Guidance Note on how to dematerialise the Shares to the Shareholders

Dematerialisation is the process by which a client (registered owner) get physical certificates converted into electronic balances.

Purpose of dematerialization

- Dematerialization offers flexibility along with security and convenience.
- Holding share certificates in physical format carried risk like certificate forgeries, loss of important share certificates, and consequent delays in certificate transfers.
- Dematerialization eliminates these hassles by allowing customers to convert their physical certificates into electronic format.
- Shares in the electronic format are held in a Demat Account.

Benefits of Dematerialization

- It allows you to conveniently manage your shares and transactions from anywhere.
- Stamp duty is not levied on your electronic securities (i.e. Share Certificate/s).
- Open a demat account, it provides paperless transaction of securities.
- Nominal holding charges are levied.

Process of dematerialization

- Dematerialization starts with opening a Demat Account. For demat account opening you need to shortlist a Depository Participant (DP) that offers Demat Service. Currently, there are two depositories registered with SEBI, they are (i) National Securities Depository Limited (NSDL) and (ii) Central Depository Services (India) Limited (CDSL). A DP is the agent of the depository providing depository services to traders and investors.
- To convert the physical shares into electronic/demat account form, the client (registered owner) will submit a request to the DP in the Dematerialization Request Form (DRF) for dematerialization, along with the share certificates to be dematerialized, which is available with the Depository Participant (DP). Before submission, the client has to deface the share certificate by writing ***'SURRENDERED FOR DEMATERIALIZATION'.***
- Such DRF shall be forwarded by the Participant not later than seven days of accepting the same from its Client.
- In case the securities are not in order they are returned to the client and acknowledgement is obtained. The DP will reject the request and return the DRF and certificates in case:
  - A single DRF is used to dematerialise securities of more than one company.
  - The certificates are mutilated, or they are defaced in such a way that the material information is not readable. It may advise the client to send the certificates to the Issuer/R&T agent and get new securities issued in lieu thereof.
  - Part of the certificates pertaining to a single DRF is partly paid-up; the DP will reject the request and return the DRF along with the certificates. The DP may

advise the client to send separate requests for the fully paid-up and partly paid-up securities.

- Part of the certificates pertaining to a single DRF is locked-up, the DP will reject the request and return the DRF along with the certificates to the client. The DP may advise the client to send separate requests for the locked-in certificates. Also, certificates locked-in for different reasons should not be a submitted together with a single DRF.

- The DP needs to process this request along with the share certificates to the company and simultaneously to registrars and transfer agents through the depository.
- Once the request is approved, the share certificates in the physical form will be destroyed and a confirmation of dematerialization will be sent to the depository.
- The depository will then confirm the dematerialization of shares to the DP. Once this is done, a credit in the holding of shares will reflect in the investor's account electronically.
- This cycle takes about 15 to 30 days after the submission of dematerialization request.
- Dematerialization is possible only with a Demat Account.

Role of Depository Participants

A depository is responsible for holding the securities of a shareholder in the electronic form. These securities could be in the form of bonds, government securities and mutual fund units, which are held by a registered Depository Participant (DP).