

SECURITIES AND EXCHANGE BOARD OF INDIA

DIRECTIONS UNDER SECTION 19 OF DEPOSITORIES ACT, 1996, AGAINST SATKAR ELECTRONICS LTD., FOR DELAY IN DEMATERIALISATION OF SHARES

CO/137/MIRSD/01/2005

1. The National Securities Depository Ltd. (NSDL)/ Central Depository Services Ltd. (CDSL) informed SEBI that 651 requests of dematerialization were pending for more than 30 days against Satkar Electronics Ltd. (hereinafter referred to as "SEL") as on December 12, 2003.
2. Thereafter, SEBI issued a show cause notice dated 09.02.04 to SEL 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. I note that SEL has not replied to the said show cause notice till date.
4. An opportunity to appear before the Chairman, SEBI was given to SEL on 16.10.04 vide letter dated 24.09.04. I note that the SEL failed to appear for the personal hearing.
5. SEL has neither replied to the Show Cause Notice nor attended the personal hearing. It, therefore failed to avail the opportunity.
6. Under Sub Section (2) of Section 6 of the Depositories Act, 1996, SEL 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.
7. 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 SEL 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.
8. I note that SEL 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.
9. I note that 875 dematerialization requests for NSDL and 287 dematerialization requests for CDSL were still pending with SEL 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.
10. 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 SEL within one month from the date of receipt of this order and a compliance report thereto be submitted to SEBI, failing which, Satkar Electronics 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.

Sd-

Place: Mumbai

G N BAJPAI

Date: 27.1.05

CHAIRMAN

SECURITIES AND EXCHANGE BOARD OF INDIA