

- 8.1 Precautions to be taken by the Secretary while Corresponding with Depositors.
- 8.2 Circumstances under which a Secretary has to enter into correspondence with Depositors
- 8.3 Specimen Letters

INTRODUCTION :

Deposit is a short term source of finance of the company and it is used in order to satisfy short term working capital needs of the company. Company cannot accept deposits for a period less than 6 months or more than 36 months. The company is liable to pay regular interest on the deposits at a fixed rate along with the principal amount on maturity.

Company Secretary has to conduct correspondence with depositors regarding – Acceptance of deposits, payment of interest on deposits, renewal of deposits, repayment of deposits and so on. Secretary conducts such correspondence on behalf of the company and also as per the instructions of the Board of Directors. The Secretary should be very cautious and careful while corresponding with depositors of the company.

8.1 PRECAUTIONS TO BE TAKEN BY THE SECRETARY WHILE CORRESPONDING WITH DEPOSITORS

The following precautions or points to be kept in mind by the Secretary while corresponding with depositors :

1. **Legal Provisions** : The Secretary should ensure that provisions relating to invitation, acceptance, renewal and repayment of deposits are duly complied with by the company, while corresponding with depositors. Secretary should observe the legal provisions.
2. **Courtesy** : Polite replies are essential while writing letters to the depositors. Rude words should be strictly avoided.
3. **Prompt Response** : The Secretary should give prompt replies to the queries and complaints of the depositors without any delay.
4. **Accuracy** : Letter written to the depositors should be accurate and precise. Factual and correct information should be provided to them.
5. **Image and Goodwill** : While writing letters, the Secretary has to maintain the goodwill of the company.
6. **You Attitude** : Letter should be written from depositors point of view, after taking into consideration the requirements of the depositors.

7. Conciseness : The letters must be concise i.e. short, brief and to the point. Un-necessary and irrelevant information should be avoided.

8. Maximum Secrecy : It is necessary to maintain maximum secrecy as regards secretarial correspondence with depositors.

8.2 CIRCUMSTANCES UNDER WHICH A SECRETARY HAS TO ENTER INTO CORRESPONDENCE WITH DEPOSITORS :

The Secretary has to communicate various decisions of the Board of Directors to the depositors.

The following are the few circumstances when the Secretary enters into correspondence with the Depositors :

1. Thanking depositors for depositing amount and showing faith in the company.
2. Intimation about payment of interest through -
 - a) Interest Warrant b) Electronic payment of Interest
3. Letter informing about renewal of deposits.
4. Informing depositors about repayment of deposit on maturity.

8.3 SPECIMEN LETTERS

1. Thanking depositors for depositing amount with the company.

The letter of thanks is sent to the depositors by a company immediately after receiving the deposits. This letter gives detailed information regarding the deposits i.e. Amount of deposit, Date of deposit, Period of deposit, etc.

The Deposit Receipt which is a proof of receipt of deposit is sent to the depositor along with this letter within 21 days from the date of acceptance of deposits.

GURU INDUSTRIES LTD.

Registered Office : 45, Guru Towers, J. M. Road,

Pune 411 021.

CIN : L30121 MH 2007 PLC070504

Phone : 020-12110072

Fax : 020-30040077

Ref. No. G/DEP/09/19-20

Website : www.gurulimited.com

E-mail : guru30@gmail.com

Date : 10th April, 2019

Mr. Sharangdhar Naik

78/68, Guru Appartment, Shaniwar Peth,

Pune - 411 011.

Sub. : Thanking Depositor for Fixed Deposit

Dear Sir,

We are in receipt of your application dated 5th April 2019 for investment of ₹ 1,00,000 in the fixed deposit as per the terms and conditions stated in advertisement for a period of 2 years. We are thankful to you for the initiative and the trust you have shown in depositing a substantial amount in our company.

The details of deposits accepted are given in the following schedule :

1	2	3	4	5	
Fixed Deposit Receipt No.	Amount of Deposit (₹)	Period of Deposit (years)	Rate of Interest (%)	Bank Details	
				Name of the Bank	Bank Account No.
678	₹ 1,00,000	2 years	12.5%	City Bank	222040

The Board of Directors of our company expresses its gratitude for depositing money in our company.

We assure you of our best services and thank you for the confidence shown in our company.

