

**CAN FIN HOMES LTD.,  
BOARD SECRETARIAT & TAXATION DEPARTMENT  
REGISTERED OFFICE  
BANGALORE - 560 004**

**De- materialisation of shares**

**Can Fin Homes Ltd. has been requesting its shareholders to get their shares converted into electronic (Demat) Form.**

The Company had entered into a Tripartite Agreement with M/s National Securities Depository Limited (NSDL) and M/s Central Depository Services (India) Ltd., (CDSL) and M/s Canbank Computer Services Ltd., R&T Agents, Bangalore during August 2000, with a view to facilitate holding and trading of the equity shares of Can Fin Homes Ltd., in the electronic mode. The ISIN No. for the Equity Shares of the Company as admitted on National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) is **INE 477A01012**.

The Securities and Exchange Board of India (SEBI) vide its Circular No. SMDRP/POLICY/CIR/2000 dated May 29, 2000 has notified that the trading of the securities of the Company shall compulsorily be made in dematerialized. Communication in this regard was sent to all the shareholders vide our letters dated 27.07.2000.

We request the shareholders to avail the facility at the earliest.

To enable you to evaluate this option of scripless trading, we have enclosed herewith the salient features of the Depository System.

Thanking you and assuring you of our best services at all times.

Yours faithfully,  
for Can Fin Homes Ltd.,

(K S SATHYAPRAKASH)  
AGM & COMPANY SECRETARY

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## DEMATERIALIZATION OF SHARES

### 1. What is Dematerialisation?

Dematerialisation is a process by which an investor can get physical certificates converted into electronic balances maintained in his account with the Participant in the depository system. The certificates are forwarded to the Registrar by the Participant and the Registrar processes them giving an equivalent credit in the investor's beneficiary account. This is done at the request of the investor. An investor should first open an account with a Participant and then request for dematerialisation of his certificates by submitting the same to the Participant.

### 2. Who is a Depository?

Depository is an organisation where the securities of a shareholder are held in the electronic form at the request of the shareholder through the medium of a Participant. A depository can be compared to a bank. If an investor wants to utilise the services offered by a depository, the investor has to open an account with the depository through a Participant - this is similar to the opening of an account with any of the branches of a bank in order to utilise the services of that bank. Depository is not just another form of custodial services because the depository can legally transfer beneficial ownership which a custodian cannot.

### 3. Who is a Depository Participant (DP)?

A Depository Participant is a representative in the Depository System. The DP will maintain the clients securities account balances and intimate him the status of holdings from time to time. According to SEBI regulations, the Financial Institutions, Banks, Custodians, Stock Brokers etc., can become participants in the Depository.

### 4. What are the benefits of holding in and trading of securities in electronic/demat form?

- a. no bad deliveries
- b. elimination share certificate based risks
- c. Immediate transfer of shares
- d. reduction in transaction cost
- e. savings in postage
- f. faster settlements and greater liquidity
- g. one investor account for all shares
- h. full protection and indemnification to the investor by the Depository through the DP for any act of commission or omission on the part of either the Depository or the DP as a result of which the investor suffers a loss
- i. when the client buys the shares in the depository mode he becomes the owner of those shares within a day after the settlement.

### 5. How will the shareholder know that the DP has updated his account after each transaction?

The DP will give the client a pass book or statement of account which will be despatched to the client periodically. From the statement, the client will know the position of the securities held by him.

### 6. What if there are any discrepancies in client's holdings?

The shareholder/client should first contact his DP. If the discrepancy cannot be solved by the DP, then he should approach the Depository.

**7. What happens if the client loses his statement of account?**

The client informs the DP and obtains a duplicate statement of holdings.

**8. Whether the client is restricted to only one DP?**

No. There are no restrictions to the number of DPs with whom the shareholder can open accounts.

**9. What security does the client have if the only proof of his holdings is merely a piece of paper indicating his account balances?**

When the client opens an account with a DP, he has to sign an agreement with the DP in which the DP indemnifies the client for any misuse of his holdings. The depository will also ensure that the interest of the investors are protected.

