

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

In respect of (1) Ms. Sachi Agrawal (PAN-ASFPG8598L) and (2) Ms. Sneha Agrawal (PAN-AQUPB0853G) -In the matter of dealings in the shares of Moryo Industries Ltd.

1. Pursuant to the preliminary examination in the trading of scrip of Moryo Industries Ltd. (Moryo), SEBI, vide its *ad interim ex-parte order* dated December 04, 2013 (*interim order*), restrained certain entities including Dr. Anil Kumar Agrawal and Ms. Neeli Agrawal from accessing the securities market and further prohibited them from buying, selling or dealing in securities in any manner whatsoever, till further directions.
2. While the proceedings of hearings/replies of the aforesaid entities pursuant to the *interim order* are in progress, Ms. Sachi Agrawal and Ms. Sneha Agrawal vide their separate letters dated January 08, 2015 have made representations. They have requested to allow operation in their beneficiary demat accounts (account no 15236604 pertaining to Ms. Sachi Agrawal and account no 12704460 pertaining to Ms. Sneha Agrawal) which stand frozen on account of restraint imposed by the *interim order* upon Ms. Neeli Agrawal. They have cited following reasons in support of their representations/submissions :
 - (a) Ms. Sachi Agrawal and Ms. Sneha Agrawal are daughters of Dr. Anil Kumar Agrawal and Ms. Neeli Agrawal and are not restrained by the *interim order*.
 - (b) They maintain aforesaid beneficiary demat accounts with Axis Bank Ltd., Depository Participant. They are the first holder of the respective beneficiary accounts and Ms. Neeli Agrawal is the second holder thereof. Ms. Neeli Agrawal has joined the account only for convenience and as a mark of respect.
 - (c) The securities deposited in the respective beneficiary accounts are the exclusive properties of Ms. Sachi Agrawal and Ms. Sneha Agrawal and as such have been shown in the respective Income Tax returns filed from time to time.
 - (d) The respective beneficiary accounts have been frozen for debit and credit pursuant to the *interim order* on account of Ms. Neeli Agrawal being the second holder of the accounts.
 - (e) They have not dealt in the shares of Moryo either by way of preferential allotment, purchase or sale during the examination period. They are not connected to any of the entity mentioned in the *interim order* except to their parents viz. Dr. Anil Kumar Agrawal and Ms. Neeli Agrawal.
 - (f) No restraint has been placed on them from buying selling or dealing in securities as per the *interim order*. Restraint, if any, is on Dr. Anil Agrawal and Ms. Neeli Agrawal. Therefore, operations in the aforesaid beneficiary demat accounts may be permitted.

3. In support of their claims/submissions Ms. Sachi Agrawal and Ms. Sneha Agrawal have submitted certificates of Mohan Tandon & Co, Chartered Accountants certifying that :-
 - (a) The shares, bonds, and units of mutual funds reflected in the aforesaid beneficiary demat accounts are the exclusive properties of Ms. Sachi Agrawal and Ms. Sneha Agrawal.
 - (b) The investment in the shares, bonds and units of mutual funds have been made by withdrawing the funds from the respective bank accounts of the clients bearing account no 00000062129891625 (Ms. Sachi Agrawal) and 00000052119501338 (Ms. Sneha Agrawal) with State Bank of Hyderabad.
 - (c) Though these bank accounts have Ms. Neeli Agrawal as the joint holder , they are the exclusive property of Ms. Sachi Agrawal and Ms. Sneha Agrawal.
 - (d) All the transactions reflected in the said bank accounts belong to Ms. Sachi Agrawal and Ms. Sneha Agrawal, respectively and are duly declared in their respective income tax returns filed / book of accounts maintained and have no connection whatsoever with Ms. Neeli Agrawal except to the fact that both the demat accounts and bank accounts of the respective daughter stand in the joint name along with Ms. Neeli Agrawal, their mother.
4. They also submitted :-
 - (a) Certified copies of their income tax return for the financial year 2013-14 along with a certified copy of the book of accounts for transactions from 01/04/2014 to 15/12/2014 maintained with the chartered accountants.
 - (b) A notarised declaration from Ms. Neeli Agrawal declaring that she is joint holder of both beneficiary demat accounts and also of the bank accounts of Ms. Sachi Agrawal and Ms. Sneha Agrawal. She has further declared that all the transactions reflected in the respective demat accounts and the bank accounts are the sole transactions of Ms. Sachi Agrawal and Ms. Sneha Agrawal and she has nothing to do with the same.
5. In the meanwhile, the clients filed respective appeals before the Hon'ble Securities Appellate Tribunal (Hon'ble SAT). Hon'ble SAT, vide its order dated February 27, 2014 disposed of the appeals and directed SEBI to pass appropriate order on the representations made by Ms. Sachi Agrawal and Ms. Sneha Agrawal within a period of one month from the date of the said order.
6. Pursuant to the aforesaid order of Hon'ble SAT, Ms. Sachi Agrawal and Ms. Sneha Agrawal were given an opportunity of personal hearing on March 18, 2015 when Mr. Joby Mathew, advocate appeared on their behalf and made submissions on the basis of aforesaid documents. During the hearing, learned advocate was asked to submit additional documents

within 2 days in order to ascertain the actual beneficial ownership of the securities lying in the aforesaid frozen demat accounts held jointly with Ms. Neeli Agrawal .

