



**Training of Trainers (ToT)  
for  
Resource Persons  
Organising Investor Awareness Programmes  
under IEPF**

**Reference Material**

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ICSI House, 22, Institutional Area, Lodi Road, New Delhi 110 003

Ph. : 45341000, 41504444 Fax : 24626727

E-mail : [info@icsi.edu](mailto:info@icsi.edu); Website : [www.icsi.edu](http://www.icsi.edu)

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**THE INSTITUTE OF COMPANY SECRETARIES OF INDIA**

ICSI House, 22, Institutional Area, Lodi Road, New Delhi - 110 003

Phones : 41504444, 45341000 □ Fax : 24626727

Website : [www.icsi.edu](http://www.icsi.edu) □ E-mail : [info@icsi.edu](mailto:info@icsi.edu)

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## **AVENUES AVAILABLE FOR INVESTING**

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### **WHY IS INVESTING IMPORTANT ?**

#### **Savings v/s Investing**

Saving is the excess of your income over your expenditure. Generally, this lies in the savings bank account or in fixed deposits with a bank. The money is very safe here, earns a small rate of interest, and it can be in hand as and when required (high liquidity). On the other hand, this money could be invested for meeting long term goals. While some investments may rise or fall in value over a time period, prudent investments would earn a lot more than the banks savings account.

It is important to take into account the effects of inflation on your investments. (Inflation is the rise in prices of goods and services. As their prices increase, the value of the rupee goes down. In that case one will not be able to purchase as much with those rupees as one could have in the last month or last year). Savings rarely beat the inflation rate; investments can.

In essence, the difference between savings and investment is that savings is simply idle cash, while investments help your funds to grow over a period of time. One can meet his short term needs with his savings but to meet his long term goals, he needs to make investments. Savings primarily help to protect the principal, while investments help to earn returns beyond the inflation rate.

#### **Power of Compounding**

The most powerful tool for creating wealth safely and surely is the magical 'power of compounding'. If you park your money in an investment with a given return, and then reinvest those earnings as you receive them, your investment grows exponentially over time. Illustratively, if you set aside a sum of say Rs. 5,000 every month from the age of 25, earning interest at the rate of 10% p.a., in 60 years you will have with you funds worth more than Rs. 1 crore. However, if you start at 40 with the same amount and rate of interest, the fund accumulated will amount to only around Rs. 33 lakh. Hence, it is always advisable to start savings early to enjoy the benefits of power of compounding.

### What should be objectives of investment ?

There are primarily three investment objectives: safety, returns and liquidity. In ideal scenario, this means that one would like the investment to be absolutely safe, while it generates handsome returns and also provides high liquidity. However, it is very difficult to maximize all three objectives simultaneously. Typically, one objective trades off against another. For example, if one wants high returns, one may have to take some risks; or if one wants high liquidity, one may have to compromise on returns.

Every person should prepare a statement of financial goals covering as many requirements as possible. This is the basis on which the financial plan shall then be prepared. A person's financial needs depend on the age, stage in the career path, size of the family, needs of the family members, etc. Some of the needs can be identified with precision, while others can only be determined tentatively. There may be unanticipated needs as well for which provisions will need to be made. If the financial capability in terms of savings is found to be inadequate to meet all the goals, these would need to be prioritized. The financial plan is never static; it has to be reviewed from time to time to account for the changing circumstances.

There are investment opportunities that are high on risk and there are investment opportunities that are low on risk. Each is called an asset class. An investor needs to allocate his savings to one or more asset classes depending upon his circumstances.

The indicative table given below charts some instruments vis-à-vis their features.

<i>Financial Product</i>	<i>Returns</i>	<i>Liquidity</i>	<i>Safety</i>
Government Bonds, Treasury Bills, Tax-free Bonds, National Saving Certificates, Fixed Deposits with Scheduled Banks, Saving Bank and Recurring Deposits	Low	Moderate	High
Deposit schemes of PSUs/Infrastructure Companies/Blue chip Companies, ULIPs/ Insurance products	Moderate	Low to High	Moderate
Mutual Funds Products, Debentures, Corporate Bonds, Fixed Deposits, Preference Shares, Commercial paper, Certificate Deposits, Treasury Bonds	Moderate Returns	Low/ Moderate	Moderate
IPO/FPO Direct Investment in Equity	High	Low/ Moderate	Low/ Moderate
Collective Investment Schemes, Hedging, Derivative Trading, Currency Swaps, Credit Default Swaps (CDS), Collateralized Debt Obligation (CDO), Mortgage etc.	High	Moderate to High	Low

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## Investor Age and Asset Allocation

There are no magic tricks to find the perfect asset allocation. Perfect asset allocation is not the one which will make you rich but rather the one that will fit your profile. One of the key factors in determining your investing profile is your age. While it is not the only factor to take into consideration, you can manage your asset allocation according to your age.

Younger investors should be better off with a portfolio featuring more stocks with greater growth opportunities. Older investors nearing or already in retirement should prefer portfolios with a greater percentage of bonds (or other fixed income products) with their more reliable revenue streams and a lower proportion of stocks with their associated risks.

There are many ways to determine an asset allocation, including several rules of the thumb. One common suggestion is to invest your age in bonds. So, if you are 40 years old, you may use a 40/60 (bond/equity) allocation. At worst, by such investing according to age, the asset allocation might be slightly more conservative for the under-40 people and slightly more risky than is advisable for those over 60.

However, if there was only age to manage, things would be pretty easy. This is far from being that simple. In fact, age is only a mathematical data that doesn't take into consideration your risk tolerance. You might be young enough to support a big market drop as you will have time to play with you to gain it back but if you are about to have a heart attack when the market goes down by 5%, you won't last until your retirement!

Here is some general advice for various age groups.

*18 to 35* : While you should not be having much money to invest during this period, this is where you should risk the most. Technically, you should not need the money you invest for retirement for a good 30 years. This is the perfect time horizon for an investor. As such, an asset allocation with 90% to 100% in stocks would be ideal. Unless you are good at building your own stock portfolio, it is advisable to invest through mutual funds or index ETFs. *Why should you select such an aggressive asset allocation ?* Simply because it will be the type of portfolio with the highest expected yield over time. Investing in bonds at such early age will minimize your profit expectancy for nothing.

*36 to 50* : This is usually the time of your life where you get a better job (therefore better salary). Try to aim for an asset allocation of about 75% of equity and 25% of bonds. At your age, you still can afford a lot of risk and you should not be shy to take them. The 25% in your asset allocation will smoothen your investment returns during major crisis, but it would not slow down too much.

*51 to 65* : During this period, you can start seeing your retirement. However, that should not be the reason for you to secure your asset allocation to the maximum either. Since you would not be withdrawing much of your investment at that age, you can still handle some market fluctuations. Going from a growth to a more balanced asset allocation seems logical and as such, a 25%/75% asset allocation approach would allow you to earn some decent investment returns while not suffering too much during market crashes.

*66 and older* : You will for sure be retired during this period of your life. If you have been investing throughout your whole life, you should be sitting on a solid nest egg. There are

no reasons why you should now risk in the name of higher returns. A more secure asset allocation showing a 90% to 100% bond portfolio would be advisable.

### Individual Category and Selection Criteria

Are there any parameters one should look at based upon his individual status. On a thumb-rule basis, the following could be the selection criteria before making an investment for various categories of individuals:

	<i>Students</i>	<i>Salary Earners- Private</i>	<i>Salary Earners- Government</i>	<i>Profession- als</i>	<i>Traders</i>	<i>House wives</i>	<i>Retired Persons</i>
Returns	VI	VI	I	VI	VI	I	I
Liquidity	LI	I	I	LI	LI	I	I
Safety	I	I	VI	I	I	VI	VI
Tax Savings	LI	VI	I	VI	VI	LI	LI

VI : Very Important

I : Important

LI : Less Important

### CAPITAL MARKET

Among all investment options available, capital market is considered the most challenging as well as most rewarding. Capital market is a market for securities (equity and debt) where companies (and government) raise long-term funds from the public investors, and where investors can subsequently trade among themselves in these securities.

### Equity Shares

Typically, personal savings of an entrepreneur, and if required then contributions from friends/relatives are the source of funds to start a new business. For a large project, however, as the fund requirements are large, these will not only require term loans but go even beyond that. Thus availability of capital is a major input for setting up or expanding business on a large scale. There is a way to raise equity beyond oneself or from a limited pool of a small circle of friends and relatives. This is by way of raising money from the public across the country by selling shares of the company. For this purpose, the promoter has to invite subscriptions through an offer document which gives full details about the promoters' track record, the company, the nature of the project, the business model, the expected profitability, etc. When an individual is comfortable with such an investment opportunity, he may apply in the company's public issue and upon allotment become a shareholder of the company. This way, through aggregation, even small amounts available with a very large number of individuals translate into usable capital for corporates. Your small savings of, say, even Rs. 5,000 can contribute in setting up, say, a Rs. 5,000 crore telecom plant. This mechanism by which companies raise money from the public is called the primary market.

Importantly, when you, as a shareholder, need your money back, you can sell these

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shares to other or new investors. Such trades do not reduce or alter the company's capital. Stock exchanges bring such sellers and buyers together through stock brokers and facilitate trading. As such, companies raising money from the public are required to compulsorily list their shares on a stock exchange which has nation-wide trading terminals. This mechanism of buying and selling shares through a stock exchange is known as the secondary market.

As a shareholder, you are part owner of the company and entitled to all the benefits of ownership, including dividend (company's profit distributed to owners). Over the years if the company performs well, other investors would like to become owners of such a company by buying its shares. This increase in demand for the shares leads to increase in its price. You then have the opportunity of selling your shares at a higher price than at which you purchased it. You can thus increase your wealth, provided you make the right choice at the first instance of buying shares of the right companies. The reverse is also true! It is therefore important that an investor makes an informed choice.

Equity is an appropriate investment avenue for an investor who is prepared to take risks in order to generate higher returns. Over the long term, returns from equity shares at aggregated levels have been historically higher than most other avenues.

### **Debentures/Bonds**

These are primarily of three types:

- Non convertible debentures (NCD) – Total amount is redeemed by the issuer at a specified time
- Partially convertible debentures (PCD) – Part of the value is redeemed and the remaining is converted to equity shares at a specified price and time.
- Fully convertible debentures (FCD) – Full value is converted into equity at a specified price and time.

Debentures/Bonds are contracts where one party is the lender (investor) and the other party is the borrower (company). This contract specifies the rate of interest, the periodicity of interest payments (monthly/quarterly/ annual), and the maturity date for repayment of the principal amount (like 3/5/7 years). The term "bond" is used for the debt instrument issued by the Central and State Governments and PSUs; while the term "debenture" is used for debt issues from the private corporate sector. These instruments are normally secured/ charged against the assets of the company, and are required to be rated by credit rating agencies.

Debentures/Bonds are ideal for investors seeking assured and regular income. These instruments typically offer interest rates higher than the bank fixed deposits. Some bonds offer tax benefits to the investors as well.

### **Primary Capital Market**

*Initial Public Offering (IPO)* is when a hitherto unlisted company makes either a fresh issue of shares or some of its existing shareholders make an offer to sell off part of their existing shareholding for the first time to the public. This paves the way for the listing and

trading of such shares. An IPO of fresh shares is typically made by a company when it needs money for growth-expansion or diversification or acquisitions or even to meet its increasing working capital requirements. In an IPO involving an offer for sale, the proceeds go to the selling shareholders.

*Further Public Offering (FPO)* is when an already listed company makes either a fresh issue of securities to the public or the existing promoters make an offer for sale to the public. An FPO, where fresh securities are issued, is typically made by a company when it needs money for growth-expansion or diversification or acquisitions or even to meet its increasing working capital requirements. An FPO is also the preferred route (over a rights issue) when the company wants to bring in new investors-both institutional as well as retail. It may be pointed out that the FPO route is also being utilized extensively by the Government for the PSUs for the purpose of disinvestment of government's holdings.

Regarding the price of shares offered in an IPO or an FPO, SEBI does not play any role in price fixation. The issuer company decides the price. In support of this, the concerned company is required to give full disclosures in the offer document and also to justify the issue price by parameters, such as EPS, PE multiples and return on net worth and comparison of these parameters with peer group companies. There are two types of issues. In one, the company fixes a specified price (called fixed price issues). In the other, the company stipulates a floor price or a price band (within 20%) and invites bids from the market to then determine the final price (called book building issues). In the case of FPOs, the issue price is normally at a discount to the current market price. Some companies, and specifically PSUs, offer a discount to the retail investors in both IPOs and FPOs up to a maximum 10%.

### **Dos for Investing in IPOs/FPOs**

- Read the Prospectus/Abridged Prospectus carefully with special attention to:
  - Risk factors
  - Background of promoters
  - Company history
  - Outstanding litigations and defaults
  - Financial statements
  - Object of the issue
  - Basis of Issue price
- Use the ASBA (Application Supported by Bank Account) process for applying (Under this, the investor authorizes his bank to block in his bank account an amount equivalent to the application money. The money remains in the bank. Upon finalization of the basis of allotment, only the amount equivalent to the allotment amount is debited to the bank account, and the rest is freed up).
- In case of non-receipt, within due period, the credit to demat account/refund of application money, a complaint should be lodged with compliance officer of the issuer, and with the post-issue lead manager.

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**Don'ts for investing in IPOs/FPOs**

- × Don't be influenced by any implicit/explicit promise made by the issuer or anyone else.
- × Don't invest based only on the prevailing bull run of the market index or of scrips of other companies in the same industry or scrips of the issuer company/group companies.
- × Don't expect the price of the shares of the issuer company to necessarily go up upon listing or forever.

*Rights Issue* is when a listed company issues fresh securities to its existing shareholders in a particular ratio to the number of securities held prior to the issue as on a record date. This route is normally used by a company which would like to raise capital without diluting the stake of its existing shareholders, as in a rights issue the stake held by each shareholder remains the same even after the issue. (There could be some instances where the promoter may not like to bring in his money, and therefore, allow dilution of his stake by giving up his rights entitlement). Rights issues are typically made at a discount to the prevailing market price, and hence are seen as a reward to the shareholders.

**Secondary Capital Market**

Secondary market refers to the market where the issued shares and bonds/debentures are sold and bought among investors through a broker of a stock exchange.

**Dos for investing in the secondary market**

- Before investing, check the credentials of the company, its management, fundamentals and recent announcements and other disclosures made by them. The main sources of information are the websites of the exchanges and companies, databases of data vendors, business newspapers and magazines.
- Adopt trading/investment strategies commensurate with your risk-bearing capacity as all investments carry some risk, the degree of which varies according to the investment strategy adopted.
- Transact only through SEBI-recognized stock exchanges and deal only through SEBI-registered brokers/sub-brokers.
- Give clear and unambiguous instructions to your broker/sub-broker/Depository Participant (DP).
- Insist on a contract note for each transaction and verify details in the contract note immediately on receipt. In case of any doubt, crosscheck details of your trade available with the details on the exchange's website.
- Ensure that the broker's name, trade time and number, transaction price and brokerage are shown distinctly on the contract note.
- Issue cheques/ drafts only in the trade name of the broker.
- Deliver the shares/depository slip in case of sale and pay the money in case of purchase within the prescribed time.

- Ensure receipt of payment/deliveries within 48 hours of payout.
- Insist on periodical statement of accounts.
- Scrutinize both the transactions and the holding statements that you receive from your DP.
- Handle Delivery Instruction Slips (DIS) Book issued by the DP carefully. Insist that the DIS numbers are pre-printed and your account number (Client ID) is pre-stamped.
- In case you are not transacting frequently, use the freezing facility in your demat account.
- In case of disputes with the sub-broker, inform the main broker immediately.

### **Don'ts for investing in the secondary market**

- × Don't forget to take account of the potential risks that are involved in investment in shares.
- × Don't undertake off-market transactions.
- × Don't deal with unregistered intermediaries.
- × Don't fall a prey to promises of unrealistic returns or guaranteed returns.
- × Don't invest on the basis of hearsays, rumors or tips.
- × Don't be influenced into buying the fundamentally unsound companies (penny stocks) based on sudden spurts in trading volumes or "low" prices or favourable articles/stories in the media.
- × Don't blindly follow investment advice given on TV channels/websites/SMS.
- × Don't invest under peer pressure or blindly imitate investment decisions of others who may have profited from their investment decisions.
- × Don't get misled by companies showing approvals / registrations from Government agencies as the approvals could be for certain other purposes.
- × Don't get carried away with advertisements about the financial performance of companies.

### **Dealing with Brokers & Sub-Brokers**

One should deal only with SEBI registered brokers/sub-brokers with valid SEBI registration certificates. Listed below are some important Dos and Don'ts:

#### **Dos when dealing with brokers/sub-brokers**

- State clearly who will be placing orders on your behalf and give clear and unambiguous instructions to your broker/ sub-broker.
- Insist on client registration form to be signed by the broker before commencing operations.
- Enter into an agreement with your broker/ sub-broker setting out terms and conditions clearly.
- Ensure that you read the agreement and risk disclosure document carefully before signing.

- Make sure that you sign on all the pages of the agreement and ensure that the broker or an authorized representative, signs on all the pages of the agreement. Also the agreement should be signed by the witnesses by giving their names and addresses.
- Insist on a valid contract note/ confirmation memo for trades done within 24 hours of the transaction.
- Sign the duplicate contract note/ confirmation memo which would be kept with the broker once you receive the original.
- Insist on a bill for every settlement.
- Ensure that the broker's name, trade time and number, transaction price and brokerage are shown distinctly on the contract note.
- Insist on periodical statement of accounts.
- Issue cheques/ drafts only in the trade name of the broker.
- Ensure receipt of payment/ deliveries within 48 hours of payout.
- In case of dispute, file written complaint to intermediary/ stock exchange/ SEBI within a reasonable time.
- In case of any dispute with the sub-broker, inform the main broker immediately.
- Familiarize yourself with the rules, regulations and circulars issued by stock exchanges/ SEBI.
- Keep track of your portfolio in your demat account on a regular basis. Ensure that you have money before you buy.
- Ensure that you are holding securities before you sell.

#### **Dont's when dealing with brokers/sub-brokers**

- × Don't deal with unregistered brokers/ sub-brokers or other unregistered intermediaries.
- × Don't execute any document with any intermediary without fully understanding its terms and conditions.
- × Don't leave the custody of your Demat Transaction Slip book in the hands of any broker/sub-broker.
- × Don't forgo obtaining all documents of transactions even if the broker/sub-broker is well known to you.

#### **PROCESS FOR BECOMING A CAPITAL MARKET INVESTOR**

For investing in IPOs/FPOs

- The first requirement is PAN.
  - The second requirement is a bank account.
  - The third requirement is a demat account (See para 2.17 below for more information).

Additionally, for investing in the secondary market

- Select a broker, complete the KYC form and enter into a broker-client agreement to open a Trading Account.

## **DEMAT ACCOUNT**

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### **HOW TO OPEN A DEMAT ACCOUNT**

- First select the Depository Participant you want to open your demat account with. Most brokerages and financial institutions offer the service.
- Then fill up an account opening form and submit along with copies of the required documents and a passport-sized photograph. You also need to have a PAN card. Also carry the original documents for verification.
- You will be provided with a copy of the rules and regulations, the terms of the agreement and the charges that you will incur.
- During the process, an In-Person Verification would be carried out. A member of the DP's staff would contact you to check the details provided in the account opening form.
- Once the application is processed, the DP will provide you with an account number or client ID. You can use the details to access your demat account online.
- As a demat account holder, you would need to pay some fees like the annual maintenance fee levied for maintenance of account and the transaction fee - levied for debiting securities to and from the account on a monthly basis. These fees differ from every service provider (called a Depository Participant or DP). While some DPs charge a flat fee per transaction, others peg the fee to the transaction value, and are subject to a minimum amount. The fee also differs based on the kind of transaction (buying or selling). In addition to the other fees, the DP also charges a fee for converting the shares from the physical to the electronic form or vice-versa.
- A demat account can be opened with no balance of shares. It also does not require that a minimum balance be maintained.

### **WHAT ARE THE DOCUMENTS REQUIRED FOR A DEMAT ACCOUNT?**

You need to submit proofs of identity and address along with a passport size photograph and the account opening form. Only photocopies of the documents are required for submission, but originals are also required for verification.

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The list of Documents to be submitted for Proof of Identity (POI) & Proof of Address (POA) is given below. The list of documents remains the same for other joint account holder(s).

(I) Proof of Identity (POI) (copy of any one proof):

- Passport
- Driving license
- Voter ID Card
- Unique Identification Number [UID] (AADHAAR)
- PAN card with photograph
- Identity card / document with applicant's Photo, issued by
  - a) Central / State Government and its Departments
  - b) Statutory / Regulatory Authorities
  - c) Public Sector Undertakings
  - d) Scheduled Commercial Banks
  - e) Public Financial Institutions
  - f) Colleges affiliated to Universities
  - g) Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members
  - h) Credit cards / Debit cards issued by Banks

(ii) Proof of Address (POA) (copy of any one proof):

- Ration card
- Voter ID Card
- Bank passbook / Account Statement (not more than 3 months old)
- Registered Lease or Sale Agreement of Residence
- Flat maintenance bill
- Insurance copy
- Aadhaar Letter - Issued by Unique Identification Authority of India
- Passport
- Driving license
- Utility bills like (not more than 3 months old)
  - A) Telephone bill (only landline)
  - B) Electricity bill
  - C) Gas connection bill
- Self-declaration by High Court & Supreme Court judges, giving the new address in respect of their own accounts
- Identity card / document with address, issued by
  - (a) Central / State Government and its Departments
  - (b) Statutory / Regulatory Authorities

- (c) Public Sector Undertakings
- (d) Scheduled Commercial Banks
- (e) Public Financial Institutions
- (f) Colleges affiliated to universities
- (g) Professional Bodies such as ICAI, ICWAI, Bar Council etc., to their Members
- Proof of Address in name of the spouse is also accepted
- Proof of address issued by any of the following:

Bank Manager of Scheduled Commercial Bank / Scheduled Cooperative Bank / Multinational Foreign Bank/ Gazetted Officer/ Notary Public / Elected Representative of Legislative Assembly / Parliament / Documents issued by any other Govt, or Statutory Authority

**(iii)** Passport-size photograph

**(iv)** Copy of PAN Card

You must remember to take original documents to the DP for verification. Your DP will carry-out "in-person verification" of account holder(s) at the time of opening your account. You should remember to obtain a copy of the agreement and schedule of charges for your future reference. Note: Your DP may ask additional proof of identity/ address.

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## **MUTUAL FUNDS**

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### **Introduction**

The capital market is highly complex. The risks rise further for most individuals who neither have the time, skills or resources to select the right securities nor to monitor their investments subsequently nor to take decisions on exits. Selecting securities with growth and income potential from the large number of listed securities involves careful research and monitoring of the market, which is not possible for most small investors. Also, the key to successful investing in the capital market is to minimize risks which can be done by building a diversified portfolio, which however requires substantial capital.

Mutual Fund is a professional intermediary between the investor and the capital market. Mutual Fund is an entity which collects funds from small investors, pools these funds together and with the help of competent professionals invest these into various equity and debt instruments, in accordance with the scheme objectives. Investors are issued units by a mutual fund against their investments. For this, the mutual funds charge a management fee. The profits or losses made by the mutual fund are shared with the investors in proportion to their investments. Mutual Funds as such mitigate to a large extent the shortcomings of direct investing.

The performance of a particular scheme is denoted by Net Asset Value (NAV). The NAV per unit is the market value of securities of a scheme divided by the total number of units of the scheme on any particular date. Since market value of securities changes every day, the NAV of a scheme also changes accordingly. NAV is required to be disclosed by the mutual funds on a daily basis.

