



Investor World

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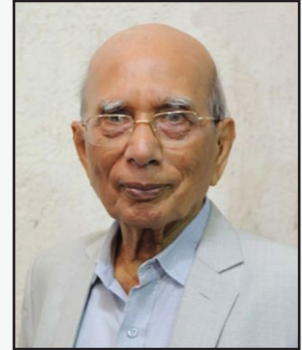
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Editorial - December 2020

As Government prepares to counter Corona spread with immunization drive of approved vaccines, the end of more than 9 month old ordeal seems imminent. To vaccinate estimated 300 million people is a herculean task and the Government machinery will be put to stringent test. Let us pray and hope that the process will be smooth and proper systems and checks and balances are put in place and followed. Citizens also will have to be patient and disciplined and await his/her turn based on priority.

Looking back, the Corona Life which is now named as new normal had several pluses. Cannot ignore the hardship it caused to the daily earners and migrants. Full sympathies with them and only wish that our working class does not have to face such ordeal anytime again. However let's look at some of the pluses which Corona has, inadvertently or planned, given us:

1. Have reduced the CO2 emission Globally. Our beaches are clean and environment is much more breathable. Noise pollution also reduced with lesser vehicles on the road.
2. Rapid digitization of the economy. I think we in India fast tracked digitization by couple of years because of Corona. Online banking & shopping became a norm. Delivery companies thrived.
3. People spent more time with their immediate family and realized that even in post Corona times, this is an absolute essential.
4. House became the epi-centre of all activities. People realized that even from home lot can be achieved.
5. Many learnt new skills. Some also ventured into home management and cooking.
6. Many turned spiritual with time saved from commuting being spent on doing meditation, listening to discourses and reading books.
7. Physical fitness and over all hygiene improved. Increasing immunity became the mantra and for that people spent quality time.
8. Reduction in family expenses as outing, clothes, shoes etc. all became not so important. People learnt to live with basics.
9. Corporate sectors saved on office rent, travelling and staff welfare as most could get their work done from their employees staying back at home.
10. Many Pharma companies rejuvenated with increased production of immunity booster drugs.
11. Internet became the most needed utility with most working from home and after work hours spent on OTT platforms.
12. Hospitals in Metro Cities normally full of Jaundice and Gastroenterology cases reported sharp fall of more than 70% in such cases.
13. As lock down got dismantled and air travel commenced, domestic tourism got a boost as no one preferred vacationing in a foreign country in these uncertain times.

These and many more life changing experiences occurred for many. Many such changes will stay for good and many will remain only till the fear of Corona remains.

WISHING YOU ALL A VERY HAPPY, HEALTHY REJUVENATING & PROSPEROUS NEW YEAR 2021.

-CA. Dharmen Shah

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INVESTOR PROTECTION THROUGH EDUCATION

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Investing all your money in one source may not reap you the ideal results.

Diversify your investments.

Diversifying your investments helps you reach your financial goals faster by protecting you against significant losses and increasing your chances of getting better returns.



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BSE - INTERNAL RECENT DEVELOPMENTS RELATED TO INVESTORS IN CAPITAL MARKET

(Courtesy: BSE INTERNAL/SEBI)

➤ OPERATIONAL GUIDELINES FOR TRANSFER AND DEMATERIALIZATION OF RE-LODGED PHYSICAL SHARES

SEBI vide its circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/236 December 02, 2020 has issued Operational guidelines for Transfer and Dematerialization of re-lodged physical shares

Background:

SEBI had earlier vide circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/166 dated September 07, 2020, has fixed March 31, 2021 as the cut-off date for re-lodgement of transfer requests and has stipulated that such transferred shares shall be issued only in demat mode.

SEBI has now issued detailed operational guidelines for crediting the transferred shares into the respective demat account of the investor, with inputs from various stakeholders, which are as under;

- a. After processing of the re -lodged transfer request, the RTA shall retain the physical shares and intimate the investor (transferee) about the execution of transfer through Letter of Confirmation. This letter shall be sent through Registered / Speed Post or through email with digitally signed letter and shall, inter-alia, contain details of endorsement, shares, folio of investor (required on Demat request form) as available on the physical shares.
- b. The investor shall submit the demat request, within 90 days of issue of Letter of Confirmation, to Depository participant (DP) along with the Letter of Confirmation. RTA shall also issue a reminder at the end of 60 days of issue of Letter of Confirmation, informing the investor to submit the demat request as above.
- c. Depository Participant will process the Demat Request based on Letter of Confirmation, as this letter is a confirmation of holding of physical shares on behalf of the investor by RTA.
- d. The suggested format of the Letter of Confirmation is given at Annexure -A. In case of the shares that are required to be locked-in as per the SEBI Circular SEBI/HO/MIRSD/DOS3/CIR/P/2018/139, dated November 06, 2018, the RTA while approving/ confirming the demat request, shall also incorporate / intimate the Depository about the lock-in and its period. Such shares shall be in lock-in demat mode for 6 months from the date of registration of transfer. In case of non-receipt of demat request from the investor within 90 days of the date of Letter of Confirmation, the shares will be credited to Suspense Escrow Demat Account of the Company.

e-VOTING FACILITY PROVIDED BY LISTED ENTITIES

Under Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, listed entities are required to provide remote e-voting facility to its shareholders, in respect of all shareholders' resolutions. However, it has been observed that the participation by the public non-institutional shareholders/retail shareholders is at a negligible level.

