



Demat by NSDL  
Towards a secure future

# \* NEST UPDATE

December 2005

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71,80,130
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Rs. 19,50,849 Cr.
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### NSDL not to charge Custody Fee

A custody fee at the rate of Re. 1 per quarter per ISIN of unlisted securities was being charged by NSDL to its Depository Participants (DPs). NSDL has decided not to charge DPs for the above w.e.f November 15, 2005. With this, NSDL will not levy any custody fee on DPs.

This has been intimated to DPs vide Circular No. NSDL/PI/2005/2208 dated November 10, 2005.

### Precautions regarding operation of demat accounts based on Power of Attorney

During the inspection of the DPs, it was noticed that a DP was obtaining Power of Attorney (POA) from its client(s) as a requirement for opening a demat account. As this practice is unacceptable, NSDL has advised its DPs to discontinue such requirement immediately. It was further noticed that the POA contained the following clauses:

- (i) POA Holder i.e. Donee has the sole authority to operate the account and the account holder(s) is/are restrained from operating the account;
- (ii) Delivery Instruction Slip (DIS) books are denied to the account holders who have executed a POA;
- (iii) DPs are authorised to merge the securities kept under various accounts of the clients; and
- (iv) DPs have a lien on the securities of the clients.

NSDL had in the past informed its DPs that where a client has executed a POA, such depository accounts can be operated by both the client(s) as well as by the POA holder. Therefore, DPs are required to provide DIS books to the clients who have executed a POA and allow the clients to operate their accounts as well.

This has been intimated to DPs vide Circular No. NSDL/PI/2005/2329 dated November 25, 2005.

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\* National Electronic Settlement and Transfer

## Performance Summary

### Investors :

Table 1

Month - Year	Client Accounts
	No. of Accounts (lakh)
Nov-03	44.56
Nov-04	58.74
Nov-05	71.80

As on November 30, 2005, there are 71,80,130 Investor accounts from within the country and abroad. 2,065 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 November 30, 2005, 15,888 cr. securities having a value of Rs. 19,50,849 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.)
Nov-03	7,660	873,159
Nov-04	10,313	1,325,204
Nov-05	15,888	1,950,849

### Settlement :

Table 3

Month - Year	Settlement Quantity (Cr.)	Settlement Value (Rs. Cr.)
Nov-03	230	26,448
Nov-04	355	34,225
Nov-05	255	39,893

In November 2005, a total quantity of 255 cr. shares having a value of Rs. 39,893 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 :

As on November 30, 2005, 5,822 companies are available for demat. Table 4 indicates the increase in the number of companies that have joined NSDL over a period of three years.

Table 4

Month - Year	No. of Companies Operational
Nov-03	5,061
Nov-04	5,499
Nov-05	5,822

## DEBENTURES / BONDS

Table 4A

Month - Year	No. of Issuers	No. of active Instruments	Demat Value (Rs. Cr.)
Sep-05	608	6,964	302,137
Oct-05	608	6,934	305,304
Nov-05	609	6,913	303,466

As on November 26, 2005, 609 issuers have issued 16,623 debentures/bonds in demat form. 9,710 instruments have been redeemed and 6,913 instruments are available for dematerialisation. Table 4A shows the growth over a period of last three months.

## COMMERCIAL PAPER

As on November 26, 2005, 369 issuers have issued 7,027 commercial papers in demat form. 6,609 instruments have been redeemed and 418 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
Sep-05	368	454
Oct-05	368	440
Nov-05	369	418

## Depository Participants :

Table 5

Month - Year	No. of DPs
Nov-03	213
Nov-04	216
Nov-05	219

As on November 30, 2005, 219 Depository Participants are offering depository services. DP services are provided from 2,944 locations across the length and breadth of the country.

