

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

CORAM: G. MAHALINGAM, WHOLE TIME MEMBER

MISCELLANEOUS ORDER

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

IN THE MATTER OF MORAL GROUP OF COMPANIES

IN RESPECT OF:

SL. NO.	NOTICEES	PAN	DIN/CIN
1	Moral Devcon Limited	AAHCM3170B	U45400UP2011PLC045251
2	Moral Health & Personal Care Limited	AAHCM3158P	U51900MP2011PLC026128
3	Moral Commotrade Limited	AAGCM8052P	U51909WB2010PLC152841
4	Moral Infrastructures Corporation Limited	AAGCM4867L	U45300WB2010PLC145291

5	Arun Kumar	AGZPK5596J	02000610
6	Ajay Kumar Sharma	ANQPS0753F	02356951
7	Gyaneshwar Sharma	BQHPS9902F	01881854

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## BACKGROUND

1) Securities and Exchange Board of India (SEBI) had passed an order dated October 31, 2017 (the Order) *inter alia* against Moral Devcon Limited, Moral Health & Personal Care Limited, Moral Commotrade Limited, Moral Infrastructure Corporation Limited (collectively referred to as 'Moral Group') and their directors, namely Shri Arun Kumar, Shri Ajay Kumar Sharma and Shri Gyaneshwar Sharma (all the above mentioned seven entities together referred to as the 'Noticees'), for issuance of securities to public in the form of non-convertible debentures (NCDs), without complying with the provisions of the Companies Act, 1956 and SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (ILDS Regulations). Vide the Order, SEBI had *inter alia* directed the above named Noticees to refund the money collected through the offer and allotment of NCDs by the Noticee nos. 1 to 4 along with interest of 15% per annum, within a period of 90 days from the date of receipt of the Order. Further, SEBI had also debarred the Noticees from buying, selling or otherwise dealing in securities, from accessing the securities market and from

associating themselves with any listed company or any public company which intends to raise money from public, till the completion of refund and then for a further period of 4 years from the date of completion of refund.

2) Subsequently, the Noticees preferred an appeal against the abovementioned order before the Hon'ble Securities Appellate Tribunal (SAT) where they *inter alia* contended that they had already completed the process of refund to investors. The Hon'ble SAT vide its order dated May 09, 2018 granted liberty to the Noticees to make a representation to SEBI within six weeks from the date of the SAT order. It further directed that if the Noticees make a representation within six weeks from that day, SEBI shall consider the same and pass appropriate order thereon as expeditiously as possible.

3) In terms of the order of the Hon'ble SAT, the Noticees have filed representations / letters dated June 20, 2018, July 17, 2018, August 16, 2018, September 27, 2018, December 10, 2018 and April 05, 2019. Further, the Noticees were granted opportunities of personal hearing on February 27, 2019 and March 20, 2019. Vide the abovementioned representations / letters and during the abovementioned personal hearings, the Noticees have submitted *inter alia* the following:

- (a) During the period June 2010 to December 2012, the Noticee no. 1 to 4 had issued NCDS to 25,213 investors and had collected a total amount of Rs.15,78,36,300.
- (b) During the period March 27, 2012 to November 10, 2012, there were several letters exchanged between SEBI and Noticee nos. 1 to 4 regarding the said NCDS.
- (c) Pursuant to enquiries by SEBI, the companies decided to repay the investors and the companies actually paid a total amount of Rs.19,97,47,747/- (principal + interest) to all the 25,213 investors/debenture holders, by March 31, 2014.
- (d) The companies repaid the amounts to the debenture holders by redeeming the Debentures by issuing notice of redemption to the investors/debenture holders and calling upon the investors to return the Original Debenture Bond to the respective companies and the investors were asked to sign the debenture redemption payment voucher. Accordingly, investors/debenture holders had returned the original debentures to the respective companies and against the same, companies repaid the amounts to the investors/debenture holders along with interest. The details of the investors and the scan of the relevant documents have been provided to SEBI in Compact Discs (CDs).
- (e) All the above mentioned debenture redemption payments were made by the respective companies in cash. Since the amounts were collected in cash from the

debenture holders at remote/ rural areas, the companies resorted to payments in cash and also because the investors insisted to receive the amounts in cash.

