

NSDL e-Voting: Empowering Retail Investors



From The Editor's Desk

Dear Reader,

Investing is an ongoing process and not a onetime exercise. This holds particularly true for investments in the capital market. In order to derive maximum value from your investments, it is imperative for you to monitor the performance of the companies you are invested in. You also need to know the key developments happening and the management decisions taken in various meetings etc. to gauge the direction in which the company is heading.

Being a shareholder of the company (and so one of the owners of the company) comes with your share of rights and duties. Primary among this is the right to participate in the decision-making process by voting on resolutions put forward by the management of the company. Traditionally, this process has been dominated by promoters and institutional investors. This has resulted into majority of small investors remaining out of the decision making process owing to various reasons, including lack of awareness.

In recent years, there have been concerted efforts from regulator to create awareness about the rights and responsibilities among small shareholders. This has resulted in several legislative and procedural changes in systems to empower small investors to vote and thus participate in the company's decision making process. Prescription of e-Voting as a mandatory obligation for corporates has been an important step in this direction.

This issue of 'The Financial Kaleidoscope' focuses on e-Voting - aimed at enabling retail investors to play a larger role in company's decision making process. We cover the basics of shareholders' rights related to voting as well as the best practices that will help you become a responsible shareholder.

As always, we look forward to your comments and feedback.

Best Regards,
Team NSDL

What is e-Voting?

Simply speaking, e-Voting is a process of voting by electronic means. In the corporate world, there are many occasions when a company needs to obtain approval from its shareholders, like Annual General Meeting (AGM), Extra-ordinary General Meeting (EGM) etc. Earlier, company management moved the resolutions to be passed before the shareholders present physically in the meeting and they used to convey their consent or dissent by voting on each resolution, in paper form. Further, there are certain occasions wherein a company is allowed to circulate resolutions among the shareholders and seek their consent through postal means. This is known as 'postal ballots'. Some of the occasions where postal ballots are allowed are – change in the registered office, buy back of shares, etc.

e-Voting is a technology based effective alternative for the voting process for any of the above mentioned occasions. A company which needs to undergo process of voting can appoint any of the authorized e-Voting service provider and enable its shareholders to cast their vote electronically without being present physically at the meeting venue or without depending upon the postal means (postal ballot). With this service, shareholders can access the voting platform in a secured way and cast their vote electronically, while sitting in the comfort of their home or office.

How Does e-Voting Work?

- A company needs to identify the occasion to use e-Voting. There are certain occasions wherein it is mandatory for the company to provide e-Voting as an option to its shareholders.
- Having decided the occasion, company needs to ascertain who are eligible to participate in the voting process. So it prepares the list of eligible shareholders and number of votes they can exercise, as on the cut-off date and inform (by email / letters) them about the resolutions proposed for voting.
- Company engages with an authorised entity to provide e-Voting facility. The identified (eligible) shareholders are informed about the User ID and Access Password to use the e-Voting facility. Company also informs them about the timelines during which the e-Voting can be done.
- To ensure fairness and transparency in the voting process, the company needs to appoint an independent scrutiner.
- The company need to provide helpline number for grievance redressal related to e-Voting.
- Prior to start of the e-Voting cycle, company or its authorised registrar is required to upload the proposed resolutions and other relevant documents.
- Shareholders can access the e-Voting system anytime during the specified period using the User ID and Password known to them.
- Shareholders can cast their vote on each resolution as per their preference. The number of votes each shareholder can exercise depends upon the number of shares held by them on the cut-off date, as determined by the company.
- After the voting period ends, the scrutinizer appointed by the company collates the votes casted through different options - e-Voting (online & tab based), postal means and in paper form (by shareholders present in person at the meeting).
- The company management announces the voting results based upon the report submitted by the scrutinizer.

What are legal provisions related to e-Voting?

In keeping with global trends and in recognition of the importance of broad-based shareholder participation in corporate decision making process, the Ministry of Corporate Affairs (MCA) introduced the concept of voting through electronic mode. As per Rule 20 of the Companies (Management and Administration) Rules, 2014, every listed company is required to provide its members a facility to exercise their right to vote by electronic means.

