11B of SEBI Act should not be issued against them.
26. I note that Noticee no. 4 was the Managing Director at the relevant point of time in Moryo. I also note that in the Annual Report for the FY 2012-13, Noticee no. 5, has been designated as Independent Non-Executive Director and in the Annual Report for FY 2013-14, she has been designated as Non-Executive Director. I also note that Noticee no. 5 is the wife of Noticee no. 4. Therefore, despite her designation as independent director for the FY 2012-13, I am inclined to consider her as non-independent director in terms of clause 49.I.(A)(iii)(b) of the erstwhile Listing Agreement, which provided that *'the expression 'independent director' shall mean a nonexecutive director of the company who is not related to promoters or persons occupying management positions at the board level or at one level below the board'*
27. Noticee no. 4 and 5 in their replies dated January 5, 2019 have referred to and relied upon the reply filed by Moryo dated January 5, 2019. In their replies Noticee no. 4 and 5 have submitted that merely because

they were the directors of Moryo, no adverse inference can be drawn against them. However I note that Moryo being a separate legal entity cannot act on its own. Noticee No. 4 was the managing director of Moryo and Noticee no. 5 (wife of Noticee no. 4) was the non-executive director. I note that Noticee no. 4 and 5 were the signatories to the financial statements declared by the Company in its Annual Report for 2012-13 and 2013-14. I also note that Noticee no. 5 was the Chairman of the Audit Committee of the Company for the FY 2012-13 and 2013-14 and that she had attended all the meetings of the Audit Committee held during FY 2012-13 and 2013-14. Neither have Noticee no. 4 and 5 produced any proof in support of their non-involvement in the affairs of Moryo at the relevant point in time, nor have they pleaded that they were not involved in the affairs of the Company. Therefore, I find Noticee no. 4 and 5 responsible for the acts and affairs of Moryo, with respect to the activities which are the subject matter of SCN.

**DIRECTIONS:**

28. In view of the above, and in the peculiar facts and circumstances of the matter, I, 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 direct as under:
  - a. Noticee nos. 1 and 2 are hereby restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities (including units of mutual funds), directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of **five years** from the date of this order. During the period of restraint, the existing holding (including units of mutual funds) of the said Noticees shall remain frozen.
  - b. I note that vide the interim order dated December 04, 2014, the Noticee nos. 3 to 5 were directed not to access the securities market and further prohibited from buying, selling or otherwise dealing in

securities directly or indirectly, or being associated with the securities market in any manner, whatsoever. In this connection, I note that Noticee no. 3 to 5 have already undergone prohibition for a period of more than 4 years and three months, which I find to be sufficient for the violations committed by them.

29. The above directions shall come into force with immediate effect.
30. Copy of this Order shall be forwarded to the recognised stock exchanges, depositories and RTA's of all Mutual Funds for information and necessary action.

Sd/-

**Date: March 19, 2019**

**Place: Mumbai**

**ANANTA BARUA**  
**WHOLE TIME MEMBER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**