## Corporate Action Statistics

Sr. No.	Description	During November 2005		For the F.Y. 2005-2006 (upto November 2005)	
		No. of Allottees	No. of Securities	No. of Allottees	No. of Securities
1	Equity Shares	496,448	2,350,557,431	4,967,986	21,938,578,582
2	Preference Shares	11	41,309,160	179,245	663,520,917
3	Bonds	572	5,688,538	46,001	330,896,195
4	Commercial Papers	77	51,140	818	484,820
5	Certificate of Deposits	38	178,000	648	3,184,115
6	Securitized Instruments	34	3,469,433	541	205,157,405
7	Mutual Fund Units	393	2,827,933	4,345	68,399,611
8	Government Securities	0	0	1	2,730
9	Warrants	0	0	13,743	6,974,775
10	Postal Savings Certificates	1,977	473,387,000*	11,295	4,141,826,700*
11	Commodities	274	5,203	2,525	101,762
<b>Total</b>		<b>499,824</b>	<b>2,877,473,838</b>	<b>5,227,149</b>	<b>27,359,127,640</b>

\* Value in Rupees

## List of Companies that have changed Names

(During November 2005)

Sr. No.	Old Name	New Name
1	Sunil Synchem Limited	Sunil Healthcare Limited
2	Indian Rayon And Industries Limited	Aditya Birla Nuvo Limited
3	Zenith Limited	Zenith Birla (India ) Limited
4	Darshak Limited	Paushak Limited
5	Vanenburg IT Park Private Limited	VITP Private Limited
6	Planetasia.com Limited	GCI Solutions Private Limited
7	Sharekhan Private Limited	Sharekhan Limited
8	B2C India Limited	Adani Retail Limited
9	National Thermal Power Corporation Limited	NTPC Limited
10	PSL Holdings Limited	PSL Limited
11	Space TV Limited	Tata Sky Limited
12	Chandni Engineering Limited	Chandni Textiles Limited
13	Kanika Infocom Global Limited	Kanika Infrastructure & Power Limited
14	Precision Paper Industries Limited	Poddar Heritage Corp Limited
15	S.R.P Tools Limited	Mitsubishi Heavy Industries India Precision Tools Limited
16	Simplex Concrete Piles (India) Limited	Simplex Infrastructures Limited
17	Celebrity Fashions Private Limited	Celebrity Fashions Limited
18	Shreyas Shipping Limited	Shreyas Shipping And Logistics Limited
19	Sundaram Newton Asset Management Company Limited	Sundaram Asset Management Company Limited

## Securities admitted for Dematerialisation during November 2005

COMPANY	ISIN
Associated Leasing Limited	INE363E01016
Colour Roof (India) Limited	INE228H01014
GTL Infrastructure Limited	INE221H01019
GVK Power & Infrastructure Limited	INE251H01016
Hind Leasing And Finance Limited	INE388E01013
ICRA Limited	INE725G01011
Khator Fibre And Fabrics Limited	INE964G01016
Maharashtra Elektros melt Limited	INE400E01016
Marg Techno Projects Limited	INE245H01018
Nexsoft Infotel Limited	INE249H01010
Nitin Spinners Limited	INE229H01012
Rana Polycot Limited	INE231H01018
Ranbaxy Fine Chemicals Limited	INE222H01017
Raymond Apparel Limited	INE984D01011
Rohit Ferro-Tech Limited	INE248H01012
S. V. Electricals Limited	INE303D01014
Sadbhav Engineering Limited	INE226H01018
Sellwin Traders Limited	INE195F01019
Shriram Life Insurance Company Limited	INE227H01016
Unitech Power Transmission Limited	INE247H01014
USV Limited	INE230H01010

## Topic of Interest

### FAQs on Pledge

Securities held in a depository account can be pledged to avail of loan/credit facility. Pledge of securities in NSDL system requires both, the borrower (pledgor) and the lender (pledgee) to have demat accounts in NSDL system.

Frequently asked questions (FAQs) and answers related to pledge are given below:

**Q. *What is the procedure for pledging securities in NSDL system?***

**Ans.** The procedure for pledging securities in NSDL system is explained below:

- ⇒ Both, pledgor and pledgee must have beneficial owner accounts in NSDL system. These accounts can be with the same Depository Participant (DP) or with different DPs.
- ⇒ Pledgor can instruct its DP to create a pledge request by submitting a “Pledge Form” with a tick on “Create Pledge”.
- ⇒ Pledgor will inform the pledgee about the creation of pledge request by giving a copy of the pledge report obtained from its DP.
- ⇒ Pledgee may instruct its DP to confirm the creation of pledge by submitting a “Pledge Form” with a tick on “Confirm creation of Pledge”. The pledge gets created in favour of the pledgee only when the pledgee’s DP confirms the creation of pledge in the system.
- ⇒ Relevant agreement between pledgor & pledgee and disbursement of the loan to the pledgor is outside the depository system.