In order to strengthen this process, the Ministry has also laid down systems and processes to be followed by companies to ensure that shareholders are able to exercise their right to vote in a confidential and secure manner.

Initially, e-Voting was prescribed as an alternate to postal ballot. Later, it was expanded in form of 'at venue' voting through electronic means (such as tablets, mobile devices).

Why shareholders should participate in Voting?

With shareholder activism gaining steam over the years, the voting process has gained paramount importance. It is important that votes should fairly represent the long-term interests of all stockholders and with the passage of time, minority shareholders have also accepted the fact that voting is not merely an obligation but a robust tool that can be used to make their opinions count.

Shareholders have the power to influence the decision making of the company through their right to vote. However, there are several reasons that lead to a lack of interest among shareholders to exercise their right. For example - relatively small size of shareholding which may not have a material impact on the outcome, burden of being physically present for meetings at distant places, etc.

Recently, with increase in awareness, more shareholders are now beginning to see how their participation through voting can affect the decision making process of the company. This has led to a realisation among retail shareholders that voting is not just an obligation, but like a general election where every vote counts.

Rights of shareholders

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 puts the onus on the company to protect and facilitate the exercise of the following rights of shareholders:

- ✓ Right to participate in, and to be sufficiently informed of, decisions concerning fundamental corporate changes.
- ✓ Opportunity to participate effectively and vote in general shareholder meetings.
- ✓ Being informed of the rules, including voting procedures that govern general shareholder meetings.
- ✓ Opportunity to ask questions to the board of directors, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable limitations.
- ✓ Participation in key corporate governance decisions, such as the nomination and election of members of the board of directors.
- ✓ Adequate mechanism to address the grievances of the shareholders.
- ✓ Protection of minority shareholders from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and effective means of redress.

Examples of resolutions shareholders can vote on:

• Approval of the financial statements, Board Report, Auditors Report	• Alteration to the Memorandum of Association or Articles of Association
• Approval of the payment of dividend	• Issuance of shares (equity and preference)
• Appointment, re-appointment or removal of auditors	• Issuance or modification in stock options
• Remuneration of auditors	• Buyback of shares
• Appointment, re-appointment or removal of independent and non-executive directors	• Change in the utilisation of IPO/FPO funds
• Remuneration of executive and non-executive directors	• Sale of assets or subsidiaries and undertakings
• Appointment of managing or whole time director	• Reorganisation of share capital
• Election of Small Shareholder Director	• Merger, acquisition or amalgamation
• Change in the constitution of the board of directors	

Benefits of e-Voting

Increase in shareholders participation in corporate decision-making process

e-Voting simplifies the process of the voting and enables all shareholders to participate, without incurring any expenses, in the corporate decision making process, thus increasing corporate democracy.

Better corporate governance

e-Voting brings transparency and efficiency to the voting process which make the companies more aware of their roles and responsibilities. The inclusion of independent agencies in the process and adoption of technology make the management more accountable. All these factors are playing a key role in improving corporate governance among Indian companies.

Environmentally conscious

e-Voting involves the use of electronic mediums to vote, removing a lot of paper from the process. Listed companies can have thousands of shareholders, so even the smallest initiatives can help go a long way in reducing usage of papers.

Error free and Quick results

e-Voting drastically reduces the time taken for counting votes and the results can be tabulated almost instantaneously. This also eliminates the chances of error in counting.

Beneficial for investors with holdings in multiple companies

Companies are required to conduct their AGM in a defined period after the end of the financial year. Every year, there is rush among companies to conduct AGM towards the end of September month. More than often, it results in multiple companies having their AGMs on the same day at different locations. Many shareholders holding shares in such companies find themselves unable to meeting in person. e-Voting is a convenient way to addresses this issue.

e-Voting service of NSDL

NSDL is duly authorised by MCA to offer an electronic platform for shareholders to cast their vote. NSDL's e-Voting offerings are fully compliant with MCA guidelines and certified by Standardization Testing and Quality Certification (STQC) Directorate of Govt. of India.

