

Investor Alert



[Quarterly Newsletter of GREAT focusing on Investor Education and Protection]

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Companies Act to be amended

The Companies Act, which was enacted in 1956 and amended several times will see another set of changes shortly. The Draft Companies Bill which will be finalized shortly will ensure better disclosures, penalize non-compliance with stiff penalties, stimulate entrepreneurship by permitting a one person company and, empower small shareholders by allowing class action suits.

The new Act will bring about wide ranging changes starting from the way companies are registered. It is also expected to spell out issues related to corporate governance at the management and board level and may prescribe that one third of the board of publicly listed companies be independent this is not a statutory norm under the Act.

The new Bill is also expected to focus on investor protection, set out a time-bound process of liquidation of companies and institute stringent compliance norms for companies where larger public interest is involved. The Bill will introduce class action suits through which minority shareholders can challenge the company management as a group

(Source: Mint)

Ayurveda for stock investors

According to Ayurveda, prevention is better than cure. But where, we can almost hear you ask, does your investment portfolio come into the picture? Today, the Indian economy is on a roll. In this scenario, you need to take a few preventive steps to keep your stock investments in the pink of health.

What you should do?

1. Settle dues with market intermediaries through normal banking channels
2. Before you place your stock order with market intermediaries, check the company's credentials, recent announcements and disclosures under various regulations. Company and Exchange websites, databases of data vendors, business magazines are the best sources of information

What you should not do?

1. Don't allow yourself to be swayed by companies armed with approvals / registrations from government agencies. The approvals may not have anything to do with the securities you intend to buy
2. Don't keep your Demat transaction slip book with any intermediary
3. Don't get carried away by the onslaught of advertisements about the financial performance of companies in print and electronic media

(Source: BSE)

Panel to study savings

The Government has formed a panel to review the available data on savings and investments in the economy and to find whether the financial integration is being reflected in the numbers. The panel is being headed by C.Rangarajan, Chairman of Prime Minister's Economic Advisory Council and has R.B.Barman, Executive Director, RBI, as the Member Secretary

The panel will also examine the feasibility of directly estimating household savings via integrated surveys, find ways to examine savings in the farm sector in relation to investments and suggest improvements in the methods to calculate corporate savings and investments. The panel is expected to submit its findings within six months

(Source: RBI)

SEBI mulls online bonds trade

The Securities and Exchange Board of India (SEBI) proposes to start online trading in the corporate bonds market. In a bid to develop the corporate bonds market, the market regulator is in talks with private vendors who provide screen based trading services.

SEBI is finalizing the modalities before the companies can start trading online. However, these vendors could only act as trade facilitators and not use the platform for proprietary trading. At present, the proposal is with SEBI's primary market advisory committee. Online platform could later be extended to the primary issue of equity shares. SEBI

proposes to extend the fast track approval process for follow-on equity issues to corporate bond issues as well. As in the case of follow-on and rights issues of companies, bond issues could get fast-track approvals, if the company has issued its bonds earlier and necessary details are submitted to the regulator.

SEBI is already working on a bridged form of a prospectus for the issuance of bonds, which would cut down cost and time. The market regulator has already laid down certain criteria for the fast-track issuance of securities. According to the criteria, the issuing company should be listed either with NSE or BSE for at least

three years and should have an average free-float market capitalization of at least Rs 10,000 crores during the last one year.

Besides, shares traded on stock exchanges should constitute at least 2 per cent of the total listed shares during the previous one year. While there should not be any prosecution or a show-cause notice pending against such companies, it is also to be seen that the impact of the auditor's qualification on the audited accounts should not exceed 5 per cent of the net profit or loss after tax.

(Adapted)

Know Your Client

From 1st February 2008, the Know Your Client (KYC) procedure for investments comes into operation. The KYC is applicable to mutual fund investors. In order to comply with the law mutual fund investors have to complete the following KYC procedures.

- Fill in KYC application form available at any AMC office or Point of Service (POS).
- KYC application form and the list of POS are available on www.amfindia.com, www.cdsindia.com and Mutual fund websites
- Present a cop of your PAN card, proof of residence along with originals for verification and photograph at POS/select Mutual Fund Offices.
- No new number will be issued. PAN will be the only unique identity number for investors
- This is a one time, free of cost service to enable investors comply with the KYC procedure across ALL mutual funds
- KYC compliance will initially be required for investments of Rs.50000 or more

(Source: Association of Mutual Funds in India)

NSE may extend financial literacy Project

The National Stock Exchange, the country's largest stock exchange by trading volumes, is in the process of commencing its Financial Literacy project in more states. According to the Press



Release, the project was started in Kerala and subsequently expanded to Tamil Nadu, Karnataka and Gujrat. The NSE is looking to more states to implement this project.

The basic objective of the Financial Literacy project is to reach out to first-time investors and impart basic lessons of finance. These include effect of compounding, meaning of risk, risk-return trade offs and time value of money. Besides, the project aims to introduce the investors to capital market.

According to the officials of NSE the surveys have showed that very small fraction of people who save invest in the capital market, continue to rely on bank deposits and post officers for parking their savings.

