



TRACING "MISSING" SHAREHOLDERS

One of the reasons why individuals and institutions invest in companies is to receive returns on an annual basis. There have been several cases in which the dividends announced, and sought to be paid to individual investors, have remained unpaid because the company could not establish contact with them at their last known address.

To ensure that such amounts do not remain with the companies for indefinite periods, the Companies Act, 2013 has provided as under in Section 124 (1) of the Act.

“Where a dividend has been declared by a company but has not been paid or claimed within thirty days from the date of the declaration to any shareholder entitled to the payment of the dividend, the company shall, within seven days from the date of expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed to a special account to be opened by the company in that behalf in any scheduled bank to be called the Unpaid Dividend Account.”

Subsequent thereto, the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules 2016, SEBI LODR Regulations, 2015 and the Secretarial Standards have also given rise to procedural and substantive improvements in the manner in which such funds are to be dealt with.

This is a set of well-intentioned legislative provisions to ensure that companies do not become unjustly rich by holding on to amounts which belong to shareholders, who have remained unidentified or uncontacted. The Investor Education and Protection Fund (IEPF) is an instrumentality to hold these until such time as the legitimate claimants thereto are able to establish the bona fides of their claims.

Year after year, companies send communications to these shareholders at their last known addresses. This is done either directly, or through the Registrar and Transfer Agents (RTAs), or by both these entities acting together. The predictable outcome is that these communications evoke no response since they are the same addresses to which earlier communications were sent, and were not responded to. There could be a number of reasons for this situation. It is possible that some of the shareholders have moved to new addresses, and have not informed either the company, or anyone else, regarding their new address. It is equally possible that some shareholders have passed away, with their family members being unaware of the existence of the shares in the names of their forebears.

Recognising the seriousness of the problem, **Excellence Enablers decided to reach out to the top 100 listed entities**, by market cap, to ascertain whether, in addition to sending mails to the last known address, there were any other steps that the companies were taking, to identify, and contact the “missing” shareholders. Regrettably, **even after a few reminders, and indicating that this was a pro bono public service initiative that Excellence Enablers had launched, only 25 companies responded. Out of those that had responded, 4 companies stated that they were not doing anything in addition to sending mails to the last known addresses.** Some of them, including companies that have not yet completed 7 years post their listing, expressed an interest in getting to know what additional measures were being taken by other companies. Overall, the number of responses, and the nature of responses, seemed to indicate that this was not a matter to which many companies attached adequate importance. Interestingly, one company required us to mention our 16 digit DP id and Client id to respond.

Not discouraged by this situation, we have undertaken an analysis of the responses received from companies who have, in different ways, tried to reach out to these shareholders. The report which has been compiled, points to the possibility that if some innovative measures are adopted, at least a small dent could be made in the problem.

What we have looked at is the ‘stock’ element of the problem. It is necessary for companies to ensure that by continuous contact with shareholders, the ‘flow’ element of the problem can be addressed. Separately, it might be necessary to revisit the procedures that companies and the IEPF follow, to expeditiously deal with the claims that have been preferred by some of these shareholders.

It is our hope that the importance of this matter finds resonance with companies, and investor organisations, so that over time the problem gets addressed, at least to some extent.

DIMENSIONS OF THE PROBLEM

Statement showing shareholding pattern of the Public shareholder under shareholding pattern as on March 2022

