



Demat by NSDL
Towards a secure future

* NEST UPDATE

April 2005

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63,00,723
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Rs. 14,47,663 Cr.
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Rs. 49,698 Cr.
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 - ❖ Debentures/
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Subscription to SPEED-e

The following Depository Participants (DPs) have subscribed to the SPEED-e facility of NSDL in the month of March 2005:

Clients of the above mentioned DPs can now avail of the facility of submitting various instructions through SPEED-e facility.

This takes the total number of DPs who have subscribed to SPEED-e to ____.

Subscription to IDeAS

The following DPs have subscribed to the IDeAS facility of NSDL in the month of March 2005:

- Escorts Securities Ltd.
- JRG Securities Ltd.
- MLB Capital Ltd.

This takes the total number of DPs who have subscribed to IDeAS to ____.

Guidelines regarding operation of Minor's Demat Account

DPs have been seeking clarification regarding the procedure to be followed in the event of a minor demat account holder attaining the age of majority. In this regard, it is clarified that, on attaining majority (i.e. 21 years in case of minor whose guardian is court-appointed or 18 years, where minor's account is represented by a natural guardian), the account holder should open a new account as per the guidelines prescribed in Circular Nos. NSDL/PI/2004/1622 and NSDL/PI/2004/2117 dated September 7, 2004 and November 25, 2004 respectively and execute an agreement as prescribed under Annexure B of the Bye Laws of NSDL. The account holder should also submit the following to the DP at the time of opening new account:

- 1) an application for transferring securities from the old account to the new account and to hold and operate the said new account; and
- 2) a duly attested copy of birth certificate.

DPs have been advised to ensure that the new account opened does not have joint holder(s). Further, DPs should transfer the securities from the old account to the new account and close the old account only after satisfying itself about the identity of the account holder.

DPs may submit the claim for waiver of transaction fee charged on account of minor attaining majority, once a month, (not later than 2 months after opening the new account) to NSDL as per the prescribed format.

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* National Electronic Settlement and Transfer

This has been intimated to the DPs vide Circular No. NSDL/PI/2005/0395 dated March 04, 2005.

Transmission in case of HUF accounts

Upon the death of the Karta of a Hindu Undivided Family (HUF), the surviving member(s) of the HUF may appoint the eldest surviving male member of the HUF surviving member as the new Karta of the HUF.

- A) For transmission of securities to the account of the new Karta from the account of the deceased Karta, the surviving members through the new Karta shall make a joint application to the DP in the Form specified in Annexure "O" along with the following documents:
- i. True Copy of the death certificate of the Karta, duly certified by a notary public;
 - ii. An appropriate order by a competent court,
Provided however that, if the surviving members or the New Karta express their inability to produce the order of a competent Court, and that the market value of securities lying to the credit of such account as on the date of application for transmission of securities does not exceed Rupees Ten Lakh then the DP shall process the transmission request on the basis of the following documents:
 - a) Request for transmission in Annexure "O", duly signed by the New Karta;
 - b) A declaration of the list of surviving members of HUF in an affidavit in the prescribed form (Annexure "O"), duly notarised;
 - c) Letter of Indemnity in the prescribed form (Annexure "O") from the surviving members.
- B) Where there is an objection from any member of the HUF, transmission of securities held in the beneficial owner account should be effected only on the basis of a Decree by a competent Court or the Deed of Partition.

The surviving members shall furnish to the DP the certified copy of the Settlement Deed / Deed of Partition / Decree of the relevant Court, duly stamped in case the HUF goes into separation / partition for dealing with the securities lying in the beneficial owner account held by the deceased Karta, and furnish to the DP the details of the beneficial owner accounts of the individual members in order to have the securities distributed to their respective accounts.

DP shall ensure that the documents submitted by the surviving members or the new Karta are in order and shall then effect a transfer of the balances to the client account of the new Karta.

After effecting the transmission, the DP shall close the account held in the name of the deceased Karta.

This has been intimated to the DPs vide Circular No. NSDL/PI/2005/0433 dated March 9, 2005.

Performance Summary

Investors :

Table 1

Month - Year	Client Accounts
	No. of Accounts (lakhs)
Mar-03	37.95
Mar-04	52.03
Mar-05	63.01

As on March 31, 2005, there are 63,00,723 investor accounts from within the country and abroad. 2,003 clearing member accounts have been opened to facilitate trading and settlement of demat shares in the stock exchanges connected to NSDL. Table 1 shows the growth in investor accounts over a period of three years.

Dematerialisation :

As on March 31, 2005, 12,866 cr. securities having a value of Rs.14,47,663 cr. were dematerialised. Table 2 shows the dematerialisation figures over the last three years.

