

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: MADHABI PURI BUCH, WHOLE TIME MEMBER

ORDER

Under Sections 11, 11(4), 11A and 11B of the Securities and Exchange Board of India Act, 1992 in the matter of M/s G V Films Limited (PAN: AAACG2118C):

Background of case:

1. Securities and Exchange Board of India (hereinafter referred to as “SEBI”) was in receipt of a letter no. F.No. 03/73/2017-CL-II dated June 9, 2017 from the Ministry of Corporate Affairs (hereinafter referred to as “MCA”) vide which MCA has annexed a list of 331 shell companies for initiating necessary action as per SEBI laws and regulations. MCA has also annexed the letter of Serious Fraud Investigation Office (hereinafter referred to as “SFIO”) dated May 23, 2017 which contained the data base of shell companies along with their inputs.
2. SEBI as a market regulator is vested with the duty under section 11(1) of the SEBI Act, 1992 (hereinafter referred to as “SEBI Act”) of protecting the interests of the investors in securities and to promote the development of and regulations of securities markets by appropriate measures as deemed fit.
3. SEBI was of the view that companies whose names are included as shell companies by SFIO and MCA, were potentially involved in
 - (a) Misrepresentation including of its financials and its business and possible violation of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 (hereinafter referred to as “LODR Regulations”) and/or



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- (b) Misusing the books of accounts/funds of the company including facilitation of accommodation entries to the detriment of minority shareholders and therefore reneging on the fiduciary responsibility cast on the board, controlling shareholders and key management person (KMP)
4. SEBI was also of the view that investors should be alerted on the possible enforcement action by various authorities leading to potentially significant impact on the price of the stock.
5. Therefore, in the interest of investors, SEBI took the pre-emptive interim measures under section 11(1) of SEBI Act, 1992, in respect of listed shell companies including M/s G V Films Limited (hereinafter referred to as “GVFL” / “Company”), vide its letter dated August 7, 2017, based on the view stated at para 3 and 4 above. SEBI placed trading restrictions, on the promoters/directors so that they do not exit the company at the cost of innocent shareholders. In view of the said objective, SEBI vide the said letter dated August 7, 2017 also placed the scrip in the trade to trade category with limitation on the frequency of trade and imposed a limitation on the buyer by way of 200% deposit on the trade value, so as to alert them trading in the scrip. The said measures were initiated by SEBI pending final determination after verification of credentials and fundamentals by the exchanges, including by way of audit and forensic audit if necessary. The measures also envisaged, on the final determination, delisting of companies from the stock exchange, if warranted. By virtue of these measure, trading in scrip was not suspended but allowed under strict monitoring so that investors could take informed investment decisions, till SEBI and Exchanges completed their detailed examination of such companies.
6. Pursuant to the same, BSE vide notice dated August 7, 2017, to all its market participants initiated actions envisaged in the SEBI letter dated August 7, 2017 in respect of all the listed securities as identified by MCA and communicated by SEBI with effect from August 8, 2017.
7. On August 09, 2017, SEBI further advised the Exchanges to submit a report after seeking auditor's certificate, from all such listed companies, providing the status of certain aspects of



the company like company's compliance requirement with Companies Act, whether company is a going concern and its business model, status of compliance with listing requirements, etc.

8. Aggrieved by the aforesaid letters dated August 7, 2017 issued by SEBI and BSE, GVFL filed an appeal No. 195 of 2017 before the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "SAT"). The Hon'ble SAT vide order dated August 21, 2017 directed the following:-

"In view of the statement made by counsel for the Bombay Stock Exchange Ltd. ('BSE' for short) that the representation made by the appellant on August 10, 2017 would be disposed of within a period of 2 weeks from today, counsel for the appellant does not press the appeal. Accordingly, the appeal is disposed of by directing the BSE to dispose of the representation made by the appellant within a period of two weeks from today. SEBI is also directed to dispose of the representation, if any, made by the appellant as expeditiously as possible preferably within a period of 2 weeks from today."

