

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 KALEIDOSCOPE FILMS LIMITED (EARLIER KNOWN AS GUJARAT INVESTMENT CASTINGS LIMITED) AND ITS DIRECTORS

1. Kaleidoscope Films Limited (hereinafter referred to as the Company), formerly known as Gujarat Investment Castings Limited, is a company incorporated under the Companies Act, 1956, having its registered office at 101, 1st Floor, Panarama, R.C. Dutt Road, Alkapuri, Vadodara, Gujarat-390005. The directors of the Company are Mr. Prakash B. Debar, Ms. Smita Mahendra Pandya and Mr. Sarju Jayantilal Parikh. 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 eighty eight investor grievances were pending unresolved by the Company. The investor complaints so received by SEBI were forwarded to the Company for redressal. Periodical reminders were also sent to the Company for resolving such pending complaints.

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 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 sent to the Company by registered post was acknowledged by the Company. As the Company failed to submit the action taken report within the stipulated time, a reminder was sent by SEBI to the Company (addressed to its company

secretary), vide letter dated November 21, 2008. While informing the Company of its lapse in submitting the report, its attention was again drawn to Section 15C of the SEBI Act and advised it to resolve the complaints and submit a status report within seven days from the date of receipt of the said letter. The Company was also informed that if it fails to do so, SEBI may initiate such action as deemed appropriate including initiation of adjudication proceedings. The said letter was also acknowledged. Similar letter dated December 4, 2008, was also sent to Mr. Prakash B. Debar, one of the directors of the Company. Since no response was received inspite of receiving such letters from SEBI, a reminder was sent to the Company, vide letter dated December 19, 2008, advising it to resolve all investor grievances and to submit a status report within seven days of receipt of the said letter. Thereafter, the Company vide letter dated December 27, 2008, requested for more time to trace out the complaints and for submission of the status report. The Company also submitted that most of the complaints were already resolved. Thereafter, the Company vide letter dated February 26, 2009 submitted an incomplete Action Taken Report and stated that many complaints were repeated. Since, the Action Taken Report filed on behalf of the Company was deficient in certain aspects, the same was brought to the attention of the Company by SEBI, vide letter dated February 13, 2009. The Company was advised to provide the required information and to submit the necessary enclosures with the Action Taken Report for the pending grievances, within seven days of receipt of the said letter, failing which, it was informed that SEBI may initiate such action as deemed appropriate including initiation of adjudication proceedings. The Company was further informed that the deficiencies and a list of grievances which were not treated as resolved/closed due to the deficiencies had to be resolved and was advised to provide the required information and to submit necessary enclosures with the Action Taken Report. The said letter was also acknowledged by the Company.

3. However, no further correspondence was received from the Company informing of its redressal and the action taken in resolving the same. In view of

the same and in the light of the Company's failure to provide a complete action taken report, SEBI issued a notice dated November 6, 2009, under Sections 11B and 11(4)(b) of the SEBI Act, requiring the Company 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 are resolved. Similar notices dated November 10, 2009 were also issued to the directors of the Company namely, Mr. Sarju Jayantilal Parikh, Ms. Smita Mahendra Pandya and Mr. Praksah B. Dhebar. All the aforesaid notices were acknowledged by the concerned parties. Subsequently, the Company, vide letter dated November 26, 2009, while referring to the show cause notice dated November 10, 2009 and letter dated September 25, 2008, once again submitted an incomplete action taken report. According to the Company, it had received 118 complaints from SEBI and out of the same, 20 complaints were repeated and that 75 complaints were old which were pertaining to the period prior to the year 2006 and that only 23 complaints remained. It was further submitted by the Company that the said 23 complaints were also resolved and requested SEBI to withdraw the show cause notices. After examination of the said reply, SEBI vide letter dated January 21, 2010 informed the Company that the action taken reports did not contain proof of redressal, such as copies of letters sent to the investors and the dispatch particulars with proof. The same was *inter alia* required in terms of SEBI circular OIAE/Cir-1/2009 dated November 25, 2009. The Company was advised to submit the complete Action Taken Report to SEBI with necessary supporting documents. A format of such action taken report was also enclosed with the said letter. Since, the Company failed to submit the Action Taken Report as required, the Company and its aforesaid directors were advised to appear for a personal hearing scheduled on August 5, 2010. 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 'Loksatta' (Mumbai Edition), 'Sandesh' (Rajkot Edition) and 'Gujarat Samachar' (Vadodara Edition).