Thanking you,

Yours faithfully,
For Guru Industries Ltd.

Sign
Mr. Nitin Modi
General Manager and
Company Secretary

Encl : Fixed Deposit Receipt No. 678

2. Payment of Interest.

Deposit is a borrowed capital. Depositors get interest as a return on their investment of money in deposits. This letter is sent by the company to the depositor when interest on deposit becomes due. In this letter the Company Secretary gives detailed information about payment of interest such as - Amount of deposit, Rate of interest, Gross amount of interest, TDS, Net amount of interest, Interest Warrant No., etc. The company pays interest through : a) Interest Warrant b) Electronically

A) Payment of Interest through Interest Warrant.

KISHOR TEXTILE LTD.

Registered Office : 104/B, Bombay House, S. V. Road, Borivali (W),
Mumbai 400 103.

CIN : L05065 MH 2000 PLC430644

Phone : 022-60304636

Website : www.kishortextilelimited.com

Fax : 022-40202323

E-mail : kishortext30@gmail.com

Ref. No. K/DEP/34/19-20

Date : 28th July, 2019

Mrs. Lata Dixit

C-702, Madhuban Apt., Shivaji Nagar,
Camp,
Pune - 411 001.

Sub. : Payment of Interest on Fixed Deposits

Dear Madam,

I am instructed by the Board of Directors to inform you that the interest @10% on your Fixed Deposit approved by the Board has become due. We are enclosing herewith 'Interest Warrant' No. 3345, dated 25th July, 2019 drawn on Axis Bank, Borivali Branch for ₹ 2,500/-.

Your company has complied with all the provisions relating to payment of interest on deposits

The details of your Fixed Deposit and interest payable on deposit are given in the following schedule :

1	2	3	4	5	6	7
Interest Warrant No.	Fixed Deposit Receipt. No.	Deposit Amount (Rs.)	Rate of Interest (%)	Gross Amount of Interest	TDS @ (10%)	Net Amount of Interest Payable (₹)
3345	2032	₹ 25,000	10%	₹ 2,500	NIL	₹ 2,500/-

Interest Warrant is enclosed herewith.

Please detach the Interest Warrant along the perforated line.

Thanking you,

Yours faithfully,
For Kishor Textile Ltd.

Sign
Mr. Nikhil Dixit
Company Secretary

Encl : Interest Warrant

B) Electronic Payment of Interest : Payment through Electronic Mode - (ECS, NEFT.)

NOVEL SEWING MACHINES LTD.

Registered Office : Survey No. 78, Plot No. 48, Novel Sadan, D.P. Road, Bavdhan,

Pune : 411 038

CIN : L302090 MH 2000 PLC070504

Phone : 022-60603021

Website : www.novelsewingltd.com

Fax : 020-96864636

E-mail : novelsewing07@gmail.com

Ref. No. N/DEP/10/19-20

Date : 14th March, 2019

Miss. Kshitija Bihani

125, Laxmi Road

Narayan Peth,

Pune : 411 030

**Sub. : Payment of Interest on Fixed Deposit
Electronically through ECS or NEFT.**

Dear Madam,

I am instructed by the Board of Directors to convey to you that the Board has passed a resolution in the Board meeting held on 12th March, 2019 to pay interest @ 10% on deposits for the year ending 31st March, 2019.

Your company has complied with all the provisions relating to payment of interest on deposits.

Details of Interest payable to you are as follows :

1	2	3	4	5	6
Fixed Deposit Receipt. No.	Deposit Amount (₹)	Rate of Interest (%)	Gross Amount of Interest (₹)	TDS @ (10%)	Net Amount of Interest payable (₹)
2032	Rs. 25,000	10%	₹ 2,500	NIL	₹ 2,500

Interest will be payable by electronic transfer (ECS/NEFT), i.e. by crediting said interest to your bank account as per details provided by you to the company.

Thanking you,

Yours faithfully,
For Novel Sewing Machine Ltd.

Sign
Miss. Sarita Singh
Company Secretary

3. Renewal of Deposit

A process whereby the deposit holder continues with the deposit for an additional time period after the completion of the initial time period of investment (deposit) is called as 'Renewal of Deposit'.

The additional period can be similar or different from the original time period.

The printed application forms for Renewal of Deposits are to be sent to all depositors at least one month before the maturity date.

The company sends this Letter of Renewal if the depositor renews his deposits. The details about renewal of deposit are informed and a Renewal Deposit Receipt is enclosed.

DIAMOND INTERNATIONAL LTD.

Registered Office : 24, Dimond House, Nariman Point,
Mumbai 400 021

CIN : L15522 MH 2000 PLC301244

Phone : 022-50202113

Fax : 022-20304112

Ref. No. D/DEP/61/19-20

Website : www.dimondlimited.com

E-mail : dimond5@gmail.com

Date : 22nd March, 2019

Miss. Ashi Singh
26, Gulmohar Apartment,
Andheri (W)
Mumbai - 400 058.

Sub. : Renewal of Fixed Deposit

Dear Madam,

We hereby acknowledge the receipt of your application for renewal of deposit of ₹ 1,00,000 for a further period of two years. Alongwith the application we have also received original Fixed Deposit Receipt (FDR) No. 4625, and the same has been placed before the Board for consideration and approval.

The Board of Directors by passing a resolution at the Board meeting held on 17th March, 2019 has decided to renew the deposits for a further period of 2 years on the same terms and conditions.

A Deposit Receipt No. 5925 is enclosed along with this letter.

Thanking you,

Yours faithfully,
For Diamond International Ltd.

Sign
Miss Kavya Ambani
Company Secretary

Encl : Fixed Deposit Receipt No. 5925

4. Repayment of Deposit

On maturity of tenure of deposits, it is binding on the company to repay the deposit. Default in repayment of deposit results in levy of penalty. The letter for repayment of deposit is to be sent to the depositor, when the deposit is to be redeemed. The letter informs the depositor that the fixed deposit receipt is received by the company. This letter includes information about Repayment of Deposit such as - Tenure of Deposit, Fixed Deposit Receipt No., deposit amount, rate of interest, maturity amount, TDS, Net amount, due date of payment of deposits, etc.

DHARA OIL LTD.

: Registered Office :

64, Dhara Bhavan, Pimpri Road, Pune - 411 018.

CIN : L55331 MH 1996 PLC302177

Phone : 022-65254023

Fax : 020-49396423

Ref. No. D/DEP/16/19-20

Mr. Ravindra Khanna
C-15, Swami Apartment,
Narayan Peth, Pune - 411 030

Website : dharaoilimited.com

E-mail : dhara16@gmail.com

Date : 13th November, 2019

Sub. : Repayment of Fixed Deposit

Dear Sir,

This is to inform you that your Fixed Deposit Receipt No. 5925 dated 1st December, 2017 for ₹ 1,00,000/- will be due for repayment on 30th November, 2019.

We have received from you the original Deposit Receipt No. 5925 duly discharged along with your instruction for repayment. The Board of Directors in the meeting held on 12th November, 2019 has passed a resolution for redemption of the deposits.

The details of repayment of deposit are as under :

1	2	3	4	5	6	7	8
Tenure of Deposit	Fixed Deposit Receipt. no.	Deposit Amt. (₹)	Rate of Int. (10%)	Maturity Amt. (₹)	TDS (10%)	Net Amt.	Due Date of Deposit
2 years	5925	₹ 1,00,000	₹ 20,000	₹ 1,20,000	₹ 2,000	₹ 1,18,000	30 th Nov, 2019

Please find enclosed herewith a crossed cheque of ₹ 1,18,000, bearing No. 426025 dated 30th November, 2019 drawn on Bank of Maharashtra, Shivaji Nagar, Pune - 411 005.

Thanking you,

Yours faithfully,
For Dhara Oil Ltd.

Sign
Mr. Ashok Bhattad
Company Secretary

Encl : Crossed Cheque No. 426025

SUMMARY

- Depositors are creditors of the company. They are the short term financiers. Depositors get interest as a return on investment of money in company deposits.
- The Deposit holders do not enjoy any management rights and they are not entitled to vote in the company meetings as they are the creditors of the company. They provide short term finance.
- The Secretary has to correspond with the Depositors under special circumstances such as - Thanking Depositor for keeping fixed deposit, payment of interest, renewal of deposits and repayment of deposit on maturity. Various points like - legal provisions, courtesy, prompt response, goodwill, accuracy, conciseness, maximum secrecy etc. to be considered by the Secretary while corresponding with depositors.
- The depositor may renew the deposits on completion of term of deposit. Company can repay the amount of deposit as per the terms and conditions of repayment of deposits.