### **Main types of mutual fund schemes**

Mutual Funds offer a wide range of schemes to suit different needs of the investors. An investor should select suitable schemes matching his investment objective. One must study the offer document of the scheme carefully; due care must be given to sections relating to main features of the scheme, risk factors, initial expenses and recurring expenses of the scheme, exit loads, track record of the sponsor and of the fund managers and the past and pending litigations/defaults. The past track record of performance of the scheme or other schemes of the same mutual fund is an important input in decision making. Though past performance of a scheme is not an indicator of its future performance and good performance in the past may or may not be sustained in the future, this still is one of the important factors for making the investment decision.

Many investors are tempted to invest in schemes that are available at a low NAV. Accordingly, they are even drawn towards New Fund Offering (NFO), which are made available at Rs. 10 per unit. Investors should understand that in case of mutual funds schemes, lower or higher NAVs of similar type schemes of different mutual funds have no relevance. At the entry point for the investor in an existing scheme, the NAV reflects the present value of the underlying assets, and a higher NAV in fact shows a comparative high quality of assets. In NFOs, the initial corpus shall be first invested and the NAV shall then depend upon the quality of investments.

Growth/Equity Oriented Schemes normally invest a major part of their corpus in equities, and as such carry higher risks/rewards. Growth schemes are good for investors having a long-term outlook. Such schemes could be focused by, for example, investing only in large-cap stocks or only in mid cap-stocks, etc.

Income/Debt Oriented Schemes aim to provide regular and steady income to the investors. As such, these schemes generally invest in fixed income securities, such as bonds, corporate debentures, Government securities and money market instruments. Such schemes are less risky, but offer low returns.

Balanced Schemes offer the middle path by combining both growth and income. As such, these schemes invest both in equities and in fixed income securities. These are appropriate for investors who do not wish to take excessive risk and at the same time are also looking for some capital appreciation. Such schemes generally invest 40-60% in equity and the balance in debt instruments.

Sector Specific Funds/Schemes invest in the securities of a pre-specified sector/industry (like Pharmaceuticals, Software, FMCG, PSUs, Banks). The returns in these funds are significantly dependent on the performance of the respective sector/industry. Such funds may give higher returns, but at the same time they are more risky.

Tax Saving Schemes offer tax rebates to the investors under specific provisions of the Income Tax Act. A good example of this is the Equity Linked Savings Schemes (ELSS). Pension schemes launched by mutual funds also offer tax benefits. Such schemes are growth oriented and invest pre-dominantly in equities.

2.49 Capital Protection Oriented Schemes are oriented towards protection of capital but not with guaranteed returns. Such schemes typically invest a part of their portfolio into AAA rated bonds in such a way that on maturity this investment equals to 100 percent of the original capital. The balance of portfolio is invested in other assets which offer higher returns.

2.50 Systematic Investment Plans (SIP) is a convenient option which offers disciplined investing. Under SIP, an investor invests a fixed amount regularly, say every month or quarter. Such investments are made at the respective prevailing NAVs. The investor can redeem his units any time irrespective of whether he has completed his minimum investment in that scheme.

2.51 Index Funds replicate the portfolio of a particular index such as the BSE Sensex or the S&P NSE Nifty. These schemes invest in the securities in the same weightage as in the index. NAVs of such schemes rise or fall substantially in accordance with the rise or fall of the index.

2.52 Exchange Traded Funds, popularly known as ETFs, select a market index and make investments in the basket of stocks drawn from the constituents of that index. The fund may invest in any or all of the stocks constituting that index but not necessarily in the same proportion.

2.53 Gold ETFs are funds where the underlying asset is standard gold bullion of 0.995 purity and the investors' holdings are denoted in units, unlike the equity mutual fund, where the underlying asset is the stocks of various companies.

All Mutual Funds are regulated by SEBI. For more information, visit [www.sebi.gov.in](http://www.sebi.gov.in) and [www.amfiindia.com](http://www.amfiindia.com).

### **Purchasing mutual fund schemes**

A new scheme launched by a mutual fund to collect funds from the investors is called a New Fund Offering (NFO). Launches of NFOs are usually advertised in newspapers/TV. Investors can also contact agents and distributors of mutual funds for necessary information and application forms. The units of existing schemes can be purchased directly from the fund itself or from distributors/brokers/sub-brokers/agents.

#### **Dos for investing in mutual fund schemes**

- Read the offer document carefully before investing.
- Investments in mutual funds may be risky, and do not necessarily result in gains.
- Invest in a scheme depending upon your investment objective and risk appetite.
- Note that past performance of a scheme or a fund is not indicative of the scheme's or the fund's future performance. Past performance may or may not be sustained in the future.
- Keep regular track of the NAV of the schemes in which you have invested.
- Ensure that you receive an account statement for your investments/redemptions.

#### **Don'ts for investing in mutual fund schemes**

- × Don't invest in a scheme just because somebody is offering you a commission or some other incentive like gifts.
- × Don't get carried away by the name of the scheme/ mutual fund.
- × Don't be guided solely by the past performance of a scheme/ fund.
- × Don't forget to take note of the risks involved in the investment.
- × Don't hesitate to approach the proper authorities for redressal of your doubts/grievances.
- × Don't deal with any agent/broker dealer who is not registered with AMFI.

## **NON-BANKING FINANCIAL COMPANIES (NBFCs)**

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Non-banking financial companies (NBFCs) are fast emerging as an important segment of Indian financial system. It is an heterogeneous group of institutions (other than commercial and co-operative banks) performing financial intermediation in a variety of ways, like accepting deposits, making loans and advances, leasing, hire purchase, etc. They raise funds from the public, directly or indirectly, and lend them to ultimate spenders. They advance loans to the various wholesale and retail traders, small-scale industries and self-employed persons. Thus, they have broadened and diversified the range of products and services offered by a financial sector. Gradually, they are being recognised as complementary to the banking sector due to their customer-oriented services; simplified procedures; attractive rates of return on deposits; flexibility and timeliness in meeting the credit needs of specified sectors; etc.

The working and operations of NBFCs are regulated by the Reserve Bank of India (RBI) within the framework of the Reserve Bank of India Act, 1934 (Chapter III B) and the directions issued by it under the Act. As per the RBI Act, a 'non-banking financial company' is defined as:-

- a financial institution which is a company;
- a non banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner;
- such other non-banking institution or class of such institutions, as the bank may, with the previous approval of the Central Government and by notification in the Official Gazette, specify.

Under the Act, it is mandatory for a NBFC to get itself registered with the RBI as a deposit taking company. This registration authorises it to conduct its business as an NBFC. For the registration with the RBI, a company incorporated under the Companies Act and desirous of commencing business of non-banking financial institution, should have a minimum net owned fund (NOF) of specified amount. The term 'NOF' means, owned funds (paid-up capital and free reserves, minus accumulated losses, deferred revenue expenditure and other intangible assets) less, (i) investments in shares of subsidiaries/companies in the same group/ all other NBFCs; and (ii) the book value of debentures/bonds/ outstanding loans and advances, including hire-purchase and lease finance made to, and deposits with, subsidiaries/ companies in the same group, in excess of 10% of the owned funds.

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The registration process involves submission of an application by the company in the prescribed format along with the necessary documents for RBI's consideration. If the bank is satisfied that the conditions enumerated in the RBI Act, 1934 are fulfilled, it issues a 'Certificate of Registration' to the company. Only those NBFCs holding a valid Certificate of Registration can accept/hold public deposits. The NBFCs accepting public deposits should comply with the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998, as issued by the bank. Some of the important regulations relating to acceptance of deposits by the NBFCs are:-

- They are allowed to accept/renew public deposits for a minimum period of 12 months and maximum period of 60 months.
- They cannot accept deposits repayable on demand.
- They cannot offer interest rates higher than the ceiling rate prescribed by RBI from time to time.
- They cannot offer gifts/incentives or any other additional benefit to the depositors.
- They should have minimum investment grade credit rating.
- Their deposits are not insured.
- The repayment of deposits by NBFCs is not guaranteed by RBI.

The types of NBFCs registered with the RBI are:-

- *Equipment leasing company* - is any financial institution whose principal business is that of leasing equipments or financing of such an activity.
- *Hire-purchase company* - is any financial intermediary whose principal business relates to hire purchase transactions or financing of such transactions.
- *Loan company* - means any financial institution whose principal business is that of providing finance, whether by making loans or advances or otherwise for any activity other than its own (excluding any equipment leasing or hire-purchase finance activity).
- *Investment company* - is any financial intermediary whose principal business is that of buying and selling of securities.

Now, these NBFCs have been reclassified into three categories:-

- Asset Finance Company (AFC)
- Investment Company (IC) and
- Loan Company (LC).

## **INSURANCE POLICIES**

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Insurance, as the name suggests, is an insurance against future loss. Life insurance is the most common insurance cover for an individual. Life Insurance is a contract providing for payment of a sum of money to the person assured, or following him to the person entitled to receive the same, on the happening of a certain event. It is a good method to protect your family financially, in case of death, by providing funds for the loss of income.

### **Term Life Insurance**

- Lump sum is paid to the designated beneficiary in case of the death of the insured.
- Policies are usually for 5, 10, 15, 20 or 30 years.
- Low premium compared to other policies.
- Does not carry any cash value.

### **Endowment Policies**

- Provide for periodic payment of premiums and a lump sum amount either in the event of death of the insured or on the date of expiry of the policy, whichever occurs earlier.

### **Annuity / Pension Policies / Funds**

- No life insurance cover but a guaranteed income either for life or a certain period.
- Taken so as to get income after the retirement.
- Premium can be paid as a single lump sum or through installments paid over a certain number of years.
- The insured receives back a specific sum periodically from a specified date onwards (can be monthly, half yearly or annual).
- In case of the death, it also offers residual benefit to the nominee.

### **Units Linked Insurance Policy (ULIP)**

- ULIP is a life insurance policy, providing a combination of risk cover and investment.
- The dynamics of the capital market have a direct bearing on performance of ULIPs.
- Most insurers offer a wide range of funds to suit one's investment objectives, risk

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profile and time horizons. Different funds have different risk profiles. The potential for returns also varies from fund to fund.

- ULIPs offered by different insurers have varying charge structures. Broadly the different fees and charges include- Premium allocation charges, Mortality charges, fund management fees, policy/administration charges and fund switching charges.

### **Dos for an insurance policy**

- ✓ Do review your insurance coverage.
- ✓ Do consider how much life cover you need and your affordability to pay the premium.
- ✓ Do study details of various schemes.
- ✓ Select a policy that suits you in terms of your requirement and premium outflows.
- ✓ Do get an advice from an insurance professional who offers policies of different insurance companies.
- ✓ Do go online to get the best quotes and verify the same before choosing one.
- ✓ Do consider two single plans rather than a joint cover.
- ✓ Do disclose correct information in your application.
- ✓ Do check and update your policy regularly.

### **Don'ts for an insurance policy**

- × Don't purchase a policy unless you understand the concept behind it.
- × Don't buy life insurance unless you need it.
- × Don't opt for the cheapest deal without understanding the risk.
- × Don't forget to check for terminal illness benefits.
- × Don't limit your choice to one insurer.
- × Don't over-burden yourself with unaffordable premium outflows.
- × Don't blindly trust the information that is available online.
- × Don't lie in your medical exam.
- × Don't cancel any current insurance policy until you receive a certificate.
- × Don't do anything to hinder an investigation in case you file a claim.
- × Don't default on your payments which may lead to cancellation at the time of need.
- × Don't forget to report accidents and mishaps to your insurance company, even if you don't plan on filing a claim.

## PENSION PRODUCTS

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### **New Pension System (NPS)**

A person can build his retirement corpus during his working life by regularly contributing (the minimum amount being Rs. 6,000 p.a.) to the NPS till the age of 60. Such contributions are invested by the Pension Fund Manager (PFM) whom the investor chooses in the investment option of his choice:

#### **Active Choice**

- ✓ Asset Class E (Equity): Invests in index funds (the maximum allowed is 50%, the balance has to be in Asset Class G & C).
- ✓ Asset Class G (Government securities): Invests in central and state government bonds.
- ✓ Asset Class C (non government debt): Invests in liquid funds of Asset Management Companies, bank fixed deposits, rated bonds issued by corporates, banks, financial institutions, PSUs, Municipality and Infrastructure entities.