9. The Hon'ble SAT in the matter of *J. Kumar Infra Projects Limited vs. SEBI* dated August 10, 2017 held that the measures taken by SEBI vide its letter dated August 07, 2017 was in the nature of quasi-judicial order and the same has been passed with out investigation. Without prejudice to the powers enumerated in section 11(1) of SEBI Act, SEBI has been granted power under section 11(4) and 11B of SEBI Act, 1992 to pass order in the interests of investors or securities market by taking any of the measures enumerated therein either pending investigation or inquiry or on completion of such investigation or inquiry. The inquiry under section 11B of the SEBI Act can also be caused to be made by SEBI.
10. Pursuant to the Hon'ble SAT directions, GVFL made representation dated August 16, 2017. The submissions in brief are as under:

- (a) GVFL is not a shell company as inferred by SFIO
- (b) GVFL is functional and operational and not a defunct or dormant company.



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- (c) GVFL was incorporated in 1989 by Mr. G. Venkatramani, a renowned film maker in South India and off shoot of Gemini Films. GVFL is a listed corporate entity on BSE for the last 28 years. The Company is engaged in the business of film productions, film distribution, media rights etc. The company is on threshold of major consolidation and will make profit in year 2017-18.
- (d) GVFL has about 1,12,700 shareholders, most of them being small, spread all over India and NRIs and FIs / FIIs also.
- (e) The GVFL is having a 100% wholly owned subsidiary GV Studio City Ltd. running 2 Film Theatres, Food Plaza, Commercial Plaza, having turnover of approx. Rs. 100 lacs per annum.
- (f) The Directors (current management) of the Company has invested huge amount of money, about Rs. 63 crores by way of Unsecured Loan to the company and have opted for conversion of entire money as equity, which show their faith and trust in the company. The Company has also obtained in principle approval for conversion of Loan into equity from BSE's letter dated 22.06.2017. The said issue is pending before SEBI for its consideration.
- (g) The paid up capital of the Company is Rs. 36.86 Cr. divided into approx. 36,86,00,000 Cr. equity shares of Rs. 1/- each. More than 95% shares are held by public shareholders, 4.47% are held by Foreign Institutional Investors and Directors hold 1,10,000 shares out of share capital of the Company. On conversion of loan into equity, the current director's holding will go upto 50%. Requisite resolution has been adopted at the last AGM held on 23.06.2017.
- (h) The Directors of the company are
- Mr. Bala Vethagiri Giri is a Managing Director of the company
 - Mr. Feroz Khan, has joined the company as a Director in July 2017.
 - Mr. Mahaderan Ganesh is a Director of the company for last 7-8 years
 - Mr. Ishari Ganesh, joined as the director of the company in 2017.
- (i) The company submitted the following documents:
- Audited Printed Annual Report for the 3 years of 2014-15, 2015-16 and 2016-17.
 - Annual income statement, etc. for the year ended 31.3.2017 downloaded from BSE's



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website.

- iii. FIs / FIIs is also the shareholder of the company. There are about 1,14,000 shareholders.
- iv. Company's representation dated 11.8.2017 to BSE which inter-alia includes:
- CA Certificate as per requirement listed in BSE's letter dated 10.08.2017
 - Income Tax Returns for Assessment Years 2016-17, 2015-16 and 2013-14 along with the Assessments Order
 - Secretarial Audit Report for the F.Y. ended 31.03.2017
 - Bank statements of Bank of Baroda (19.02.2016 to 10.08.2017), Union Bank of India (01.04.2016 to 24.06.2017) and City Union Bank (05.04.2016 to 24.06.2017)
 - Compliance Sheet downloaded from the BSE website with regard to Listing Regulations Requirements.
- v. The company has filed Income-tax Returns and other forms / returns with ROC. The company has complied with continuous listing requirements, Companies Act requirements filed forms and paid listing fees.