- (f) The contact details of every investor/debenture holder is available in the debenture payment voucher and the documents submitted in CDs to SEBI. SEBI may contact the investors to verify whether the investors had received the amounts or not and whether they had any grievance against the company.
- (g) The company undertakes to submit further details or clarifications, if any, required by SEBI.
- (h) The Noticee had always co-operated with SEBI and had promptly provided each and every detail and information sought by SEBI from time to time.
- (i) It is a matter of record that upon receipt of letters from SEBI in the year 2002 itself, the Noticees had completely stopped issuing further NCDs to any investor(s) and had in fact suo moto without any direction from SEBI, started with the process of redemption of NCDs and repayment to all investors.
- (j) It is the Noticees' case, supported with documents (original bonds and payment vouchers etc.) that by March 31, 2014 the Noticees had redeemed all the debentures and had repaid all the investors. Also it is clear from the correspondence between Noticees and SEBI that right from the start of the redemption process till redemption of all debentures, the Noticees have always informed SEBI from time to time and had provided updated data in this regard.

- (k) SEBI has from time to time received updates relating to redemption and repayment by Noticees to the investors. However, SEBI never questioned the mode and manner in which Noticees were repaying the amounts to the investors. In fact, SEBI from time to time sought details relating to repayments made to investors towards principal and interest amount paid to investors.
- (l) Till the passing of SEBI Order dated October 31, 2017, there was never any direction by SEBI to the Noticees to refund the amounts to the investors and /or to make refunds in a particular manner.
- (m) It is matter of record that though the Noticees specifically informed SEBI that the repayments made to the investors were done by cash, SEBI neither objected to the same nor directed the Noticees not to make payments in cash nor directed / instructed the Noticees to make repayments in a particular manner i.e. through banking channels, as directed by SEBI for the first time vide the aforesaid Order on October 31, 2017.
- (n) The refunds made by the Noticee nos. 1 to 4 are also reflected in their Annual Reports for the relevant period.
- (o) Apart from writing letters to investors for confirming refund, SEBI may choose to take any other step in order to verify whether the investors have been repaid or not and the Noticees shall provide all support and cooperation in this regard.

- 4) The Noticees vide letter dated August 16, 2018 also submitted certificates issued by two Chartered Accountants certifying that the Noticee companies had redeemed all the debentures issued by them. Further, one of such certificates also mentioned that the redemption of debentures by all the four companies was completed by March 28, 2014.
  
- 5) The Noticees were granted a further opportunity of personal hearing on January 30, 2020. During the hearing, the Noticees reiterated their submissions. Thereafter, the Noticees vide email dated January 30, 2020 were asked to submit an affidavit covering the following information:
  - (a) Total number of investors who had subscribed to NCDs issued by Moral Devcon Limited, Moral Health & Personal Care Limited, Moral Commotrade Limited and Moral Infrastructures Corporation Limited, till date.
  - (b) Total number of investors (NCD holders) of the above-mentioned four companies to whom the refund has been completed till date.
  - (c) The total amount refunded by the four companies to NCD holders till date (provide principal and interest separately)
  - (d) All the States/UTs where the investors/ NCD holders are located

- (e) Whether the four companies have received any complaint/ claim from any investor after March 31, 2014. If yes, details of the same and action taken on them.
  - (f) Whether there has been any channeling of the investors' refund amount into any of the group companies, including a Co-operative Society / Credit Co-operative Society, through conversion or otherwise.
  - (g) Status of civil/criminal cases pending against the said four companies and their directors pertaining to fund mobilization through NCDs by the said four companies
- 6) Additionally, the Noticees were advised to offer their comments in respect of letters/emails received from four investors who had stated to SEBI that they were yet to receive their refund from the companies. Copies of such letters/ emails received by SEBI from the said investors were also provided to the Noticees. Further, the Noticees were advised to cull out and provide the scan copies of documents pertaining to refunds made by the companies to these investors, in a separate CD.
- 7) In response to the above, the Noticees vide email and letter dated February 17, 2020 and February 20, 2020 submitted an affidavit mentioning inter alia the following:



- (a) The total number of investors who had subscribed to the NCDs issued by the four Noticee companies was 25,213.
- (b) The total number of investors (NCD Holders) of the said 4 companies to whom the amounts were refunded is 25,213.
- (c) The total amount refunded by the said 4 companies to the respective NCD holders is Rs.19,97,47,747/- out of which Rs.15,78,36,300/- was towards principal and Rs.4,19,11,447/- was towards interest.
- (d) The investors / NCD holders were located in the states of Uttar Pradesh, Bihar, Punjab, Jharkhand, Maharashtra, Madhya Pradesh, Assam, Gujarat, Odisha, Rajasthan, Himachal Pradesh, Chhatisgarh, West Bengal, Haryana, New Delhi, Jammu & Kashmir, Uttarakhand and Karnataka.
- (e) After March 31, 2014, the said 4 companies have not received any complaint / claim from any of the investor(s).
- (f) There has been no channeling of the investors' refund amount into any of the Group companies, including a Co-operative Society / Credit Co-operative Society, by way of conversion or otherwise.
- (g) As on date, there are no Civil and /or Criminal cases pending against the said 4 companies and their directors, in connection with the NCDs.

