

A Reference Guide for Investors on Their Rights and Responsibilities



Securities and Exchange Board of India

What are the risks that I may encounter while investing in the Securities Market?

Your expectations of income and/or growth may not materialize.

Realisation of the values of the investment of an equity holder possible only in the share market. Thus this investment may not be easily Liquid.

Disinvestment may result in capital losses also.

Running into problems with the trading and transfer of securities.

What are my rights as a shareholder?

To receive the share certificates, on allotment or transfer (if opted for transaction in physical mode) as the case may be, in due time.

To receive copies of the Annual Report containing the Balance Sheet, the Profit & Loss account and the Auditor's Report.

To participate and vote in general meetings either personally or through proxy.

To receive dividends in due time once approved in general meetings.

To receive corporate benefits like rights, bonus, etc. once approved.

To apply to Company Law Board (CLB) to call or direct the Annual General Meeting.

To inspect the minute books of the general meetings and to receive copies thereof.

To proceed against the company by way of civil or criminal proceedings.

To apply for the winding up of the company.

To receive the residual proceeds.

Besides the above rights, which you enjoy as an individual shareholder, you also enjoy the following rights as a group:

To requisite an Extra-ordinary General meeting.

To demand a poll on any resolution.

To apply to CLB to investigate the affairs of the company.

To apply to CLB for relief in cases of oppression and/or mismanagement.

What are my rights as a debenture holder?

To receive interest/redemption in due time.

To receive a copy of the trust deed on request.

To apply for winding up of the company if the company fails to pay its debt.

To approach the Debenture Trustee with your grievance.

You may note that the above mentioned rights may not necessarily be absolute. For example, the right to transfer securities (in physical mode) is subject to the company's right to refuse transfer as per statutory provisions.

What are my responsibilities as a security holder?

While you may be happy to note that you have so many rights as a stakeholder in the company that should not lead you to complacency; because you have also certain responsibilities to discharge.

To be specific

To remain informed

To be vigilant

To participate and vote in general meetings

To exercise your rights on your own or as a group

What are the advantages I have, of dealing through a Stock Exchange?

If you choose to deal (buy or sell) directly with another person, you are exposed to counter party risk, i.e. the risk of nonperformance by that party. However, if you deal through a Stock Exchange, this counter party risk is reduced due to trade/settlement guarantee offered by the Stock Exchange mechanism. Further, you also have certain protections against defaults by your broker.

When you operate through an exchange, you have the right to receive the best price prevailing at that time for the trade and the right to receive the money or securities on time. You also have the right to receive a contract note from the broker confirming the trade and indicating the time of execution of the order and other necessary details of the trade. If you have

opted for transaction in physical mode, you also have the right to receive good delivery and the right to insist on rectification of bad delivery. If you have a dispute with your broker, you can resolve it through arbitration under the aegis of the exchange.

Are my securities listed with SEBI?

No. Your securities are not listed with SEBI. The securities of companies are listed on recognised Stock Exchange(s).

How can I enter in a deal through a Stock Exchange?

If you decide to operate through an exchange, you have to avail the services of a SECURITIES AND EXCHANGE BOARD OF INDIA registered broker/sub-broker. You have to enter into a broker-client agreement and file a client registration form.

Since the contract note is a legally enforceable document, you should insist on receiving it. You have the obligation to deliver the securities in case of sale or pay the money in case of purchase within the time prescribed. If you have opted for transaction in physical mode, in case of bad delivery of securities by you, you have the responsibility to rectify them or replace them with good ones.

FOR SECURITIES IN PHYSICAL MODE:

1. How does transfer of securities take place?

To effect a transfer in the physical mode the securities should be sent to the company along with a valid, duly executed and stamped transfer deed duly signed by or on behalf of the transferor (seller) and transferee (buyer). It would be a good idea to retain photo-copies of the securities and the transfer deed when they are sent to the company for transfer. It is essential that you send them by registered post with acknowledgement due and watch out for the receipt of the acknowledgement card. If you do not receive the confirmation of receipt within a reasonable period, you should immediately approach the postal authorities for confirmation.

Sometimes, for your own convenience, you may choose not to transfer the securities immediately. This may facilitate easy and quick selling of the securities. In that case you should take care that the transfer deed remains valid. However, in order to avail the corporate benefits like the dividends, bonus or rights from the company, it is essential that you get the securities transferred in your name.

2. What procedure does a company follow for transfer of securities?

On receipt of your request for transfer, the company proceeds to transfer the securities as per provisions of the law. In case they cannot effect the transfer, the company returns back the securities giving details of the grounds under which the transfer could not be effected. This is known as company objection.

3. What should I do in case a company sends company objection?

When you happen to receive a company objection for transfer, you should proceed to get the errors/discrepancies corrected.

You may have to contact the transferor (the seller) either directly or through your broker for rectification or replacement with good securities. Then you can resubmit the securities and the transfer deed to the company for affecting the transfer. In case you are unable to get the errors rectified or get them replaced, you have recourse to the seller and his broker through the Stock Exchange to get back your money. However, if you had transacted directly with the seller originally, you have to settle the matter with the seller directly.

4. What should I do in case of my securities getting lost/ misplaced?

Sometimes, your securities in physical form may be lost/misplaced. You should immediately request the company to record a stop transfer of the securities and simultaneously apply for issue of duplicate securities. For effecting stop transfer, the company may require you to produce a court order or the copy of the FIR filed by you with the Police. Further, to issue duplicate securities to you, the company may require you to submit indemnity bonds, affidavit, sureties etc. besides issue of a public notice. You have to comply with these requirements in order to protect your own interest.

FOR SECURITIES IN DEMAT MODE:

For more information on Dematerialization of Securities, please refer to the "Dematerialization of Securities, Depositories, and Participants" in the FAQs section <http://investor.sebi.gov.in/faq/dematfaq.html> of our website: <http://investor.sebi.gov.in>.