

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 HINDUSTAN INDUSTRIAL CHEMICALS LIMITED AND ITS DIRECTORS

1. Hindustan Industrial Chemicals Limited (hereinafter referred to as the Company) is a company incorporated under the Companies Act, 1956, having its registered office at 29, G I D C Industrial Area, Umbergaon, Valsad, Gujarat-396171. The directors of the Company are Mr. Vimal Ambani, Mr. Madhav B. Patel, Mr. G. W. Cockbill, Mr. B.R. Patel, Mr. P.V. Gandhi, Mr. Bhagubai Patel, Mr. A.G. Puri, Mr. Harshad B. Patel and Mr. Vilas H. Doshi. The Securities and Exchange Board of India (hereinafter referred to as SEBI) had received several complaints against the Company from investors and as on September 24, 2008, a total of one hundred and ninety two 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 the pending complaints.

2. Thereafter, SEBI, vide letter dated September 25, 2008 forwarded the list of such one hundred and ninety two such grievances to the Company for its redressal. The Company was advised 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 had also made reference to Sections 15C and 24 of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as SEBI Act). As the said letter was not delivered, a 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. Despite taking such steps, the Company failed to redress the investor grievances.

3. In view of the above, a notice dated November 6, 2009 was sent to the Company under Sections 11(4)(b) and 11B 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 are resolved. Similar notices dated November 11, 2009 were also sent to Mr. Vimal Ambani, Mr. Madhav B. Patel, Mr. G. W. Cockbill, Mr. B.R. Patel, Mr. P.V. Gandhi, Mr. Bhagubai Patel, Mr. A.G. Puri, Mr. Harshad B. Patel and Mr. Vilas H. Doshi, the directors of the Company. The said notices were delivered on Mr. Vimal Ambani, Mr. A.G. Puri, Mr. Harshad B. Patel and Mr. Vilas H. Doshi. Mr. Harshad B. Patel, vide letter dated November 30, 2009 had *inter alia* stated that he was a non-executive member of the board of the Company and that he had sent his resignation to the Company in the year 1997. He further submitted that Mr. Baghubhai Motibhai Patel was the Chairman and Managing Director and that Mr. Madhav B. Patel (another director of the Company) is his son. Subsequently, vide letter dated December 7, 2009, Mr. Harshad B. Patel informed SEBI, after ascertaining from old records that he had submitted the resignation in February 1999 to the Registrar of Companies, Mumbai in Form-32 and the same was duly noted. Mr. A.G. Puri, vide letter dated November 21, 2009 stated that he was a non-executive director of the Company and had resigned from the directorship in 1996. In support of his contention, he had enclosed a copy of the Adjudication Order dated September 18, 2003 passed by the Special Director of Enforcement, Department of Revenue, Ministry of Finance, Government of India. He further submitted that while he was a director, he had nothing to do with the day to day affairs of the company. Mr. Vilas H. Doshi, vide letter

November 21, 2009, submitted that he had resigned from the Company since April 10, 1998 and to support the same had enclosed copies of Form-32 and the Annual Report. From the said form, it is noted that Mr. Vilas H. Doshi had resigned on April 20, 1998.

4. Thereafter, an opportunity of hearing was granted to the Company and its directors, Mr. Vimal Ambani, Mr. Madhav B. Patel, Mr. G. W. Cockbill, Mr. B. R. Patel, Mr. P.V. Gandhi and Mr. Bhagubai Patel, by SEBI on August 5, 2010. The hearing notice issued to Mr. Vimal Ambani was delivered at the last known address and was duly acknowledged. As the show cause notices issued to the Company and its other directors, namely, Mr. Madhav B. Patel, Mr. G. W. Cockbill, Mr. B. R. Patel, Mr. P.V. Gandhi and Mr. Bhagubai Patel returned undelivered, SEBI undertook the exercise of pasting a copy of the same along with the notice for hearing at their last known address. However, the same could not be done as either the notices were not allowed to be pasted since the persons were not staying there or the address could not be located. When the show cause notice was sent for delivery by affixing at Mr. B. R. Patel's residence, a copy of his death certificate was handed over. Thereafter, a paper publication was also made by SEBI on June 13, 2010, in respect of the said show cause notices and hearing in various newspapers having nationwide and state wide circulation including 'Sandesh' (Rajkot Edition) and 'Gujarat Samachar' (Vadodara Edition). In response to the notice of hearing, Mr. Vimal Ambani, vide letter dated June 24, 2010 submitted that he has resigned from the Company and submitted a copy of the Annual Report to establish that he had resigned from the Company since September 27, 1998 and is in no way associated with the affairs of the Company. Further, on the date of hearing, Mr. Arif Doctor, Advocate, appeared on behalf of Mr. Vimal Ambani and submitted that his client had resigned prior to the SEBI letter dated September 25, 2008.

The Company and the other directors of the Company failed to attend the scheduled hearing.

5. I have considered the facts of the case and the available material on record. I note that sufficient opportunities have been provided to the Company to redress the pending investor grievances by SEBI since September 2008. However, the Company not only failed to resolve the pending investor grievances but also failed to submit its response on any action taken by them in resolving such complaints. There are one hundred and ninety two complaints pending against the Company as stated in the letter dated 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 even respond to the letters/show cause notice issued by SEBI. In view of the above, I do not have hesitation in holding the Company responsible for not redressing the investor grievances. The directors of the Company who are in charge and are responsible for the affairs of the company are also responsible for such failure. As stated above, Mr. Vimal Ambani, Mr. A.G.Puri, Mr. Harshad B. Patel and Mr. Vilas H. Doshi have resigned from the Company as mentioned in their letters and supported by relevant documents. Therefore, they cannot be held responsible for the inaction of the Company in redressing the investor grievances, as alleged in the show cause notice. In respect of Mr. B.R. Patel, I note from the copy of the death certificate issued by the Municipal Corporation of Greater Mumbai dated March 29, 2000 that he had expired on March 13, 2000. I note that Mr. Vilas Doshi had filed copies of Form-32 (in respect of his resignation) and the annual return for the annual general meeting of the Company held on March 21, 1999. From the annexure to the said annual report, it is noted that Mr. P.V. Gandhi and Mr. Madhav Patel have ceased to be the directors of the Company from September 27, 1998. Therefore, no

directions are required to be issued against them for the failure of the Company in not redressing the investor grievances.

6. In view of the above, 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, Hindustan Industrial Chemicals Limited and its directors, Mr. G. W. Cockbill and Mr. Bhagubai Patel, from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities, till all pending investor grievances against the said company are resolved and the same is reported to and confirmed by the Securities and Exchange Board of India.

7. The show cause notice issued to Mr. Vimal Ambani, Mr. A.G.Puri, Mr. Harshad B. Patel, Mr. P.V. Gandhi, Mr. Madhav B. Patel and Mr. Vilas H. Doshi stands disposed of without any directions, for the reasons stated above. Further, the present proceeding in respect of Mr. B.R. Patel abates for the reasons stated above.

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: DECEMBER 8, 2010**