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DEMATERIALISATION / REMATERIALISATION OF SHARES

What is Dematerialisation of Shares?

Dematerialisation (Demat) is the process by which securities held in physical form evidencing the holding of securities by any person are cancelled and destroyed and the ownership thereof is entered and converted in to an equivalent no of securities in electronic form and credited in the investors account called the demat account_with a Depository Participant.

Trading in demat form is regulated by the Depositories Act, 1996 and is monitored by the Securities and Exchange Board of India (SEBI). The two depositories presently functioning in India are National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

How does the Depository System operate?

The operations in the Depository System involve the participation of a Depository, Depository Participants, Company/Registrars and Investors. The company is also called the Issuer.

A Depository (NSDL and CDSL) can be compared to a Bank. A Depository holds securities (like Shares, Debentures, Bonds, Government Securities, units etc.) of investors in Electronic Form, through Depository Participants.

A Depository Participant is the agent of the Depository and is the medium through which the shares are held in the electronic form. They are also the representatives of the investor, providing the link between the investor and the company through the Depository.

To draw an analogy, the Depository system functions very much like the banking system. A bank holds funds in accounts whereas, a Depository holds securities in accounts for its clients. A bank transfers funds between accounts whereas, a Depository transfers securities between accounts.

In both systems, the transfer of funds or securities happens without the actual handling of funds or securities. Both the banks and the Depository are accountable for safe keeping of funds and securities respectively. The company has to sign an Agreement with NSDL/CDSL (the depositories) while the investor signs an agreement and application with the Depository Participant.

What are the benefits of Demat?

- Facilitates paperless trading.
- Immediate transfer of securities;
- no stamp duty on transfer of securities;
- No formal registration required.
- elimination of risks associated with physical certificates such as bad delivery, fake securities , etc.;
- reduction in holding/transaction cost;
- Quick settlements.
- Investors has to demat the shares if he/she wishes to sell the same through the Stock Exchanges
- No requirement for approval of Board of Directors of the Company for transfers.
- change in address recorded with DP gets registered electronically with all companies in which investor holds securities eliminating the need to correspond with each of them separately;
- convenient method of consolidation of folios/accounts;

- Automatic credit into demat account of shares, arising out of split/ consolidation/ merger, issue & allotment of bonus shares, rights shares etc.
- Widely accepted for pledging against borrowings.
- SEBI Guidelines prescribe further issues in electronic mode only.
- Details of investors are obtained from the Beneficiary Position (Benpos) and hence cannot be manipulated by companies.
- Dematerialised shares can be rematerialised or changed into physical form whenever the shareholder so wishes.

Can a shareholder open a single account for securities owned in different ownership patterns such as securities owned individually and securities owned along with his wife?

No. The demat account must be opened in the same ownership pattern in which the securities are held in the physical form. E.g. if one share certificate is in individual shareholder's name and another certificate is jointly held in shareholder's and his wife's name, two different accounts would have to be opened.

How to dematerialise shares?

The procedure for dematerializing shares is as under:

- Open Beneficiary Account (Popularly called demat account) with a DP registered with SEBI.
- Submit Demat Request Form (DRF) as given by the DP, duly signed by all the holders with the names and signature in the same order as appearing in the concerned certificate(s) and the Company records, alongwith the physical certificates.
Kindly ensure that before the certificates are handed over to the DP for demat, they are defaced by marking "Surrendered for Dematerialisation" on the face of the certificates
- Obtain acknowledgment from the DP on handing over the share certificate(s).
- Demat transfers are required to be completed in 21 days as against 30 days (excluding time for despatch) for physical transfer.
- Receive a confirmation statement of holdings from the DP. Statement of holdings is sent by the DPs from time to time.

Shareholders should not send share certificate(s) / documents to the Company / Company's R&T Agents directly but only through the Depository Participant.

Additional information on the matter may be received from the Company's R & T Agent –

Bigshare Services Pvt. Limited
E-2, Ansa Industrial Estate,
Sakinaka, Sakivihar Road,
Andheri (E)
Mumbai-400 093, India
Telephone Nos: +91 22 28470652/653
Fax No: +91 22 28475207
e-mail: <mailto:bigshare@sify.com>, <mailto:info@bigshareonline.com>

Bigshare Services has been advised by the Company to facilitate shareholders in dematerialising shares.