#### **Auto Choice (Life cycle fund)**

Under this option, the contributions are automatically allocated to the three asset classes in a predefined manner depending on the investor's age.

Upon subscribing, the investor is allotted a Permanent Pension Account Number (PPAN). The PPAN will remain constant even if the investor changes the PFM, his location or employer. The returns earned on the contributions would depend on the investment option. Charges are applicable to the NPS account as prescribed by the regulator-Pension Fund Regulatory and Development Authority (PFRDA). For further details, visit [www.pfrda.org.in](http://www.pfrda.org.in).

At the age of 60, a minimum of 40% of the accumulated amount in the account has to be used to buy a pension (annuity) scheme from any insurance company from whom the investor will receive monthly pension. The balance of 60% in the account can be withdrawn or be used to buy annuity.

**Annuity/Pension Policies/Funds** are products of the insurance companies and offer guaranteed income either for life or for a certain period without any insurance cover.

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## Classes of Pension

### *Superannuation*

A superannuation pension shall be granted to a Government servant who is retired on his attaining the age of 60 years.

### *Retiring Pension*

A retiring pension shall be granted to a Government servant who retires, or is retired before attaining the age of Superannuation or to a Government servant who, on being declared surplus opts, for voluntary retirement.

### *Voluntary Retirement*

Any Government servant can apply for voluntary retirement, three months in advance, only after the completion of twenty years of his qualifying service, provided there is no vigilance or Departmental Enquiry pending /initiated against him/her.

### *Invalid Pension*

Invalid Pension may be granted if a Government servant applies for retirement from the service on account of any bodily or mental infirmity which permanently incapacitates him/her for the service.

The request for invalid pension has to be supported by medical report from the competent medical board.

### *Compensation Pension*

If a Government servant is selected for discharge owing to the abolition of a permanent post, he shall, unless he is appointed to another post the conditions of which are deemed by the authority competent to discharge him/her to be at least equal to those of his own, have the option.

- (a) of taking compensation pension to which he may be entitled for the service he had rendered, or
- (b) of accepting another appointment on such pay as may be offered and continuing to count his previous service for pension.

### *Compulsory Retirement Pension*

A Government servant compulsorily retired from service as a penalty may be granted, by the authority competent to impose such penalty, pension or gratuity, or both at a rate not less than twothirds and not more than full compensation pension or gratuity, or both admissible to him on the date of his compulsory retirement. The pension granted or allowed shall not be less than Rs. 3500/p.m.

### *Compassionate Allowance*

- (i) A Government servant who is dismissed or removed from service shall forfeit his pension and gratuity:

Provided that the authority competent to dismiss or remove him from service may, if

the case is deserving of special consideration, sanction a compassionate allowance not exceeding two-thirds of pension or gratuity or both which would have been admissible to him if he had retired on compensation pension.

- (ii) A compassionate allowance sanctioned under the proviso to subrule (i) shall not be less than the amount of Rupees one thousand nine hundred and thirteen per mensem.

#### *Extraordinary Pension*

Extraordinary Pension in the form of Disability pension/extraordinary family pension may be paid to the Government servant/his family if disablement/death (or the aggravation of disablement/death) of the Government servant during his service, are attributed to the Government service. For the award of extraordinary pension, there should thus be a casual connection between disablement and Government service; and death and Government service, for attributability or aggravation to be conceded. The quantum of the pension, however, depends upon the category of the disablement/death.

Government servants appointed on or after 1.1.2004 are not covered by the CCS(Extraordinary Pension) Rules.

#### *Family Pension*

Family pension is granted to the widow / widower and where there is no widow / widower to the children of a Government servant who entered in service in a pensionable establishment on or after 01/01/1964 but on or before 31.12.2003 or having entered service prior to that date came to be governed by the provisions of the Family Pension Scheme for Central Government Employees, 1964 if such a Government servant –

- (i) dies while in service on or after 01/01/1964 or
- (ii) retired/died before 31.12.1963 or
- (iii) retires on or after 01/01/1964

and at the time of his death was in receipt of pension.

Family pension is payable to the children up to 25 years of their age, or marriage or till they start earning a monthly income exceeding Rs. 3,500/+ DA admissible from time to time p.m. whichever is earlier.

Widow daughter / divorced daughter/ unmarried daughter of deceased Government servant is also entitled for the family pension till her remarriage or up to life time or starts earning a monthly income exceeding Rs.3,500/+ DA admissible from time to time p.m. whichever is earlier.

Family pension is also payable to the dependent parents of deceased Government servants w.e.f. 01/01/98, where there is no claimant i.e. spouse or child for family pension, alive.

If the son or daughter, of a Government servant is suffering from any disorder or disability of mind or is physically crippled or disabled so as to render him or her unable to earn a living even after attaining the age of 25 years, the family pension can continue to be paid for life time subject to conditions.

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**Pension Grievance Redress System**

1. If you have any grievance in pension matters you may take it up with your Head of Office, the pension sanctioning authority or the pension disbursing authority, as the case may be.
2. If considered necessary, you may also approach the Department of Pension and Pensioners' Welfare, Lok Nayak Bhawan (3rd Floor), Khan Market, New Delhi 110003, which is the nodal Department for looking into the grievances and problems of pensioners or Secretary (PG), Directorate of Public Grievances, Cabinet Secretariat, Sardar Patel Bhawan, Parliament Street, New Delhi 110 001.
3. For prompt attention, all your correspondence should contain the following essential details, so that past records can be easily linked,
  - a. Name
  - b. Full address
  - c. Office from which retired (name of the office may be indicated in full)
  - d. Post held at the time of retirement (and scale of pay)
  - e. If pension has been sanctioned , quantum may be specified.
    - I. The particulars of Accounts Officer which issued the PPO
    - II. The particulars of Pension Disbursing Authority, and
    - III. PPO number / or a photocopy of the PPO.

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# INVESTOR ACTIVISM

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## Introduction

When an investor disagrees with company management on important substantive issues, they have three basic options:

1. They can maintain their investment and hope management's position proves to be the best (the "hold and hope" option).
2. They can sell their shares (the "sell and shrug" option). This is often referred to as the "Wall Street Walk." It is also sometimes described as "voting with your feet."
3. They can attempt to change the situation (the "push and prod" option).

Broadly speaking, the first two options are "passive" investment strategies, while the third is loosely referred to as "activism."

There is no doubt that when investors buy stock, under normal circumstances they delegate the making of business decisions to the board of directors and the management. But circumstances are not always normal. When management and the board make operational and strategic blunders, then what?

Shareholders invest in companies primarily because they are enticed by prospects of huge financial returns. As such, investing in a company is influenced by a number of factors, such as policy formulation, leadership, history of performance, dividend payout etc. If any of these factors are non-existent, potential investors are likely going to opt for other company stocks.

## What is Investor/shareholder Activism?

Investor/Shareholder activism is the effort by the owner of equity capital to use voting power (embedded in their shares) to change the behavior of corporate management. It is the way in which shareholders can assert their power as owners of the company to influence its behaviour.

Investor activism is defined to include monitoring and attempting to bring about changes in the organizational control structure of a company not perceived to be pursuing shareholder-wealth-maximizing goals. The main objectives are:

- Establishing dialogue with the management on issues that concern you.

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- Influencing the corporate culture.
  - Using the corporate democracy provided by law.
  - Increasing general awareness on social and human rights issues concerning the organization. Internet and mass media are effective tools in building up pressure on the management.

It is about taking action or getting involved by asking questions, demanding accountability and offering suggestions by shareholders to management.

Active participation in company meetings is a healthy practice. Shareholders can ensure that the company follows good corporate governance practices and implements beneficial policies. They can resolve issues laid down in the annual and other general meetings. They can also raise concerns over financial matters or even social causes such as protection of the environment.

Shareholder activists include public pension funds, mutual funds, unions, religious institutions, universities, foundations, environmental activists and human rights groups.

Shareholder activism can take several forms such as proxy battles, publicity campaigns, shareholder resolutions, litigation and negotiations with management. The common method of activism is publicity campaigns. It is often invoked after proxy battles, negotiations and shareholder resolutions failed to achieve anything. Shareholder activism is good for shareholders return.

Shareholder activism, also known as shareholder advocacy, first gained momentum during the 1970s when religious investors formed a coalition (the Interfaith Center on Corporate Responsibility) to advocate for socially responsible changes in corporate policies.

### **Potential Advantages of Shareholder Activism**

Individual shareholders generally do not have too much pull with management. That is because they may hold only a few hundred or few thousand shares, which is likely to be a relatively small percentage of the outstanding stock. However, collective approach makes the difference. As a result, management and the board may be more willing to work for the benefit of shareholders. Activists can sometimes press for and/or demand certain changes from existing management. This in turn can make them work harder and force them to try to find ways to enhance stakeholder

Potential downside of shareholder activism is that when the activist investors decide to shed out the shares, it may logically place a significant amount of downward pressure on the share price.

It is claimed that the very presence of activists causes pressure upon management because they realize that they are being observed. In this way, activists play an important role for all shareholders of the firm working for the long-term value creation of the firm and for all investors.

### **Rights of Investors**

The Companies Act, 2013 has placed investor protection at a higher echelon. The Act

requires companies to make several disclosures in its Board Report with respect to Board meetings, criteria for appointment of directors, risk management, spent on Corporate Social Responsibility vigil mechanism, state of company affairs, board evaluation amongst others. These wide disclosures itself gives huge opportunity to the stakeholders to be aware of the acts of the company. The company has also made several investor friendly provisions few of which are discussed hereunder.

1) Right to appoint a director

The Act has made a provision that a listed Company may upon notice of, not less than 1/10th of the total number of such shareholders or 1000 shareholders whichever, is lower have a small shareholder director elected by the small shareholders. Such director is the small shareholder director, who can become the voice of the minority shareholders.

2) Oppression and mismanagement

Aggrieved shareholders are given an opportunity under the Act to apply to National Company Law tribunal (not yet notified), when management or control of the company is being conducted in a manner prejudicial to the interests of the class or company. It has been provided that members of a company may apply to the tribunal in case —

- a. the affairs of the company have been or are being conducted in a manner prejudicial to public interest or in a manner prejudicial or oppressive to him or any other member or members or in a manner prejudicial to the interests of the company; or
- b. the material change, not being a change brought about by, or in the interests of, any creditors, including debenture holders or any class of shareholders of the company, has taken place in the management or control of the company, whether by an alteration in the Board of Directors, or manager, or in the ownership of the company's shares, or if it has no share capital, in its membership, or in any other manner whatsoever, and that by reason of such change, it is likely that the affairs of the company will be conducted in a manner prejudicial to its interests or its members or any class of members.

3) Rights with respect to reconstruction and amalgamation

Section 236 provides that in the event of an acquirer, or a person acting in concert with such acquirer, becoming registered holder of ninety per cent. or more of the issued equity share capital of a company, or in the event of any person or group of persons becoming ninety per cent, majority or holding ninety per cent, of the issued equity share capital of a company, by virtue of an amalgamation, share exchange, conversion of securities or for any other reason, such acquirer, person or group of persons, as the case may be, shall notify the company of their intention to buy the remaining equity shares and the acquirer shall offer to the minority shareholders to buy the shares of held by them at a price determined on the basis of valuation by a registered valuer.

4) Class action suit

Section 245 provides that Class action suit may be filed by the member or members,

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depositor or depositors or any class of them, if they are of the opinion that the management or conduct of the affairs of the company are being conducted in a manner prejudicial to the interests of the company. The concerned person can file an application before the Tribunal on behalf of the members or depositors.

5) Dividend

The company is required under the Act to prepare a statement containing the names, their last known addresses and the unpaid dividend to be paid to each person and place it on the website of the company, if any, and also on any other website approved by the Central Government for this purpose.

Any person claiming to be entitled to any money transferred to the Unpaid Dividend Account of the company may apply to the company for payment of the money claimed.