S. No.	Name of the Company	Total number of shares held under IEPF	Percentage of shareholding
1	Abbott India Ltd (available information for FY21)	1,00,396	0.47
2	ACC Ltd	13,31,005	0.71
3	Adani Green Energy Ltd	33,858	0
4	Adani Ports and Special Economic Zone Ltd	2,17,274	0.01
5	Adani Transmission Ltd	Listed in July, 2015	-
6	Alkem Laboratories Ltd	Listed in December, 2015	-
7	Ambuja Cements Ltd	36,38,290	0.18
8	Asian Paints Ltd	11,07,007	0.12
9	Aurobindo Pharma Ltd	7,51,449	0.13
10	Avenue Supermarts Ltd	Listed in March, 2017	-
11	Axis Bank Ltd	8,85,636	0.03
12	Bajaj Auto Ltd	1,91,805	0.07
13	Bajaj Finance Ltd	3,44,260	0.06
14	Bajaj Finserv Ltd	95,185	0.06
15	Bajaj Holdings & Investment Ltd	94,527	0.08
16	Bandhan Bank Ltd	7,70,630	0.05
17	Bank of Baroda	Not given	-
18	Berger Paints India Ltd	61,38,860	0.63
19	Bharat Petroleum Corporation Ltd	Not given	-
20	Bharti Airtel Ltd	1,55,607	0
21	Biocon Ltd	1,09,362	0.01
22	Bosch Ltd	36,957	0.13
23	Britannia Industries Ltd	6,18,116	0.26
24	Cadila Healthcare Ltd (now Zydus Lifesciences Ltd)	14,08,541	0.14
25	Cipla Ltd	26,17,275	0.33
26	Coal India Ltd	1,17,973	0
27	Colgate-Palmolive (India) Ltd	4,06,208	0.15
28	Container Corporation Of India Ltd	3,134	0
29	Dabur India Ltd	27,34,891	0.15
30	Divis Laboratories Ltd	26,946	0.01
31	DLF Ltd	8,56,425	0.03
32	Dr. Reddys Laboratories Ltd	2,27,182	0.14
33	Eicher Motors Ltd	20,44,800	0.75
34	GAIL (India) Ltd	2,44,152	0.01
35	General Insurance Corporation of India Ltd	Listed in October, 2017	-
36	Godrej Consumer Products Ltd	25,10,905	0.25
37	Grasim Industries Ltd	28,10,204	0.43
38	Havells India Ltd	2,28,365	0.04
39	HCL Technologies Ltd	2,11,647	0.01
40	HDFC Asset Management Company Ltd	Listed in August, 2018	-

Source: Annual reports/ Stock exchange filings

41	HDFC Bank Ltd	68,68,463	0.15
42	HDFC Life Insurance Co Ltd	1,269	0
43	Hero MotoCorp Ltd	9,85,405	0.49
44	Hindalco Industries Ltd	Not given	-
45	Hindustan Petroleum Corporation Ltd	2,49,940	0.02
46	Hindustan Unilever Ltd	52,76,685	0.22
47	Hindustan Zinc Ltd	2,44,714	0.01
48	Housing Development Finance Corporation Ltd	15,82,971	0.09
49	ICICI Bank Ltd	75,45,883	0.13
50	ICICI Lombard General Insurance Co Ltd	Listed in September, 2017	0.07
51	ICICI Prudential Life Insurance Company Ltd	Listed in September, 2016	0.06
52	Indian Oil Corporation Ltd	3474480	0.04
53	Indraprastha Gas Ltd	1,94,051	0.03
54	Indus Towers Ltd	1,081	0
55	IndusInd Bank Ltd	15,43,901	0.22
56	Info Edge (India) Ltd	8,226	0.01
57	Infosys Ltd	2,79,039	0.01
58	Interglobe Aviation Ltd	Listed in November, 2015	-
59	ITC Ltd	2,58,77,179	0.21
60	JSW Steel Ltd	1,53,76,099	0.64
61	Kotak Mahindra Bank Ltd	33,55,015	0.17
62	Larsen & Toubro Infotech Ltd	Listed in July, 2016	-
63	Larsen & Toubro Ltd	28,84,754	0.21
64	Lupin Ltd	7,23,140	0.16
65	Mahindra & Mahindra Ltd	24,57,866	0.2
66	Marico Ltd	58,544	0
67	Maruti Suzuki India Ltd	20,427	0.01
68	Motherson Sumi Systems Ltd	7,00,076	0.02
69	Muthoot Finance Ltd	9,391	0
70	Nestle India Ltd	1,04,043	0.11
71	NMDC Ltd	36,230	0
72	NTPC Ltd	11,00,591	0.01
73	Oil & Natural Gas Corporation Ltd	12,78,491	0.01
74	Oracle Financial Services Software Ltd	47,322	0.05
75	Petronet LNG Ltd	16,43,507	0.11
76	Pidilite Industries Ltd	4,18,418	0.08
77	Piramal Enterprises Ltd	8,08,461	0.34
78	Power Finance Corporation Ltd	89,597	0
79	Power Grid Corporation Of India Ltd	10,37,986	0.01
80	Procter & Gamble Hygiene & Health Care Ltd	91,306	0.28
81	Punjab National Bank	Not given	-
82	Reliance Industries Ltd	3,43,83,043	0.52
83	SBI Cards And Payment Services Ltd	Listed in March, 2020	-
84	SBI Life Insurance Company Ltd	Listed in October, 2017	-
85	Shree Cement Ltd	74,110	0.21
86	Siemens Ltd	7,49,506	0.21
87	State Bank Of India	Not given	-
88	Sun Pharmaceutical Industries Ltd	20,33,839	0.08
89	Tata Consultancy Services Ltd	5,56,402	0.02
90	Tata Consumer Products Ltd	36,24,428	0.39
91	Tata Motors Ltd	56,43,861	0.17
92	Tata Steel Ltd	48,93,283	0.4

