



*NEST UPDATE

Demat by NSDL

Towards a secure future

March 2005

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Subscription to IDeAS

The following Depository Participants (DPs) have subscribed to the IDeAS facility of NSDL:

- CLSA India Limited
- J M Morgan Stanley Retail Services Pvt. Ltd.
- NAM Securities Ltd.

This takes the total number of DPs who have subscribed to IDeAS to 91.

SEBI circular no. MRD/DoP/SE/Dep/Cir-4/2005 dated January 28, 2005 on review of dematerialisation charges

- “1. Investors have been representing to SEBI seeking a reduction in the charges paid by them for dematerialisation of securities. The rationalization of charge structure for dematerialisation was discussed at the Secondary Market Advisory Committee of SEBI (SMAC).
2. After careful consideration of the recommendations of the SMAC, as a first step, it has been decided to rationalize the existing charge structure as under:
 - 2.1 Effective from February 1, 2005: -
 - a) No investor shall be required to pay any charge towards opening of a Beneficiary Owner (BO) Account except for statutory charges as may be applicable;
 - b) No investor shall be required to pay any charge for credit of securities into his/her BO account; and
 - c) No custody charge shall be levied on any investor who would be opening a BO account on or after February 1, 2005.
 - 2.2 With effect from April 1, 2005 the custody charges shall not be levied on any investor. However, the Depositories may levy and collect the charges towards custody from the issuers, on a per folio (ISIN position) basis as at the end of the financial year, according to the table given below:

Issuers to pay @ Rs.5.00 (*) per folio (ISIN position) in the respective depositories, subject to a minimum as mentioned below:

Nominal Value of admitted securities (Rs.)	Annual Custodial Fee payable by a Issuer to each Depository (Rs.) (*)
Upto 5 crore	4,000
Above 5 crore and upto 10 crore	10,000
Above 10 crore and upto 20 crore	20,000
Above 20 crore	30,000

* Plus service tax as applicable

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* National Electronic Settlement and Transfer

The issuers would be required to pay custody charges to the Depository with whom they have established connectivity based on the total number of folios (ISIN positions) as on 31st March of the previous financial year or the minimum amount, as the case may be, by 30th April of the each financial year failing which Depositories may charge penal interest subject to a maximum of 12% p.a.”

NSDL has issued a Circular No. NSDL/PI/2005/0308 dated February 18, 2005 in this regard to the DPs.

Performance Summary

Investors :

Table 1

Month - Year	Client Accounts
	No. of Accounts (lakhs)
Feb-03	38.20
Feb-04	49.90
Feb-05	61.67

As on February 28, 2005, there are 61,66,926 Investor accounts from within the country and abroad. 2,030 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 February 28, 2005, 12,527 cr. securities having a value of Rs. 14,48,601 cr. were dematerialised. Table 2 shows the dematerialisation figures over the last three years.

Table 2

Month - Year	Demat Quantity (Cr.)	Demat Value (Rs. Cr.)
Feb-03	6,761	565,986
Feb-04	7,949	953,914
Feb-05	12,527	1,448,601

Settlement :

Table 3

Month - Year	Settlement Quantity (Cr.)	Settlement Value (Rs. Cr.)
Feb-03	87	8,915
Feb-04	159	26,475
Feb-05	453	42,962

In February 2005, a total quantity of 453 cr. shares having a value of Rs. 42,962 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 February 28, 2005, 5,495 companies are available for demat . Table 4 indicates the increase in the number of companies joined NSDL over a period of three years.

Table 4

Month - Year	No. of Companies Operational
Feb-03	4,705
Feb-04	5,177
Feb-05	5,495

DEBENTURES / BONDS

Table 4A

Month - Year	No. of Issuers	No. of active Instruments	Demat Value (Rs. Cr.)
Dec-04	597	6,921	271,155
Jan-05	599	7,165	273,267
Feb-05	603	6,999	276,466

In February 2005, 603 issuers have issued 14,846 debentures/bonds in demat form. 7,847 instruments have been redeemed and 6,999 instruments are available for dematerialisation. Table 4A shows the growth over a period of last three months.

COMMERCIAL PAPER

As on February 28, 2005, 365 issuers have issued 6,145 commercial papers in demat form. 5,687 instruments have been redeemed and 458 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
Dec-04	365	446
Jan-05	365	446
Feb-05	365	458

Depository Participants :

Table 5

Month - Year	No. of DPs
Feb-03	213
Feb-04	214
Feb-05	215

As on February 28, 2005, 215 Depository Participants are offering depository services. DP services are provided from 1719 locations across the length and breadth of the country. Table 5 shows the steady increase in the number of DPs.