- (j) Accordingly, the Company sought the relief of advising BSE to remove its name from GSM Framework and restore its trading in the Group in which it was traded on August 7, 2017.

11. **Hearing and Reply:** Pursuant to the decision of Hon'ble SAT that the communication of SEBI dated August 7, 2017 is in the nature of quasi-judicial order, SEBI vide communication dated August 23, 2017, granted an opportunity of hearing to GVFL on August 24, 2017. Ms. Sara Sancheti, Advocate, Mr. Balakumar Vethagiri Giri, Managing Director of M/s G.V. Films Limited and Ms. Parvinder Kaur, Company Secretary of M/s G.V. Films Limited, Authorized representatives appeared for GVFL and made oral submissions, which is summarized as under:
- (a) GVFL has various assets including 5 screen multiplex owned by G.V. Studio City Limited, a 100% subsidiary of GVFL. Considering the assets of GVFL, Mr. Balakumar Vethagiri



Giri alongwith Mr. Sudhakar Sehitty and Mr. Ganesh have invested Rs. 63 crores of unsecured loans in GVFL.

- (b) GVFL has paid commercial tax, entertainment tax and paying provident fund to employees. GVFL is a debt free company.
- (c) Trading in the company is very genuine and are delivery based. Therefore there is no price manipulation. The price volume data for the period 01/02/2017 to 07/08/2017 is submitted.
- (d) There are 1,62,000 shareholders in company and no shareholder is holding more than 1%.
- (e) Authorized representatives submit the copy of Annual Report of financial year 2016-17 of GVFL, the brief profile of GVFL, list of employees and payment of Employees provident fund receipt.

Authorized representatives were advised to submit the following information:

- i. Standalone and Consolidated Financial Statements of GV Films Limited, GV Studio City Limited and Pixel Box Pte. Ltd.
- ii. Break-up and detailed explanation of the following for standalone and consolidated financial statements:
 - (a) Sales and Expenses
 - (b) Capital Work-in Progress
 - (c) Travelling and Conveyance Expenses
 - (d) Investments in unquoted securities
 - (e) Current Liabilities
 - (f) Litigation Expenses
 - (g) Name of FCCB holders and its settlement agreement
 - (h) Unsecured Loans
- iii. Reason of Forex Loss reported
- iv. Chart of movement of directors
- v. Updated list of Directors and current Board members



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- vi. Contact details of resigned Company Secretaries (Mr. Vishwanath Sridhar and Mr. Bharat Aswani) and CFO (Mr. Suresh Amin)

As the aforesaid information was not readily available with them. Authorized representatives of GVFL requested time till August 29, 2017 to submit the aforesaid information. Acceding to the request, time till August 29, 2017 was granted to them to submit the aforesaid information.

12. GVFL vide its submissions dated August 30, 2017 submitted the information which are as under:

- (a) Standalone and Consolidated Financial Statements of GV Films Limited, GV Studio City Ltd as on 31st March, 2017 are enclosed herewith.
- (b) With regard to Pixel Box Pte Ltd, it was stated that the Company was incorporated at Singapore under the Company Regn No. UEN: 20050836K for establishing a Tamil TV Challan (channel) at Singapore. Since the same could not run for long, the same has been closed. The Company has been closed in terms of the letter received from the Accounting and Corporate Regulatory Authority (ACRA), Singapore vide their letter NO.200508364K dated 30/08/2016. Total investment made in this Company by GV Films was Rs. 14,76,964/- as on 31st March, 2017 in terms of the GV Films Balance Sheet.
- (c) Break-up and detailed explanation of the items of the Financial Statements are attached.
- (d) Reason for Forex Loss reported: In terms of Accounting Standard 11, Company has to book the recognition of loss arising out of the fall in exchange value of Rupee due to restatement of principal and amount outstanding as on 31st March, 2017 on FCCB due with accrued interest.
- (e) Chart of Movement of Directors attached.
- (f) Updated list of Directors and Current Board members attached.
- (g) Contact Details of resigned staff members are submitted.