Further it is required that all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be unpaid transferred by the company in the name of Investor Education and Protection Fund along with a detailed statement.

Any claimant of shares transferred above shall be entitled to claim the transfer of shares from Investor Education and Protection Fund in accordance with such procedure and on submission of such documents as may be prescribed. (the details are yet to be prescribed).

6) Exit offer to dissenting shareholder

- Section 13 provides that the dissenting shareholders shall be given an opportunity to exit by the promoters and shareholders having control in accordance with regulations to be specified by the Securities and Exchange Board.
- Section 27 provides that The dissenting shareholders being those shareholders who have not agreed to the proposal to vary the terms of contracts or objects referred to in the prospectus, shall be given an exit offer by promoters or controlling shareholders at such exit price, and in such manner and conditions as may be specified by the Securities and Exchange Board by making regulations in this behalf.
- Section 230 provides exit offer to dissenting shareholders, if any, as are in the opinion of the Tribunal necessary to effectively implement the terms of the compromise or arrangement.

## **CLASS ACTION SUIT**

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### **Introduction**

#### ***What is Class Action Suit?***

Democratic decisions are made in accordance with the majority decision and are deemed to be fair and justified while overshadowing the minority concerns. The corporate world has adopted this majority rule in decision making process and management of the companies. Statutory provisions in this regard have been provided under the Companies Act, 1956 ("CA 1956"), which is being replaced by the Companies Act, 2013 ("CA 2013").

The concept of Class Action Suits is among one of the many novelties introduced by the Companies Act, 2013. Though the concept per se is not new but in Indian context it has found statutory recognition and enforceability now only by means of Companies Act 2013. The major objective behind the provision of class action suits is to safeguard the interests of the minority shareholders. So, class action suits are expected to play an important role to address numerous prejudicial and abusive conduct committed by the Board of Directors and other managerial personnel as it has been statutory recognized under the Companies Act, 2013. In other words, a class action allows number of claimants with common grievance against a Company to file a lawsuit against it. Claimants can pool their resources, share attorney's services and save the time and costs of litigation. The scale of economies associated with class action seem especially critical to those individuals who have limited resources or small claims that render individual lawsuits expensive and unfeasible.

#### **Brief Summary on Provisions of Class Action Suits are :-**

Under provisions of section 245 of the Companies Act, 2013, a shareholder or depositor may file an application with the National Company Law Tribunal (NCLT) alleging that the management or the conduct of the affairs of any Company other than the Banking Company [section 245(9)] are being conducted in the manner prejudicial to the interest of the Company, its members or depositors (as per section 245). Such class action may include suit against the Company, its Directors, Experts and Consultants or any other person for any wrongful or fraudulent act. Suits may also be filed against the Audit Firms as well as the Partners responsible for any misleading or improper statements in the Auditor's Report or any misconduct or fraud by act or omission.

The reimbursement of the legal expenses undertaken in such class action shall be reimbursed from Investors Education Protection Fund (IEPF) [as per section 125(3)(d)] and the cost or expenses connected with the application or class action shall be defrayed by the Company or any other person responsible for any oppressive act [as per section 245(5)]. The feasibility of reimbursements from IEPF shall be an acid test for 2013, Act.

The Tribunal, while considering an Application, shall consider whether the members or depositors are acting in good faith, whether the cause of action is one which could be pursued individually instead of Class Action. It shall also consider evidence relating to involvement of persons other than Directors or Officers and views of those members having no personal interest in the derivative action.

A separate provision has also been made for 'Securities Class Action' under section 37 of the Companies Act, 2013. An interesting point to note is that if a misleading statement or inclusion or omission of any matter is made in the prospectus affecting any group of persons, a suit instead of an application with the NCLT shall be filed for appropriate remedy. No minimum number of persons required for filing such a suit has yet been prescribed as of now. The provision also states that 'any other section' may be taken imposing civil or criminal liability on persons responsible for such misleading statements made in the prospectus.

Number of members/depositors who may bring Class Action [as per SECTION 245(3)] read with Draft Companies Rules, 2013, issued by Ministry of Corporate Affairs]

1. *Company having Share Capital*

- Not less than 100 members of the Company, or
- Not less than 10% of the total number of members, whichever is less, or
- Any member or members singly or jointly holding not less than 10% of the issued share capital of the Company, subject to the condition that the applicant or the applicants have paid all calls and other sums due on their shares.

2. *Company not having Share Capital*

- Not less than one - fifth of the total number of its members.

3. *Depositors of the Company having Share Capital*

- Not less than 100 depositors, or
- Not less than 10% of the total number of the depositors, whichever is less, or
- Any depositor or depositors singly or jointly holding not less than 10% of the outstanding deposits of the Company.

While 2013 Act allows waiver of the requirements related to number of persons eligible to make an application for oppression and mismanagement, no such relaxation has been provided in case of class action.

**When Class Action Suit can be filed? [SECTION-245(1)]**

Members or depositors or any class of them, as indicated above, may file a class action suit if they are of the opinion that the management or conduct of the affairs of the company

are being conducted in a manner prejudicial to the interests of the company or its members or depositors seeking all or any of the following orders, namely:—

- a) To restrain the company from committing an act which is ultra vires the articles or memorandum of the company;
- b) To restrain the company from committing breach of any provision of the company's memorandum or articles;
- c) To declare a resolution altering the memorandum or articles of the company as void if the resolution was passed by suppression of material facts or obtained by misstatement to the members or depositors;
- d) To restrain the company and its directors from acting on such resolution;
- e) To restrain the company from doing an act which is contrary to the provisions of this Act or any other law for the time being in force;
- f) To restrain the company from taking action contrary to any resolution passed by the members;
- g) To claim damages or compensation or demand any other suitable action from or against:—
  - (i) The company or its directors for any fraudulent, unlawful or wrongful act or omission or conduct or any likely act or omission or conduct on its or their part;
  - (ii) The auditor including audit firm of the company for any improper or misleading statement of particulars made in his audit report or for any fraudulent, unlawful or wrongful act or conduct; or
  - (iii) Any expert or advisor or consultant or any other person for any incorrect or misleading statement made to the company or for any fraudulent, unlawful or wrongful act or conduct or any likely act or conduct on his part;
- h) To seek any other remedy as the Tribunal may deem fit.

#### **Against whom Class Action can be filed?**

Class action suit can be filed against the:-

- Company;
- Any of its directors;
- Auditor, including audit firm;
- Expert or advisor or consultant or any other person.

In case of any claim against an audit firm, the liability shall be of the firm as well as of each partner who was involved in making any improper or misleading statement of particulars in the audit report or who acted in a fraudulent, unlawful or wrongful manner.

#### **What Action will be taken?**

Action taken by National Company Law Tribunal in consideration of Class Action Application:-

1. *Before admitting the application, NCLT will look into the following: [SECTION 245(4)]*
  - Whether the member or depositor is acting in good faith in making the application for seeking an order;

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- Any evidence before it as to the involvement of any person other than directors or officers of the company on any of the matters on which an order can be passed;
  - Whether the cause of action is one which the member or depositor could pursue in his own right rather than through an order under this section;
  - Any evidence before it as to the views of the members or depositors of the company who have no personal interest, direct or indirect, in the matter being proceeded under this section;
  - Where the cause of action is an act or omission that is yet to occur, whether the act or omission could be, and in the circumstances would likely to be—
    - Authorised by the company before it occurs; or
    - Ratified by the company after it occurs;
  - Where the cause of action is an act or omission that has already occurred, whether the act or omission could be, and in the circumstances would be likely to be, ratified by the company.

2. *After admitting the application, NCLT will look into the following: [SECTION 245(5)]*

- Issue a public notice to all the members of the class by publishing the same within 7 days of admission of the application once in a vernacular newspaper in the principal vernacular language of the state in which the registered office of the company is situated and circulating in that state and at least once in English in an English newspaper circulating in that State.
- Require the company to place the public notice on the website of such company, if any, in addition to publication of such public notice in newspaper and such notice shall also be placed on the website of the Tribunal, if any, on the website of Ministry of Corporate Affairs, on the website, if any, of the concerned Registrar of Companies and in respect of a listed company on the website of the concerned stock exchange(s) where the company has any of its securities listed, until the application is disposed off by the Tribunal.
- Consolidate all similar applications prevalent in any jurisdiction into a single application and the class members or depositors shall be allowed to choose the lead applicant and in the event the members or depositors of the class are unable to come to a consensus, the Tribunal shall have the power to appoint a lead applicant, who shall be in charge of the proceedings from the applicant's side.
- Not allow two class action applications for the same cause of action.

**Also;**

- A copy of every application made under this section shall be served on the Regional Director and Registrar of Companies.
- The Tribunal shall give notice of every application made to it under this section to the Central Government and shall take into consideration the representations, if any, made to it by that Government before passing a final order under those sections.
- Where any application filed before the Tribunal is found to be frivolous or vexatious,

it shall, for reasons to be recorded in writing, reject the application and make an order that the applicant shall pay to the opposite party such cost, not exceeding Rs. 1 Lac, as may be specified in the order. **[SECTION 245(8)].**

### **Penalty for Non-Compliance of Order passed by the Tribunal**

1. Any company which fails to comply with an order passed by the Tribunal under section 245 shall be punishable with fine which shall not be less than Rs. 5 Lacs but which may extend to Rs. 25 Lacs and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to 3 years and with fine which shall not be less than Rs. 25,000/- but which may extend to Rs. 1,00,000/-. **[SECTION 245(7)]**
2. Under Section 425 of the Companies Act, 2013 the Tribunal has also been conferred the same jurisdiction, powers and authority in respect of contempt of its orders as conferred on High Court under the Contempt of Courts Act, 1971.

### **Advantages of Class Action Suits**

- Reduction in no. of lawsuits and allows no. of people with a common interest in a matter to sue or be sued as a group.
- Reduces litigation costs, efforts and increases efficiency of a legal process.
- Avoids repetition of same witnesses, documents and trial time and again.
- Stakeholders will have another strong legal recourse in their hands besides filing a case of oppression and mismanagement.
- Deposit holders who have no other option but to file civil suit, can take action against wrongful act by the company or specified people and assure more security.
- As collective suit can be filed, NGO's and other activist can take up causes for affected people.
- As class actions suits can be filed by stakeholders against auditors, consultants, advisors of the company, so all professional shall ensure full independence, accuracy and diligence while giving advises and opinions to the companies.
- Companies will be more vigilant now and more cautious in selecting their experts, advisors, auditors who can give them more sound and accurate advice.
- Only Members and Deposit holders can file class action suits. Other stakeholders such as creditors, bankers, debenture holders and even regulatory authorities are deprived of this facility.

### **Conclusion**

It may be concluded that class action suits will be an apt platform for members and depositors to raise their grievances against the management of a company including directors, advisors, consultants, auditors etc for acts or omission that is prejudicial, unlawful or wrongful to the interest of the company. Class action suits may be undertaken as a redressal tool by minority shareholders / depositors having common interest for promotion of transparent corporate governance.

## **INVESTOR GRIEVANCE REDRESSAL**

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The capital market can grow only when investors find it safe for them to invest, and they are assured that the rules governing the market are fair and just for all the players. For this purpose, there is an effective mechanism for resolutions of disputes and grievances in place.

### **Ministry of Corporate Affairs**

Ministry of Corporate Affairs (MCA) provides an efficient and effective grievance redressal framework to address and resolve the grievances speedily. Investors can approach any of the officers or the Registrar of Companies, the Regional Directors as well as the Headquarters of the MCA with their grievances. The complaints are taken up with the respective companies. For complaints relating to areas not in the charter of the MCA, are forwarded to the relevant regulator, and the investors are also advised to approach the concerned regulator.

Investor Grievance Handling & Redressal has acquired a special focus with the implementation of MCA21 e-Governance portal, which has a dedicated online facility for filing of grievances on [www.mca.gov.in](http://www.mca.gov.in). It also has 'online status tracking' facility to enable monitor the progress.