How to get dividend on dematerialised shares? Will such shareholders be eligible for receiving Annual Report every year and also to attend General Meetings?

Dividend of shareholders holding shares in dematerialised form will be credited through ECS to the bank accounts as opted by them while opening the Beneficiary Accounts with the DP. In other cases, dividend warrants will be despatched to them

with the bank account details (as furnished by the Depositories) printed thereon.

Holding shares in dematerialised form will not affect the rights of the Shareholders. They, as members of the Company, will be entitled to receive Annual Report, attend General Meetings and participate and vote thereat to the extent of their entitlement.

Is pledge of dematerialized shares possible?

Dematerialised shares can be pledged for the purpose of availing of any funding / loan arrangement with a bank. You will have to contact your DP for this.

Can the electronic holdings (demat) be converted into physical share certificates?

If shareholder wishes to convert your demat holdings in physical form, he need to send a Rematerialisation Request Form (RRF) through your DP in the same manner as Dematerialisation. Upon receipt of such request from the DP, the R&TA of the company will issue share certificates to you.

What is the procedure for rematerialisation of shares?

The procedure for rematerializing shares is as under:

- Shareholder should submit duly filled in Rematerialisation Request Form (RRF) to the concerned DP.
- DP intimates the relevant Depository of the request through the system electronically.
- DP submits RRF to the Company's R&TA.
- Company's RTA confirms rematerialisation request to the Company's R&TA.
- The RTA updates the remat request in the physical master, prints certificate(s) and sends the same to the company for their approval.
- After approval and return of the printed certificates duly signed, the share certificate is depatched to the shareholder(s).
- After dispatch RTA confirms the remat request in the Depository system.
- Depository updates the Beneficiary Account of the shareholder by debiting the shares so rematerialized in his demat account.

NOTE: If you hold shares of the Company in electronic form, you will have to inform to your DP any change in your address, bank details, etc. For Company only the depository (NSDL / CDSL) will be member except for the purpose of rights, bonus, dividend pay outs and other purpose where the Company will request the depository to provide the list of beneficial owners.

DIVIDEND

(A) Course of Action in case of Non-receipt of Dividend, Revalidation of Dividend Warrant etc.

What should a shareholder do in case of non-receipt of dividend?

Shareholders may write to the Company's R&TA furnishing the particulars of the dividend not received and quoting the folio number/client ID particulars (in case of dematerialized shares). The R&TA shall check the records and issue duplicate dividend warrant if the dividend remains unpaid in the records of the Company after expiry of the validity period of the warrant. The Company would request the concerned shareholders to execute an indemnity before issuance of duplicate warrant.

If the validity period of the lost dividend warrant has not expired, shareholders will have to wait till the expiry date since duplicate warrant cannot be issued during the validity of the original warrant. On expiry of the validity period, if the dividend warrant is still shown as unpaid in records of the Company, duplicate warrant will be issued.

However, duplicate warrants will not be issued against those shares wherein a 'stop transfer indicator' has been instituted either by virtue of a complaint or by law, unless the procedure for releasing the same has been completed. No duplicate warrant will be issued in respect of dividends which have remained unpaid / unclaimed for a period of seven years in the unpaid dividend account of the Company as they are required to be transferred to the Investor Education and Protection Fund (IEPF) constituted by the Central Government.

Why do the shareholders have to wait till the expiry of the validity period of the original warrant?

Since the dividend warrants are payable at par at several centres across the country, banks do not accept 'stop payment' instructions. Hence, shareholders have to wait till the expiry of the validity of the original warrant.

What is the procedure for revalidation of dividend warrants?

Shareholders who have not encashed their dividend warrants within the validity period may send their request of revalidation to the Company's R&TA enclosing the said dividend warrants. The Company's R&TA will after due verification of the records, issue a revalidated dividend warrant. The revalidated warrant will be valid for a period of 3 months from the date of such warrant.

Please note that the company may issue Demand Drafts in lieu of Dividend Warrants sent for revalidation to the Company if it deems fit to do so.

