

VIII. CORPORATE ACTIONS & IPO

1. What is a Corporate Action (CA)?

Corporate action is a process by which a company gives benefits to the investors who are holding securities of the company.

2. What are types of corporate actions?

Corporate actions are classified in to two main categories. Cash and Non-cash corporate actions.

Cash corporate action results in investors getting benefits in form of cash. Examples of cash corporate actions are payment of interest / dividend.

Non cash corporate actions result in the investors getting benefits in form of securities. Examples of non cash corporate action are bonus, rights, merger, split etc.

3. Who distributes benefits of cash corporate actions?

The issuer / RTA distribute the benefits of the cash corporate actions directly to the BOs. CDSL is not involved in distribution of cash.

4. Who disburses the benefits of non cash corporate actions?

CDSL distributes the benefits of non-cash corporate actions in demat form to the investors having their demat accounts with CDSL.

5. Who provides the list of investors to the issuer / RTA for a particular corporate action?

- a. CDSL provides to the concerned issuer / RTA list of the BOs, their electronic holdings as on the record / book closure date for recording the entitlement of the corporate benefit.
- b. The Issuer / RTA then calculate the entitlement of the corporate benefit due to all BOs.
- c. Credit of non-cash (bonus, rights) entitlements is made directly to the BOs demat accounts through the depository.

6. Is the rights issue form sent by the Issuer / RTA or CDSL?

As in the physical segment, the Issuer / Registrar mails the rights form directly to BOs. CDSL / DP would not be mailing the same.

7. Is there any option for the manner in which noncash corporate benefits could be received?

Yes, BOs have choice of receiving the non-cash corporate benefits either in electronic or in physical mode. Issuers send intimation directly to BOs for ascertaining their choice in this regard.

8. In case of any discrepancy in entitlement of corporate benefit whom should the BO contact?

It is desirable that in case of any discrepancy in cash and non-cash corporate benefits, BO should contact the Issuer / Registrar directly.

9. If the holdings are in dematerialized form, will the bonuses / rights against them be issued in the same form?

- a. The Issuer/RTA regularly obtains holdings report on ISIN balances from CDSL. On the basis of holdings report, the Issuer/RTA issues advice for credit of bonus/rights shares in the demat accounts.
- b. The Issuer/RTA may, if the benefits are being given in the form of securities, distribute such benefits to the investor through CDSL by crediting them electronically to the BO account, provided that the newly created security is an eligible security and has been admitted into CDSL.
- c. Where allotment is made in demat form, the Issuer or its RTA sends allotment advice directly to the BO.
- d. Securities credited directly to the BO account will be reflected in the statement issued by DPs.
- e. In case any security is not admitted with CDSL system, the Issuer/ RTA will distribute the corporate benefit in the physical form.

10. If the BO has holding in physical form, can he receive bonus / rights in the dematerialized form?

If holding is in physical form, the BO can choose to receive the rights/ bonus allotment in the dematerialized form if he informs his intent to receive the rights/bonus in dematerialized form to the Issuer/RTA.

11. If any investor requests for credit of rights / bonus allotment in dematerialized form without having a demat account, will CDSL open an account on its own to provide credit?

No, in such a case the rights/bonus allotment would be issued in physical form only.

12. Does one get any preference in allotment, if one applies for issuance of securities in dematerialized form?

No. The investors who have applied for allotment in demat form are treated on par with the investors who have requested for allotment in physical form.

13. In case of holding in electronic form, when will an investor get electronic credit to his account?

Securities in such cases are credited to the demat account on the effective day indicated by the Issuer/ RTA, as against time of 15 - 20 days taken in for receiving securities in physical form, because in such cases certificates have to be printed and dispatched.

14. Does an NRI require any permission to receive bonus/rights shares?

No.

15. What is an Initial Public Offer (IPO)?

When a company issues securities to the public directly is popularly known as an IPO. Credit of securities allotted in IPOs can be directly effected in the investors demat accounts.

16. Is it possible to get securities allotted in IPOs directly in demat form?

Yes, it is possible to get securities allotted in IPOs directly in demat form. In fact, in the public issue application form itself, the investor has to mention the BO ID and name and ID of the DP. Any allotment made will be credited into the BO's account directly and the BO will get intimation to that effect from the company.

17. Is there any specific way in which BOs are required to mention the details of their demat account numbers in the IPO form?

In case the IPO form provides for 16 digits, the 16 digit BO ID should be entered by the BO. However, if the form provides for separate fields for DP ID & CLIENT ID, the first 8 digits are to be entered as the DP ID and the last 8 digits CLIENT ID.

E.g. DPID BO ID
 12010100 00003467

18. How does a BO know that the securities allotted through the IPO have been credited to his demat account?

BOs can verify the credit of the securities allotted to them in the following ways:

- a. The RTA would send to BOs the allotment advice regarding the shares allotted and credited to their demat account.
- b. From the statement of account sent by the DP.
- c. Through CDSL's Internet facility easi/easiest, if the BOs have registered for the same.

19. What is book building?

While offering shares in IPO, company gives option to investors to apply for the shares within the price range given by company. It is called book building method. Minimum price is known as floor price and maximum price is called as cap price.

20. Whom should BOs contact for any query on allotment/ refund relating to an application made under the IPO?

All queries regarding the IPO should be addressed to the company or the Registrar & Transfer Agent, whose details are available in the application form/offer document.

21. Can an NRI purchase securities by subscribing to public issue? What are the permissions/approvals required?

Yes. The issuing company is required to issue shares to NRI on the basis of specific or general permission from GoI/RBI. Therefore, individual NRI need not obtain any permission.