Subsequently, the Company vide letter dated August 3, 2010 stated that it had already submitted its replies (Action Taken Reports) to the Western Regional Office, Ahmedabad in two phases and that the 3rd compilation is in progress. It enclosed copies of the 1st and 2nd Action Taken Reports along with the said letter. A request for extension of hearing schedule was also made in the said letter. In view of the same, the personal hearing was re-scheduled to September 7, 2010. On the date of the hearing, the Company was represented by Mr. Sarju Parikh and Mr. Sandip Shah, as authorized by the Company appeared and requested time for submitting the proof of dispatch to the complainants, which was accordingly granted. Thereafter, the Company vide letter dated September 20, 2010 enclosed copies of only 41 letters sent to the investors informing the resolution of their complaints out of 88 pending complaints. In the said 41 cases also, there was no proof of redressal and other enclosures as required *inter alia* in terms of SEBI circular OIAE/Cir-1/2009 dated November 25, 2009. Annexure C attached to the said circular prescribe a proforma of Action Taken Report for sending responses to SEBI in respect of investor grievances. In spite of more than two years afforded to the Company and its directors for redressal of the complaints reckoned from the date of issue of the SEBI notice dated September 25, 2008, the Company failed to redress all the complaints and submit proper documentary proof for redressal. It is noted that even in cases where the Company has stated that they have redressed the complaints, SEBI was receiving reminders from the complainants indicating that their complaints were not resolved. One such case is that of Mr. Praful Shah, wherein his complaint was not resolved for the last five years (from June 2007 onwards). The grievance was regarding the delay in transfer and dematerialisation of shares of the Company. The complaint has been referred to the Company a number of times, but the same is not yet redressed. Similarly, several complaints which the company claims to have redressed, have not been actually redressed as SEBI was receiving letters from such complainants stating that their grievances have not been resolved. It is also surprising to note

that in some cases, the redressal date given by the company was prior to the complaint date itself. This shows that the Company has been trying to mislead SEBI by stating that the complaints are redressed while they were actually pending. As observed above, the Company is sending incomplete action taken reports which are vague and evasive.

4. I have considered the facts of the case and the material available on record. As stated above, sufficient opportunities have been provided to the Company and its directors to redress the pending investor grievances by SEBI including personal hearing. However, the Company not only failed to resolve all the pending investor grievances but also provided incorrect information about the redressal. There are eighty eight complaints pending against the Company as stated in the notice dated September 25, 2008 and several complaints have been received in the interim period which has also been forwarded to the Company for redressal. It is noted that a reminder was sent to the Company on March 16, 2011 advising the Company to submit the current status of redressal, which are mandatory as per the SEBI circular dated November 25, 2009. However, the company failed to respond to the letter till date. As on May 16, 2011 the total number of complaints that the Company failed to redress is one hundred and ninety-one (including the new complaints received after September 25, 2008). 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 issued by SEBI. Therefore, it would be against the interests of the investors to permit such a company and its directors to continue to access or deal in the securities market. 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 namely, Mr. Prakash B. Debar, Ms. Smita Mahendra Pandya and Mr. Sarju Jayantilal Parikh, who are in charge and are responsible for the affairs of the Company for its failure to redress the grievances of the investors.

5. I also note that, SEBI had passed an Adjudication Order dated March 23, 2011 under Section 15-I of the SEBI Act against the Company and imposed a penalty of ₹17,00,000/- (₹15,00,000/- under Section 15C of the SEBI Act and ₹2,00,000/- under Section 15A(a) of the SEBI Act) on it for non-redressal of investor grievances and failure to respond to the SEBI notices. The aforesaid penalty has also been unpaid by the Company till date.

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 the company, Kaleidoscope Films Limited (having its registered office at 101, 1st Floor, Panarama, R.C. Dutt Road, Alkapuri, Vadodara, Gujarat -390005) and its directors, Mr. Prakash B. Debar (having address at 802/03, Angan Towers, Opp. Bhavans School, Majalpur, Vadodara), Ms. Smita Mahendra Pandya (having address at 209, Jogani Indl. Estate, Sion Chunabhati, Mumbai) and Mr. Sarju Jayantilal Parikh (Permanent Account No. APNPP0158C and having address at C-13, Shantinagar Society, Behind Sayhog Society, Refinery Road, Vadodara-390016) 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 and confirmed by the Securities and Exchange Board of India.

7. 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: MAY 26, 2011