(Source: Business Line)

Investor Protection Education

Please check before you invest

The stock indices are touching new highs on the back of surging volumes. More and more investors are investing / trading in the stock markets than ever before. It is therefore imperative for the investors to follow the Dos and Don'ts in general while dealing in the stock market as there are attendant risks associated with it.

Given below are the Dos and Don'ts in general for investors who are dealing in the Stock markets.

Dos

1. Always deal with the market intermediaries registered with SEBI/Exchanges.
2. Give clear and unambiguous instructions to your broker/agent /depository participant.
3. Always insist on contract notes from your Broker. In case of doubt of the transactions, verify the genuineness of the same on the Exchange website.
4. Always settle the dues through the normal banking channels with the market intermediaries.
5. Before placing an order with the market intermediaries please check about the

credentials of the companies, its management, its fundamentals & recent announcements made by them and various other disclosures made under various Regulations. The sources of information are the websites of the Exchanges and companies, databases of data vendor, business magazines etc.

6. Adopt trading/investment strategies commensurate with your Risk bearing capacity as all investments carry risk, the degree of which varies according to the investment strategy adopted.
7. Please carry out due-diligence before registering as client with any Intermediary. Further, the investors are requested to carefully read and understand the contents stated in the Risk Disclosure Document, which forms part of the investor registration requirement for dealing through brokers in Stock Market.
8. Be cautious about stocks, which show a sudden spurt in price or trading activity, especially low priced stocks.
9. Please be informed that there are no guaranteed returns on investment in stock markets,

Don'ts

1. Don't deal with unregistered brokers/sub-brokers, intermediaries.
2. Doesn't deal based on rumours generally called 'tips'.
3. Don't fall prey to promises of guaranteed returns.
4. Don't get misled by companies showing approvals/ registrations from Government agencies as the approvals could be for certain other purposes and not for the securities you are buying.
5. Don't leave the custody of your Demat Transaction slip book in the hands of any intermediary.
6. Don't get carried away with onslaught of advertisements about the financial performance

of companies in print and electronic media.

7. Don't blindly follow media reports on corporate developments, as they could be misleading.
8. Don't blindly imitate investment decisions of others who may have profited from their investment decisions.

For the benefit of investors, the Exchange has installed a Toll free line 1600 22 6663, wherein they can inform on any specific lead with regard to any type of undesirable trading practices in any scrip or any type of market aberration observed by them. Investors are hereby requested to get their messages recorded in English or Hindi. Identity of the investor will be kept confidential.

(Source: Investor Protection Fund, Bombay Stock Exchange Ltd.)

Before you invest your money, invest some time!

Dear Investor,

The market indices have been scaling new peaks daily. The trading activity in the stock markets has increased and more investors are investing in the markets. However, it is important to note that there are risks associated with all markets and investors should be vigilant and alert in their investment activity.

Here are some useful pointers to bear in mind before you invest in the markets:

Make sure your broker is registered with the SEBI and the Exchanges and do not deal with unregistered intermediaries

- Ensure that you receive contract notes for all your transactions from your broker within one working day of execution of the trades.
- All investments carry risk of some kind. Investors should always know the risk that they are taking and invest to match their risk tolerance.
- Do not be misled by market rumors, luring advertisements or 'hot tips' of the day.
- Take informed decisions by studying the fundamentals of the company. Find out the business the company is into the future prospects, quality of management, past track record etc. Sources of knowing about a company are through annual reports, economic magazines, databases available

with vendors or your financial advisor.

- If your financial advisor or broker advises you to invest in a company you have never heard of, be cautious. Spend some time checking out about the company before investing.
- Do not be attracted by announcements of fantastic results/ news reports, about a company. Do your own research before investing in any stock.
- Do not be attracted to stocks based on what an internet website promotes, unless you have done adequate study of the company.
- Investing in very low priced stocks or what are known as penny stocks do not guarantee high returns.
- Be cautious about stocks which show a sudden spurt in price or trading activity.
- Any advise or trip that claims that there are huge returns expected, especially for acting quickly may be risky and may lead to losing some, most, or all of your money.

Recognizing the importance of investors' inputs with respect to any possible undesirable trading practices in the securities market, the Exchange has provided a toll free telephone facility where investors can get their inputs recorded in either English or Hindi. The Exchange will ensure complete secrecy to the investors. Toll free Telephone No- 1600 22 0051

(Source: Bombay Stock Exchange)

Dos and Don'ts for Investors Issue of Securities

Dos

Read the Prospectus, Abridged Prospectus and carefully note:

- Risk factors pertaining to the issue.
- Outstanding litigation and defaults, if any.
- Financials of the issuer.
- Company history.
- Background of promoter.
- Instructions before making applications.
- In case of any doubt/ problem, contact the compliance officer named in the offer documents.
- In case you do not receive physical certificates

/ credit to demat account or application money refund, lodge a complaint with compliance officer of issuer company and post issue lead manger as stated in the offer document

Don'ts

- Do not fall prey to market rumours.
- Do not go by any implicit/ explicit promise made by the issuer or any one else.
- Do not invest based on bull run of the market index/ scrips of other companies in same industry/ issuer company.
- Do not bank upon the price of the shares of the issuer company to go up in the short run.



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