

A REFERENCE GUIDE FOR INVESTORS ON THEIR RIGHTS AND RESPONSIBILITIES AND REDRESSAL OF GRIEVANCES.

1. What are the risks that I may encounter while investing in the Securities Market?

- Investment in equity shares can not be guaranteed with any income and/or growth.
- Equity holders are the real owner of the company and with the growth of the company equity holders also get capital appreciation. Vice versa is also true.
- Investment in other securities say debenture, preference shares may yield as specified return to the investors.

2. What are my rights as a shareholder?

- To receive the share certificates, on allotment or transfer (if opted for transaction in physical mode) as the case may be, in due time. Now in IPO, investors will be allotted shares in dematerialized mode only and subsequently they can rematerialize the allotted shares.
- To receive copies of the Annual Report containing the Balance Sheet, the Profit & Loss account and the Auditor's Report.
- To participate and vote in general meetings either personally or through proxy.
- To receive dividends in due time once approved in general meetings.
- To inspect the statutory registers at the registered office of the company.
- To receive corporate benefits like rights, bonus, etc. once approved.
- To apply to Company Law Board (CLB) to call or direct the Annual General Meeting with requisite number of shareholders.
- To inspect the minute books of the general meetings and to receive copies thereof.
- To proceed against the company by way of civil or criminal proceedings.
- To apply for the winding up of the company with requisite number of shareholders.
- To receive the residual proceeds in case of winding up.
- To receive offer to subscribe to rights shares in case of further issues of shares.
- To receive offer in case of takeover or buyback under SEBI Regulations.

- Besides the above rights, which you enjoy as an individual shareholder, you also enjoy the following rights as a group:
- To requisite an Extra-ordinary General meeting.
- To demand a poll on any resolution.
- To apply to CLB to investigate the affairs of the company.
- To apply to CLB for relief in cases of oppression and/or mismanagement.

3. What are my rights as a debenture holder?

- To receive interest/redemption in due time.
- To receive a copy of the trust deed on request.
- To apply before the CLB in case of default in redemption of debentures on the date of maturity.
- To apply for winding up of the company if the company fails to pay its debt.
- To approach the Debenture Trustee with your grievance.
- You may note that the above mentioned rights may not necessarily be absolute.

4. What are my responsibilities as a security holder?

- While you may be happy to note that you have so many rights as a stakeholder in the company that should not lead you to complacency; because you have also certain responsibilities to discharge. However, these are not statutory liabilities:
- To be specific.
- To remain informed.
- To be vigilant.
- To participate and vote in general meetings.
- To exercise your rights on your own or as a group.

5. What are the advantages I have, of dealing through a Stock Exchange?

- If you choose to deal (buy or sell) directly with another person, you are exposed to counter party risk, i.e. the risk of nonperformance by that party. However, if you deal through a Stock Exchange, this counter party risk is reduced due to trade/settlement guarantee offered by the Stock Exchange mechanism. Further, you also have certain protections against defaults by your broker.
- When you operate through an exchange, you have the right to receive the best price prevailing at that time for the trade and the

right to receive the money or securities on time. You also have the right to receive a contract note from the broker confirming the trade and indicating the time of execution of the order and other necessary details of the trade. If you have opted for transaction in physical mode, you also have the right to receive good delivery and the right to insist on rectification of bad delivery. If you have a dispute with your broker, you can resolve it through arbitration under the aegis of the exchange, instead of filing a civil suit.

- Larger number of buyers and sellers are available at Stock Exchange and this way it ensure liquidity to the investors.

6. Are my securities listed with SEBI?

- No. Your securities are not listed with SEBI. The securities of companies are listed on recognised Stock Exchange(s).

7. How can I enter in a deal through a Stock Exchange?

- If you decide to operate through an exchange, you have to avail the services of a SECURITIES AND EXCHANGE BOARD OF INDIA registered broker/sub-broker. You have to enter into a broker-client agreement and file a client registration form. Whenever you deal in the securities you will get Contract Note from broker/sub-broker. Since the contract note is a legally enforceable document, you should insist on receiving it. You have the obligation to deliver the securities in case of sale or pay the money in case of purchase within the time prescribed. If you have opted for transaction in physical mode, in case of bad delivery of securities by you, you have the responsibility to rectify them or replace them with good ones.

8. Does SEBI give a guarantee/ promise for payment of money? Does protection of rights and interest mean payment of money?

- No. SEBI does not give a guarantee for payment of money rather it helps you in recovering the amount back from the concerned entity (broker).

FOR SECURITIES IN PHYSICAL MODE:

1. How does transfer of securities take place?

- To effect a transfer in the physical mode the securities should be sent to the company along with a valid, duly executed and stamped transfer deed duly signed by or on behalf of the transferor (seller) and transferee (buyer). It would be a good idea to retain photo-copies of the securities and the transfer deed when they are sent to the company for transfer. It is essential that you send them by registered post with acknowledgement due and watch out for the receipt of the acknowledgement card. If you do not receive the confirmation of receipt within a reasonable period, you should immediately approach the postal authorities for confirmation.
- Sometimes, for your own convenience, you may choose not to transfer the securities immediately. This may facilitate easy and quick selling of the securities. In that case you should take care that the transfer deed remains valid otherwise you will have to revalidate the transfer deed with concerned ROC. However, in order to avail the corporate benefits like the dividends, bonus or rights from the company, it is essential that you get the securities transferred in your name.