Source: Annual reports/ Stock exchange filings

93	Tech Mahindra Ltd	11,67,243	0.12
94	Titan Company Ltd	36,90,650	0.42
95	Torrent Pharmaceuticals Ltd	1,81,426	0.11
96	Ultratech Cement Ltd	Not given	-
97	United Breweries Ltd	15,47,648	0.59
98	United Spirits Ltd	33,52,090	0.46
99	UPL Ltd	15,58,180	0.2
100	Wipro Ltd	20,56,801	0.04

Source: Annual reports/ Stock exchange filings



Standard practices followed by companies

- Reminding the shareholders, through general meeting / postal ballot notices, regular bulk emails and letters, and publication of notice in newspapers / on website.
 - Well before the scheduled AGM, publishing a newspaper advertisement, requesting shareholders to register/ update their email ids.
 - Publish advertisement in local newspapers (English/local language).

- Writing, or sending reminder letters, to the last available address.

- Reaching out to the shareholders on their telephone/mobile numbers available in the records.
 - Helping the joint account holder, where one has passed away, with the process and documentation (in addition to educating them about the process etc).



Newer practices followed by some companies

- Updating Know Your Customer (KYC) details of shareholders, from time to time, including availing sms sending services of National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). This is used to update/capture email ids of shareholders holding shares in demat mode, or those who are availing web portal services of RTA. Such services are used throughout the year, for shareholders to update their email ids and bank particulars.
 - Once an email id is registered in the database of RTA, whether in physical folio or demat account, any communication is sent on the updated email id only.
- Mapping the address and contact details of the shareholders with PAN details, as there are many shareholders who may hold more than one demat account, and can have different correspondence addresses.
- Engaging company's resources in various territories to go and check in the neighbourhood of the shareholder's last known address, to elicit further information.
 - Sending Office Assistants to shareholders' residence whose aggregate unclaimed dividend was in excess of a certain amount.
 - Preparing a list of recommended diligence measures to be observed, whilst contacting the concerned shareholders, and providing the same to the branches/ office assistants, *inter alia* including questions that could be asked to the neighbours or househelps, etc. Persons going for these tasks are also instructed to obtain certain specified documentary evidence from the shareholder/ legal heir so as to obviate the risk of fraud/ misrepresentation.
 - At times, the local company's resources share/ accept documents from the shareholders locally, instead of sending/ receiving the documents to the RTA/ Company by post.



- Using shareholders to contact other shareholders.

- Using RTA to contact/ update shareholders.
 - Try to get details of the concerned IEPF shareholders, from the database of RTA with respect to other companies, based on PAN, so that if a shareholder is active in another company, but was not aware about holding/dividend in one company, he/she could be reached out to.

- Approaching shareholders, on their registered email ids, through a personalised official email id, instead of generic ids from service providers / RTA.

- Providing a list of shareholders, whose consolidated unclaimed dividend is more than a certain amount, to the Chairperson and the Senior Management every year in December/January, which is much prior to the due date for claiming the dividends. The rationale for this is that they might know some of the shareholders due to the shareholder's long association with the company. They in turn share the latest available contact information of such shareholders with the Secretarial department. The secretarial department then gets in touch with all those shareholders, and informs them of the process for claiming their dividends.



