

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

DIRECTIONS UNDER SECTIONS 11B AND 11(4)(b) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF AASHI INDUSTRIES LIMITED

1. Aashi Industries Limited (hereinafter referred to as the Company) is a company incorporated under the Companies Act, 1956 and having its registered office at Vishnu Villa, Station Road, Khambhat Dist. Kheda, Cambay, Gujarat. The Securities and Exchange Board of India (hereinafter referred to as SEBI) received several complaints against the Company from the investors. As on September 24, 2008, a total of four hundred and fourteen investor grievances were pending unresolved by the Company. The investor complaints received against the Company were forwarded to it for redressal and periodical reminders were also sent for resolving such pending complaints. The complaints and reminders sent to the Company were returned undelivered.

2. Thereafter, SEBI, vide letter dated September 25, 2008 (sent to the registered office of the Company and also to another address of the Company at 337 Kerala Nalsarover Road, Kerala Village Bavla, Taluka Dholka, Ahmedabad 380220) advised the Company to resolve all the pending grievances within thirty days from the date of receipt of the said letter. The Company was also advised to submit a status report within thirty days. In the said letter, SEBI made a reference to Sections 15C and 24 of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the SEBI Act). The said letter which was sent to the Company by registered post was returned undelivered. Thereafter, public notice was given on March 23, 2009 in the website of SEBI (www.sebi.gov.in) advising the Company to resolve the pending investor grievances and to submit the Action Taken Report within 30

days from the date of this notice, SEBI shall be constrained to take actions against these companies and their Directors, including initiating adjudication proceedings as per Section 15C of the SEBI Act or any other action as deemed appropriate in accordance with the provisions of SEBI Act. Despite the letter and the public notice, the Company or its directors failed to submit any response.

3. In view of the above, a notice dated November 6, 2009 was sent to the Company by SEBI under Sections 11B and 11(4)(b) of the SEBI Act requiring it to show cause as to why it should not be restrained from accessing the securities market and prohibited in dealing in securities till such time the pending investor grievances against the Company are resolved. The said notice was issued to the Company at its registered office address and also to its address at 337 Kerala Nalsarover Road, Kerala Village Bavla, Taluka Dholka, Ahmedabad 380220. Similar notices dated November 11, 2009 were also sent to Mr. Shah Rajan, Mr. Vidyeshrayan Narayan, Mr. Mor Jayesh, Mr. Puri Dilipkumar, Mr. Jhaveri A. Dhaval and Ms. Jhaveri D. Seema, the directors of the Company. The said notices were delivered to the aforesaid persons except the Company and Mr. Puri Dilipkumar. Subsequently, Mr. Mohan Narayan, son of Mr. Vaidyeswaran Narayan (the name is Mr. Vidyeshrayan Narayan as per the SEBI notices), a director of the Company, vide letter dated November 28, 2009 informed that his father had expired on September 26, 2009 and had also enclosed a copy of the death certificate dated October 23, 2009 issued by the Municipal Corporation of Greater Mumbai. Mr. Jhaveri A. Dhaval and Ms. Jhaveri D. Seema, vide letters dated December 10, 2009, *inter alia* submitted that as of 2000, they were no longer the directors of the Company and that the resignation was under the orders of SEBI. Though they had stated that the Registrar of Companies (RoC), Ahmedabad was also informed of their resignation, they did not substantiate their resignation by supporting documents.

4. Thereafter, an opportunity of hearing was granted to the Company and its directors by SEBI on August 5, 2010. As the show cause notices issued to the Company and few of its directors had returned undelivered from the last known address, a copy of the same along with the notice of hearing was sent for pasting as a substitute service of the notice. A paper publication was made by SEBI on June 13, 2010, in respect of the said show cause notice and hearing in various newspapers having nationwide and statewide circulation including 'Hindustan Times' (Mumbai, New Delhi & Kolkata Editions) 'LokSatta' (Mumbai Edition) 'Sandesh' (Rajkot Edition) and 'Gujarat Samachar' (Vadodara Edition). Subsequently, Mr. Rajan S. Shah, vide letter dated June 18, 2010 submitted that he came know of the proceeding against him in the matter through a public notice published by SEBI in the daily newspaper Loksatta for appearance in the personal hearing scheduled on August 5, 2010. He further stated that he had resigned from the Company in the year 1994 and requested SEBI for a copy of the show cause notice as he did not receive the same as the address was incorrect. Thereafter, M/s. R.T. Rajguroo & Associates, company secretaries, on behalf of Mr. Rajan S. Shah vide letter dated June 23, 2010 submitted a copy of Form-32 to support the claim that Mr. Rajan S. Shah had resigned from the Company on December 19, 1993 and further submitted that he has no relationship of whatsoever nature in the capacity of a director of the Company. The hearing notices in respect of the hearing scheduled on August 5, 2010 were served on the parties. For those persons to whom the same could not be served, public notices were made and the notices were also pasted in the last known premises of the person. Despite such steps, neither the Company nor the other directors (except Mr. Rajan S. Shah) have attended the said hearing on August 5, 2010. Mr. Rajan S. Shah appeared on the said date of hearing and made submissions. As Mr. Rajan S. Shah had submitted that he had resigned from the Company long before the notice was issued and had supported his contention with the relevant document, the show cause notice against Mr. Rajan S. Shah should be disposed of without any direction. As

Mr. Jhaveri A. Dhaval and Ms. Jhaveri D. Seema have submitted that they have resigned from the Company and did not submit any proof in that regard, SEBI vide letters dated December 14, 2010 advised them to furnish proof of resignation and to submit copies of Form-32 filed with the RoC by December 24, 2010. They were further informed that if they fail to submit documents, their claim may not be considered. However, inspite of receipt of the said letters from SEBI, they chose not to furnish any proof of their resignation from the Company. Mr. Puri Dilipkumar has not responded to the show cause notice, despite public notice and substituted service by pasting.

5. I have also perused a copy of the annual return of the Company in respect of the annual general meeting for the year 1998, which is part of the record in the matter. From the same, it is noted that Mr. Mor Jayesh and Mr. Vaidyaswaran Narayan had resigned from the Company on January 21, 1996 and July 2, 1994, respectively.

6. I note that sufficient opportunities have been provided to the Company to redress the pending investor grievances by SEBI, since September 2008. There are a total of four hundred and fourteen investor grievances pending against the Company as stated in the letter dated September 25, 2008. No Action Taken Report was submitted by the Company to SEBI, as advised. The protection of the investors in the securities market is one of the paramount duties of SEBI and the present case involves a listed company that not only failed to redress the investors' grievances but also failed to respond to the letters/show cause notice issued by SEBI. In view of the above, necessary directions are required to be issued against the Company and the persons/directors who were in-charge and responsible for the discharge of its functions and accordingly directions are issued against the Company and its directors, namely, Mr. Puri Dilipkumar, Mr. Jhaveri A. Dhaval and Ms. Jhaveri D. Seema, as ordered herein below.

7. In view of the foregoing, I, in exercise of the powers conferred upon me under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Sections 11(4)(b) and 11B thereof, hereby restrain Aashi Industries Limited (having its registered office at Vishnu Villa, Station Road, Khambhat Dist. Kheda, Cambay, Gujarat) and its directors, Mr. Puri Dilipkumar (having address at 5/33, Shreyas, 180, Madam Cama Road, Mumbai 400 020), Mr. Jhaveri A. Dhaval (having address at 4, Walkeshwar Road, Mulchand Bhavan, 1st Floor, Mumbai-400006) and Ms. Jhaveri D. Seema (having address at 4, Walkeshwar Road, Mulchand Bhavan, 1st Floor, Mumbai-400006) from accessing the securities market and prohibit them from buying, selling or otherwise dealing in securities, directly or indirectly, with immediate effect, till all the pending investor grievances against the aforesaid Company are resolved and the same is reported to and confirmed by the Securities and Exchange Board of India.

8. The show cause notices dated November 11, 2009 issued to Mr. Mor Jayesh and Mr. Rajan S. Shah in the matter stands disposed of without any directions, for the reasons stated above.

9. Further, the proceedings in respect of Mr. Vaidyeswaran Narayan shall terminate for the reasons stated above.

DR. K. M. ABRAHAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

PLACE: MUMBAI
DATE: APRIL 7, 2011