**10. Are there any additional security features which the DP will offer to the client to protect his account?**

Yes. Every transaction of the client will be authorised by the client. Hence the balance of securities will remain untouched till authorised to do so. There is a facility for the client to lock his account so that the DP will not be able to carry out any transaction in his absence. The Depositories will also send a statement of holdings to some investors chosen at random.

**11. Is it possible for the client to get the securities allotted to him in public offerings directly in the electronic form?**

Yes. In the public issue application form itself there will be a provision for the client to indicate the manner in which he wants the securities to be allotted. All the client has to do is to mention his client account number and the name of the DP and any allotment due to him will be credited to that account.

**12. Who will give the client the benefits arising out of his holdings, say a bonus or a dividend?**

When a corporate event such as rights or bonus or dividend is announced for a particular security, the depository will give all the details of the clients having electronic holdings of that security as of record date/book closure to the Registrar. The Registrar will then calculate the corporate benefits due to all the shareholders. The disbursement of cash benefits such as dividend/interest will be done by the Registrar whereas the distribution of security(ies) entitlements will be done by the Depository based on the information provided by the Registrar.

**13. Does the client have any option for the manner in which he wishes to receive his corporate benefits?**

In case of rights issue or optional conversion of debentures to shares, the client has a choice of receiving the same either in physical or electronic mode of holdings. However, corporate entitlements such as bonus will be made in the same form as their original holdings were made.

**14. In case of discrepancies in corporate benefits, whom the client should contact?**

The client should approach his DP who in turn will contact the Registrar for clarifications regarding allotment of securities. In case of discrepancies in cash benefits the client has to contact the Registrar.

**15. Can any share certificate be dematerialised?**

One can dematerialise only those certificates that are already registered in his name and belong to the list of securities admitted for dematerialisation at NSDL or CDSL.

**16. Do dematerialised shares have distinctive/certificate numbers?**

No. Dematerialised shares do not have any distinctive/certificate numbers. These shares are fungible, which means that 100 shares of a security are the same as any other 100 shares of that security.

**17. Can odd lot shares be dematerialised?**

Yes. Odd lot share certificates can also be dematerialised.

**18. How long does the dematerialisation process take?**

Dematerialisation normally takes about Fifteen days. However, this may extend to about 30 days if the number of certificates submitted is very large.

**19. Is dematerialisation compulsory?**

No. According to the Depositories Act, 1996, an investor has the option to hold shares either in physical or in dematerialised form. The trading in shares of Can Fin Homes Ltd., has been made compulsory by SEBI in dematerialised form with effect from December 26, 2000, by all the investors and shares in dematerialised form can only be traded with effect from the said date.

**20. Can holdings in electronic form be converted back into certificates?**

Yes. If a shareholder wishes to get back his securities in physical form, all he has to do is to request his DP for rematerialisation of the same. "Rematerialisation" is the term used for converting electronic holdings back into certificates.

**21. Will the same certificate be got back after rematerialisation?**

The shareholder may or may not be allotted certificates with the same distinctive and certificate numbers. However, it does not matter really. However, if he has an already existing folio number, he may be allotted the same number.

**22. Can dematerialised shares be pledged?**

Yes. Dematerialised shares are easier and more advantageous as compared to pledging physical shares. A number of banks have announced that they will charge lower interest rates for loans against dematerialised shares.

**23. What is the procedure for pledging shares in an electronic form?**

Both the Pledger as well as the Pledgee, must have depository accounts. The holder must initiate the pledge by submitting the details of the securities to be pledged in a standard format (available with the DPs). The Pledgee should confirm the request through his DP. Once this is done, the securities are pledged.

**24. What is the procedure for purchasing/selling of dematerialised shares?**

The procedure for buying/selling dematerialised shares is similar to the procedure for buying/selling shares in physical form.