### **SCORES - SEBI Complaint Redressal System**

SCORES is a web based centralised grievance redress system of SEBI. An investor who is not familiar with or does not have access to SCORES can lodge complaints in physical form by visiting or sending the complaint to any of the offices of SEBI. Such complaints would be scanned and uploaded in SCORES for processing. The salient features of SCORES are:

- Online access 24 x 7
- An email and SMS is generated instantaneously acknowledging the receipt of complaint and allotting a unique complaint registration number to the complainant for future reference and tracking
- Investors can view the status online by logging in the unique complaint registration number and provides for sending reminders
- Audit trail of each complaint
- All the complaints are saved in a central database which generates relevant MIS reports enabling SEBI to take appropriate policy decisions and or remedial actions, if any.

Or

You may also lodge your complaint at Investor Services Cell of stock exchanges {SEI if the complaint is against a stock broker / authorised persons/ listed companies and depositories if it is against depository participants. You may sent to the nearest office of the exchanges /depositories.

### **Types of complaints handled by SEBI**

Complaints arising out of activities that are covered under SEBI Act, 1992; Securities Contract Regulation Act, 1956; Depositories Act, 1996 and Rules and Regulations made there under and the provisions that are covered under Section 55A of Companies Act, 1956 are handled by SEBI.

- Complaints against SEBI registered entities
  - Stock broker/Authorized agent
  - Stock Exchange
  - Debenture trustees
  - Depository
  - Depository participants
  - Mutual funds
  - Registrar to an issue / share transfer agent
  - Banker to an issue
  - Merchant bankers Portfolio managers
  - Collective investment schemes
  - Custodian of securities
  - KRA registration agency
  - Credit rating agency
  - Investment Advisers etc.
- Listed companies
- You can also report or provide information on
  - any irregularities in trading in shares or manipulation in price or violation of insider trading regulations
  - unregulated CIS schemes / ponzi schemes etc.

### **Matters not considered as complaints ?**

- Complaints that are incomplete or not specific
- Allegations without supporting documents
- Suggestions / guidance / explanation sought
- Non listing of shares of private offer
- Dissatisfaction on trading price of shares of companies
- Disputes arising out of private agreement with companies/ intermediaries

## How to lodge a complaint in SCORES?

Log on to <http://scores.gov.in>

Go to 'complaint registration' under 'Investor Corner'

Please fill in the relevant details and attach the documents, if any, and submit. Kindly ensure that valid email and mobile number is entered. In advance, please ensure that you have scanned relevant documents, if any pertaining to the complaint and saved in PDF format (4 MB size) so that it can be attached with the complaint. You will get an email and SMS acknowledging the receipt of complaint allotting a unique complaint registration number for future reference and tracking.

## Limitations while dealing with complaints?

Generally, the entity responds to the complaint within few days after the receipt of the complaint. However, the redressal of complaint may be delayed due to various reasons viz., non receipt of satisfactory reply from the entity, non receipt of information / documents sought by the entity /SEBI from the investor, court matter, entity not traceable or vanished companies etc.

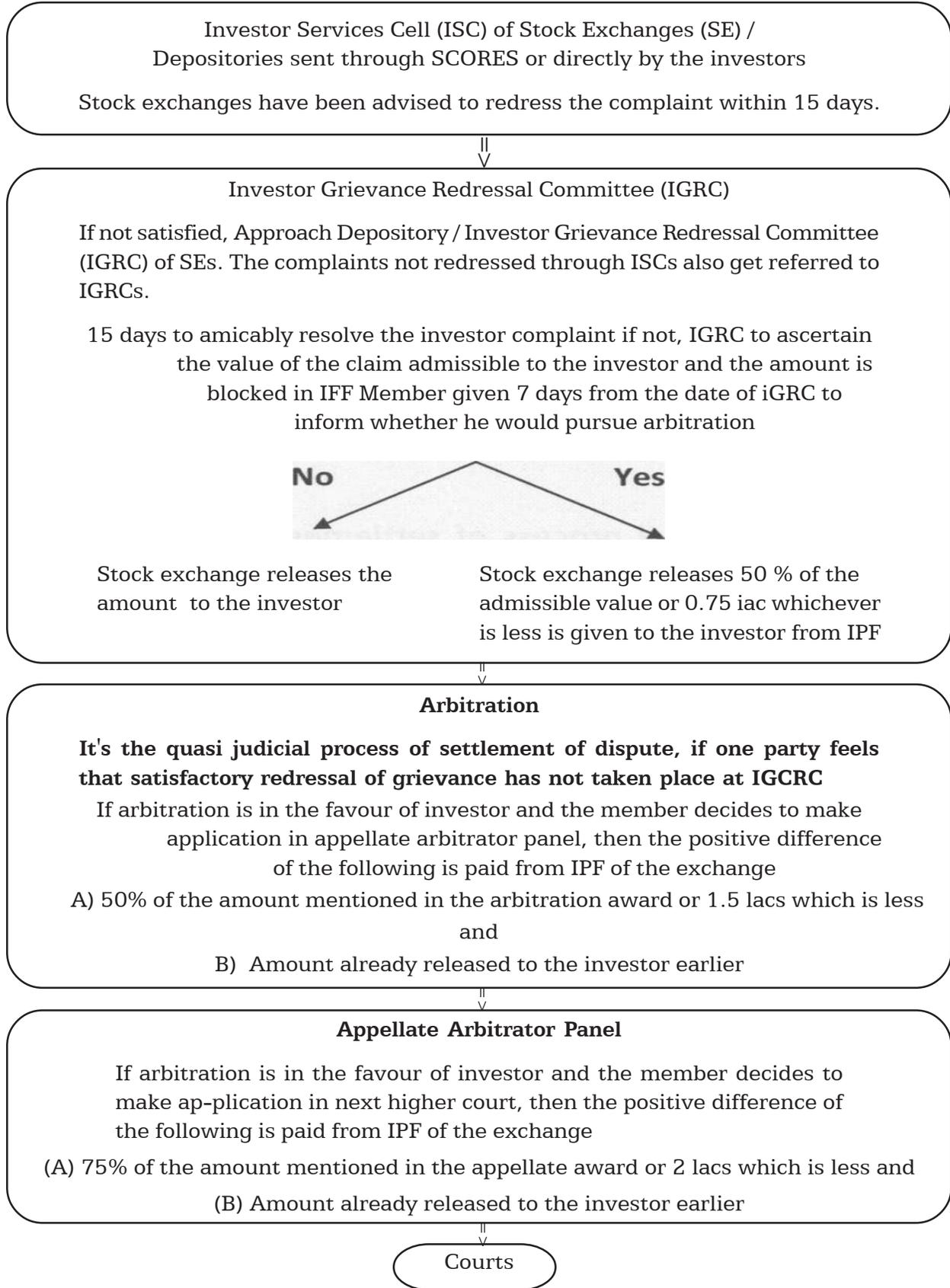
The screenshot displays the SCORES website interface. At the top, the SEBI logo is on the left, and the text 'भारतीय प्रतिभूति और विनियम बोर्ड' and 'Securities and Exchange Board of India' is in the center. To the right, the 'SCORES Sebi COMPLAINTS REDress System' logo is visible. Below this, there are navigation tabs: Home, About Us, Entity Status, FAQs, and Contact Us. The 'Investor Corner' section is highlighted, containing links for 'Complaint Registration', 'Send Reminder', and 'View Complaint Status'. A login section for registered users includes fields for 'Username(email)' and 'Password', and a 'Sign In' button. A 'Not registered yet?' section has a 'Register here' button and a 'Why sign up?' link. A disclaimer section states that while efforts have been taken to make the website as accurate as possible, it may not be up-to-date with the latest versions of Acts/Rules. A toll-free investor helpline is provided with the number 1800 266 7575 or 1800 22 7575, available from 9:30 AM to 5:30 PM excluding declared holidays. Two call-to-action boxes are present: 'For Listed Companies - Procedure to obtain SCORES user-id and password' and 'Tollfree Investor Helpline'.

In certain other cases, when the entity or company denies wrong doing and it remains unclear as to who is wrong or whether any wrongdoing occurred at all. If this happens, SEBI cannot act as judge or an arbitrator and force the entity or company to resolve the complaint. However, SEBI takes action against the entities / directors of such companies on the grounds of their unsatisfactory redressal of large number of investor complaints.

Also, SEBI cannot handle following complaints:

- Complaints against unlisted/ delisted/wound up/ liquidated/sick companies
- Complaints that are sub-judice relating to cases which are under consideration by court of law, quasi-judicial proceedings etc.)
- Complaints falling under the purview of other regulatory bodies viz. RBI, IRDA, PFRDA, CCI, FMC etc., or under the purview of other ministries viz., MCA etc.

**Grievance redressal mechanism at exchanges ?**



- Undertaking given by the investor to stock exchange to return the amount released to him, in case the proceedings are decided against the investor or he decides not to peruse further.
- Total amount released to the investor through monetary relief shall no exceed Rs. 5lac in one financial year.
- In case of non payment of the amount by the investor, trading not allowed on any stock exchange and demat account shall be frozen.

### What is Arbitration ?

Arbitration is a quasi judicial process of settlement of disputes between investors and trading members (brokers) / sub brokers or within brokers themselves. It aims at quicker legal resolution of disputes for all the transactions done on the exchange. The arbitration framework is governed by rules , byelaws, circulars and regulations issued by the exchange and SEBI from time to time.

### Important points to remember in arbitration

- The complaint in the other systems shall be treated as closed, once arbitration proceedings are initiated since it is quasi judicial process.
- Arbitration application to be filed within three years from incidence. (Law of limitation)
- Choice of selecting arbitrator(s) from the common pool of arbitrators of all the exchanges together; or else system generated.
- A panel of three arbitrators, if the value of claim is >25 lakhs and sole arbitrator if < 25 lakhs.
- No deposit fees for claims upto 10 lakhs for the investor.
- Appeal within 30 days to the Appellate Arbitrator panel.
- Filing of petition in the competent court nearest to the investor's residence.
- The fees for appeal shall not exceed Rs. 10,000/-, in addition to statutory charges if the claim/ counterclaim is upto 10 lakh.

For more details, visit 'investor' section of exchange / depositories websites.

### Whom to approach for other complaints?

#### *Nature of complaints*

Bank deposits and banking

Non banking Financial Companies (NBFCs)

Insurance related

Companies - mismanagement, Annual general meeting, Annual report, Non receipt of preferential allotment of

#### *Whom to approach?*

Banking Ombudsman—

[http://www.rbi.org.in/Scripts/bs\\_\\_viewcontent.aspx?ld=159](http://www.rbi.org.in/Scripts/bs__viewcontent.aspx?ld=159)

Company Law Board / Consumer Forum / Civil courts

Insurance Regulatory & Development Authority

<http://www.policyholder.gov.in>

Ministry of Corporate Affairs

<http://pgportal.gov.in/>

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shares, corporate actions, minority  
shareholders' interest etc.

Pension Funds

Pension Funds Regulatory & Development Authority of India  
<http://www.pfrda.org.in>

Commodities

Forward Market Commission—<http://www.fmc.gov.in>

Chit funds

Civil courts/ consumer forums

Monopoly and anticompetitive  
trade practices

Competition Commission of India  
<http://www.cci.gov.in>

Call SEBI Toll Free Number for your securities market related queries

**1800 266 7575 / 1800 22 7575**

For Investor Assistance: [asksebi@sebi.gov.in](mailto:asksebi@sebi.gov.in)

For Investor complaints: <https://scores.gov.in>

### **Reserve Bank of India**

The RBI website-[www.rbi.org.in](http://www.rbi.org.in) has a dedicated facility for investor grievances handling and resolution. All complaints related to banks and company fixed deposits should be filed with RBI.

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## PRESENTATION AND COMMUNICATION SKILL

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### PUBLIC SPEAKING

Communication is the process of transferring signals/messages between a sender and a receiver through various methods (written words, nonverbal cues, spoken words). It is also the mechanism we use to establish and modify relationships. The following are the tips of Do's and Don'ts of a public speaking which will help even a introvert person to come out with flying colors while speaking publically.