NSDL enables companies to offer e-Voting option to their shareholders – remotely as well as at meeting venue. Any company can avail these services by entering into an agreement with NSDL. Apart from companies, these services can be used by any organisation / association which require to have a voting process, for example shareholders director election of bank, elections in clubs and associations, etc.

Remote e-Voting service

NSDL enables all shareholders of a company to exercise their voting right electronically through different options -

- ✓ Online portal - <https://www.evoting.nsdl.com>
- ✓ NSDL Mobile App
- ✓ IDeAS and SPEED-e users can use same login to access NSDL e-Voting facility

Tablet based e-Voting at the meeting venue

NSDL provides end to end solution to enable companies to empower their shareholders to exercise their voting rights at the meeting venue using Tablets.

Live video streaming and webcasting of proceedings

NSDL offers a facility to shareholders to view the general meeting proceedings through live video streaming or webcasting. Shareholders can avail this facility by using their secure NSDL e-Voting login credentials without needing to be physically present at meeting venue.

e-notices and information to shareholders

As part of MCA's "Green Initiative", NSDL has developed 'e-notices' facility to enable companies to send annual reports and important notices to shareholders through email.

Investors have several options for safekeeping their investments and earning a reasonable return. Depending on the risk taking ability, quantum of investment, tenure of investment and need for liquidity of such investments, investor may choose to invest in fixed deposit in a bank, in a post office, in gold, in real estate, in government savings schemes, in mutual funds or in equity.

In all these investment options, investment in real estate and investment in equity give highest level of ownership rights – right to earn steady return in the form of rent/dividend and right to exercise ownership rights. In case of real estate, as owners of the property, one can have the tenant vacate the property, change the tenant or live in that property and so on. Along with such rights, owners also will have the responsibility to maintain the property; if not maintained properly, the value of capital gain or amount of rent earned will come down. Therefore, owner exercises more vigilance and maintains the property – such vigil is more when the property is let out on rent to ensure that tenant does not destroy the value in the property.

Investment in equity also gives ownership rights to the investor. Equity investor is a part owner of the company. All the equity investors together own the company and they are collectively responsible for maintenance of the company. The company is always managed by professional managers (say tenants for simplicity of understanding) because of the company structure. Such professional managers will use all the resources of the company (for ease understanding – all facilities in the real estate are enjoyed by the tenant) but they shall not misuse the resources. It is for owner (equity investor) to keep checking whether there is any misuse. In order to ensure that there is no misuse, Companies Act and Listing Regulations have stipulated protective structure like appointment of independent directors, auditors, etc. In other words, supervisors are being appointed by owners to take care of the property. Owner has to ensure that such supervisors are doing their job properly and if not remove and replace them. In a company set up, owners (equity investors) have been given such powers in the form of right to attend general body meeting (where all the owners come together) to discuss the state of affairs of the company and question the managers or seek clarifications from the managers. These general body meetings also provide opportunity for equity owners to select new directors and auditors (supervisors). As the company is owned by several shareholders, all shareholders are given voting rights and based on the majority of votes, decisions on who should be the new director and who should be new auditor are taken. Thus every equity shareholder can vote and participate in deciding who should be the director and auditor.

Unfortunately, investors in equity shares do not realise this powerful right; they think that they have invested only for the dividends and gains in the value of shares. Equity investors have right to question the amount of dividend declared – instead of just accepting the dividend proposed; they can ask why profits are less or why company has incurred loss – it is equity shareholders' business and managers are only paid employees to manage the company. Equity shareholders should not blindly accept the dividend proposed – it could have been more; company may want to sell a part of the business or some assets or buy some assets – all this should be questioned and equity shareholders are the owners and should question.

Earlier, the shareholders' meetings required to travel to the place of meeting to vote; today they can vote using their mobile phones and computers. From this year onwards, big companies are even required to webcast the general body meetings so that equity investors can watch the proceedings of the meeting sitting at their home and based on the discussions, can decide whether to vote for or against the proposals.