13. SEBI observed that the price of the share of the company is moving in range from Rs. 0.59 to Rs. 1.18 during last 12 months and the face value is Rs. 1.00 per share. The scrip was under



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XD group which specifies that it was trading into Trade to Trade segment. Since June 2017, there has been substantial increase in traded volumes without change in fundamental except that directors have proposed to convert its unsecured loan of Rs. 63 crores into equity.

14. Pursuant to the representation of GV films to BSE, personal hearing to the company on August 28, 2017 was granted by BSE. Company has submitted to BSE, the auditor certificate from M/s. R. Ravindran & Associates, Chartered Accountant. As per the Auditor Certificate, company has filed income tax returns for all the last 3 years and has complied with companies act requirements upto March 31, 2017. Further, the Auditor has confirmed that company is going concern and there are no default in any loans with any bank / financial institutions. On verification of all other materials submitted by the Company to BSE, a report of BSE dated August 30, 2017 was submitted to SEBI stating its recommendation that prima facie submissions made by the company appeared to be in order.

Consideration:

15. On perusal of the materials available on record, the following prima facie/potential issues arise for consideration.

- (a) *Whether there is prima facie evidence of misrepresentation including of its financials and/or its business and possible violation of LODR Regulations by the company.*
- (b) *Whether there is prima facie evidence the company is misusing the books of account/funds including facilitation of accommodation entries to the detriment of minority shareholders and therefore reneging on the fiduciary responsibility cast on the board, controlling shareholders and KMP.*
- (c) *In view of the determination on the above issues, pursuant to SAT Appeal and the order of SAT in the said appeal, whether, in view of the representation of the Company, the action envisaged in SEBI letter dated August 7, 2017 needs reconsideration.*

16. On the basis of documents available on record, my observations on above issues are as under:



Issue No. 1. *Whether there is prima facie evidence of misrepresentation including of its financials and/or its business and possible violation of LODR Regulations by the company.*

Issue No. 2. *Whether there is prima facie evidence the company is misusing the books of accounts/funds including facilitation of accommodation entries to the detriment of minority shareholders and therefore reneging on the fiduciary responsibility cast on the board, controlling shareholders and KMP.*

17. Pursuant to SEBI letter dated August 09, 2017, BSE submitted its report dated August 30, 2017 stating that the company is in compliance with key clauses of LODR Regulations, 2015 for last 3 years since quarter ended September 2014 till date. Further, from the comments of Independent Auditor mentioned in the Annual Report 2016-17, I note that the Independent Auditor has opined that the information in financial statements gives a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as on March 31st 2017, and its Profit/ Loss and its Cash Flow for the year ended on that date. No specific qualified statements are observed.
18. However, on examination of disclosures filed by the company with BSE, GVFL standalone revenue was Rs. 5.68 crores by end of March 2015, which got reduced to Rs. 3.36 crores in March 2016 and to Nil in March 2017. Company has no other revenue stream to support its expenditure which is around Rs. 9 crores year on year and it is incurring losses year after year. As a result company's net worth has eroded from Rs. 37.86 crore in March 2015 to Rs. 21.60 crore in March 2017. Company has tangible assets of only Rs. 0.10 crore as on March 2017. It is said to have made investments in shares of a subsidiary company to the extent of Rs. 15.05 crores which is said to have some physical assets.
19. Company does not have any substantial business model in terms of revenue and profit. The financials of the company also is dominated by current liabilities of Rs. 96.87 crore against



which total assets of Rs. 118.73 crore are shown which are disproportionate to the income and expenditure of the company. Thus in the interest of the shareholders, the true status of these assets needs to be verified. However, there is no prima facie evidence of misrepresentation of the financials of the Company.