— **Making Eye Contact**

Whether speaking or listening, looking into the eyes of the audience with can make the interaction outstanding. Eye contact conveys your interest in other person and encourages his equal interest in return in your conversation.

— **Use Gestural Communication**

This includes gestures through the use of hands and face. Make it sure that instead of just speaking, speaking and speaking, you let your whole body to communicate with the audience. Use of gestures depends on size of audience, i.e. smaller gestures for individuals and smaller groups and large gestures with larger group.

— **Don't send mixed messages**

One should be particularly aware of making his/her words, gestures, facial expressions and tone to act in harmony. A small example of this is disciplining someone while giggling sends a mixed and lenient message and is therefore ineffective to discipline the other person. Similarly, while complimenting someone, your tone and gestures should be warm enough to match your words, otherwise, the compliment will seem to be too formal to be sincere.

— **Be aware of what your body is saying**

Body language can say so much more than a mouthful of words. An open stance with arms relaxed at your sides tells anyone around you that you are approachable and open to hear their viewpoints. Similarly, standing stiff and not smiling when someone greets you sends a message of being arrogant and proud.

Similarly, crossed arms crossed and hunched shoulders, indicate disinterest in conversation or unwillingness to continue communication. On the other hand, right

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posture and humble and approachable stance can make even difficult conversations flow more smoothly. Bosses should particularly encourage positive body language approach on their part, so that their employees can feel comfortable to approach them for shelling out their ideas that can work for mutual benefit of the organization and employee.

— **Manifest constructive attitudes and beliefs**

The attitudes while communicating may have an immense impact on the way one composes himself and interact with others. Choose to be honest, patient, optimistic, sincere, respectful and accepting others viewpoints. Always be sensitive to other people's feelings and sincerely believe in their competence and ideas.

— **Develop effective listening skills**

To be an excellent speaker, it is equally important to become a good listener. One should listen to understand and comprehend. Never try to make out full impression by hearing just a part of their conversation but listen till the end.

— **Don't Feed Your Anxiety!**

Anxiety is a set of physiological responses to a stimulus. Anxiety can mar your whole conversation. One can forget all his ideas just while entering the stage or holding dais, if the feeling of anxiety is overpowering him/her. Anxiety is natural, but what is required is to defeat it and proceed for an excellent speech. The best ways to overcome anxiety are to drink two glasses of plain water and to consciously monitor your heartbeats from getting faster. For this one should practice some breath exercises to control these while on the dais.

You should think, 'This is just my body's natural reaction, a indication to let me know "something marvelous is about to happen".'

— **Record yourself or Practice in front of someone**

This tip particularly helps the persons who are introvert and are unconfident. As they are not able to speak extempore, therefore, they should record their speech and analyse it themselves or through a friend or expert to evaluate the shortcomings in speech, accent and tone. In the public speaking class at Stanford, the students were made to record their speech in the beginning of the course as well as the end of the course. It was astonishing that there was a noticeable improvement in just 10 weeks. Having someone whom you can trust and are comfortable with gives you honest feedback is very useful.

— **Don't let your audience sleep**

Nobody wants to see the audience snore while delivering a speech. Lot many factors can contribute to that starting from your own shortcomings such as boring content, delivering monologues than engaging audience, lot may pauses, too many breaks or fillers, wrong accent and other environmental factors such as dim lights, cushy chairs etc. The best tricks to keep the audience awake include asking rhetorical questions, maintaining eye contact, narrating stories, using suitable properties such as whistles,

balls you throw at audience suddenly, provocative variation in the pitch of voice, calling certain persons by name suddenly during speech at an elevated pitch, playing little games during speech can make it too interesting for audience to sleep.

— **Not crafting a powerful opening**

Great scholar Plato emphasises, '*The beginning is the most important part of the work.*' However, it is observed that almost 80 per cent of the speakers are in a hurry to reach the main text of the speech consisting of boring facts and figures without making the opening interesting. It is just like playing too many shorts with no runs to make a cricket game dull at opening than to deliver a much expected 'sixer' for the audience. It is universal fact that till you make your opening interesting, the audience is least interested to listen it to the end. So open with a real bang, you can start from a short but really amazing story to relate the audience to your main text.

**Some blunders to avoid during a public speech**

Most of us communicate through are gestures to the audience even before we utter a single word. These unconscious gestures make or mar the speaker's impression. The following common unconscious blunders to must be taken care of:

- clenching hands,
- moving back and forth,
- repeating a pet word such as "what say", "isn't it", "oh yes""got it?", "understood?" "ummmmmh, "well"and numerous more. so the best way is to record your conversation and get hold to these pet words you speak and try to eliminate them in consciously,
- keeping hands in blazer/jacket pockets,
- jingling keys,
- Twisting ring,
- gripping the dais,
- licking lips,
- adjusting hair or trousers,
- fidgeting with a pen,
- bobbing head,
- placing arms behind back

These habits can jeopardize your impression and credibility.

So public speaking can take one to the sky if mastered well and every one should work a lot in this direction to leave an unforgettable impression, wherever you get a chance to speak publically.

**Dressing Etiquettes**

With every organization program comes the inevitable question: What do I wear? Knowing what to wear, or how to wear something, is key to looking great in any event.

- Always wear neat and nicely pressed formal clothes. Choose corporate shades while you are picking up clothes for your office wear.

- Ties for men should compliment.
- Women should avoid wearing exposing dresses and opt for little but natural make-ups. Heels should be of appropriate or modest height.
- Men need to keep their hair (including facial hair) neatly trimmed and set.
- Always polish your shoes.
- Keep your nails clean.
- Wear clothes which you are comfortable in and can carry well. This is very important while you are in a business meeting or client presentation.
- Women should avoid wearing exposing dresses and opt for little but natural make-ups. Heels should be of appropriate or modest height.
- For men, the general rule is to dress conservatively. Men need to keep their hair (including facial hair) neatly trimmed and set. Ties for men should compliment.
- Always polish your shoes.
- Keep your nails clean.

## **GROUP DISCUSSION**

### **THE ART OF GROUP DISCUSSION**

**A fruitful group discussion a mixed bag of:**

- Exchange of thoughts
- Communication Skills
- Knowledge and ideas regarding a given subject
- Capability to co-ordinate and lead
- Addressing the group as a whole
- Thorough preparations

These are elaborated hereunder:

#### **— Exchange of Thoughts**

A group discussion is an mutual exchange of thoughts and ideas among members of a group than a monologue. These discussions are held for choosing and recruiting persons in organisations having high level of competition. The number of participants in a group can vary between 8 and 15. Mostly a topic or a situation is given to group members who have to discuss it within 10 to 20 minutes. The purpose is to get an idea about candidates in a short time and make assessments about their skills, which normally cannot be evaluated in an interview. These skills may be team membership, leadership skills, listening and articulation skills.

A note is taken of the participant's contributions to the discussion, comprehension of the main idea, the rapport, patience, assertion, accommodation, amenability etc.

### — **Communication Skills**

The first aspect of a successful GD is one's command over expression. In a group discussion, a candidate has to speak effectively to convince others than speaking just for the sake of speaking. A candidate who is successful in holding the attention of the audience creates a positive impact.

Communication protocol in GD requires that one should be precise and clear for shell out his points than to deliver a speech. As a rule, the evaluators give weightage to possession of knowledge on a given subject, precision and clarity of thought than length of speech because group discussions are not debating stages.

Secondly, besides speaking, ability to 'listen' keenly is also evaluated by the judges. Judges do watch participant's ability to react on while other participants are putting their viewpoint.

Your behavior in the group discussion is also able to give the judges an idea about whether you can work in a group/team or you will not be able to take the people along.

Confidence and level headedness also make a contribution for being successful in GD. These bring laurels to you in a GD.

### — **Knowledge and Ideas Regarding a Given Subject**

Knowledge of the subject under discussion and clarity of ideas are also vital for succeeding in GD. Knowledge is not a matter of possession of high class degrees but is gained persistent reading on various topics ranging from science and technology to politics to economics from a variety of offline and online sources. In-depth knowledge automatically pumps in confidence in the personality as one is sure to convince the audience on the basis of fact and figures than to fake discussions.

### — **Leadership and Coordinating Capabilities**

The basic objective a group discussion is to judge the leadership qualities of candidate. The examiner makes himself a silent spectator once the discussion starts. A candidate should display tactfulness, skill, understanding and knowledge on different topics, enterprise, forcefulness and other leadership qualities to motivate and influence other participants who may be almost equally competent and knowledgeable.

### — **Addressing the Group as a Whole**

In a group discussion, it is not obligatory to address the participants by name. Rather, it better to address the group as a whole. An attempt should be made to address the farthest person as if he can hear, then everyone else too can hear the speaker. In a GD for a job interview, one must attend the group discussion in formal dress. Furthermore, the language used should also be formal than informal. For instance, words and phrases like "yaar", "guys" "gals" "I dunno", "oh yeah" etc. should never be used rather "ladies and gentlemen" "dear friends" should be used. Use formal, plain and simple language. Hinglish, (mixture of Hindi and English) should be discarded in GDs.

Do not keep repeating a point. Rather, try to be specific and also do not exaggerate or bluff.

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### — **Thorough Preparation**

In a group discussion you may be given a topic and asked to express your views on it. Rather than waiting till the eleventh hour, preparations should be made beforehand. It is imperative to concentrate on content knowledge and general awareness. During the course of the GD this stand can even be changed, giving the impression that you are open to accommodate others' viewpoints.

### **POINTS TO PONDER**

- Knowledge is power. A candidate with good quality reading habits has more probability of success. In other words, excellent knowledge on a wide range of topics like politics, finance, economy, science and technology is definitely helpful.
- Power to convince lucratively is an additional quality that makes one to stand out in crowd.
- Clarity in speech and expression.
- If you are not well versed with the theme of discussion, it is better not to initiate the discussion. It will create a bad impression. Instead, one should adopt the wait and watch attitude. Listen attentively to others, in order to gain insight of the theme and to be able to speak on it later.
- Avoid slang language.
- Don't debate, just express your viewpoint, listen to others carefully and in the second half, a chance is given to make a choice to agree, disagree or remain neutral.
- Use simple, direct and straight forward language.
- Don't interrupt other speaker. Try to score by increasing the weight of your argument, not by cutting others short.
- Maintain rapport with fellow participants. Eye contact makes you to win. Non-verbal gestures such as listening intently or nodding your head while appreciating someone's viewpoint speak of you positively will make judges to have an impression that you can be an excellent team member or a group leader.
- While speaking, don't keep looking at a single member. Rather, address the entire group so that everyone is involved while you speak.

### **GESTURES AND BODY LANGUAGE**

Research has shown that effective communication in workplace consists of 55% body language, 38% tonality and 7% words. A person working in the organisational set-up will have a massive advantage when interacting with others in his workplace, if he is able to read and interpret their body language. Body language is so important for individuals working in organisation that it is called as most expressive language in every language.

Every professional needs to be aware of the signals they are sending in their workplace and social circumstances so as to ensure that there is harmony words and body communications.

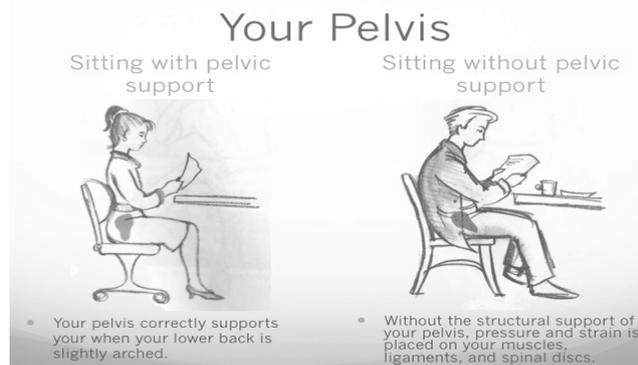
There are several aspects every professional needs to master-

1. Posture
2. Eye contact
3. Body positioning

### Posture

Align your pelvic bone with the two bones in your neck. Drop your shoulders, extending your neck almost as though you have two strings behind your ears pulling up. This posture exudes self-assurance, poise and professionalism and projects an air of success. People trust those who look confident and self-assured.

