

## **Dematerialisation (Demat) of shares**

### **Q.1 What is Demat and what are its benefits?**

Dematerialisation (or Demat) signifies the conversion of a share certificate from its present physical form to electronic form for the same number of holdings.

It is a direct application of scope provided by the tremendous progress made in the area of Information Technology, whereby voluminous and cumbersome paper work involved in the scrip based system is eliminated.

It offers scope for paperless trading through state-of-the-art technology, whereby share transactions and transfers are processed electronically without involving any share certificate or transfer deed after the share certificates have been converted from physical to electronic form.

Demat attempts to avoid the time consuming and complex process of getting shares transferred in the name of buyers and also aims to shirk inherent problems of bad deliveries, delay in processing, fraudulent interception in postal transit, etc.

The Depositories Act, 1996 has been enacted to regulate the matters related and incidental to the operation of Depositories and demat operations. Two Depositories are in operation - National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL).

**Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Amendment Regulations, 2018, effective from 05.12.2018, the requests for effecting transfer of securities in physical form shall not be processed unless the securities are held in the dematerialized form with a depository. Accordingly, in order to avoid any difficulty with regard to transfer of shares, held in physical form, investors are advised to get the shares dematerialized at the earliest well before 05.12.2018.**

### **Q.2 How does the Depository System operate?**

The operations in the Depository System involve the Depositories, Depository Participants, Company/Registrars and Investors.

A Depository (NSDL and CDSL) is an organisation like a Central Bank, i.e. Reserve Bank where the securities of an investor are held in the electronic form through Depository Participants.

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

To draw an analogy, the Depository System functions in a manner similar to a banking system. A bank holds funds in accounts whereas a Depository holds securities in accounts for its clients. A bank transfers funds between accounts while a Depository transfers securities between accounts.

In both systems, the transfer of funds or securities occurs without the actual handling of funds or securities. Both, the bank and the Depository, are accountable for the safe keeping of funds and securities respectively. The Company signs an Agreement with NSDL/CDSL (the depositories) and installs the necessary hardware/software for operations.

### **Q.3 How do I demat my shares?**

First, please open an account with a Depository Participant (DP) and obtain a unique Client ID number. Thereafter, kindly fill up a Dematerialisation Request Form (DRF) provided by the DP and surrender the physical shares intended to be dematted to the DP.

Upon receipt of the shares and the DRF, the DP will send electronic requests through the Depository to the Company/Registrar; for confirmation of demat. Each request will bear a unique transaction number.

Simultaneously, the DP will surrender the DRF and the shares to the Company with a covering letter requesting the Company/Registrar to confirm the demat. After verifying the documents received from the DP, the Company/Registrar will confirm the demat to the Depository.

This confirmation will be passed on from the Depository to the DP, which holds your account.

After receiving this confirmation from the Depository, the DP will credit the account with the dematerialized shares. The DP will then hold the shares in the dematerialized form on your behalf and you become the beneficial owner of these dematerialized shares.

### **Q.4 What are the charges to be paid to demat one's physical shares? Will it be paid by the Company or do I have to pay for it?**

The charges for demat have to be borne by the shareholder. The charges differ from DP to DP and therefore you will have to contact your DP for details regarding the same.

### **Q.5 I have purchased some shares in paper form. Can I directly give the share certificates to my Depository Participant for dematting them in my favour?**

Shares should be registered in your favour before they can be dematted. Please follow the procedure explained in Point I above on transfer of shares.

### **Q.6 How do I get my dividends on dematted shares? Will I get the Annual Report after I demat my shares? Will I be able to attend the AGM?**

On the Record date, the Depository Participants will provide a list of demat account holders indicating the number of shares held in electronic form (known as Benpos – Beneficiary Position). On the basis of Benpos, the Company will make dividend payments in favour of the demat account holders.

The rights of the shareholders holding shares in demat form are at par with holders of shares in physical form. Hence, you will be eligible to procure the Annual Report and can rightfully attend the AGM as a shareholder.

It is advisable to register your NECS mandate with your Depository Participant to enable us credit all your dividends electronically.

**Q. 7 What are the chances of any fraud/disputes in using a demat account? Whom should I approach in such cases?**

Common risk factors applicable to trading in physical shares like mismatch in signatures, loss in postal transit, etc., are absent since dematted shares are traded scrip-less.

However, in the unlikely event of any dispute, your Depository Participant would have to be approached for resolution of the same.

**Q. 8 Can I pledge my shares in demat form to avail any funding/loan arrangement with my bankers?**

Yes.

**Q. 9 Why can't the Company take request for change of details recorded in the demat account?**

As per the Depository Regulations, the Company is obliged to take on record the details of demat shareholders furnished by the concerned Depository Participant. The Company cannot make any change in such records received from the Depository.