

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 DHARNENDRA INDUSTRIES LIMITED AND ITS DIRECTORS

1. Dharnendra Industries Limited (hereinafter referred to as the Company) is a company incorporated under the Companies Act, 1956 and having its corporate office at 908 GIDC Engg Estate, Gandhi Nagar, Gujarat 382010. 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 one hundred and one investor grievances were pending unresolved by the Company. The investor complaints received against the Company were forwarded to it for redressal. Periodical reminders were also sent to the Company 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 available address), 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 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 though received and acknowledged, the Company failed to comply with the same. Therefore, a reminder was sent to the Company (addressed to its company secretary) by SEBI on November 21, 2008, advising it to resolve the pending complaints and to submit the status report within seven days from the date of receipt of the said letter. It was also mentioned in the said letter that in case of failure, SEBI would initiate such actions as deemed

appropriate. A similar letter was also sent to, Mr. D.B. Gandhi, Managing Director of the Company. Though, the said letters were acknowledged, SEBI had not received any response either from the Company or from Mr. D.B. Gandhi. Thereafter, vide letter dated December 19, 2008, the Company, and its Managing Director, were again advised to resolve the investor grievances within seven days from the date of receipt of the said letter. However, inspite of such notices from SEBI, the Company and its Managing Director failed to respond to such letters. Subsequently, a public notice dated January 23, 2009 was made in the website of SEBI (www.sebi.gov.in), advising the Company to resolve the pending investor grievances and to submit an action taken report. Despite taking such steps, the Company failed to redress investor grievances and report of the status of redressal.

3. In view of the above, a show cause notice dated November 6, 2009 was issued by SEBI under Sections 11B and 11(4)(b) of the SEBI Act to the Company requiring it to show cause as to why it should not be restrained from accessing the securities market and prohibited from dealing in securities till such time the pending investor grievances are resolved. The said notice was sent to the registered address of the Company. However, the said notice could not be delivered on the Company. Similar notices dated November 10, 2009 were also issued to the directors of the Company, namely, Mr. Dharmendra Babulal Gandhi, Mr. Navinchandra Babulal Gandhi, Mr. Bhupendra Babulal Gandhi and Mr. Bharat P. Delvala, the directors of the Company. The notices were delivered on the said directors. Thereafter, the Company vide letter dated November 27, 2009 submitted that it has been declared a sick industrial company by the Board of Industrial and Financial Restructuring (BIFR) and that the Company had already appointed independent chartered accountant to streamline the pending work with a target to complete pending complaints. The Company and its aforesaid directors were then afforded an opportunity of hearing on August 5, 2010. As the show cause notice dated November 6, 2009

issued to the Company returned undelivered, a copy of the same along with the hearing notice in respect of the personal hearing scheduled on August 5, 2010 was delivered to the corporate office of the Company at Ahmedabad and was received by one Shailesh Shah on behalf of the Company. Thereafter, the Company, vide letter dated August 4, 2010 *inter alia* enclosed an affidavit (affirmed by Mr. Dharmendra Gandhi, director of the Company) affirming that the Company was unable to redress investor complaints due to the non receipt of the names, addresses of the complainants and the nature of complaints. The Company also undertook to resolve majority of the complaints within forty-five days on receipt of the required details. The Company further requested for an adjournment of the personal hearing scheduled on August 5, 2010. As requested by the Company, SEBI forwarded the required details, vide letter August 20, 2010. The said letter was acknowledged by the Company on August 26, 2010. The Company was also afforded another opportunity of hearing on September 7, 2010. Thereafter, Mr. Dharmendra Gandhi filed a letter dated September 2, 2010 and while acknowledging the receipt of details of the pending complaints as on August 30, 2010 informed SEBI that the Company was in the process of approaching the shareholders for resolving their complaints and submit an action taken report on or before September 27, 2010. In view of the above, the Company had requested to adjourn the personal hearing scheduled on September 7, 2010. The said request was acceded to by SEBI and another opportunity was provided to the Company on October 12, 2010. Though, the said letter was acknowledged by the Company, there was no appearance on behalf of the Company on the said date of hearing. Further, the Company also failed to submit the action taken report in respect of its investors' grievance redressal.

4. 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. In this regard, it may be noted that the Company had affirmed (on

August 4, 2010) to resolve majority of the complaints within forty-five days of receipt of the required details. The required details were sent to the Company by SEBI on August 20, 2010 and the same was received and acknowledged by it on August 26, 2010. Subsequently, the Company had informed SEBI that it was in the process of approaching the shareholders for resolving their complaints and submit an action taken report on or before September 27, 2010. However, no such action taken report was filed by the Company with SEBI, till date. The Company was also not represented on October 12, 2010, the date of hearing, even after acknowledging the hearing notice. Admittedly (as per the affidavit/letters of the Company dated August 4, 2010 and September 2, 2010), there are one hundred and twenty two investor complaints pending to be resolved by the Company. As requested by the Company, sufficient time was granted by SEBI, to redress the pending investor grievances and to submit the status report. Further, as authorised by the Company, its director, Mr. Dharmendra Gandhi made a solemn affirmation that the company would be redressing the investor grievance within a specified time, as mentioned above in this Order. The said period had expired on September 27, 2010. Till date, no action taken report was filed by the Company in respect of the redressal of the pending investor complaints. No sanctity was given by the Company to its own affirmation given through its director. Mr. Dharmendra Babulal Gandhi, Mr. Navinchandra Babulal Gandhi, Mr. Bhupendra Babulal Gandhi and Mr. Bharat P. Delvala are the directors of the Company and in-charge of its affairs and management. The protection of 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 such circumstances, permitting the Company and its aforesaid directors to access or deal in the securities market would be against the interests of the investors. In view of the lapses of the Company in redressing the investor grievances as advised by SEBI, I find it appropriate to issue necessary direction against the Company and its directors

for their failure to redress the grievances of the investors.

5. 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 Dharnendra Industries Limited (with Permanent Account Number – AAACD4124F and having its corporate office at 2nd Floor, Chakravarti Complex, Near Vijay Char Rasta, Ahmedabad-380009) and its directors, Mr. Dharmendra Babulal Gandhi (having his residence at 2, Ashwamegh Bunglow-III, Ring Road, Satellite, Ahmedabad-380015), Mr. Navinchandra Babulal Gandhi (having his residence at 22, Ashwamegh Bunglow-II, Ring Road, Satellite, Ahmedabad-380015), Mr. Bhupendra Babulal Gandhi (having his residence at 40, Ashwamegh Bunglow, Ring Road, Satellite, Ahmedabad-380015) and Mr. Bharat P. Delvala (having his residence near Sthanakwasi Upashraya, Limdi, Surendranagar, Gujarat) 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.

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

PLACE: MUMBAI
DATE: APRIL 7, 2011