Equity investors should not take myopic view of earning only dividends on shares – they should participate in the governance of the company and ensure that managers (and directors) of the company are working in the interest of all equity shareholders. Equity investors have to protect themselves using the power of their votes.

** Author is Dean, School of Corporate Governance and School of Regulatory Studies, National Institute of Securities Markets.*



Frequently Asked Questions

1) As an investor, what are the benefits of e-Voting to me?

- ✓ Using e-Voting, you can participate in corporate decision making process and exercise your rights as a shareholder, without needing to be present at the meeting place.
- ✓ You can be assured that your vote gets counted. It eliminates the possibility of postal ballot getting lost in-transit.
- ✓ You get sufficient time and can vote at your own convenience any time while the voting window is open.
- ✓ Single login can be used for voting as shareholder of different companies.

2) Do I need to register for NSDL e-Voting facility?

There is no pre-registration required for shareholders. The registration details including User ID and Password are sent to shareholders eligible to vote by the company

3) In case of joint shareholders, who can use e-Voting?

User ID and Password are sent to the first holder among the joint holders. Accordingly, the vote casted using the given User ID and password is recognized on behalf of all the joint holders.

4) Is there any fee levied by NSDL to the shareholder for availing e-Voting service?

No, NSDL does not levy any fee to the shareholders for using the e-Voting system.

5) Can I nominate a proxy to cast vote through e-Voting?

e-Voting system actually eliminates the need to appoint a proxy. However, in case the company has opted for e-Voting or tablet-based voting at the meeting venue, proxy attending the meeting can cast vote on behalf of the shareholder.

6) What is the time period for using e-Voting?

In the case of a postal ballot, e-Voting cycle lasts for minimum 30 days and in case of general meetings, minimum 3 days (it closes at 5:00 pm on the day preceding the general meeting).

7) Once I cast my vote on the e-Voting system, can I modify my vote before the closing of the e-Voting cycle?

No. As per Companies (Management and Administration) Rules, 2014, votes once casted are considered as final and hence cannot be modified.

8) Does e-Voting permit voting on selective resolutions?

Yes. Just like a postal ballot, you can choose the resolution(s) that you may like to vote on.

9) How are the voting results announced?

At the conclusion of the vote, the Scrutinizer appointed by the company, collates all the votes casted through e-Voting and other means. The votes are then tallied and the final results are prepared. These results are made available to shareholders on the company's website.

10) How will I know if the e-Voting website is secure?

If you are visiting the website with a secure connection, you will be able to identify the website through the site's certificate. A secure or encrypted website address begins with HTTPS rather than HTTP, and you will see a lock icon in the address bar. Secure connections use digital signature certificates to identify the website and to encrypt your connection. You can also click the lock icon in the Address bar to see more information about the secured website.

11) May I use NSDL e-Voting if I hold shares in paper form or if my demat account is not with NSDL?

NSDL e-Voting services can be used by any shareholder of the company, if that company engages NSDL for this purpose. So even if you hold shares in paper form or have your demat account with other depository, but your company has availed NSDL service, you can cast your vote through NSDL e-Voting platform.

Separate limit for Debt securities in BSDA

SEBI has extended the benefit of no or low annual maintenance charges (AMC) associated with BSDA. As per new provision, which are effective from June 1, 2019, the AMC shall be charged as below by DPs -

Value of Debt Securities (₹)	Value of other than Debt Securities (₹)	Total Value (₹)	AMC (₹)
Upto 1,00,000	Upto 50,000	Upto 1,50,000	0 (Nil)
Over 1,00,000 but less than 2,00,000	Over 50,000 but less than 2,00,000	Upto 4,00,000	Maximum 100
Over 2,00,000	Over 2,00,000	Over 4,00,000	As per regular account

Reference: Circular No. NSDL/POLICY/2019/0026 dated May 3, 2019, available on NSDL website www.nsdl.co.in

Acceptance of Probate of Will or Will for Transmission of Securities held in dematerialized mode

Transmission of securities held in dematerialized mode is facilitated by Depository Participation based upon the request given by the claimant, supported by the prescribed documents.

