BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO: EAD-3/AO/DRK/JP/ OIAE/ 585/129 of 2014)

UNDER SECTION 15 - I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995.

In respect of:

ZEE Entertainment Enterprises Ltd.
(Formerly known as ETC Networks Ltd.)
PAN: AAACZ0243R

Regd. Office at: 7-B, Shah Industrial Estate,
Off. Veera Desai Road,
Andheri (West)
Mumbai- 400 053

Background:

1. Securities and Exchange Board of India (hereinafter referred to as **'SEBI**') observed that ETC Networks Ltd. (hereinafter referred to as **'the Company / ETC"**) had neither obtained the SEBI Complaints Redressal System (SCORES) authentication nor redressed the grievance of investor.

Appointment of Adjudicating Officer:

2. Undersigned was appointed as Adjudicating Officer under section 15-I of the Securities and Exchange Board of India Act 1992 (hereinafter known as **'SEBI Act'**) read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Adjudication Rules'**) vide communiqué dated May 21, 2013, to inquire into and adjudge under Section 15 A (a) and 15 C of the SEBI Act, the alleged violations by the ETC.

Show Cause Notice and Reply:

3. A Show Cause Notice No. A&E/EAD-3/DRK-VVK/18814/2013 dated July 30, 2013 (hereinafter referred to as "**SCN**") was served upon the ETC through hand delivery under Rule 4 (1) of the Adjudication Rules, to show cause as to why an inquiry be

not held against the ETC and penalty be not imposed under section 15 A (a) and 15 C of the SEBI Act, for the alleged violations of non redressal of investors grievances and non obtaining of SCORES authentication. The allegations against the ETC as levelled in the SCN, are produced hereunder;

a. The SCN stated that vide letter dated January 11, 2013, SEBI advised the ETC to furnish the authentication details for implementation of SCORES within 7 days from the date of receipt of the letter to enable the Company to view and resolve the investor grievances in SCORES, failing which SEBI may initiate appropriate actions.

b. It was stated that SEBI vide letter dated February 15, 2013 sought information from the ETC regarding SCORES authentication / Action taken Report (ATR) submission. Under the said letter dated February 15, 2013, reference of SEBI Circular No. CIR/OIAE/2/2011 dated June 03, 2011 and SEBI Circular No. CIR/OIAE/1/2012 dated August 13, 2012 was drawn requiring all the companies which are listed on any Stock Exchange to view the complaints pending against them and submit Action Taken Report (ATR) electronically in SCORES.

c. It was stated that vide Circular No. CIR/OIAE/1/2013 dated April 17, 2013, SEBI advised the companies to obtain SCORES authentication within one month from the date of the said Circular, however, as on May 24, 2013, ETC had not approached SEBI for the authentication.

d. SCN stated that a time-line was granted to the ETC vide letter dated February 15, 2013 to resolve the pending complaints at the earliest but not later than February 27, 2013. However, allegedly, ETC had failed to resolve the grievance of the investor, failed to reply to the aforesaid letters dated January 11, 2013 & February 15, 2013, failed to obtain the SCORES authentication and also failed to submit the ATR as required.

e. It was stated in the SCN that as on May 24, 2013, 1 investor grievance of Ms. Kanchan Kumari (complainant) for 'non receipt of refund in Public/Rights Issue' dated October 08, 2008 was pending against ETC in SCORES which were pending for more than two years.

f. In view of the above, it was alleged that the ETC had failed to obtain the SCORES authentication / furnish ATR and failed to resolve 1 investor grievance, which are in violation of Section 15A (a) and 15C of the SEBI Act. The provisions of Section 15A(a) and 15C of the SEBI Act are produced hereunder;

Penalty for failure to furnish information, return, etc.

15A. *If any person, who is required under this Act or any rules or regulations made thereunder,—*
(a) to furnish any document, return or report to the Board, fails to furnish the same, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less;

Penalty for failure to redress investors' grievances.

15C. *If any listed company or any person who is registered as an intermediary, after having been called upon by the Board in writing, to redress the grievances of investors, fails to redress such grievances within the time specified by the Board, such company or intermediary shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less.*

4. In respect to the SCN, ETC filed reply dated August 07, 2013 and made following submissions;

(a) ZEE entertainment Enterprises Ltd (ZEE) is the successor entity of ETC. ETC was merged with the ZEE with effect from March 31, 2010 and dissolved without winding-up in pursuance of a Composite scheme of Amalgamation and Arrangement approved by the Hon'ble Bombay High Court vide order dated July 16, 2010.

(b) Consequently, the equity share of the ZEE were issued to the shareholders of ETC on the Record Date September 17, 2010. As on date, ETC as an entity is neither in existence nor listed on any Stock Exchange(s).