Month - Year	Demat Quantity (Cr.)	Demat Value (Rs. Cr.)
Mar-03	6,876	551,304
Mar-04	8,369	966,153
Mar-05	12,866	1,447,663

Settlement :

Month - Year	Settlement Quantity (Cr.)	Settlement Value (Rs. Cr.)
Mar-03	85	8,728
Mar-04	165	25,171
Mar-05	458	49,698

In March 2005, a total quantity of 458 cr. shares having a value of Rs.49,698 cr. were settled in demat form in the stock exchanges connected to NSDL. Table 3 shows the settlement figures over the past three years.

Companies :

EQUITY

As on March 31, 2005, 5,536 companies are available for demat. Table 4 indicates the increase in the number of companies joined NSDL over a period of three years.

Month - Year	No. of Companies Operational
Mar-03	4,761
Mar-04	5,212
Mar-05	5,536

DEBENTURES / BONDS

Month - Year	No. of Issuers	No. of active Instruments	Demat Value (Rs. Cr.)
Jan-05	599	7,165	273,267
Feb-05	603	6,999	276,466
Mar-05	600	6,986	281,824

In March 2005, 600 issuers have issued 15,036 debentures/ bonds in demat form. 8,050 instruments have been redeemed and 6,986 instruments are available for dematerialisation. Table 4A shows the growth over a period of last three months.

COMMERCIAL PAPER

In March 2005, 365 issuers have issued 6,234 commercial papers in demat form. 5,802 instruments have been redeemed and 432 commercial papers are available for dematerialisation. Table 4B shows the growth over a period of last three months.

Table 4B

Month - Year	No. of Issuers	No. of active Instruments
Jan-05	365	446
Feb-05	365	458
Mar-05	365	432

Depository Participants :

Table 5

Month - Year	No. of DPs
Mar-03	213
Mar-04	214
Mar-05	216

As on March 31, 2005, 216 Depository Participants (DP) are offering depository services. DP services are provided from 2819 locations across the length and breadth of the country.

Corporate Action Statistics

Sr. No.	Description	During March 2005		For the F.Y. 2004-2005 (upto March 2005)	
		No. of Allottees	No. of Securities	No. of Allottees	No. of Securities
1.	Equity Shares	1,785,556	1,904,576,218	7,259,276	19,647,280,517
2.	Preference Shares	13	2,025,668	24,606	520,873,331
3.	Bonds	13,464	11,096,611	36,880	16,914,612,622
4.	Commercial Papers	97	49,902	1,249	556,526
5.	Certificate Of Deposits	146	591,030	525	1,811,643
6.	Securitized Instruments	99	2,622,614	827	4,087,742
7.	Mutual Fund Units	287	310,232	3,506	12,811,385
8.	Warrants	388,371	10,020,819	404,769	19,945,490
9.	Postal Savings Certificates	1,543	1,862,447,400*	4,842	3,406,017,000*
10.	Commodities	91	5,864	616	23,269
	Total	2,189,667	3,793,746,359	7,737,096	40,528,019,525

*Value in Rupees

List of Companies that have changed Names

(During March 2005)

Sr. No.	Old Name	New Name
1.	The Ahmedabad Electricity Company Limited	Torrent Power AEC Limited
2.	The Surat Electricity Company Limited	Torrent Power SEC Limited
3.	CMM Broadcasting Network Limited	Aastha Broadcasting Network Limited
4.	Jubilant Enpro Limited	Jubilant Enpro Private Limited
5.	Hughes Software Systems Limited	Flextronics Software Systems Limited
6.	Rao Investments Private Limited	GMR Holdings Private Limited
7.	Aurangabad Cryogenics Limited	Bansal Naturevest Limited
8.	Cinch Connectors India Private Limited	Automotive Connectors India Private Limited
9.	Sanjeevni Industries Limited	Vama Industries Limited
10.	Digital Globalsoft Limited	Hewlett Packard Globalsoft Limited
11.	Rathi Mercantile Industries Limited	Shloka Infotech Limited
12.	Ford India Limited	Ford India Private Limited
13.	Delhi Power Supply Company Limited	Delhi Transco Limited
14.	Inertia Industries Limited	Millennium Beer Industries Limited

Securities admitted for Dematerialisation during March 2005

COMPANY	ISIN
Aircel Televentures Limited	INE900G01010
Akarsh Printers Limited	INE881G01012
Balaji Galvanising Industries Limited	INE892G01019
Bangalore International Airport Limited	INE888G01017
Danta Vyapar Kendra Limitd	INE894G01015
Demag Delaval Industrial Turbomachinery Private Limited	INE909G01011
Deutsche India Holdings Private Limited	INE897G01018
Escorts Motors Limited	INE896G01010
Gokaldas Exports Limited	INE887G01019
GPI Textiles Limited	INE884G01016
Great Eastern Energy Corporation Limited	INE882G01010
Gwalior Chemical Industries Limited	INE916G01016
Himalayan Financial Services Limited	INE876G01012
Hughes Escorts Communications Limited	INE811F01011
Hughes Network Systems India Limited	INE899G01014