SEBI has now prescribed that 'Will' can be accepted by DPs as one of the supporting document for transmission. Other documents namely succession certificate, probate of will, letter of administration and court decree will continue to be acceptable for transmission purposes.

Reference: Circular No. NSDL/POLICY/2019/0028 dated May 9, 2019, available on NSDL website www.nsdl.co.in

Training Programmes for Participants

CPE Training Programme for Participants

NSDL, a NISM accredited Continuing Professional Education (CPE) Provider offers CPE training programmes in different modules for eligible associated persons. In April 2019, NSDL conducted eight such training programmes at Ahmedabad, Chennai, Hyderabad, Jaipur, Kolkata, Mumbai and New Delhi.

Training Programme for Issuers and Registrar & Transfer Agents

NSDL conducted a two days training programme for Issuers and Registrar & Transfer Agents at Mumbai in April 2019.

Investor Education initiatives undertaken by NSDL

NSDL conducts Investor Awareness Programmes (IAPs) throughout the country to ensure investors are aware of different aspects of investing. Till date, NSDL has conducted over 3,400 programmes which have been attended by more than 3.34 Lakh investors. Feedback received from investors during these IAPs is extremely encouraging. While schedule of these programs is published online at <https://nsdl.co.in/Investor-Awareness-Programmes.php>, we shall be happy to conduct IAPs for your organization / institute / society. Help us in driving the investor education initiative further by writing to us at info@nsdl.co.in about such programmes to be conducted.

More the education, more the prudence.

Admission to these programmes is free for all investors.

Forthcoming Investor Awareness Programmes

Sr. No.	Date	Venue	City	State	Timing
1	11-June-19	Hotel Sreemani Tourist Home, Near Sreemani Buliding, New Bust Stand, Vadakara – 673101, Kerala	Vadakara	Kerala	05.30 p.m. onwards
2	12-June-19	EMS Memorial Muncipal Town Hall, Opp New Bust Stand, Railway Flyover, Koyilandi – 673305, Kerala	Koyilandi	Kerala	05.30 p.m. onwards
3	21-June-19	Hotel East Palace, Konchowki P.O. & P.S.:Bishnupur, Diamond Harbour Road, Kolkata – 743503, West Bengal	Kolkata	West Bengal	05.00 p.m. onwards
4	22-June-19	The Sonnet Hotel, Kolkata, 08, Block: DD. Sector-01 Salt Lake, Kolkata – 700064, West Bengal	Kolkata	West Bengal	02.00 p.m. onwards

• Schedule is subject to change.

• Please visit <https://nsdl.co.in/Investor-Awareness-Programmes.php> for updated schedule.

Empowering Investors through e-Voting

We are happy to inform that NSDL and NISM are organizing a series of programs at different places all over the country to spread awareness about the rights of shareholders and importance of voting as shareholders. Schedule of the programs will be published on our website. We invite you to attend the program.

Question for Knowledge Wins contest !

What are the benefits of e-Voting?

Send your replies providing your name, address and contact no. with the subject 'Knowledge Wins Contest - April 2019' to info@nsdl.co.in

Terms and Conditions

- NSDL shall be solely responsible for the execution and administration of this Contest.
- This Contest is only open to Indian Citizens. (NSDL employees are not allowed to participate in this contest.)
- All personal details submitted must be accurate and complete and are subject to proof upon request by NSDL.
- NSDL reserves the right, at any time, to verify the validity of entries and entrants and to disqualify any entry not submitted in accordance with these Terms or which tampers with the entry process.
- NSDL reserves the right to discontinue the contest at any given point of time without prior intimation.
- All prize drawings will be made on a strictly random basis and the decision made by NSDL will be final

KNOWLEDGE WINS Contest

Lucky 25
Winners will
Win Free
Goodies



Your suggestions for newsletter are valuable to us.

Send in your suggestions mentioning your
name, address and contact number
with the subject

"Suggestions for the newsletter"

to info@nsdl.co.in

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- For any grievances, you can email us at relations@nsdl.co.in
- To know more about NSDL Certification Program, you can email us at trainingdept@nsdl.co.in
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