2. What procedure does a company follow for transfer of securities?

- On receipt of your request for transfer, the company proceeds to transfer the securities as per provisions of the law. In case they find some mistakes in transfer deed and cannot effect the transfer, the company returns back the securities giving details of the grounds under which the transfer could not be effected. This is known as company objection.

3. What should I do in case a company sends company objection?

- When you happen to receive a company objection for transfer, you should proceed to get the errors/discrepancies corrected.
- You may have to contact the transferor (the seller) either directly or through your broker for rectification or replacement with good securities. Then you can resubmit the securities and the transfer deed to the company for affecting the transfer.
- In case you are unable to get the errors rectified or get them replaced, you have recourse to the seller and his broker through the Stock Exchange to get back your money. However, if you had transacted directly with the seller originally, you have to settle the matter with the seller directly.

4. What should I do in case of my securities getting lost/ misplaced?

- Sometimes, securities which was in your name and are in physical form may be lost misplaced. You should immediately request the company to record a stop transfer of the securities and simultaneously apply for issue of duplicate securities. For effecting stop transfer, the company may require you to produce a court order or the copy of the FIR filed by you with the Police.
- Further, to issue duplicate securities to you, the company may require you to submit indemnity bonds, affidavit, sureties etc. besides issue of a public notice. You have to comply with these requirements in order to protect your own interest.

FOR SECURITIES IN DEMAT MODE:

- For more information on Dematerialization of Securities, please refer to the “Dematerialization of Securities, Depositories, and Participants” in the FAQs section <http://investor.sebi.gov.in/faq/dematfaq.html> of our website: <http://investor.sebi.gov.in>.

GRIEVANCE REDRESSAL

1. Forums available to make complaints.

The following types of grievances should be taken up with:

With the Stock Exchanges at their Investor Information Center:

- Complaints related to securities traded/listed with the exchanges.
- Complaints regarding the trades effected in the exchange with respect to the companies listed on it or by the members of the exchange.
- Issue of duplicate share certificates.

With the Department Of Company Affairs/ concerned Registrar of Companies (ROC):

- Complaints against unlisted companies.
- Complaints regarding non-receipt of annual report, AGM Notice.
- Fixed deposit in manufacturing companies.

With the Reserve Bank of India

- Fixed deposits in banks and NBFCs

With the concerned company/ROC

- Forfeiture of shares

2. What kinds of grievances are undertaken by SEBI?

- There will be occasions when you have a grievance against a listed company/intermediary registered with SEBI. **In the event of such grievance you should first approach the concerned company/intermediary against whom you have a grievance.** However, you may not be satisfied with their response. Therefore, you should know whom you should turn to, to get your grievance redressed. SEBI takes up grievances related to issue and transfer of securities and non-payment of dividend with listed companies. In addition, SEBI also takes up grievances against the various intermediaries registered with it and related issues.

Given below are types of grievances for which you could approach SEBI.

- **Type-I** : Refund Order/ Allotment Advise
- **Type-II**: Non-receipt of dividend.
- **Type-III**: Non-receipt of share certificates after transfer.
- **Type-IV**: Debentures.
- **Type-V**: Non-receipt of letter of offer for rights.
- **Type VI**: Collective Investment Schemes
- **Type VII**: Mutual Funds/Venture Capital Funds/Foreign Venture Capital Investors/Foreign Institutional Investors/Portfolio Managers, Custodians.
- **Type VIII**: Brokers/Securities Lending Intermediaries/Merchant Bankers/Registrars and Transfer Agents/Debtenture Trustees/Bankers to Issue/Underwriters/Credit Rating Agencies/Depository Participants.
- **Type IX**: Securities Exchanges/Clearing and Settlement Organizations/Depositories.
- **Type X**: Derivative Trading
- **Type XI**: Corporate Governance/Corporate Restructuring/Substantial Acquisition and Takeovers/Buyback/Delisting/Compliance With Listing Conditions

3. Whether investors/shareholders can file application before Consumer Forum?

- Shares of debentures after they have been issued are regarded as goods. In case of deficiency of service by an intermediary or company, an investor can approach the Consumer Forum.

Pavan Duggal, advocate, Supreme Court, says, "Normally the broker contracts are one-sided in favour of the broker. However, the consumer can sue the broker under the Consumer Protection Act, 1986, for deficiency of service, in case the broker faults."

In addition, since the trading is in the electronic form, the consumer can sue the broker under Section 79 of the IT Act, 2000, for its role as a network service provider. Under this, they are liable to pay compensation up to Rs 1 Crore.