



भारतीय प्रतिभूति और विनिमय बोर्ड  
Securities and Exchange Board of India



# Corporate Actions [Bonus, Stock Split and Dividends]

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# Flow of Presentation

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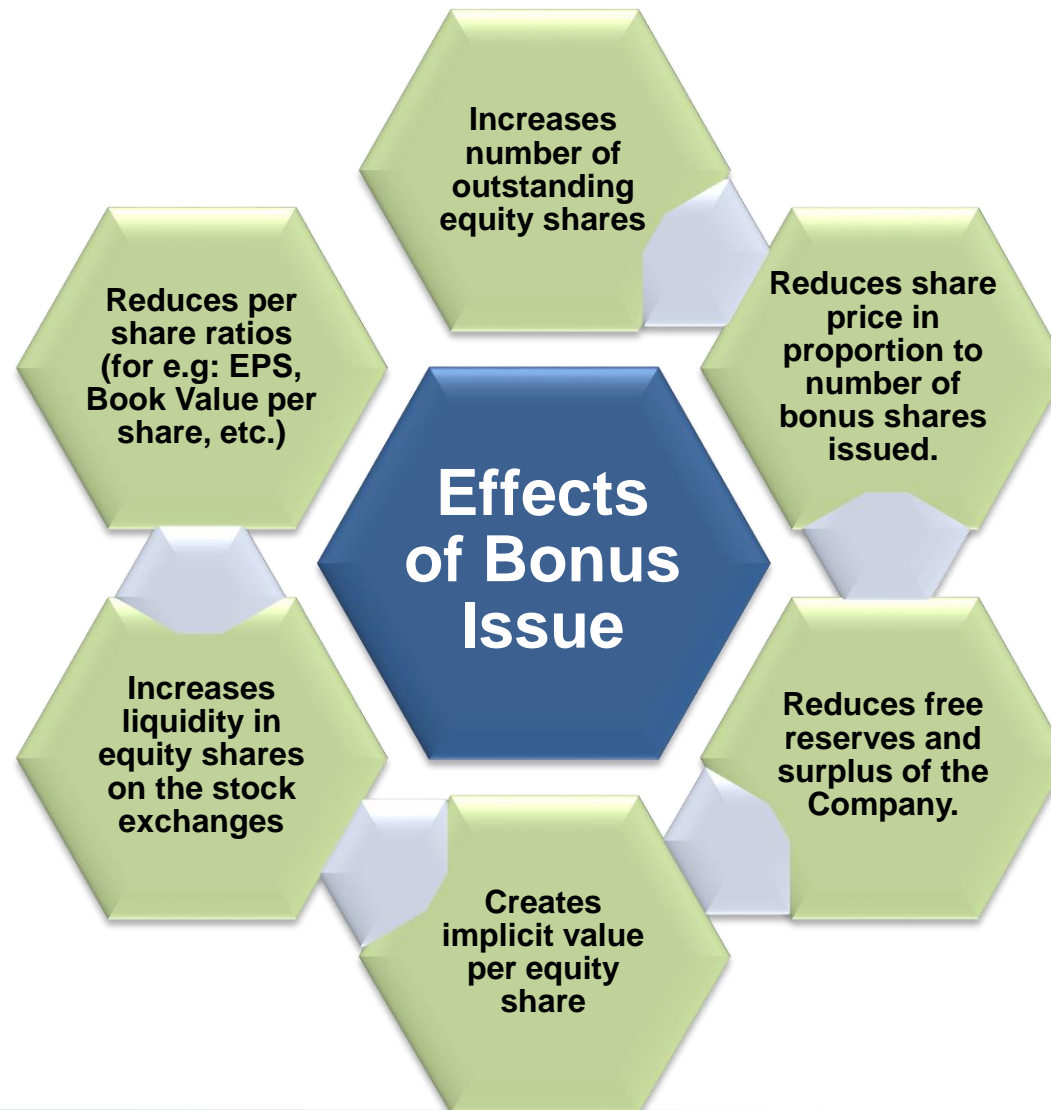
- Bonus Shares – An Overview
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# Bonus Issue - Overview



- Issued in a certain proportion **only to the existing shareholders.**
- Eg : 2:1 bonus shares → If you already own 1 share, you get 2 additional new shares.
  - Total holding of shares is now 3 shares instead of 1 share.
- No need to pay any money for these shares.
- **Who pays for the Bonus shares?**
  - Cash lying in free reserves and surplus of the Company → Moved to Capital.
  - Addition of fresh Capital → fresh equity shares are issued to eligible equity shareholders in a specific ratio.
- New shares are issued at the existing Face Value of equity shares of the Company.
- Face value remains the same post bonus issue.

# Effect of Bonus Issue



# Dividend - Overview



- **Dividend** = Distribution of certain portion of Company's profits to its shareholders.
- Dividend pay out ratio =  $\frac{\text{Dividends Paid}}{\text{Net Earnings}}$
- Net-Profits which aren't distributed as Dividend =  
Put in the Free reserves and surplus of the Company.
- **Interim dividend** : Given during the year is authorised by the Board of the Company.
- **Final dividend** : Recommended by Board of the Company.  
Approved by its shareholders in the Annual General Meeting (AGM).