(c) The details of said Merger and Dissolution of ETC was informed by us to SEBI vide letter dated January 16, 2013 in response to a Public Notice for non registration under SCORES issued by SEBI published in Times of India on January 13, 2013 wherein ETC was listed in Serial No. 52. In said communication, we had sought details of pending complaints if any, against ETC for appropriate closure.

(d) In respect of 1 pending complaint as alleged in the SCN, it is submitted that neither the ETC nor the ZEE had made any public/Rights Issue in the past over a decade and therefore, the question of refund to any shareholder does not arise. As requested earlier the said complaint may be placed on SCORES to enable us to resolve the investor grievance.

5. Thereafter, certain clarifications were sought from the concerned department of SEBI on the aforesaid reply / submissions made by the ZEE. SEBI confirmed that ETC was merged with ZEE and ZEE obtained SCORES authentication on July 07, 2011. Concerned department of SEBI also confirmed that aforesaid 1 complaint was redirected to ZEE on August 19, 2013 and ZEE submitted ATR on August 24, 2013. It was confirmed by concerned department of SEBI that said complaint was

disposed off on September 23, 2013 after providing one month time to complainant to clarify objection if any towards the reply / action taken by ZEE.

Consideration of Case and Findings:

6. It is noted from said Composite Scheme of Amalgamation that the ETC was merged with ZEE as per order of Hon'ble Bombay High Court dated July 16, 2010 and therefore, ETC was not in existence at the time of issuance of aforesaid SEBI Circulars / Communiqué / Public Notice / SCN. However, the fact cannot be ignored that as per clause 5.2 of the aforesaid Scheme of Amalgamation, all the obligations / contingent liabilities etc. of every kind of ETC were transferred to the ZEE (successor company) and certainly, the responsibility to redress the grievance of complainant which was pending at the end of ETC, is passed onto ZEE.

7. It is observed from available records / confirmation by SEBI that ZEE obtained the SCORES authentication on July 07, 2011 itself (before the Circular dated August 13, 2012, Communiqué dated January 11, 2013 & February 15, 2013 and Public Notice dated January 13, 2013 issued by SEBI). Further, the fact cannot be ignored that in response to aforesaid Public Notice issued by SEBI on January 13, 2013, the details of said Merger and Dissolution of ETC was informed by ZEE to SEBI vide its letter dated January 16, 2013 and ZEE also sought details of pending complaints if any against ETC for appropriate action at its end. It is noted that during the course of instant proceeding, SEBI redirected the said grievance of complainant to ZEE on August 19, 2013 on SCORES. Accordingly, the ZEE submitted ATR on August 24, 2013 on SCORES indicating that complaint was fully redressed and also enclosed the copy of letters dated May 17, 2010 & August 18, 2010 along with dispatch proof. It was stated in the ATR that no reply/response of the complainant was received. Thereafter, such ATR of the ZEE was forwarded by SEBI to the complainant on August 26, 2013 asking to revert back within 15 days if she is not satisfied with comments of ZEE, otherwise said grievance would be treated as resolved. Ultimately, SEBI disposed off the complaint on September 23, 2013.

8. Here, it is necessary to point out that upon redirection of said complaint, ZEE had taken up the same without delay and ATR was submitted by it within 5 days only of such direction. No response of the complainant was received on such ATR of

ZEE. Further, in respect of complainant's grievance of non receipt of refund in Public/Rights Issue, ZEE submitted that neither the ETC nor the ZEE had made any Public/Rights Issue in the past over a decade and therefore, the question of refund to any shareholder does not arise. It is noted that no proof is available on records to rebut such contention of ZEE.

9. In view of aforesaid observations, available records and after considering the case in entirety, the allegations of non activation of SCORES, failure to submit ATR and non redressal of investor grievance, does not stand established and accordingly ETC / ZEE is not liable for penalty under section 15A (a) and 15 C of the SEBI Act.

Order:

10. In view of the above, after considering all the facts and circumstances of the case and exercising the powers conferred upon me under section 15-I of the SEBI Act, 1992 read with rule 5 of the Adjudication Rules, I hereby conclude that the alleged violations do not stand established against the ETC / ZEE. Therefore, the matter is disposed off accordingly.

11. Copy of this order is being sent to the ZEE Entertainment Enterprises Ltd. (Formerly known as ETC Networks Ltd.) and also to the Securities and Exchange Board of India, in terms of Rule 6 of the Adjudication Rules.

Place: Mumbai **D. RAVI KUMAR**
Date: September 10, 2014 **CHIEF GENERAL MANAGER &**
ADJUDICATING OFFICER