While sitting be sure that you are sitting on your sit bones with feet are 'on the floor'. Don't cross the ankles or place your feet on the base of the chair. It is preferable to sit with legs spread apart than crossed.



Source: [sharonstarika.com](http://sharonstarika.com)

Show your palms while sitting, it is a symbol of honesty and integrity. While walking, pull your shoulders back and neck elongated, each stride ought to be one to two feet wide. To demonstrate interest in what other is saying, lean slightly forward by keeping your shoulders back and down, and your chest high.

### Eye Contact

Maintaining eye contact with someone builds rapport. If you are not able to maintain eye contact while meeting a person for the first time because you are finding it too intense and uncomfortable, a simple trick is to fix your eyes on the centre of the other person's forehead—this allows for the intensity of the stare to diminish whilst retaining an air of professionalism.

### Body Positioning

While talking to someone, one should face that person shoulder-to-shoulder in order to look directly at the other person. Don't do not use your forefinger while pointing as this may be construed as aggressive or rude. Hands on hips give an indication that speaker is keen to dominate. The jiggling or tapping of the feet is a symbol that the person is uncomfortable and wants to run away from a situation. It is assumed that a person having his ankles locked together is in essence 'biting his lip' and holding back any negative emotion. Further, if a person sits oddly in a chair they are showing you that they don't see you as important.

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## Presentation Skills

Three general considerations for professional presentation

- **Audio visual** : check it beforehand
- **Audience** : know it
- **Q&A** : control it

### Delivery Skills for successful presentations

- **Stance** : Good posture; no fidgeting
- **Eye Contact** : Relaxed; 3-5 seconds at a time; focus around room
- **Voice** : Vary pace and volume; use silence strategically
- **Gestures** : Use them naturally, don't be artificial
- **Movement** : Don't rock; don't sway; move purposefully
- **Confidence** : Be fearful but do it anyway; Command
- **Graphics** : Clear; concise; informative; interesting

### Handling Questions

- Anticipate
- Prepare
- Answer Directly and Control

There is a famous rule of PREP to be observed for delivering a presentation:

#### PREP

- your **P**oint of view;
- the **R**eason;
- an **E**xample;
- summarize with your **P**oint of view

### Some Practical Tips for excellent presentations

- Keep number of slides to the minimum, audience should focus on YOU not on slides
- One point at a time: Audience is keen to read the full slide than to listen to the speaker. Therefore, one slide should exhibit one point at a time only
- There should be no paragraphs in the slides as the audience will again be busy in reading those paragraphs than to listen on the speaker
- Use images and animation sparingly
- Keep it simple
- Avoid using too many bullets

- Open with something surprising
- Ask questions mid way
- Be sure of the most visible color combination for background and content
- Choose distant visible font size and font color
- Spend time on slide sorting
- Label your charts and graphs
- Be sure of spelling and grammar mistakes
- Bring your own hardware else check in early to verify the devices such as laptop, pen drives, CDs etc.
- Dress rightly
- Turn your screen saver off
- Ask audience to save questions for the end and not to interrupt in between
- Don't read the presentation word to word.

### **DRESSING ETIQUETTES**

With every organization program comes the inevitable question: What do I wear? Knowing what to wear, or how to wear something, is key to looking great in any event.

- Always wear neat and nicely pressed formal clothes. Choose corporate shades while you are picking up clothes for your office wear.
- Ties for men should compliment.
- Women should avoid wearing exposing dresses and opt for little but natural make-ups. Heels should be of appropriate or modest height.
- Men need to keep their hair (including facial hair) neatly trimmed and set.
- Always polish your shoes.
- Keep your nails clean.
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- Women should avoid wearing exposing dresses and opt for little but natural make-ups. Heels should be of appropriate or modest height.
- For men, the general rule is to dress conservatively. Men need to keep their hair (including facial hair) neatly trimmed and set. Ties for men should compliment.
- Always polish your shoes.
- Keep your nails clean.

### **COMMUNICATION ETIQUETTES**

- Practice your handshake – Grip firmly with confidence without seeming too weak or too strong.

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- Look people in the eye, with no distractions. It shows you're confident and actively listening as well as helps build trust.
  - Stay focused and on point with your speaking topics. Use your body language to support what you're communicating.
  - Listen actively and intently. Really hear what people are telling you so that you can respond and act accordingly.
  - Use proper and appropriate language and grammar that suits the communication tactic.
  - Be polite. "Please" and "thank you" still work, as does opening the door and other common manners.
  - Respond to messages in a timely fashion, preferably within the same day.
  - Follow up on requests. Do what you say and say what you do. Period.
  - Be clear when you are available and not available to respond to work/professional communications. People will respect that (i.e. off work hours, during vacation, etc.)
  - Our calls do not have to be long.
  - Regarding cell phones, take and make calls when you are with people sparingly. Excuse yourself if it's important.
  - It's just as important to know your peers or employees as it is to develop relationships with clients, vendors or management. Reach out to people in your company, regardless of their roles, and acknowledge what they do.

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## **GUIDELINES FOR ORGANIZATION OF INVESTOR AWARENESS PROGRAMMES THROUGH RESOURCE PERSONS UNDER IEPF DURING 2015-16**

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With a view to create investor awareness in the nook & corner of the country, the Ministry of Corporate Affairs has evolved a concept of Resource Person (RP) in every town across the Country and has desired the Institute to empanel the Resource Persons in each town of every District allotted to ICSI and provide the details of the Resource Persons for organization of Investor Awareness workshops.

During October 2012, the Ministry of Corporate Affairs decentralized the system of conducting the Investor Awareness Programmes to its six Regional Directors (RDs) i.e. RD (East), RD (West), RD (North), RD (South), RD (North West) and RD (South East) to cover every region in their respective jurisdiction. For the year 2014-15, Ministry desired to conduct the programmes under the jurisdiction of Regional Directors in following two ways:

- 1. Traditional way** : On the pattern based on previous year i.e. to cover the students, academicians senior citizens, housewives etc.
- 2. Non Traditional way** : To cover the blue collared workers viz. rickshaw-wallas, industrial workers, Labors, shopkeepers, railway workers, municipalities, security guard/ caretakers, trade associations and previously unreached population.

### **1. Eligibility Criteria**

- The Resource Persons may be:
  - Masters in Commerce/ Professionals
  - Professors/Capital Market Experts/Retired ICLS Officers
  - Retired Teachers of Universities/Colleges/Schools
- The Resource Person should be well versed in any of the fields namely, Finance, Accountancy, Commerce, Law, Management relevant for Investor Issues.
- Resource person should have good presentation and communication skills and be competent to conduct training workshops.
- Resource person should have proficiency in English & regional language as a medium of instruction for the participants of the investor education workshops to be held in different zones of India.

- Resource Person would also act as common centre for dealing with investor grievances.

## 2. Organization of Programmes

A RP may organize the Investor Awareness Programmes for select target group or general public by intimating in advance the venue, date, time & other details to respective RCs/Chapter. After successful completion of programme RP shall claim the honorarium by submitting the following documents to the respective RCs/Chapters:

- Self Undertaking for organizing the IAPs.
- Attendance sheet with signature of participants (Specimen enclosed)
- One photograph of programme
- Photograph of banner displayed at the venue during programme.(Specimen Enclosed)

All Resource Persons are advised to submit the details of proposed programmes including date, time, venue, speaker and category (whether traditional or nontraditional) well in advance to concerned Regional Councils with a copy to the Head Office to upload the information on Ministry's website.

In case more than one programme is organized by Resource Person, separate report for each programme shall be submitted, along with the requisite documents.

To monitor the progress of Investor Awareness Programmes, all Resource Persons shall submit a monthly report in the prescribed format to the Head office. Please note that the submission of the Statement is in addition to advance information of the Programmes to HO/Regional Councils. The Programmes included in the monthly format, but not intimated to the Head office/Regional Councils in advance would not be entertained for reimbursement.

## 3. Number of Audiences

There should be a minimum 50 participants at the Programme.

## 4. Target Audience for Traditional Segment

The programme shall focus on groups other than Capital Markets professionals; brokers etc. and the target audience may include the following:

- Common investors
- Housewives
- Retired Persons
- Senior Citizens
- School / College teachers
- Students
- Doctors
- Personnel from Armed forces
- Middle level Corporate Executives

### Target Audience for Non-Traditional Segment

- Rickshaw-wallas
- Industrial workers

- Labors, shopkeepers
- Railway workers
- Municipalities
- Security guard/caretakers
- Trade associations
- Previously unreached population

#### 5. Duration of the Programme

Duration of each Programme shall be two Hours.

#### 6. Structure of the Programme

Suggested broad structuring of the Programme is as under:

- Welcome and Introduction about the activities under IEPF
- Subject coverage

#### 7. Venue of the Programme

The programmes may be organized in the universities/colleges, Auditorium of community centers/residential RWA offices, stock exchange, Regional/Local Chambers/Associations, banks & other financial institutions.

#### 8. Honorarium

- Resource Person would be paid an honorarium of Rs 5,000 per programme for conducting Investor Awareness programmes of two hours for 50 persons.
- To create the awareness in North Eastern region which is the remote part of country, Rs. 7000 would be paid as an honorarium to Resource Persons for conducting Investor Awareness programmes of two hours for 50 persons.

**Please ensure that Programme should not be repeated at the same venue or in same town or city with in one month.**

#### **Guidelines for Resource persons**

- Resource person shall not resort to solicitation of professional work for personal gain.
- The advice given by Faculty Members in IAPs should not relate to making of investments in shares, debentures, bonds, mutual funds, collective investment schemes or any other securities or otherwise of any particular company or scheme.
- No letterheads or stationery of the Institute/Regional Council/Chapter would be used for giving advice/ opinion.
- Resource person shall not use these workshops as forum for reconciliation or dispute resolution of any parties or members.
- Resource person may also avoid the criticism of the policies of the Government and maintain the decorum of the programme.

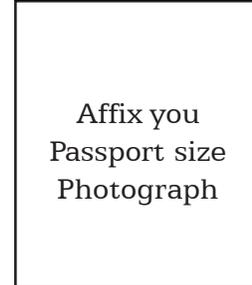
**Letter of Consent to Act as a Resource Person**

Date: \_\_\_\_\_

To

**Joint Secretary**

Directorate of Professional Development-I  
 The Institute of Companies Secretaries of India  
 22, Institutional Area,  
 Lodi Road,  
 New Delhi.



Dear Sir

I ..... , here by give my consent to act as a Resource Person of the ICSI and declare that I have gone through the enclosed Guidelines for organization of Investor Awareness Programmes through Resource Persons and will comply with the guidelines for organization of Investor Awareness programmes under IEPF.

My brief details are as follows:

- Contact details .....
- (Name, phone with STD .....
- Codes, E-mail address) .....
- Mailing Address .....
- .....
- .....
- Age .....
- Educational Qualification .....
- .....
- Experience .....
- .....
- Language Known .....

My detailed Bio Data is enclosed.

Name and Signature of resource person with date

## Specimen 1



**THE INSTITUTE OF  
Company Secretaries of India**  
IN PURSUIT OF PROFESSIONAL EXCELLENCE  
Statutory body under an Act of Parliament



**Ministry of Corporate Affairs**  
Government of India

## INVESTOR AWARENESS PROGRAMME

On

Theme.....

At

Venue.....

Organized under the aegis of

INVESTOR EDUCATION & PROTECTION FUND  
MINISTRY OF CORPORATE AFFAIRS, GOVERNMENT OF INDIA

Resource Person: (.....)

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## Specimen 2



**THE INSTITUTE OF  
Company Secretaries of India**  
IN PURSUIT OF PROFESSIONAL EXCELLENCE  
Statutory body under an Act of Parliament



**Ministry of Corporate Affairs**  
Government of India

## INVESTOR AWARENESS PROGRAMME

Organized under the aegis of

INVESTOR EDUCATION & PROTECTION FUND  
MINISTRY OF CORPORATE AFFAIRS, GOVERNMENT OF INDIA

Resource Person: (.....)



