

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:657
ANSWERED ON:03.12.2004
SHARES OF COMPANIES
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Will the Minister of FINANCE be pleased to state:

- (a) the number of listed companies whose shares are still in physical form with the share holders and are not being traded;
- (b) the reasons for not getting the shares of these companies in electronic form;
- (c) action taken against such defaulting companies;
- (d) by what time the share of these companies would be de-materialised;
- (e) whether addresses of regarding of offices and share transfer offices are not given immediately and correctly; and
- (f) if so, the action proposed to be taken in this regard?

Answer

MINISTER OF STATE FOR FINANCE (SHRIS.S. PALANIMANICKAM)

a) The National Securities Depository Ltd (NSDL) has informed that so far, 4029 listed companies

(as per the information provided by the companies at the time of joining the depository) have joined NSDL for providing facility to their shareholders for dematerialisation of shares.

Securities and Exchange Board of India (SEBI) has informed that as per provisions of Section 8 of the Depositories Act, 1996 every person has the option to receive security certificate or hold securities with depository. Therefore, share holders have the option to hold the securities in physical or demat form.

Further, SEBI vide circular dated August 03, 2001 advised all the stock exchanges to ensure that the companies listed on their exchanges establish connectivity with both the depositories by September 30, 2001, to facilitate compulsory trading in rolling segment mode from December 31, 2001. Companies which established connectivity with both the depositories before September 30, 2001 were shifted to normal rolling segment with effect from December 31, 2001. The trading in the companies which had not established connectivity before September 30, 2001 was put in trade for trade segment and settlement has been taking place in these securities in physical mode.

SERI has been notifying the names of the companies on quarterly basis which have established connectivity with both the depositories and therefore eligible for trading in normal rolling segment. Apart from the above, for the benefit of small investors, stock exchanges also provide a window for physical trading in the securities which are in normal rolling segment. Past experience shows that 99% of trading takes place in demat form only.

(b) Apart from the reasons cited in the answer to part (a), the company has to fulfill the eligibility criteria for admission into depository. The common criteria to admit the securities into the depository for companies were decided, jointly, by NSDL and Central Depository Services Ltd. As per this common criteria, the companies which are fulfilling the following requirements are eligible to admit into the depository:

Companies should have Rs. 1 crore as net worth and

The net worth erosion, if any, is not more than 50%.

Further, the companies, which do not meet the aforesaid criteria can also be admitted provided there is trading in the shares of these companies for at least 50 days during the preceding twelve months.

(c) The trading in the securities which have not established connectivity with both the depositories is in trade for trade segment instead of normal rolling segment

(d) The shares of those companies will be dematerialized once they fulfill the eligibility criteria laid down by the depositories.

(e) & (f): The details of addresses of companies and/or their Registrar and Transfer Agents (as per the information provided by the companies), where the documents relating to dematerialisation requests are to be sent by the Depositor} Participants (DP) in respect of the companies who have joined NSDL, are provided to the DPs by way of circulars. This information is also available on the website of NSDL. Any changes in these addresses as communicated by the companies are also updated.