- Using Google and LinkedIn to identify the whereabouts of a few shareholders. While doing this, data privacy is respected, so that no personal details of the shareholders are communicated through social media platforms. This has especially helped find shareholders who are abroad.

- Using the help of an external agency, which has been able to contact a few shareholders/ legal heirs of the shareholders. After due verification, such persons have been informed about the claim process. The agency can also be engaged for updating the records, and to help demat shares of physical share holders.

- Prior to April 2018, duplicate dividend warrants (at par cheques) were sent to the concerned banks in respect of shareholders, where their bank details were available, but the MICR/ IFS code was not available. However, pursuant to SEBI circular dated April 20, 2018, unclaimed dividends have to be paid only electronically. Hence, in cases where the shareholders have updated their bank account details with the company/depositories post payment of dividend for the respective FY, the outstanding unclaimed dividend has been directly credited electronically, without insisting on a request from the shareholder.

- In respect of shareholders whose shares have been dematerialized, unclaimed dividend(s) have been credited into the bank account registered in the demat account of the shareholder.



- Pursuant to SEBI Circular dated April 20, 2018, updation of bank account details is mandatory. However, even if a shareholder approaches the company for other services such as transmission/change of name, etc., and updates his/ her bank account details, all the unclaimed dividend lying against the said folio is credited to his/her account. In such cases, a request for claiming dividend from the shareholder/ legal heir is not required.

- Matching of the latest bank details in the folios with the old bank details, and wherever it was observed that the members have registered new bank details, but have not claimed old dividends, the amount is released proactively.

- Analysing data of unclaimed dividend for all the years, wherein shareholders have updated bank account details post declaration and payment of dividend by the Company. Based on the analysis, emails are sent to the shareholder(s), specifically mentioning the fact that they have updated their bank account details post declaration of dividend. The email also contains details such as amount of dividend unpaid, FY wise, along with corresponding due dates of IEPF transfer. For ease of shareholders, the email provides “Click here to approve” link. On clicking the link, the shareholder is required to verify the bank account details, and click on approve button. Post this approval, the RTA initiates payment of unclaimed dividend.

- Send sms to the shareholders, reminding them to claim their dividend.



- Using technology such as introducing bar code/QR code for updating records.

- Analysing the unclaimed dividend data sent by RTA, on the basis of where the demat account was opened. Basis this, the company was able to track down a large number of shareholders, who were the employees of the company, and had participated in the IPO of the company.

- Contacting institutional and corporate shareholders through the secretarial team.

- Using of Artificial Intelligence (AI), with the company's internal IT Analytical team. This would depend on the availability of data through public sources.

- Approaching the local post offices in cities where the number of untraced shareholders is high. This is in addition to reaching out to them through franchisees/ company networks.

- Approaching NGOs to help trace shareholders.



Additional measures that we, at Excellence Enablers, think that companies can consider

- To engage students residing in the localities/ towns/ cities, where the “missing investors” used to reside, to talk to their former neighbours, post office officials and others, to get some leads on where they might have shifted. This could be done by students during their vacation and they could be incentivised for this purpose.
- Registered Investor Associations could also be reached out to for assistance/ suggestions. If the list of “missing investors” from the Association’s area of coverage is circulated among their members, there could be some success.



Suggestions sent to SEBI by companies

- SEBI could ask depositories (NSDL and CDSL) to set up a process of periodical KYC (eg every 3 years). This will not only ensure that the investors contact details are updated, but will also ensure timely delivery of all corporate communication and shareholder benefits from companies to its shareholders. The end result of this initiative will be better investor servicing and significant reduction in the number of shareholders' complaints / grievances for listed entities.
- Under current processes at depositories, the demat account holders are not allowed to change some of their details (e.g residential status, name in case of body corporate etc.) The processes for other changes are also complex and time-consuming. To address these complexities, SEBI could mandate the depositories to make the processes simple and flexible, without compromising on the compliances and control. This will enable many of the investors to update their records.



What the numbers say?