How can a bank or any other person be authorised to receive dividends on behalf of shareholders?

Shareholders may write to the Company's R&TA furnishing the name and address of the authorized person/bank alongwith folio number and current communication address. The Company's R&TA will dispatch the respective shareholders' dividend warrants to the concerned person / bank. This facility is applicable only for the shareholders holding shares in physical form.

What procedure should be followed for incorporating the details of shareholder's bank account in the dividend warrant in order to protect against fraudulent encashment?

If the shareholder is holding shares **in physical form** then he should give his folio number, details of name, bank name and account number to the R&TA and they shall incorporate the same in all future dividend warrants of the shareholder.

However, if the holding of shares is **in demat form**, such details will have to be given to shareholder's Depository Participant with whom he has a demat account. The DP in turn will pass on this information to the company's R&TA. This procedure is in accordance with depository regulations.

(B) Payment of dividend through Electronic Clearing Service (ECS)

What is payment of dividend through ECS Facility and how does it operate?

Reserve Bank of India's Electronic Clearance Service (ECS) Facility provides investors an option to collect dividend / interest directly through their bank accounts rather than receiving the same through post. Under this option, investor's bank account is directly credited and an advice thereof is issued by the Company after the transaction is effected. The concerned bank branch credits investor's account and indicate the credit entry as "ECS" in his / her pass book / statement of account. If any investor maintains more than one bank account, payment will be received at his / her accounts as registered with the DP.

What are the benefits of ECS Facility?

Some of the major benefits of ECS Facility are:

- a. Prompt credit to the bank account of the investor through electronic clearing at no extra cost.
- b. Exposure to delays / loss in postal service is eliminated.
- c. As there can be no loss in transit of warrants, issue of duplicate warrants is avoided.
- d. Fraudulent encashment of warrants is ruled out.

Is the ECS facility available across the country?

No. ECS Facility is presently made available at selected centers. As per Reserve Bank of India, this service will be extended by and by to some more centers.

How to avail of ECS Facility?

Investors holding shares in physical form may send their ECS Mandate Form, duly filled in, to the Company's R&TA. However, if shares are held in dematerialised form, ECS mandate has to be sent to the concerned Depository Participant (DP) directly, in the format prescribed by the DP.

Why cannot the Company take on record bank details in case of dematerialised shares?

As per the Depository Regulations, the Company is obliged to pay dividend on dematerialised shares as per the details furnished by the concerned DP. The Company cannot make any change in such records received from the Depository.

(C) Unclaimed Dividend

What are the statutory provisions governing unclaimed dividend?

With effect from October 31, 1998, any moneys transferred to the 'unpaid dividend account' of the Company and remaining unpaid or unclaimed for a period of 7 years from the date of such transfer shall have to be transferred to the Investor Education and Protection Fund (IEPF). Investors are requested to note that no claims shall lie against the Company or IEPF for any moneys transferred to IEPF in accordance with the provisions of Section 205C of the Companies Act, 1956.

NOMINATION FACILITY

What is nomination facility and to whom it is more useful? What is the procedure of appointing a nominee?

Section 109A of the Companies Act, 1956 provides the facility of nomination to shareholders. This facility will be very useful for individuals holding shares in sole name. In the case of joint holding of shares by individuals, nomination will be effective only in the event of the death of all joint holders. Investors especially those who are holding shares in single name, are advised to avail of the nomination facility by submitting the prescribed Form to the Company's R&TA.

However, if shares are held in dematerialised form, nomination has to be registered with the concerned DP directly, as per the format prescribed by the DP.

Please note that you are not required to send your share certificates along with the nomination form and only one nomination can be made for one folio. Folios having different order or combination of names will require separate nominations.

Who can appoint a nominee and who can be appointed as a nominee?

Individual shareholders holding the shares in single name or joint names can appoint a nominee.

While an individual can be appointed as a nominee, a trust, society, body corporate, partnership firm, karta of HUF or a power of attorney holder will not be nominee(s). Minors can be appointed as a nominee, however, in such case the guardian will sign on behalf of the nominee and in addition to the name and photograph of the nominee, the name, address and the photograph of the guardian is also required.

Can separate nomination be made for each security held in a depository account?