Currently, there are multiple e-voting service providers (ESPs) providing e-voting facility to listed entities in India. This necessitates registration on various ESPs and maintenance of multiple user IDs and passwords by the shareholders. In order to increase the efficiency of the voting process pursuant to a public consultation, it has been decided to enable e-voting to all the demat account holders by way of a single login

credential, through their demat accounts/websites of Depositories/Depository Participants. Demat account holders would be able to cast their vote without having to register again with the ESPs, thereby, not only facilitating seamless authentication but also enhancing ease and convenience of participating in e-voting process.

The same shall be implemented in a phased manner as under:

Phase –1: Following process for e-voting shall be implemented within 6 months of the date of the circular.

Direct registration with Depositories– Shareholders can register directly with the depository. Shareholders would be able to access the e-voting page of various ESPs through the websites of the Depositories without further authentication by ESPs for participating in the e-voting process. OR

Through Demat Accounts with Depository Participants– Demat account holders will have the option of accessing various ESP portals directly from their demat accounts. They would be routed to the webpage of the respective Depositories from their demat accounts, which in turn would enable access to the e-voting portals of various ESPs without further authentication by ESPs for participating in the e-voting process.

The authentication of shareholders would happen at the depository level and ESPs shall allow the demat account holders to cast their vote based on the validation carried out by the Depository.

Depository shall send a confirmatory SMS to the shareholders that the vote has been cast based on the confirmation received from the ESP. The listed entity shall provide the details of the upcoming AGMs requiring voting to the Depository. The depository shall send SMS/email alerts in this regard, to the demat account holders, at least 2 days prior to the date of the commencement of e-voting.

Phase –2: In order to further enhance the convenience and security of the e-voting system, the depository shall validate the demat account holder through a One Time Password (OTP) verification process as under.

Direct registration with Depositories – Depositories shall allow login through registered Mobile number/ E-mail based OTP verification as an alternate to login through username and password

Through Demat Accounts with Depository Participants – A second factor authentication using Mobile / E-mail based OTP shall be introduced before the demat account holders can access the websites of the Depositories through their demat accounts. The above shall be implemented within 12 months from the completion of the process in phase 1.

Depository may advise the demat account holders to update their mobile number and email ID in order to access the e-voting facility. Depositories shall establish a dedicated helpline to resolve technical difficulties faced by shareholders relating to the e-voting facility. Further, the listed company shall ensure that the ESPs engaged by them also provide a dedicated helpline in this regard.

UNIFORMITY IN APPLICABILITY OF NET ASSET VALUE (NAV) ACROSS VARIOUS SCHEMES UPON REALIZATION OF FUNDS:

SEBI vide its Circular No. SEBI/HO/IMD/DF2/CIR/P/ 2020/175 dated September 17, 2020, had decided that the uniform applicability of NAV in respect of purchase of units of mutual fund schemes upon realization of funds was to come into effect from January 1, 2021. However, upon consideration of the subsequent representation received from AMFI regarding operational challenges, SEBI has now decided to extend the date of applicability of the aforementioned provision to February 1, 2021.

Message 1

Interest on Loan

You take a Loan of ₹ 100 from the bank for 1 year



And the bank says you have to pay 10% Simple Interest* per year

It means at the end of the year you have to pay back the ₹ 100 (loan amount) PLUS ₹ 10 (Simple Interest*) i.e. ₹ 110 in total.

Simple Interest* calculation

$$\left(₹ 100 \times \frac{10}{100} \right) \times 1 = ₹ 10$$

i.e.

$$I = \left(P \times \frac{r}{100} \right) \times n \text{ where } 10$$

P = principal; I = interest; r = rate of interest and n = no. of years

But BE AWARE!!!



- **Always** read the terms and conditions of the loan sanction letter as they may vary between institutions
- **Always** read the fine print, some institutions may say they charge 2% (per month in small print), but the actual rate works out to 24% per year
- **Always** annualise interest rates to know the real rate and the impact it has on your finances!