From the responses of companies to our mails, the following are seen to be undertaking, or planning to undertake, the following specific additional efforts -

- **8 companies** have tried to trace the shareholders by requesting their employees and/or branch managers to personally visit the neighbourhood of the untraceable shareholders.
- **4 companies** have tried to trace the shareholders by availing the services of external agencies.
- **6 companies** have tried to trace the shareholders through their mobile numbers.
- **2 companies** have availed the SMS sending services of NSDL and CDSL to update/capture email ids of shareholders.
- **6 companies** have availed the services of RTAs for trying to trace the shareholders.
- **2 companies** have tried reaching out to the shareholders by mapping their old bank details, with the updated details.
- **2 companies** have tried to get the details of concerned shareholders based on their PAN from database of other companies available with RTAs.
- **3 companies** tried to contact shareholders, and credit the past amounts, if they have contacted the company for any other work.
- Some other **initiatives** tried are
 - Reaching out through other shareholders.
 - Reaching out through Post offices and NGOs.
 - Contacting employees who had subscribed to the IPO of the company.
 - Using the contact information available with the Chairperson or the senior management personnel.
 - Updating KYC periodically.
 - Sending emails through personalised email ids, and not generic ids.
 - Using artificial intelligence to access public information.
 - Using barcodes and QR codes to update information.
 - Using social media, networking sites or search engines to trace shareholders.



Annexure 1 – Mail sent by us

Dear

Trust this mail finds you well, and that 2022 will be a lot better than the preceding year.

One of the sticky problems, which corporate India has been continuing to grapple with is the issue of unclaimed dividends, leading to their transfer to the IEPF after a period of 7 years. In more recent times, even the shares standing in the names of investors, who have remained untraced or unreachable, have been transferred to the IEPF.

The normal practice for most companies has been to write to the last known address of such shareholders, either directly or through the RTA. In a very large majority of the cases, the communication remains undelivered and/or unacknowledged for a variety of reasons. Sending similar communications every year to the same addresses, has understandably borne no fruit.

To address this problem, some companies have resorted to out-of-the-box methods, such as engaging some persons to follow up at the local level, starting with the last known address, to ascertain whether the shareholders have either relocated or have passed on. This approach has led to some shareholders being traced at their new addresses, which they had not communicated to the companies. In a few cases, this has led to survivors of deceased shareholders, who had remained in the dark so far, reaching out to the companies to stake their claim.

It is likely that your company has also resorted to some unusual methods to attempt to reach such shareholders or their descendants. Could you kindly share with us the details of any such measure(s) that you have resorted to, and the success thereof? Our endeavour is to share these practices with the larger corporate universe so that companies that are yet to do anything different, can benefit from such experiences. We will, unless you have reservations, share the name of the company which has resorted to any out-of-the-box practice, and the results thereof.

This being a pro bono activity in the interest of the small and forgotten shareholders, we look forward to a response at your earliest convenience.

*Warm regards
Damodaran*

M. Damodaran
Chairperson, Excellence Enablers Private Limited
Former Chairman, SEBI, UTI and IDBI

Annexure 2 - Companies that provided information *(in alphabetical order)*

1	Aurobindo Pharma Ltd
2	Bharat Petroleum Corporation Ltd
3	Biocon Ltd
4	Cipla Ltd
5	Eicher Motors Ltd
6	General Insurance Corporation of India Ltd
7	Havells India Ltd
8	Hero MotoCorp Ltd
9	Hindalco Industries Ltd
10	Housing Development Finance Corporation Ltd
11	Hindustan Zinc Ltd
12	ICICI Lombard General Insurance Co Ltd
13	Interglobe Aviation Ltd
14	Larsen & Toubro Ltd
15	Lupin Ltd
16	Muthoot Finance Ltd
17	Nestle India Ltd
18	Reliance Industries Ltd
19	SBI Cards And Payment Services Ltd
20	State Bank Of India
21	Tata Consumer Products Ltd
22	Tata Steel Ltd
23	Tech Mahindra Ltd
24	Titan Company Ltd
25	UPL Ltd

About Excellence Enablers

We are a niche Corporate Governance advisory firm. We do not attempt to be all things to all persons. Improving Corporate Governance policies and practices is our *raison d'etre*. Our mission is to demystify Corporate Governance and to persuade corporates that it is nothing more than doing the right things at the right time in the right manner for the right reasons.

We do not tick boxes. We help you think out of the box.



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