7. Joby Mathew & Associates, vide letter dated March 23, 2015 submitted Copies of the contract notes in respect of all the securities that are reflected in the holding statement of Ms. Sachi Agrawal and Ms. Sneha Agrawal and submitted following :-
 - (a) As these clients file their Income Tax returns as an individual and there were no requirements on their part to submit their balance sheet or the supporting statements along with their Income Tax Returns. Further, they were not required to submit the same in their wealth tax returns.
 - (b) Further, as per the details provided by their mother (Ms. Neeli Agrawal) and to the best of their knowledge, they have not received any of the proceeds of the sale of shares of Moryo. The proceeds of the sale of Moryo shares were not transferred to their bank accounts. However, a sum of ₹ 10,00,000 each has been gifted to the clients by their mother (Ms. Neeli Agrawal).
8. I have considered the representation of the clients, documents submitted by them and other related materials. The limited issue for consideration is as to whether suspension on operation of the respective joint beneficiary demat accounts held by Ms. Sachi Agrawal and Ms. Sneha Agrawal with their mother Ms. Neeli Agarwal should be revoked on the basis of submissions made by them. Ms. Sachi Agrawal and Ms. Sneha Agrawal have submitted that they are the actual owners of the securities lying in their joint demat account with their mother Ms. Neeli Agrawal who has been restrained and prohibited inter alia from buying, selling or dealing in securities in terms of the *interim order*. I note that in terms of section 2 (i) (a) of the Depositories Act, 1996 Ms. Sachi Agrawal and Ms. Sneha Agrawal are the joint beneficial owner of the securities lying in their respective joint accounts with Ms. Neeli Agrawal. Thus, there is legal presumption that Ms. Neeli Agrawal is joint beneficial owner of the securities lying in the aforesaid beneficiary demat accounts.
9. Ms. Sachi Agrawal and Ms. Sneha Agrawal, have claimed that the securities lying in the aforesaid beneficiary demat accounts have been purchased using funds from their respective bank accounts, which are also held by them alongwith their mother Ms. Neeli Agarwal as joint holder. They have, however, failed to substantiate this claim on the basis of any evidence. There is no material brought on record to prove that the securities lying in the aforesaid beneficiary demat accounts were purchased by Ms. Sachi Agrawal and Ms. Sneha Agrawal using their own funds. The copies of income tax returns submitted by them only show the income/ capital gains or losses made by them and do not reflect the beneficial owner of the securities lying in their demat accounts. The contract notes produced by them only show purchases made from the respective trading accounts and are not sufficient proof

of ownership of securities lying in the respective beneficiary demat account. I further note that the certified copies of their capital accounts merely list the securities respectively held by them. The chartered accountant certificate does not conclusively prove that the securities lying in the respective beneficiary demat account exclusively belong to Ms. Sachi Agrawal and Ms. Sneha Agrawal and the legal presumption laid down in the Depositories Act cannot be rebutted merely on the basis of such certificate.

10. I note that the *interim order* has been passed on the basis of *prima facie* finding that Ms. Neeli Agarwal had indulged in fraudulent and manipulative trade practices relating to securities market while dealing in the shares of Moryo. She is joint beneficial owner in the aforesaid beneficial demat accounts. Her daughters, Ms. Sachi Agrawal and Ms. Sneha Agrawal have failed to establish that they are exclusive beneficial owners of the securities lying in the aforesaid beneficiary demat accounts or that those beneficiary demat accounts cannot be used by Ms. Neeli Agarwal. I am of the view that if the request of Ms. Sachi Agrawal and Ms. Sneha Agrawal is acceded to, it is likely that the aforesaid beneficiary demat accounts would be used by Ms. Neelil Agarwal for sale or purchase of securities thereby defeating the purpose of the *interim order* and ongoing investigation.
11. In view of the above, the request of Ms. Sachi Agrawal and Ms. Sneha Agrawal is not acceded to and their representations dated January 08, 2015 are accordingly disposed off.

DATE: March 24th , 2015
PLACE: MUMBAI

RAJEEV KUMAR AGARWAL
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA