

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

DIRECTIONS UNDER SECTIONS 11(4)(b) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AGAINST AEC ENTERPRISES LIMITED AND ITS DIRECTORS

1. AEC Enterprises Limited (hereinafter referred to as the Company) is a company incorporated under the Companies Act, 1956, having its registered office at 809A to 809E, Sector-III, Pithampur Indl. Area, Dist. Dhar, Madhya Pradesh-454775. The directors of the Company are Mr. Dinesh Sharma, Mr. G.P. Sharma, Mr. Navneet Kampani, Mr. Vikram V. Desai, Mr. Sanjeev R. Apte, Mr. R.D. Apte and Mr. V. Swaminathan. 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 sixty one 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 to it 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 advised the Company to resolve all the grievances within thirty days from the date of receipt of the said letter and to submit a status report. In the said letter, SEBI made reference to Sections 15C and 24 of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the SEBI Act) and informed the Company of the consequent action that may be taken by SEBI in view of its failure to redress the investor complaints. The said letter sent to the company

by registered post returned with a remark "company closed". In view of the same, a public notice was given on January 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. Despite such steps, SEBI had not received any response from the Company or its directors.

3. Thereafter, a show cause notice dated November 6, 2009 was sent to the Company by SEBI under Section 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 prohibit it from dealing in securities till such time the pending investor grievances against the Company are resolved. Similar notices dated November 11, 2009 were also sent to the aforesaid directors of the Company. The notices issued to Mr. V. Swaminathan and Mr. Vikram V. Desai were acknowledged. Subsequently, Mr. V. Saminathan vide letter dated November 25, 2009 submitted that he along with Mr. Navneet Kampani were appointed as additional directors on August 18, 1998 in the board of the Company and that they had resigned on April 1, 1999 which was duly accepted by the Company's Board in the meeting held on April 15, 1999. He therefore requested that the proceedings against him be dropped. Thereafter, an opportunity of personal hearing was granted by SEBI to the Company and all its aforesaid directors (except Mr. V. Swaminathan), on August 5, 2010. As the show cause notices issued to the Company and its other directors had returned undelivered from the last known address, a copy of the same along with the notice of hearing was pasted in the premises of the said persons as substituted service. A paper publication was also made by SEBI on June 13, 2010, in respect of the said show cause notice and hearing in various newspapers having nationwide and state wide circulation including 'Sandesh' (Rajkot Edition) and 'Gujarat Samachar' (Vadodara Edition). Thereafter, the Company vide letter dated July 30, 2010 (signed by Mr. Sanjeev R. Apte) *inter alia*

submitted that it had come to know of the proceedings through the public notice and submitted that the Company had suffered on account of a takeover bid and subsequent litigations. Mr. Sanjeev R. Apte, the director, submitted that as the situation improves, they would revive the Company. It was further submitted that the Company would collect the investor grievances from SEBI and write to them on similar lines for the investors to know of the Company's situation.

4. On the scheduled date of hearing (August 5, 2010), the Company and its director Mr. Sanjeev R. Apte were represented by Mr. P. Y. Shankar, Advocate, who reiterated the submissions of the Company made in its aforesaid letter. The Company was given two months time for redressing the complaints. It is noted that, though the registered address of the Company is at 809A to 809E, Sector-III, Pithampur Indl. Area, Dist. Dhar, Madhya Pradesh-454775, the letter dated July 30, 2010 mentioned the correspondence address of the Company as 221, Anarkali Complex, Jhandewalan Extension, New Delhi – 110055. From the records, it is not known whether the shareholders/investors were informed of the said address or the said change in address or whether the Company had made any arrangements to receive and process the investor complaints at the registered office of the Company. Due to this change of address, even the complaints forwarded by SEBI were being returned undelivered. Thereafter, SEBI vide letter dated August 18, 2010 furnished copies of 60 investor complaints (out of the total 73 complaints) to the Company. With respect to the remaining 13 complaints, the Company was informed that the original complaints were already forwarded to it and was required to contact the complainants at their addresses for redressing the same. The Company was, as directed in the hearing, required to redress all pending complaints on or before October 4, 2010 and to submit an action taken report. Subsequently, the Company vide letter dated October 4, 2010 stated that it had informed the 73 investors (whose complaints were pending) about the Company's position and

enclosed postal confirmations regarding the letters sent by registered post. As the said letter enclosed only the postal communication and as no action taken report was submitted, SEBI vide letter dated October 8, 2010, directed the Company to redress the grievances within 7 days and to submit a report as per the proforma enclosed therewith. In reply, the Company vide letter dated October 23, 2010 submitted a copy of the letter sent to the 73 shareholders stating the inability of the Company to redress the complaints due to financial problems. The Company merely enclosed a report which in the action taken column mentioned "letter sent" and postal acknowledgements for having sent the letters by registered post to such investors. In this regard, it is noted that majority of those complaints pertain to transfer of shares involving no monetary burden on the Company. Further, some complaints pertain to the period 2001 onwards which has remained unresolved for a very long period of time. Although a period of 2 months was given to the Company to redress the complaints, the Company has not redressed any of the complaints and has merely issued letters to such investor.

5. I have considered the facts of the matter and the material available on record. I note that sufficient opportunities have been provided to the Company to redress the pending investor grievances by SEBI, as stated above in this Order. As on September 24, 2008 there are sixty-one investor complaints pending to be resolved by the Company. The Company has not made any effort to inform the investors regarding the change of correspondence address and also did not take any effort to redress the pending complaints since 2001. Though assuming for a moment that the Company is not financially sound, I note that, as stated above, many complaints pertain to share transfers which do not involve any money outflow from the Company. In view of the lapses of the Company in redressing the investor grievances as advised by SEBI, I find it appropriate to issue necessary directions against the Company and its directors

who are in-charge of its affairs, for their failure to redress the grievances of the investors. 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 failed to redress the investors' grievances. In such circumstances, permitting such a Company and its directors to access or deal in the securities market would be against the interests of the investors. I note that except the Company, Mr. V. Saminathan and Mr. Sanjeev R. Apte, the other directors have not made their representation. Further, from the submissions made and from documents submitted by Mr. V. Saminathan, I find that Mr. V. Saminathan and Mr. Navneet Kampani have resigned during the year 1999 from the board of the company and the company had accepted the same. Therefore, the proceedings in respect of Mr. V. Saminathan and Mr. Navneet Kampani should be disposed of without any directions for the reasons stated above.

6. 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 AEC Enterprises Limited (having its registered office 809A to 809E, Sector-III, Pithampur Indl. Area, Dist. Dhar, Madhya Pradesh-454775 and correspondence address at 221, Anarkali Complex, Jhandewalan Extension, New Delhi – 110055) and its directors, Mr. Dinesh Sharma (having address at Risk Capital & Technology Finance Corporation Limited, Scope Complex, Core V, Second Floor, 7 Lodhi Road, New Delhi-110003), Mr. G. P. Sharma (having address at Madhya Pradesh State Industrial Finance Corporation Limited, Avn Towers, M P Nagar, Bhopal), Mr. Vikram V. Desai (having address at C-17, Gulmohar Park, New Delhi-110017), Mr. Sanjeev R. Apte (having address at D-13/14, Model Town, Delhi-110009) and Mr. R. D. Apte (having address at D-13/14, Model Town, Delhi-110009) from accessing the securities market and prohibit them from buying, selling or otherwise dealing in securities, directly or indirectly, 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.

7. For the reasons stated above in this Order, the show cause notices dated November 11, 2009 issued to Mr. V. Saminathan and Mr. Navneet Kampani are disposed off without any directions.

8. This Order shall come into force with immediate effect.

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

**PLACE: MUMBAI
DATE: APRIL 7, 2011**