**Q. *What if pledgee fails to confirm the pledge request?***

**Ans.** As soon as pledge request is initiated in the system, securities get blocked and do not remain in free balance under pledgor’s account. In order to create a pledge, pledgee needs to confirm the pledge request. Alternately, pledgee can reject the pledge request, after which the securities will again be held under free balance in pledgor’s account. If the pledgee neither confirms nor does it reject the pledge request, the pledgor may cancel the pledge request so as to remove the block from the securities and move them to free status.

**Q. *What precaution should be taken before disbursing loan to the pledgor?***

**Ans.** The pledgee may disburse the loan only after the pledgee’s DP confirms the creation of pledge. Pledge does not get created in the system until the pledgee’s DP confirms the pledge. Pledgee may obtain pledge report from its DP and verify creation of pledge.

**Q. *Does a pledgee (say bank) need separate depository account for each branch (for pledging)?***

**Ans.** A pledgee bank can either operate through a single account for all its branches or open separate accounts for each branch (with the same DP or with different DPs).

**Q. *After the loan is repaid, how is the pledge closed in the depository system?***

**Ans.** After the loan is repaid, the pledgor can instruct its DP to close the pledge by submitting the “Pledge Form” with a tick on “Close the Pledge”. The pledgee will instruct its DP to confirm the closure of pledge by submitting the

“Pledge Form” with a tick on “Confirm the Closure of Pledge”. Upon execution of the instructions by both the DPs, the pledge will be closed in the system. The pledgor’s DP alone cannot close the pledge.

Alternately, the pledgee alone can close the pledge by selecting the option “Unilateral closure of pledge” in the “Pledge Form”. In this case, the DP of the pledgee initiates the closure request, based on which the pledge is closed and confirmation from pledgor is not necessary.

**Q. *If the loan is not repaid how does the pledgee take control of the securities?***

**Ans.** If the loan is not repaid, the pledgee, after giving notice (outside NSDL system) to the pledgor as per the terms of the agreement, may instruct its DP to invoke the pledge by submitting “Pledge Form” with a tick on “Invoke the Pledge”. On execution of this instruction, the securities are transferred into the pledgee’s account. This does not require any confirmation from the pledgor.

**Q. *Is there a facility in the NSDL system to close or invoke “part quantity” of the pledge?***

**Ans.** Yes. A request can be made for closing or invoking the pledge either in full or in part.

**Q. *Who will receive dividend on the pledged securities?***

**Ans.** The pledgor will continue to receive dividend on the pledged securities. The pledgee will get the benefits, only if a pledge is invoked and on record date, the shares are in the pledgee’s account.

**Q. *How will the distribution of bonus shares take place, if original shares are pledged?***

**Ans.** Following methodology is used for the purpose of distribution of bonus shares:

- ⇒ The holdings as of the record date / book closure (including holdings that are pledged) are considered for computing bonus entitlements.
- ⇒ At the time of effecting the credit of bonus shares, the system checks whether pledge is still open or closed i.e. whether the shares are pledged or not.
- ⇒ Where pledge orders are not closed / invoked or partially closed / invoked, the bonus entitlements in such cases are credited to the pledgor’s account with pledge marked in favour of the pledgee.
- ⇒ If the pledge is closed/invoked fully, the bonus entitlements are credited to the pledgor’s/pledgee’s account, as the case may be, as free balance.

**Q. *How will corporate actions like split, mergers, consolidation etc. be treated?***

**Ans.** The securities arising out of corporate actions like split, mergers, consolidation etc. will be credited to the account of the pledgor with pledge marked in favour of the pledgee.

**Q. *Is it possible to change or substitute pledged securities?***

**Ans.** Yes. Substitution or change can be effected by creating a new pledge and closing the old one.



## NSDL Calendar of Events

### Investor Depository Meets

December 15, 2005	Coimbatore	December 23, 2005	Rewa
December 16, 2005	Erode	December 24, 2005	Shahdol
December 16, 2005	Jaunpur	January 5, 2005	Rewari
December 17, 2005	Tiruchirapalli	January 6, 2005	Gurgaon
December 17, 2005	Mirzapur	January 7, 2005	Faridabad
December 22, 2005	Satna		

### Business Partner Training

December 13 - 15, 2005

Depository Participant Training

## NSDL Offices

### Head Office

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### Investor Relationship Cell

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### NSDL Certification Program

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