No. Nomination can be made account wise and not security wise.

Can a nomination once made be revoked / varied?

It is possible to revoke / vary a nomination once made. If nomination is made by joint holders, and one of the joint holders dies, the remaining joint holder(s) can make a fresh nomination by revoking the existing nomination.

Are the joint holders deemed to be nominees to the shares?

Joint holders are not nominees; they are joint holders of the relevant shares having joint rights on the same. In the event of death of any one of the joint holders, the surviving joint holder(s) of the shares is / are the only person(s) recognised under law as holder(s) of the shares.

What is the legal position of the nominee in case of death of shareholders and how can he exercise his right?

The nominee is entitled to all the rights of the deceased shareholder to the exclusion of all other persons. In the event of death of the shareholder, all the rights of the shareholder shall vest in the

nominee. The nominee is required to apply to the Company by reporting the death of the nominator along with the death certificate duly attested.

The nominee has an option to decide to register himself as a shareholder or he could send an application to have the shares transferred to any other person to whom the nominator could have otherwise transferred the shares. If the nominee opts to transfer the shares to a third party, he should submit to the Company's R&TA the transfer deed(s) duly stamped and executed accompanied by the relevant certificate(s) and other documentary proof(s).

If shares are held in dematerialized form, nomination has to be registered with the concerned DP directly, as per the format prescribed by the DP.

TRANSFER /TRANSMISSION/TRANSPOSITION ETC. OF SHARES.

How to get shares registered in favour of transferee(s)?

Transferee(s) need to send share certificate(s) alongwith share transfer deed, duly filled in, executed and affixed with share transfer stamps, to the Company's R&TA. It takes about **15 days** for the Company's R&TA to process the transfer although the statutory time limit fixed for completing a transfer is one month.

The transfer deed is valid for a period of one year from the date of registration or till the book closure date, whichever is later.

In case of dematerialised shares, the shares are credited to the purchaser's account by the respective Depository Participant under the directions of the concerned Depository. Presently, transfer of dematerialised shares does not attract stamp duty.

What is the stamp duty on shares? From where these stamps can be obtained?

The Government of India, Ministry of Finance, Department of Revenue has fixed the Stamp Duty on Transfer (whether with or without consideration) of shares at the rate of twenty five paise (25 paise) for every hundred rupees or part thereof of the market value of the shares on the date of execution of the transfer deed.

Share Transfer Stamps can be obtained from the authorised stamp vendors. Your share broker can also help you in this regard.

How to get shares registered which are received by way of gift? Does it attract stamp duty?

The procedure for registration of shares gifted is same as the procedure for a normal transfer. The stamp duty payable for registration of gifted shares would be @ 25 paise for every Rs 100 or part thereof, of the face value or the market value of the shares prevailing as on the date of the document, if any, conveying the gift or the date of execution of the transfer deed, **whichever is higher**.

If the shareholder wants to add another joint-holder name to his shareholding, what procedure should be followed by him?

The shareholder has to execute a transfer deed, duly stamped and submit the same to the Company's R&TA for transfer. Please note that such addition of name amounts to change in ownership of shares and the procedure for transfer has to be followed.

What is the procedure for getting shares in the name of surviving shareholder(s), in the event of death of one shareholder?

The surviving shareholder(s) will have to submit a request letter supported by relevant share certificate(s) and an attested copy of the Death Certificate of the deceased shareholder. The Company's R&TA on receipt of the said documents and after due scrutiny will delete the name of deceased shareholder from its records and return the share certificate(s) to the surviving shareholder(s) with necessary endorsement.

If a shareholder who holds shares in his sole name dies without leaving a Will, how can his legal heir(s) claim the shares?

The legal heir(s) should obtain a Succession Certificate or Letter of Administration with respect to the shares and send a true copy of the same, duly attested, alongwith a request letter, transmission form, and the share certificate(s) in Original, to the Company's R&TA for transmission of the shares in his / their name(s).

In case of a deceased shareholder who held shares in his / her own name (single) and had left a Will, how do the legal heir(s) get the shares transmitted in their name(s)?

The legal heir(s) will have to get the Will probated by the Court of competent jurisdiction and then send to the Company's R&TA a copy of the probated copy of the Will, alongwith relevant details of the shares, the relevant share certificate(s) in Original and transmission form for transmission of the shares in his / their name(s).

How can the change in order of names (i.e. transposition) be effected?

Share certificates alongwith a request letter duly signed by all the joint holders may be sent to the Company's R&TA for change in order of names, known as 'transposition'.

Transposition can be done only for the entire holdings under a folio and therefore, requests for transposition of part holding cannot be accepted by the Company / R&TA.

Shareholder is advised to approach his DP for the transposition Form if he simultaneously wishes to get the shares dematted.

LOSS OF SHARE CERTIFICATES

What is the procedure for obtaining duplicate share certificate(s) in case of loss / misplacement of original share certificate(s)?

Shareholders who have lost / misplaced share certificate(s) should inform the Company's R&TA, immediately about loss of share certificate(s) quoting their folio number and details of share certificate(s), if available. The R&TA shall immediately mark a 'stop transfer' on the folio to prevent any further transfer of shares covered by the lost share certificate(s).

It is recommended that the shareholders should lodge a FIR with the police regarding loss of share certificate(s). They should send their request for duplicate shares to the Company's R&TA. Documents required to be submitted alongwith the application include Indemnity Bond, Affidavit, copy of FIR, Memorandum of Association and Certified Copy of Board Resolution (in case of companies).

The Company will publish a notice in the news papers after certain periodicity about the loss of shares certificates complaints received from the shareholders as per the details furnished in the advertisement. The cost for such advertisement expenses will be born proportionately by the shareholders who have complained to the Company about loss of share certificates. Usually 15 days time is mentioned in the notice for any claim of the share certificates notified in the advertisement. If no claim is lodged, the Company will proceed to issue duplicate shares in the coming Board Meeting.

Upon receipt of all the above documents R&TA shall proceed to issue duplicate share certificates to you.

What should a shareholder do in case he finds the original share certificate(s) after receipt of duplicate share certificate(s)?

Such a shareholder is requested to surrender the original share certificate(s), after cancellation, to the Company's R&TA immediately if the duplicate share certificate(s) have been issued to him. Further, as the shareholder has been issued duplicate share certificate(s), he would be liable to indemnify any innocent third party(ies) purchasing the original share certificate(s), directly or indirectly, with or without the knowledge of the original shareholder, as it tantamounts to passing of adverse title.

MISCELLANEOUS

(A) Change of Address:

What is the procedure for registering change of address of shareholder?

If you are holding shares in physical form, kindly send a request letter signed by the shareholder (first named shareholder only in case of joint-holders) giving the new address along with the Pin Code. Shareholders are also requested to quote their folio number and furnish proof such as attested copies of Ration Card / Bank Passbook / PAN Card / Passport / Latest Electricity or Telephone Bill / Lease Agreement etc.

If shares are held in dematerialised form, information about change in address needs to be sent to the DP concerned.

Can there be multiple addresses for a single folio?

No. There can be only one registered address for one folio.

(B) Change of name:

What is the procedure for registering change of name of shareholders?

Shareholders may request the Company's R&TA for effecting change of name in the share certificate(s) and records of the Company. Original share certificate(s) alongwith the supporting documents like marriage certificate, court order etc. should be enclosed. The Company's R&TA, after verification, will effect the change of name and send the share certificate(s) in the new name of the shareholders. Shareholders holding shares in demat form, may request the concerned DP in the format prescribed by DP.

(C) Consolidation of folio:

If shareholder is holding more than one folio in the same name, Can he consolidate these folios?

Yes. He need to forward the share certificate relating to those folios which he wishes to merge to Company's R&TA and they shall consolidate his folios and return the share certificates by endorsing the consolidated folio number.

Please note that the folios to be consolidated should be in the identical name or in the same order of identical names (in case of joint-holding) and bear the same address.

(D) Authority to another person to deal with shares:

What is the procedure for authorising any other person to deal with the shares of the Company?

Shareholders need to execute a Power of Attorney in favour of the concerned person and submit a notarised copy of the same to the Company's R&TA. After scrutiny of the documents, the R&TA shall register the Power of Attorney and inform the shareholders concerned about the registration number of the same.