- 8) As regards the letters/emails of four investors who had submitted to SEBI that they had not received their refunds, the Noticees submitted that they had verified their records and as per the records available with them, all these four investors were repaid / refunded with their respective amounts in the month of February 2013. The Noticees also provided documents pertaining to the purported refund. The Noticees further submitted that they failed to understand as to why these 4 investors had stated that they had not received any amount from the Noticees.
- 9) I have examined the records submitted by the Noticees in support of their contention that they had completed the refund process for the NCDs way back in March 31, 2014. I note that the Noticees have submitted several CDs in tranches purportedly containing the soft copy of documents pertaining to refunds made to each investor. I note that since the CDs contain thousands of files, it is not possible to verify whether the CDs actually contain soft copies of documents pertaining to each investor. Further, on checking the soft copies of the documents on a sample basis, I note that in respect of an investor, the Noticees have provided scanned copies of Application Form filled by the investor for the NCDs, the Letter of Allotment, The Maturity Payment Voucher purportedly containing the signature / thumb impression of the investor across a revenue stamp and a copy of any proof of identity. In this regard, I note that though the Noticee has provided these

documents in respect of investors, the same cannot be accepted as sufficient evidence of refund, since it is not verifiable whether the investor has himself signed the Maturity Payment Voucher and has received the refund or not. Further, as pointed out above, though the Noticee has claimed to have made refund to all investors by March 31, 2014, four investors had written to SEBI denying receipt of refunds.

10) In the above circumstances, it would be appropriate to invite claims for any unpaid dues on the companies' NCDs through a newspaper publication. This would be in furtherance of the direction of the Hon'ble SAT contained in its Order dated May 09, 2018 i.e. to ascertain that the Noticee companies have completed the refunds to their NCD holders / investors.

11) In view of the above, I in exercise of powers conferred upon me under Sections 11(1), 11B and 11(4) of the SEBI Act, 1992 and in compliance of the directions of the Hon'ble SAT issued vide its order dated May 09, 2018 hereby direct as follows:

(a) The Noticee companies and their abovementioned directors shall cause to effect a newspaper publication in one widely circulated newspaper, in English and Hindi each, in the states / union territories of Uttar Pradesh, Bihar, Punjab,

Jharkhand, Maharashtra, Madhya Pradesh, Assam, Gujarat, Odisha, Rajasthan, Himachal Pradesh, Chhatisgarh, West Bengal, Haryana, New Delhi, Jammu & Kashmir, Uttarakhand and Karnataka, inviting complaints / claims from any investor in respect of the NCDs issued by them that are still outstanding, within a period of two months from the date of this order. The newspaper publication shall also contain an advisory, informing the investor to separately forward a copy of such complaints/claims, with the superscription "*Complaints/Claims in the matter of Moral Group of Companies*", to SEBI at the following address:

**The Division Chief**

**Enforcement Department -I (DRA-IV)**

**SEBI Bhavan, Plot No. C 4-A, G Block**

**Bandra Kurla Complex, Bandra (East)**

**Mumbai - 400051**

**Email: [avinashk@sebi.gov.in](mailto:avinashk@sebi.gov.in)**

- (b) A period of one month from the date of publication of the advertisement in the newspapers shall be provided to complainants for submitting any complaint as stated above. The Noticee companies and their abovementioned directors shall submit to SEBI a Compliance Report along with information on complaints received and monies refunded, within a period of two months from the date of publication of the advertisement in the newspapers.

- (c) Upon receipt of the Compliance Report as directed at sub-paragraph (b) above or upon lapse of time prescribed for such submission, SEBI shall pass appropriate orders as deemed fit and proper in the circumstances of the case.
- (d) Without prejudice to the above, SEBI may take such steps as it deems fit and proper for independently verifying whether the investors/ NCD holders have received their refunds from the Noticee companies or not.
- (e) The Noticees shall continue to be restrained from buying, selling or otherwise dealing in securities, from accessing the securities market and from associating themselves with any listed company or any public company which intends to raise money from public, till further orders.

12) This order shall come into force with immediate effect.

13) Copy of this Order shall be forwarded to the recognized stock exchanges and depositories. A copy of this Order may also be forwarded to MCA/concerned RoC for their information.

**Place: Mumbai**

**Date: March 20, 2020**

**G. MAHALINGAM  
WHOLE TIME MEMBER  
SECURITIES AND EXCHANGE BOARD OF INDIA**