

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 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, etc.

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

3. Who distributes benefits of cash corporate actions?

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

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?

For Cash Corporate action e.g. dividend, interest payments etc.:

- a. CDSL provides to the concerned Issuer / RTA a list of the BOs with their electronic holdings as on the record / book closure date.
- b. The Issuer / RTA then calculates the cash corporate action entitlement due to the said BOs and then distribute the cash benefits to the concerned BOs.

For Non Cash Corporate action:

Voluntary Corporate Action (e.g. rights issue);

- a. CDSL provides to the concerned Issuer / RTA a list of the BOs with their electronic holdings as on the record / book closure date.
- b. The Issuer / RTA then submit an allotment file to CDSL containing the details of allotments to BOs.
- c. Based on the said allotment file the securities are credited to the demat accounts of the BOs by CDSL.

Non-Voluntary / Auto Corporate Action (e.g. Bonus issue, Merger etc.)

- a. On the effective date, securities are credited to the demat accounts of the BOs having balance on the record / book closure date based on the ratio and the ISINs mentioned by the Issuer / RTA at the time of set up of the corporate action in CDSL system.
- b. The Issuer / RTA are not required to submit an allotment file.

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 / CDSL DP would not be mailing the same.

7. Can a BO receive noncash corporate benefits in physical form?

Yes. BOs have choice of receiving the non-cash corporate benefits either in electronic or in physical mode. Issuers may send intimation directly to BOs for ascertaining their choice in this regard. Usually if the holdings are in demat form then non cash corporate benefits are also in demat form.

The Ministry of Corporate Affairs has vide notification dated 10th September, 2018, amended the Companies (Prospectus and Allotment of Securities) Rules, 2014. As per the notification these rules may be called the Companies (Prospectus and Allotment of Securities) Third Amendment Rules, 2018 and the same shall come into force on the 2nd day of October, 2018. As per the said Rules, every unlisted public company shall **Issue the securities only in dematerialized form** and on compliance of certain pre requisites.

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 benefits, BO should contact the Issuer / Registrar directly. A BO can also register a complaint with CDSL in case of discrepancy in entitlement of non-cash corporate benefits.

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

- 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.
- 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.
- Where allotment is made in demat form, the Issuer or its RTA sends allotment advice directly to the BO.
- Securities credited directly to the BO account will be reflected in the statement issued by DPs.
- 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 allotment in the dematerialized form if he informs his intent to receive the rights in dematerialized form to the Issuer/RTA. Bonus allotment cannot be given in demat form if the holdings are in physical form.

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.

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

No. An NRI does not require any permission to receive bonus shares.

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

When a company issues securities to the public directly, the same 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 only 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. DP ID CLIENT ID

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:

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

19. 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.

20. The BO account has been debited through Corporate Action – "Transfer of shares to IEPF Authority. What does the same mean?

As per the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Amendment Rules, 2017, the shares in respect of which the dividend has been unclaimed for seven consecutive years have to be credited to IEPF authority's account through corporate action.

21. How can the BO claim refund for the shares / dividend amount transferred to IEPF Authority?

The claimant has to fill e form IEPF 5 available online on the website www.iepf.gov.in.

Take a print and submit a copy of the filled e-form and requisite documents to the concerned Company.

The nodal officer of the Company will verify the claim and furnish the verification report to the IEPF Authority within 15 days.

On the basis of verification report refund will be released by IEPF Authority in favour of claimant's account through electronic transfer.