20. Further, based on the responses of the company vide their letter dated August 30, 2017 to the queries raised by SEBI, there appears to be no prima facie evidence of misuse of the books of the company.

Issue No. 3. *In view of the determination on the above issues, pursuant to SAT Appeal and the order of SAT in the said appeal, whether, in view of the representation of the Company, the action envisaged in SEBI letter dated August 7, 2017 needs reconsideration.*

21. Given the fact that the balance sheet is disproportionate to the profit and loss of the company, an independent assessment of the assets and liability of the company, via audit is warranted. Till such time, the actions envisaged in SEBI letter dated August 7, 2017 is required to be suitably modified.
22. Prior to the action as envisaged in SEBI's letter dated August 07, 2017, the scrip was trading in XD group of BSE with applicable price band in trade to trade category. Pending, enquiry/audit it is appropriate to revert the scrip in the said XD group of BSE with applicable price band in trade to trade category.
23. In view of the above, I am of the view that following urgent actions are required to be taken, pending further enquiry/audit.



ORDER

24. In the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 11, 11(4), 11A and 11B read with Section 19 of the Securities and Exchange Board of India Act, 1992, hereby, modify, subject to para 24(iii) of this order, the actions envisaged in SEBI's letter dated August 07, 2017 and the consequential actions taken by Stock Exchanges, against M/s G V Films Limited as under:

- i. The trading in securities of GVFL shall be reverted to XD group of BSE with applicable price band in trade to trade category.
- ii. The limitation on the transfer of shares held by the Promoters and Directors as mentioned in para 1(b) of SEBI's letter dated August 07, 2017 is removed.
- iii. Exchange shall appoint an independent auditor to conduct forensic audit of GVFL for verification, including the credentials/financials of GVFL.
- iv. The other actions envisaged in SEBI's letter dated August 07, 2017 in para 1 (d), as may be applicable, and the consequential action taken by Stock Exchanges shall continue to have effect against M/s G V Films Limited.

25. Accordingly the representation dated August 16, 2017 is disposed of.

26. The above directions shall take effect immediately and shall be in force until further Orders.

27. The prima facie observations contained in this Order are made on the basis of the prima facie material available on record. In this context, M/s G V Films Limited is advised to file its reply/objections to this interim order. The Company, within 21 days from the date of receipt of this Order, may file its reply, if any, to this Order and may also indicate whether it desires to avail an opportunity of personal hearing on a date and time to be fixed on a specific request made in that regard, in any.



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28. Copy of this Order shall be forwarded to the recognised stock exchanges for information and necessary action.

29. A copy of this Order shall also be forwarded to the Ministry of Corporate Affairs and Serious Fraud Investigation Office for their information.

DATE: SEPTEMBER 04, 2017

PLACE: MUMBAI

madhabi puri buch.

MADHABI PURI BUCH

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA



BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: MADHABI PURI BUCH, WHOLE TIME MEMBER

**CORRIGENDUM TO THE ORDER DATED SEPTEMBER 04, 2017 BEARING
REFERENCE NUMBER WTM/MPB/ISD/15/2017**

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”), vide an Order dated September 04, 2017 bearing reference number WTM/MPB/ISD/15/2017 (hereinafter referred to as “**the Order**”), had issued directions against M/s G V Films Limited (hereinafter referred to as “**GVFL**” / “**Company**”). In the Order, the sentence in paragraph 13 i.e. “*The scrip was under XD group which specifies that it was trading into Trade to Trade segment.*” shall be replaced with and read as “*The scrip was under XD group of BSE*”.
2. Further, in the Order, the phrase “*in trade to trade category*” in paragraphs 22 and 24(i) shall stand deleted.
3. The Order accordingly stands corrected. The Order shall always be read with this Corrigendum.

Sd/-

DATE: SEPTEMBER 07, 2017

PLACE: MUMBAI

**MADHABI PURI BUCH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**