# Stock Split vs Bonus Shares



Basis	Stock Split	Bonus Issue
<b>Meaning</b>	- Already owned shares split into smaller shares.	- Free additional shares given to existing shareholders based on no. of shares owned.
<b>Reason</b>	- To improve Liquidity by breaking it into smaller size.	- To distribute gains of accumulated earnings without paying cash to the shareholders.
<b>Face Value (FV)</b>	- Reduces in proportion of split ratio.	- Remains same.
<b>Share Capital &amp; Reserves</b>	- No impact.	- Reserves reduced. - Money moved to Share capital as new shares are issued.
<b>Impact on future Dividend</b>	- Reduces in proportion to split ratio.	- Remains same.
<b>Beneficiaries</b>	- Shareholders (as on Record Date).	- Shareholders (as on Record Date).
<b>Example</b>	<p>Stock Split = 1:10</p> <p>→ Every already owned share is split into 10 new shares of new FV of 1/10 of original FV.</p>	<p>Bonus issue = 2:1</p> <p>→ Shareholder gets 2 free shares for every 1 share already owned.</p> <p>→ So finally he has 1+2 =3 shares of same FV as before.</p>

# Dividend – Important Dates



DATE	MEANING
<b>Declaration Date</b>	<ul style="list-style-type: none"><li>- Date of approval of Dividend Rate (per share) by Board of Directors of Company.</li></ul>
<b>Record Date</b>	<ul style="list-style-type: none"><li>- Proposed by Board of Directors to determine name of the eligible shareholders for dividend.</li><li>- All eligible shareholders with their names in the list at the end of Record Date will be eligible to receive dividends.</li><li>- Minimum gap of 5 clear working days needed between Declaration Date and Record Date.</li><li>- Shares credited in Demat account two days after the actual purchase on Stock Exchange platform.</li><li>- To be eligible for receiving dividend: Investors to have shares in the Demat account by record date.</li></ul>



# Dividend – Important Dates



DATE	MEANING
<b>Cum Dividend Date</b>	<ul style="list-style-type: none"><li>- Last Date to buy shares in order to be eligible to receive dividend.</li><li>- One-day prior to Ex-Dividend Date.</li></ul>
<b>Ex-Dividend Date</b>	<ul style="list-style-type: none"><li>- On this day the price of the equity share of the Company gets adjusted for the dividend pay out.</li><li>- Stock exchanges determine and notify this date.</li><li>- One working day prior to the Record Date</li></ul>
<b>Payment Date/ Issue Date</b>	<ul style="list-style-type: none"><li>- Payment of dividend to be completed within 30 days of its approval.</li><li>- Eligible shareholders receive the dividend amount before this date.</li></ul>

# Bonus Issue: Impact on Price of Share



$$\text{Post Bonus Market Price of Equity Share} = \frac{\text{Pre Bonus Market Price of Share}}{\text{Post Bonus Number of Shares (Adjustment Factor)}}$$

where

➤ Bonus Ratio (A:B) {A bonus shares for every B Shares held}

➤ Adjustment Factor =  $(A+B) / B$

Eg: Market Price of One Equity Share (a)	=	Rs.15/-
Bonus Ratio (b)	=	2 : 1
Adjustment Factor (c)	=	3 $\{(2+1)/1\}$
Post Split Market Price (a/c, i.e. 15/3)	=	Rs.5/- per share

# Stock Split: Impact on Price of Share



$$\text{Post Split Market Price of Equity Share} = \frac{\text{Pre Split Market Price of Share}}{\text{Resultant Final Number of Shares (Adjustment Factor)}}$$

where

➤ Split Ratio (A:B) {A shares for every B Shares held}

➤ Adjustment Factor = A/B

Eg: Market Price of One Equity Share (a)	=	Rs.15/-
Stock Split (b)	=	From Face Value of Rs.10/- to Rs.5/-
Split Ratio (10/5, from “b” above)	=	2 : 1
Adjustment Factor (c)	=	2
Post Split Market Price (a/c, i.e. 15/2)	=	Rs.7.50/- per share

# Dividend: Impact on Price of Share



## Payment of Dividend



- Reduces of Market Price of Share by dividend (w.e.f ex-record date)
- Post Dividend Market Price of Share = Pre Dividend Price – Dividend Amount

Eg: Market Price of One Equity Share (a) = Rs.10/-  
Dividend declared per Share (b) = Rs.2/-

**Ex-Dividend Market Price per equity share (a – b) = Rs.8/- (10-2)**

# Recourse in case of Non-Receipt of Bonus Shares/ Dividends



- Issue with Non-receipt of Bonus Shares/ Dividend → Immediately contact **RTA and Company.**

- **Important Contact Details:**

	CONTACT DETAILS
RTA	<ul style="list-style-type: none"><li>- Company Website.</li><li>- SEBI website on link: <a href="https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&amp;intmId=10">https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&amp;intmId=10</a>.</li></ul>
Designated Person in Company	<ul style="list-style-type: none"><li>- Investor Relations/ Investor Services Section of Company Website.</li></ul>

- Non-Satisfactory Resolution by RTA -> File a complaint against RTA with SEBI on:
  - SEBI SCORES website/ Mobile App (on Android and iOS platform).

# Sample of RTA Details on Company Website



## Registrars & Share Transfer Agent and Debenture Trustees

### Registrar & Share Transfer Agent (RTA)

The details of Bank's Registrar & Share Transfer Agent (RTA) is as under:-

[Redacted] Ltd.  
[Redacted]  
[Redacted]  
Tel.: [Redacted]  
Fax: [Redacted]  
Email: [Redacted].com

# Sample of Investor Complaints Contact in Listed Company



## Investors Services Department

The Company Secretary  
Investor Services Department,



Tel: [Redacted]

E-Mail: [investorservices@\[Redacted\]](mailto:investorservices@[Redacted])

(Exclusive Email ID designated for investors' complaints pursuant to Regulation 46(j) of SEBI (LODR) Regulations, 2015)

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# Thank You