

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11 OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AGAINST M/S. INFORMATION TECHNOLOGIES (INDIA) LTD., SHARE TRANSFER AGENT (INR000001864)

WTMN/4/MIRSD/6/04

1. M/s. Information Technologies (India) Ltd. (hereinafter referred to as ITIL) a company and a Share Transfer Agent (STA) registered with Securities and Exchange Board of India (hereinafter referred to as "SEBI") holding registration no. INR000001864. ITIL is also a listed company and Bombay Stock Exchange (BSE) has suspended dealings in the scrip w.e.f 14.2.03. Apart from BSE the scrip is also listed on National Stock Exchange and Delhi Stock Exchange. ITIL is also a share transfer agent and the share transfer activities of the company were managed in house.

2. M/s. Industrial Finance Corporation of India Ltd. (hereinafter referred to as "IFCI") made a complaint to SEBI vide letter dated 23rd December, 2002 against ITIL alleging non-credit of 2.265 million shares of ITIL face value of which being Rs.5/- in the Demat account of IFCI. IFCI in its complaint to SEBI submitted that IFCI Ltd. had sanctioned rupee term loans and guarantee facility to Koshika Telecom Ltd. (hereinafter referred to as "KTL") for which facility KTL had pledged 2.265 million shares of ITIL held by M/s. Ramkrishnan Kulwant Rai Agencies Pvt. Ltd. (hereinafter referred to as "Rai Agencies") as security in favour of IFCI. The shares of ITIL were split into shares of face value of Rs. 5/- in May 2000.

3. Pursuant to the split of shares, IFCI lodged the same with ITIL in November 2000 for dematerialization. The split of shares to face value of Rs. 5/- entitled IFCI a credit of 4.53 million shares into their Demat account (i.e. 2.265 million shares of Rs. 10/- each doubled with face value of Rs. 5/- each after splitting). It was alleged by IFCI in their complaint that ITIL, instead of crediting 4.53 million shares of Rs. 5/- each into IFCI demat account, credited only 2.265 million shares of Rs. 5/- each into IFCI account and deposited the remaining 2.265 million shares of Rs. 5/- each to the credit of Rai Agencies. Rai Agencies is an entity owned by the promoter group of ITIL. IFCI approached SEBI with a complaint of non receipt of these 2.265 million shares. A reminder was sent to ITIL vide letter dated 10th February 2003. No comments were received from ITIL in response to the letter or the reminder. ITIL as Category II STA ought to have transferred 4.53 million shares of Rs. 5/- each into the account of IFCI. In spite of complaints lodged with ITIL by IFCI and also SEBI, ITIL failed to do the needful.

4. The said complaint was forwarded to ITIL and National Securities Depositories Limited (hereinafter referred to as NSDL) vide letter dated 22nd January 2003. NSDL vide its letter dated 30th April 2003 informed SEBI that on 17th November 2000 demat request only for 2.265 million shares of ITIL in respect of account of Rai Agencies was received and was demated on 22nd November 2000.

5. SEBI vide order dated 21st April 2003 ordered an inspection of ITIL's books of account, records, documents and infrastructure, systems and procedures, inter-alia, to look into the IFCI's complaint. On 14th May 2003 an inspection team of SEBI visited ITIL office at A-41, Mohan Cooperative Estate, Mathura Road, Badarpur, New Delhi - 110 044 (hereinafter referred to as "Badarpur premises") for inspection but ITIL could not be traced. It was reported that an educational institution was being run by Shri Vinay Rai and others in the name of 'Rai Foundation' at Badarpur premises and persons at the Rai Foundation claimed no knowledge about ITIL. Subsequently, an inspection team of SEBI visited Lesag House, 11/2, Delhi Mathura Road where security guards informed that ITIL office had been shifted to Badarpur premises. On a visit to Badarpur premises again, the team was told that ITIL had shifted to Microwave Towers, Adekhi Colony, Shankar Vihar Colony, Hardoi Road, Lucknow.

6. Uttar Pradesh Stock Exchange (hereinafter referred to as UPSE), advised to check up at the said premises at Lucknow, informed that there was no trace of ITIL at the given address.

7. As per NSDL records, ITIL had an office at B-303, Ansal Chambers, Bhikaji Cama Place, New Delhi. When the Inspection team visited that place on June 25, 2003, ITIL was not found there too.

8. As per SEBI records ITIL was located at 12/1, Delhi Mathura Road, Faridabad 121 002. On July 22, 2003, the inspection team visited the said address. It was found that the premises were occupied by Rai Foundation and there was no name plate of ITIL. ITIL company officials were found operating from the same premises, with poor infrastructure; there was not even a direct phone line or fax available. Further, ITIL was found to be negligent in operations. Share certificates lodged with were found to have been not transferred for almost 3 years. Upon enquiry, it transpired that ITIL was in the process of winding up and transferring its operations to RCMC Share Registry. It was stated by a senior manager of ITIL (Shri Sukhija) that ITIL would surrender its category II, STA registration with SEBI, which was valid upto 31st December 2003. He further stated that he did not have any knowledge of SEBI correspondence with regard to the complaint of IFCI forwarded by SEBI. When the inspection team visited Badarpur premises, they could only talk to Mr. Naresh Kapoor over the phone from the ITIL reception located at Badarpur premises and learnt.

9. It is observed that Information Technologies (India) Ltd. which had registration with SEBI for carrying on in-house share transfer activities of the company as Category II Share Transfer Agent had been functioning unsatisfactorily without having any definite address and adequate infrastructure, systems and procedures. The difficulties encountered by inspection team of SEBI, even to trace the location of office of ITIL and futility of its efforts to carry out the inspection of the activities of Share Transfer Agent speak volumes about the manner in which the business was being conducted by the Agent. While non-transfer of shares, and non-despatch of share certificates lodged for as long as 3 years point to the inefficiency of the organisation, deliberate non-credit of the shares lodged by IFCI for dematerialisation fully into the demat account of the IFCI and, on the contrary crediting a part of the shares so lodged, to the account of a promoter_entity of ITIL, points to impropriety.

10. It is also observed that the shares of ITIL itself stand suspended for trading. More importantly, based on investigation into allegation of price manipulation of its shares, SEBI vide its orders dated 31st March 2004 directed ITIL and its promoter directors not to access the capital market and not to deal in securities in any manner whatsoever for a period of one year. ITIL can no longer be considered as a fit and proper entity to be entrusted with the work of share transfer agent. It is seen that the registration of the Share Transfer Agent with SEBI expired on December 2003 and stands cancelled.
11. I therefore, in exercise of the powers conferred upon me under section 11(1) and 11B read with section 19 of the SEBI Act, hereby direct ITIL to transfer the records of its existing clients, if any, to another Share Transfer Agent registered with SEBI, or to the companies concerned within a period of 21 days from the date of this order. This order is without prejudice to power of SEBI to initiate any further action, which it may deem fit in respect of other violations, if any, found to have been committed by ITIL.

Place: MUMBAI

T. M. NAGARAJAN

Date: June 14, 2004

WHOLE TIME MEMBER