COMPANY	ISIN
Indus - League Clothing Limited	INE905G01019
Information Technology Park Limited	INE877G01010
International Housing Finance Corporation Limited	INE903G01014
International Tractors Limited	INE895G01012
Jayshree Chemicals Limited	INE693E01016
KG Petrochem Limited	INE902G01016
Lime Chemicals Limited	INE891G01011
Madhumalati Merchandise Private Limited	INE889G01015
Munoth Capital Market Limited	INE910G01019
Nandan Exim Limited	INE875G01014
Natural Stone Exports Limited	INE893G01017
North Karnataka Expressway Limited	INE898G01016
Polyspin Exports Limited	INE914G01011
REV IT Systems Private Limited	INE915G01018
Shankar Wire Links India Private Limited	INE913G01013
Shree Ganesh Forgings Limited	INE883G01018
Shringar Cinemas Limited	INE886G01011
Shriram Overseas Finance Limited	INE917G01014
Siemens Shared Services Private Limited	INE911G01017
Telecommunications Consultants India Limited	INE912G01015
Ten Media Limited	INE836G01016
The Dhamra Port Company Limited	INE901G01018
Tongani Tea Company Limited	INE874G01017

Topic of Interest

Pledge facility in NSDL

Forgery was one of the most prominent risks while dealing in paper form of securities. Because of this risk, Banks or such lenders were reluctant to give loans against securities. Even when loans were given against securities, such loans came with severe conditions like demand for additional collateral, higher margins, higher interest rates, actual transfer of securities in the name of the lender or adding name of the lender as a joint holder, etc.

With the advent of depository system and with a clear provision in the Depositories Act enabling beneficial owners to pledge their securities, pledging in demat form has become much simpler and convenient.

Securities held in a beneficial owner's account can be pledged for a loan, credit, or such other facility. Both the parties to

the transaction i.e., the pledgor (borrower) and the pledgee (lender) must have beneficiary accounts with Depository Participant(s) (DP) of NSDL. However, both parties need not have their depository accounts with the same DP.

Procedure for Pledge

The borrower initiates the creation of pledge through its DP by submitting a “Pledge Form” with a tick on “Create the Pledge” and the lender instructs its DP to confirm the creation of pledge by submitting a “Pledge Form” with a tick on “Confirm the creation of Pledge”. The pledge gets created in favour of the lender when the lender’s DP confirms the creation of pledge in the depository system.

The pledge so created can either be closed on repayment of loan or invoked, if there is default in repayment of loan or discharge of such other obligation. The borrower may initiate the closure of pledge through its DP by submitting the “Pledge Form” with a tick on “Close the Pledge”. The lender may submit to its DP “Pledge Form” with a tick on “Confirm the closure “ to confirm the closure of the pledge. The pledge is closed in the system only when the lender’s DP confirms the closure of the pledge in the system. A borrower cannot close the pledge unilaterally. But the lender can unilaterally close the pledge.

If the borrower defaults in discharging his obligation under the agreement, the lender may invoke the pledge. On execution of invocation instruction, the securities lying in the borrower’s account get transferred into the lender’s account. This does not require any confirmation from the borrower.

Borrower is also entitled to partial closure of pledge with the consent of the lender. If the lender agrees, borrowers can reduce the number of securities or change the securities offered as collateral.

NSDL depository system prevents transfer of securities that have been pledged. The transaction statement clearly classifies the securities offered for pledged as “pledged”, distinguishing them from “free securities”. Pledged securities become transferable only after the pledge is closed.

Corporate Benefits for Pledged Securities

The pledged securities continue to remain in borrower’s account until the pledge is invoked. Hence, all corporate benefits – cash and non-cash – like dividends, rights, bonus, etc. in respect of pledged securities accrue to the borrower. Dividends are given to the borrower and bonus securities are credited to borrower’s account as pledged balance.

In respect of securities that are pledged, the securities arising out of corporate actions like share splits (sub-division) or consolidation or exchanges under a merger/acquisition scheme are credited to the account of the borrower with pledge marked in favour of the lender.

Benefits

The procedure for pledging the securities in demat form is convenient, both for the borrower and the lender. Lender can take its decision regarding lending against securities as collateral on the basis of price risk, liquidity risk and credit risk without concern about the quality of securities since securities in ‘demat’ form assure quality of securities.

Pledge through depository system has given confidence to the institutional lenders to lend against securities. In order to take advantage of this system and to attract borrowers, some banks have given incentives in terms of higher loan amount/ reduced margins/lower rate of interest for loans availed against securities in demat form. Today, “Loans against shares” is an important product offering in banking business.

NSDL Calendar of Events

Investor Depository Meets

April 21, 2005	Asansol	April 23, 2005	Thiruvananthapuram
April 21, 2005	Cochin	April 28, 2005	Kolhapur
April 22, 2005	Burdwan	April 29, 2005	Satara
April 22, 2005	Permbavoor	April 30, 2005	Sangli
April 23, 2005	Kolkata		

Business Partner Training

April 26 - 28, 2005	DP Training
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Investor Relationship Cell

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NSDL Certification Program

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