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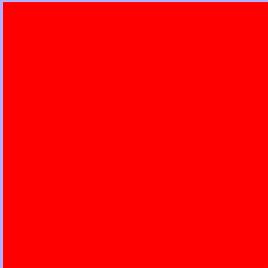
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1 Dec 2004

Hall of Shame

Check out this new website to see if your company or intermediary has been on the wrong side of the law.

Rajesh Gajra

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There's this neighbourhood broker who has been asking you to transact through him. His charges are lower, his office is neat, his employees polite. But other than appearances, you know nothing about him. Other than his word, you have nothing to go by. Having heard horrifying tales of ripoffs, doubts linger: is he honest, does he have a spotless track record?

There's this small, upcoming company your colleague told you about. The numbers look decent, the business is growing, but you don't know the promoter from Adam. You Googled him, and got three PR-ish pieces about him saying good things about his company. Not good enough, you say, you want the dirt: has he ever been on the wrong side of the law?

Cracking such questions with a degree of surety requires you to have the patience of a Rahul Dravid and a degree in law. A typical investor search unfolds something like this. You go to the website of a regulator like Sebi (Securities and Exchange Board of India), and punch a search. If it throws up something, there is a legal order printed verbatim to be made sense of. If no results come up, you wonder if the site missed something. So, you repeat the search on the website of stock exchanges. With information scattered, trying to trace the background of a company, intermediary or person is usually tedious and frustrating.

One-stop site. A recently launched website, [watchoutinvestors.com](#), promises to change that. The site is the brainchild of primary market expert Prithvi Haldea and is partly funded by the Ministry of Company Affairs. It lists the orders passed by several financial regulators and bodies with quasi-judicial powers against entities and people in the financial space. The database is organised under several heads and information can be easily accessed through a search command.

The orders covered in the site date back to 1 January 2000. To start with, all orders issued since that date by nine entities including Sebi, the RBI (Reserve Bank of India) and the Ministry of Company Affairs are covered (See Sideshow: The Watchlist). Four years have produced orders against 28,780 entities and 6,920 persons, which shows that the data coverage, even if not exhaustive, is huge. It also shows how much dirt is out there and why you must be extremely careful while investing or dealing with intermediaries.

So, if you want to check if any regulatory action has been taken in the



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CHECK OUT

delisted companies are exploiting a loophole in the law to throw out minority shareholders. And the regulator is turning a blind eye.

The delisting of 925 errant companies by the BSE serves notice to all investors who can't resist punting on two-bit stocks.

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past four years against the broker you are planning to switch to or that upcoming company your colleague wants you to invest in, this is the place to go. Registration is free. Compared to sites of regulators, its much deeper, more organised and user-friendly. Instead of trawling through five different sites, the action taken by many regulatory bodies against a company appear on the same page. The charge and action taken is expressed briefly, in easy-to-understand language, not legalese. If you want to read the entire order, the site also has that.

It is information you can act on. For instance, if you are dealing with one Manoj Kumar Tibrewal, a broker on the Calcutta Stock Exchange, you should immediately shift, as Sebi barred him on November 8 from dealing in the market for two years on charges of price manipulation. Or if you are planning to buy shares of Alacrity Housing, you should reconsider as the company has been sitting on demat requests. Why would you want to invest in a company that shows such apathy towards its shareholders?

Watch out! Prithvi Haldea, head of Prime Investors, which manages the site, says the site helps investors make investment decisions confidently (See Sideshow: 'Protect Yourself from Defaulters'). Make it a habit: before you enter into any transaction with a financial entity or person whose antecedents you are unsure about, visit this site, and check if there are any blots against its name. If there are, be wary of investing in it or dealing with it.

Once invested, there is the 'alert' feature you must use to monitor your investments and intermediaries. You can create your own list of entities and persons you want to keep tabs— promoters and directors of companies whose shares you own or in which you have a fixed deposit, intermediaries you deal with, portfolio managers, your cooperative bank... As and when any order is passed against them by any of the regulatory bodies covered, and it appears on the site, you will be automatically intimated by e-mail.

At present, you are usually the last to know about wrongdoings. You still won't be the first, such is the inequity of the Indian financial system, but you will certainly come to know earlier than you currently do, and possibly be able to cut your losses. Says Jayshree Dhabaria, an investor in Mumbai: "Mostly, only good things about companies get highlighted. A tool that cautions me on my investments is useful." In the long run, tracking entities and persons for wrongdoings, and dumping them at the first sign of indiscretion, will breed good investment habits. The knowledge that investors have easy access to their credentials might also force companies and market players to adopt better practices.

Up ahead. The new information system is a huge improvement from before, but it can get better, if the regulators help. The records on the site are only from 1 January 2000. Says Haldea: "We had to keep a cut-off to go live. It is difficult to get data before that, but we are trying." To make the site more meaningful to investors, information has to flow from all participants in the system quickly, which does not happen consistently. For instance, though the site updates RBI and Sebi order daily, the regulators themselves are lax in posting orders. On November 21, Sebi had put up orders only till November 10 on its site. Then, the registrar of companies takes a month to post its orders. Haldea says they are working to reduce this time lag.

The site also intends to cover more regulatory agencies in the financial space. Of great utility to you would be downgrades of debt instruments by credit rating agencies, income tax violations and information on erring insurance agents, among other things. If the site is updated regularly and maintained honestly, it can hugely empower investors by being the last word on the integrity of companies and intermediaries.



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