

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**DIRECTIONS UNDER SECTION 19 OF DEPOSITORIES ACT, 1996, AGAINST MOTOROL ENTERPRISES LTD., FOR DELAY IN DEMATERIALISATION OF SHARES**

**CO/144/MIRSD/01/2005**

1. The National Securities Depository Ltd. (NSDL)/ Central Depository Services Ltd. (CDSL) informed SEBI that 443 requests of dematerialization were pending for more than 30 days against Motorola Enterprises Ltd. hereinafter referred to as "MEL") as on December 12, 2003.
2. Thereafter, SEBI issued a show cause notice dated 09.02.04 to MEL advising it to show cause as to why action should not be initiated against it for violating the provisions of Regulation 53 read with Regulation 54(5) of SEBI (Depositories and Participants) Regulation, 1996 and the Depositories Act, 1996 for the delay in dematerialization.
3. An opportunity to appear before the Chairman, SEBI was given MEL on 16.10.04 vide letter dated 24.09.04. I note that the MEL, through its representatives, attended the personal hearing and attributed the delay in dematerialization to financial disputes with their R&T Agents. MEL, during the course of the personal hearing, was given one month's time to reduce the pendency of the dematerialization requests.
4. Under Sub Section (2) of Section 6 of the Depositories Act, 1996, MEL on receipt of certificate of security for dematerialization, was required to cancel the certificate of security and substitute in its records the name of the depository as a registered owner in respect of that security and inform the depository accordingly. Further, Regulation 53 read with Sub Regulation (5) of Regulation 54 of SEBI (Depositories and Participants) Regulation, 1996 mandates that the issuer company should within 15 days of receipt of certificate of security from the participants, mutilate and cancel the certificate and substitute in its records the name of the depository as its registered owner.
5. In view of the above provisions of law, the issuer company was under an obligation to complete the process of dematerialization within the above stipulated period under the regulations. The conduct of MEL in keeping dematerialization requests pending for more than 30 days is detrimental to the interest of the investors/ shareholders in as much as the investors/ shareholders could not sell their shares at an opportune time. Thus it had deprived the share holders of the liquidity of their investments and loss of opportunity to sell the dematerialized shares.
6. I note that MEL failed to discharge its obligation towards investors to meet the requests for dematerialization in contravention of the aforesaid provisions of law as reported by NSDL and therefore violated the provisions of Regulation 53 read with regulation 54(5) of SEBI (Depositories and Participants) Regulation, 1996.
7. I note that 708 dematerialization requests for NSDL and 101 dematerialization requests for CDSL were still pending as on 21.01.05, although the process of dematerialization was required to be completed within 15 days from the date of receipt of shares from investors in accordance with SEBI (Depositories and Participants) Regulations, 1996. The delay in dematerialization being prejudicial to the interests of shareholders, is viewed seriously.
8. Now, therefore in exercise of powers conferred under Section 19 of the Depositories Act, 1996, I hereby direct that all the pending requests for dematerialization of shares from shareholders shall be completed by MEL within one month from the date of receipt of this order and a compliance report thereto be submitted to SEBI, failing which, Motorola Enterprises Ltd. shall stand automatically restrained from accessing the securities market and prohibited from buying, selling or dealing in securities for a period of 2 years.

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**Place: Mumbai**

**G N BAJPAI**

**Date: 27.1.05**

**CHAIRMAN**

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