Corporate Action Statistics

Sr. No.	Description	During February 2005		For the F.Y. 2004-2005 (upto February 2005)	
		No. of Allottees	No. of Securities	No. of Allottees	No. of Securities
1.	Equity Shares	286,901	1,169,865,742	5,473,720	17,742,704,299
2.	Preference Shares	12	90,150,158	24,593	518,847,663
3.	Bonds	2,113	16,793,846,267	23,416	16,903,516,011
4.	Commercial Papers	99	41,590	1,152	506,624
5.	Certificate Of Deposits	105	306,130	379	1,220,613
6.	Securitized Instruments	83	947,778	728	1,465,128
7.	Mutual Fund Units	272	178,505	3,219	12,501,153
8.	Warrants	0	0	16,398	9,924,671
9.	Postal Savings Certificates	344	684,973,600*	3,299	1,543,569,600*
10.	Commodities	77	4,056	525	17,405
Total		290,006	18,055,340,226	5,547,429	35,190,703,567

*Value in Rupees

List of Companies that have changed Names

(During February 2005)

Sr. No.	Old Name	New Name
1	Livewell Home Finance Limited	Sahara Housingfina Corporation Limited
2	Super Sales Agencies Limited	Super Sales India Limited
3	Venlon Polyester Film Limited	Venlon Enterprises Limited
4	Hexacom India Limited	Bharti Hexacom Limited
5	E Connect India Limited	ETC Networks Limited
6	Sunline Technologies Limited	Zenotech Laboratories Limited
7	ICICI Infotech Services Limited	3i Infotech Limited
8	Maximus Steel Manufacturing Limited	Maximus Multitrade Limited
9	Om Metals & Minerals Limited	Om Metals Limited

Securities admitted for Dematerialisation during February 2005

COMPANY	ISIN
Adventity BPO India Private Limited	INE811G03015
Allsec Technologies Limited	INE835G01018
Bhoruka Aluminium Limited	INE866G01013
Electrotherm (India) Limited	INE822G01016
Facor Alloys Limited	INE828G01013
Facor Steels Limited	INE829G01011
Fulford Sales Private Limited	INE820G01010
Gajanan Securities Services Limited	INE868G01019
Ginza Industries Limited	INE815G01010
Jaiprakash Engineering And Steel Company Limited	INE845G01017
Jindal South West Holdings Limited	INE824G01012
Kaycee Industries Limited	INE813G01015
Malladi Drugs and Pharmaceuticals Limited	INE814G01013
Millars India Limited	INE178E01018
Nagarjuna Power Corporation Limited	INE843G01012
Navsari Commodities Private Limited	INE821G01018
Reliance Energy Investments Private Limited	INE834G01011
Sahil Financial Services Limited	INE819G01012
SBI Mutual Fund Trustee Company Private Limited	INE867G01011
Shyam Century Ferrous Limited	INE837G01014
SMS Pharmaceuticals Limited	INE812G01017
Soubhagya Diecast Limited	INE838G01012
Stockhome India Limited	INE842G01014
Thathi Infin Lease Services Limited	INE841G01016
Wellesley Commercial Company Limited	INE087F01018

Topic of Interest

FAQs for NRIs on Depository Account

Disclaimer

This FAQ is prepared based on NSDL's (National Securities Depository Limited's) understanding of FEMA regulations. While utmost care has been exercised while developing the FAQs, National Securities Depository Ltd. does not warrant the completeness or accuracy of the information and disclaims all liabilities, losses and damages arising out of the use of this information. The readers are requested to keep abreast of the changes taking place in the underlying provisions of RBI.

Q.1 Where can an NRI/PIO open a demat account?

Ans. NRI/PIO can open a demat account with any Depository Participant [DP] of NSDL. The NRI/PIO needs to mention the type ['NRI' as compared to 'Resident'] and the sub-type ['Repatriable' or 'Non-Repatriable'] in the account opening form collected from the DP.

Q.2 Does an NRI need any RBI permission to open a demat account?

Ans. No permission is required from RBI to open a demat account. However, credits and debits from demat account may require general or specific permissions as the case may be, from designated authorised dealers.

Q.3 What type of bank account details is to be given at the time of account opening and subsequently [by way of change of details] ?

Ans. The following bank accounts may be given:

- For non-repatriable - NRO [dividend/interest is repatriable]
- For repatriable - NRE

The above details recorded by the DP in the demat account may be used by the Issuer to directly credit dividend or interest.

(Dividend/interest received on Investments made on repatriation and non – repatriation basis under Portfolio Investment Scheme is not an eligible credit to NRE (PIS) Account and NRO (PIS) Account respectively).

Q.4 If NRI/PIO desires to make investments under different schemes, can he hold all such securities in a single demat account?

