

## 8. Miscellaneous

### 8.1 Corporate Actions

Corporate actions impact the price, quality or structure of shares held by investors

Why corporate actions?

- ⇒ Change number of shares held
- ⇒ Change face value
- ⇒ Distribution of profits
- ⇒ Liquidity improvement
- ⇒ Mergers / acquisitions
- ⇒ Must be approved by board + shareholders

Examples: Dividend, stock split, Bonus, rights issue, buyback

#### 8.1.1 Dividend

- ⇒ Returns received by investors in equities comes in two forms
  - growth in the value of share
  - Dividend
- ⇒ A part of company's earnings distributed to shareholders
  - In form of a final dividend and/or interim dividend

⇒ Form of income apart from price appreciation

⇒ Expressed as ₹. as share

⇒ Directors decide how much of a dividend to declare or skip dividends

⇒ Non mandatory

Example

Earnings Per Share = ₹6, dividend = ₹3 → 50%

Dividend Payout

## 8.1.2 Dividend Yield

⇒ Shows return from dividend compared to current share price

⇒ Formula: Dividend Yield =  $\frac{\text{Annual dividend}}{\text{Share price}} \times 100$

⇒ High yield → possibly undervalued

⇒ Low yield → possibly overvalued

⇒ But some investors view high yield as negative as it may lead to interpretation that the company is not able to find opportunities to invest the profits and hence has shared profits with investors in the form of dividend

⇒ Not a standalone indicator

Example: ₹10 ÷ ₹360 = 2.77%

### 8.1.3 Stock Split

- ⇒ Splits face value into smaller denominations
- ⇒ Number of shares increase
- ⇒ Share price decrease proportionally
- ⇒ Market cap & value held → unchanged
- ⇒ Makes shares cheaper and affordable

|               | Pre Split     | Post-Split    |
|---------------|---------------|---------------|
| No. of shares | 100 mill.     | 400 mill.     |
| Share price   | Rs 40         | Rs 10         |
| Market cap    | Rs 4000 mill. | Rs 4000 mill. |

### 8.1.4 Why stock split happens?

- ⇒ To bring share price to an affordable range
- ⇒ To increase liquidity

### 8.1.5 Stock Consolidation (Reverse Split)

- ⇒ Opposite of split, i.e., it's opposite
- ⇒ Multiple shares combined into one
- ⇒ Share price increases proportionally
- ⇒ Total value remains same

Example

2-for-1 consolidation → price doubles

$$\Delta \text{P} = 0.2 \rightarrow 0.1 : \text{Dilution}$$

- 8.1.6 Buyback of shares
- ⇒ Company buys back shares from investors
  - ⇒ Reduce outstanding shares
  - ⇒ Aims to:
    - Boost liquidity
    - Increase shareholder value
    - Signal confidence

### Buyback methods

- ⇒ Tender offer (proportionate basis)
- ⇒ Open market
  - Stock exchange
  - Book building
- ⇒ From odd-lot holders

#### Time limits

- ⇒ Stock exchange buyback: max 6 months
- ⇒ Book building: max 30 days

### 8.2 Indec

#### 8.2.1 NIFTY 50

- ⇒ Benchmark index of NSE
- ⇒ 50 largest and most liquid companies
- ⇒ Uses free-float market cap method
- ⇒ Represents Indian market movement

### 8.3 Clearing, Settlement & Redressal

#### 8.3.1 Clearing Corporation

=> Ensures

- Clearing & settlement of trades
- Financial guarantee for trades
- Risk management

=> Eg: NSE Clearing Ltd.

#### 8.3.2 Rolling Settlement

=> Trades are settled on T+1 basis.

=> Trade on day T → settlement next working day

|                 | Day at | Activity  |
|-----------------|--------|---|
| Trading         | T      | Rolling Settlement Trading  |
| Clearing        | T+1    | Custodial confirmation<br>Delivery generation                                 |
| Settlement      | T+1    | Securities and Funds pay-in<br>Securities and Funds payout<br>Valuation debit |
| Post settlement | T+2    | Auction Settlement  |

8.3.3 Pay-in and pay-out

Pay-in

Seller deliver shares; buyers deliver funds

Pay-out

Buyers receive shares; sellers receive fund

Happens on T+1

8.3.4 Auction

=> Happens if seller fails to deliver shares

=> Exchange buys missing shares by auction

=> Ensures buyer receive stock of same company

8.3.5 Benefits of T+1

=> Faster settlement

=> Reduce default risk

=> Improve liquidity

=> Quicker fund availability

8.4 Book-closure & Record date

Purpose:

=> Identify eligible shareholders for dividends/bonus/rights

=> Record date = cut off date for eligibility

With depositories

=> No physical share submission needed

8.4.1 No delivery period

⇒ Trades allowed but settled only after the period.

⇒ Ensures entitlement is correct

8.4.2 Ex-dividend date

⇒ Date from which shares trade without dividend

⇒ Buyers on/after ex-date → not eligible for dividend

8.4.3 Ex-date

⇒ First day of no delivery period

⇒ Buyers on/after ex-date → not eligible for corporate benefits

8.5

Investor grievance Redressal

⇒ Complaints against brokers related to trades on NSE

⇒ Can approach NSE Investor grievance Cell (IGC)

Broker maximise their loss if all

### 8.6 Arbitration

- ⇒ Exchange-provided dispute resolution
- ⇒ Used if grievance cannot be settled mutually
- ⇒ For disputes between client & broker

### 8.7 Investor Protection Fund (IPF)

- ⇒ Used when broker defaults and cannot meet obligations
- ⇒ Compensation limit: ₹ 25 lakhs per investor per defaulter
- ⇒ Covers only trades on the exchange

### SEBI Scores → SEBI Complaints Redressal

- ⇒ Online platform for investor complaints
- ⇒ Generates unique complaint number
- ⇒ Used for
  - Dividend issues
  - Transfer issues
  - Complaints against intermediaries

### 8.8

| Issue / Problem Type   | Method                                    | Explanation   |
|--|---|---|
| 1. Issues with Broker (trade disputes, non payment of funds/securities, unauthorized trade)  | Investor grievance redressal method (IGC) | First level complaint against broker or sub brokers for trades on exchange  |
| 2. No solution after grievance, still dispute remains between broker and client  | Arbitration                               | Second level: A final dispute resolution process provided by exchange when the grievance has no amicable settlement |
| 3. Broker becomes defaulter or expelled and investor loss money or securities  | Investor Protection Fund                  | Compensation upto ₹ 25 lakh per investor per defaulter, if broker fails to return money / shares                    |
| 4. Issues with listed Companies (dividend not received, bonus / shares not credited, transfer delay) or issues with SEBI registered intermediaries | SEBI Scores                               | Online complaint system of SEBI for issues related to companies or regulated intermediaries                         |