EXERCISE

Q.1 A) Select the correct answer from the options given below and rewrite the statements.

1. Depositors are of a company.
a) Members b) Creditors c) Debtors
2. Depositors provide Capital to the company.
a) Short Term b) Long Term c) Medium term
3. A Company cannot accept deposit for more than months.
a) 24 b) 36 c) 45
4. A company cannot accept deposit for less than months.
a) 6 b) 3 c) 5
5. Deposits are loans of the company.
a) fixed b) short term c) long term
6. Public Deposits are accepted to meet the requirement of Capital.
a) fixed b) working c) owned
7. has the power to invite deposits from Public.
a) Shareholders b) Auditors c) Board of Directors
8. Rate of interest on deposits is
a) fixed b) fluctuating c) moderate
9. The return or income for the investment of money in deposits is called
a) Dividend b) Interest c) Discount

B) Match the pairs.

Group 'A'		Group 'B'	
a)	Depositors	1)	Fixed
b)	Rate of Interest on Deposits	2)	Evidence of ownership
c)	Deposit Receipt	3)	Debtors
		4)	Creditors
		5)	Evidence of deposit
		6)	Fluctuating

C) Write a word or a term or a phrase which can substitute each of the following statements.

1. Return on investment on deposit.
2. Instrument for payment of interest on deposit.
3. An acknowledgement of the fixed deposit accepted by a company.
4. Return of deposits on maturity date.
5. Maximum period of deposits.

D) State whether the following statements are true or false.

1. Fixed deposit is a short term source of finance for the company.
2. Fixed Deposit holder is creditor of the company.
3. Deposits are invited by the company without issuing statutory advertisement.
4. Fixed Deposit holders are entitled to receive dividend.
5. A Private Company cannot accept the deposits from the general public.
6. Depositors are given voting rights.

E) Find the odd one.

1. Dividend, Depositor, Deposit Receipt
2. Depositor, Depository, Deposit Receipt

F) Complete the sentences.

1. Depositors are the of the company.
2. The must be cautious and careful while writing letters to the depositors.
3. Deposit is a term source of finance of the company.
4. A company can accept deposits for the minimum period of months.
5. Depositors are entitled to receive at fixed rate.

G) Select the correct option from the bracket.

Group 'A'		Group 'B'	
a)	Depositor	1)	
b)	Return on Deposits	2)	
c)		3)	Maximum Period of Deposits
d)	Minimum Period of Deposits	4)	

(Interest, Creditor of the company, 36 months, 6 months)

H) Answer in one sentence.

1. Who is depositor ?
2. What is the return on deposit ?
3. What is Interest Warrant ?
4. What is renewal of deposit ?
5. Which document is enclosed along with the Renewal Letter ?
6. When will the company return the deposit ?
7. What is minimum and maximum period of deposit ?

I) Correct the underlined words and rewrite the following sentences.

1. Depositors are owners of the company.
2. Deposits are the internal source of financing.
3. Deposit is a long term source of capital.
4. Depositors are entitled to receive dividend.

J. Arrange in proper order.

1. a. Renewal of Deposit
b. Acceptance of Deposits
c. Deposit Receipt
2. a. Payment of Interest
b. Deposit Receipt
c. Acceptance of Deposits

Q.2 Explain the following terms/concepts.

1. Depositor
2. Deposit
3. Interest on Deposit
4. Deposit Receipt
5. Renewal of Deposit
6. Repayment of Deposit

Q.3 Answer in brief.

1. What precautions are to be borne in mind by the Secretary, while corresponding with Depositors.
2. What are the circumstances under which the Secretary makes correspondence with depositors.

Q.4 Justify the following statements.

1. The Company Secretary should take certain precautions while corresponding with depositors.
2. There are certain circumstances when a secretary has to correspond with Depositors.

Q.5 Attempt the following.

1. Draft a letter of thanks to the depositor of a company.
2. Draft a letter to depositor informing him about payment of interest through Interest Warrant.
3. Write a letter to depositor regarding renewal of his deposit.
4. Draft a letter to depositor regarding repayment of his deposit.
5. Draft a letter to depositor informing him about payment of interest electronically.