Message 2 Compounding

Compounding is also called 'Interest on Interest'. In compounding, the benefit is that the interest earned is added to the principal and re-invested, therefore earning interest on the principal PLUS interest!



And when this compounding takes place over a long duration, the return become much higher compared to simple interest*!

An example to explain this:

YEAR 1	
Principal	₹ 10,000
Interest @10% (compounded yearly)	₹ 1,000
Amount at the end of Year 1	₹ 11,000
YEAR 2	
Interest @10% (compounded yearly) on ₹ 11,000 (i.e. original Principal ₹ 10,000 + Interest of ₹ 1000)	₹ 1,100
Amount at the end of Year 2	₹ 12,100
YEAR 3	
Interest @10% (compounded yearly) on ₹ 12,100 (the Amount at the end of Year 2)	₹ 1,210
Amount at the end of Year 3	₹ 13,310

Formula for Compounding

$$A = P \times \left(1 + \frac{r}{n}\right)^{n \times t}$$

where A = Amount; P = Principal; r = Interest rate (Decimal);
n = no. of times compounded in one year; t = time period in years



The power of compounding

₹ 10,000 earning Simple Interest* of 10% when invested for 10 years will become ₹ 20,000.

BUT with 10% interest compounded quarterly, it will become ₹ 26,851

$$\begin{aligned} & [= 10000 * (1 + ((10/100)/4))^{4*10} \\ & = 10000 * 2.6851 \\ & = 26,851] \end{aligned}$$

Therefore, Compounding earns ₹ 6,851, or 34% more!!!

REMEMBER

In the long term, huge benefits can accrue from compounding if the money is allowed to remain invested!

IS IT A GOOD TIME TO BUY OR SHOULD I HOLD OR SELL

Confusions in the mind of investor



જયેશ ચિતલિયા
પત્રકાર

If the players and investors in the stock market believe that they are omnipotent, omniscient and that they can never fall, then it is important that they rid themselves of this arrogance. Arrogance has no place anywhere. Some people who trade in the market think that they understand everything, that everything will happen as per their predictions and that they will never fall, often end up paying a huge price for this false pride.

A person who publicly claims to know everything about the stock market is in fact giving a proof that he doesn't really know anything.

THREE QUESTIONS - THE DILEMMA OF EVERY COMMON INVESTOR

Is it a good time to invest in the stock market..? Can we continue to stay invested with the stocks already purchased or should we sell them..? These three questions always go around in the minds of the common investors. During these times, it is important to understand that a market correction is actually a sign of a healthy and strong market. Speed breakers have to be made on roads where the probability of accident looms large so that vehicular movement becomes slow and smooth. Similarly, a correction indicates a point of entry for those who wish to enter the market for a medium to long term. This means that every correction is a buying opportunity. However, at this point, it is important to remember that one should invest only in stocks of companies comprising the Sensex and the Nifty indices or those that have been rated as 'A' grade companies. Otherwise you need to be very selective and cautious about the stocks you choose to invest in.

BOOK HALF PROFIT

The second most common question is should we still stay invested and keep the shares..? Well, the answer to this would depend on the amount of profit you would be able to generate by selling those shares on a particular day. If you are getting a very good deal for your shares, the ideal scenario would be to sell half of your holding while still retaining the other half for the long term. But if you are in a dilemma as to where to invest that profit, and the scrip that you are holding is of a good company having strong fundamentals, then maybe you can still wait and hold on to that scrip. The chances that you get an even better deal later, are high. But for this you will have to be ready to wait a little longer. However, the practical thing would be to sell half your stocks for a good profit and reinvest that amount in some other good scrips that are available at a lower price.

12 RULES TO INVEST WISELY

(AND REAP BENEFITS IN ANY MARKET CONDITION)

- Rule 1: Invest regularly
- Rule 2: Start investing early in life (and get the power of compounding to work for your investment)
- Rule 3: Never try and time your investments basis tips, market trends or economic outlook
- Rule 4: Inflation and Taxes will eat into your returns. Therefore know your actual returns in hand
- Rule 5: Diversify your investments across asset classes, to spread your risk
- Rule 6: Balance and re-balance your investments as you age
- Rule 7: Expect reasonable returns from your investments and sell, once you have got the returns you seek
- Rule 8: Get over your mistakes and losses. Learn from them
- Rule 9: Never invest or sell in haste (and regret later)
- Rule 10: Avoid investing in complicated products you don't fully understand or products that offer unrealistic returns
- Rule 11: Spend time on your investments (it's your hard earned money) or get a good financial advisor to do it for you
- Rule 12: Keep it simple, invest in Mutual Funds

Disclaimer : - The illustration are merely indicative in nature which should not be construed as investment advice and neither ensure you profits nor protect you from making a loss in declining market.

INVESTOR PROTECTION THROUGH EDUCATION

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