Ans. No. Securities received against investments under 'Foreign Direct Investment scheme (FDI)', 'Portfolio Investment scheme (PIS)' and 'Scheme for Investment' on non – repatriation basis have to be credited into separate demat accounts. Investment under PIS could be on repatriation or non – repatriation basis. Investment under FDI scheme is on repatriation basis.

Q.5 Does an NRI require RBI permission for dematerialiation/rematerialisation of securities?

Ans. No special permission is required. Holding securities in demat only constitutes change in form and does not need any special permission. However, only those physical securities which already have the status as NR – Repatriable / NR- Non-Repatriable can be dematerialised in the corresponding Depository Accounts.

Q.6 Can securities purchased under repatriable and non-repatriable category be held in a single demat account?

Ans. No. An NRI must open separate demat accounts for holding 'repatriable' and 'non- repatriable' securities.

Q.7 In case a person who is resident in India becomes a non-resident, will he/she be required to change the status of his/her holding from Resident to Non-Resident?

Ans. As per section 6(5) of FEMA, NRI can continue to hold the securities which he/she had purchased as a resident Indian, even after he/she has become a non resident Indian, on a non-repatriable basis.

Q.8 In case a non-resident Indian becomes a resident in India, will he/she be required to change the status of his/her holding from Non-Resident to Resident?

Ans. Yes. It is the responsibility of the NRI to inform the change of status to the designated authorised dealer branch, through which the investor had made the investments in Portfolio Investment Scheme and the DP with whom he/she has opened the demat account. Subsequently, a new demat account in the resident status will have to be opened, securities should be transferred from the NRI demat account to resident account and then close the NRI demat account.

Q.9 Does an NRI require any permission to receive bonus/rights shares?

Ans. No.

Q.10 What is Portfolio Investment Scheme?

Ans. Under this scheme, NRIs are permitted to acquire shares/debentures of Indian companies or units of domestic Mutual Funds through the stock exchange(s) in India.

Investment can be made both on repatriation or non-repatriation basis. For making investment on repatriation basis, it will be necessary to make payments by way of inward remittance or by debit to the NRE / FCNR account of the NRI / PIO. Investment on non-repatriation basis can also be made by way of inward remittance or by debit to the NRE / FCNR / NRO accounts.

The sale proceeds of the repatriable investments can be credited to the NRE / NRO accounts of the NRI / PIO at the option of the investor, whereas the sale proceeds of non-repatriable investment can be credited only to NRO accounts.

The sale of shares will be subject to payment of applicable taxes.

Q.11 What are the permissions required for the transfer of securities by NRI/ PIO through off-market trade (transfers outside the purview of Portfolio Investment Scheme of RBI)?

Ans. The table given below summarizes the permissions required for the off-market transfer:

From	To	Transaction	Permissions Required
NRI	NRI	Sale or Gift	General permission, no specific permission to be taken*
NRI	Resident Indian	Gift	Prior approval of RBI required.
NRI	Resident Indian	Sale under private arrangement	General permission already available.
Resident Indian	NRI	Gift	Prior approval of RBI/FIPB should be obtained.
Resident Indian	NRI	Sale under private arrangement	General permission is already available provided the shares being transferred are not of the companies engaged in financial service sectors, such transfer does not attract SEBI takeover code and the activity of the company should be eligible for FDI.

* provided that the person to whom the shares are being transferred has obtained prior permission of Central Government to acquire the shares, if he has previous venture or tie up in India through investment in shares or debentures or a technical collaboration or a trade mark agreement or investment by whatever name called in the same field or allied field in which the Indian company whose shares are being transferred is engaged.

Q.12 Can a DP ask for RBI permission for executing instructions for purchase or sale?

Ans. An individual NRI cannot purchase under PIS shares exceeding 5% of the paid up capital of a company. The onus of monitoring this limit is that of the designated authorised dealer. Shares purchased under PIS scheme can be sold only through a stock exchange. No permission is required from RBI to purchase or sell under Portfolio Investment Scheme.

Q.13 Can an NRI nominate or be nominated in depository account? Whether such nominee can be person resident in India?

Ans. Yes.

Q.14 Where can an NRI get complete details relating to NRI transactions in secondary market?

Ans. NRI may read the following to know more about NRI transactions relating to investment in securities:

- Master Circular number RBI/2004-05/4 dated July 01, 2004 relating to remittance facilities for NRIs/PIOs/Foreign nationals.
- RBI notification No: 20 dated 3rd May, 2000.
- FAQs hosted on RBI internet site www.rbi.org under the head "Chapter III - Investments in Securities /shares and company deposits.
- AP Dir Series Circular No. 16 dated October 4, 2004.

NSDL Calendar of Events

Business Partner Training

March 15 -17, 2005

Depository Participant Training

March 9 -10, 2005

Share Registrar Training

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NSDL Certification Program

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