

CORPORATE ACTIONS- AN INSIGHT ON HOW THE BONUS SHARES IMPACT ON NET WORTH OF A COMPANY W.R.T. INFOSYS PRIVATE LTD.

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ABSTRACT:

Corporate Actions carries a significant importance for the market around. Corporate actions are of two types- mandatory and voluntary corporate actions. From an Investors point of view corporate action plays very drastic change in their portfolios holding. The Researcher tried to explain this theory of money multiplying with the help of the case of Infosys private Limited. A corporate action stands for the radical changes in the companies those are operating in the market. It can be described as any actions which materially alters or changes the company can be noted as Corporate Actions. Corporate actions include mergers and acquisitions, right issues, stock split and spin offs. The major ideas set forth in this paper attempts to emphasize how corporate actions actually helps out the individual or institutional investors to grow their net worth with the case study of Infosys Private Ltd. This research paper majorly focuses upon how the net worth of a person increased to multiple times with the magic of bonus issue. And also throw light upon how the myth about stock market is wrong if someone is playing in this stock market in a long run. Share prices also impacted by the cum dividend and ex-dividend when it comes to bonus shares issue.

Keywords- corporate actions, institutional investors, cum dividend and ex dividend, stock split, spin off

1. INTRODUCTION-

The moment we say corporate actions, it is initiating a process that directly affects securities issued by that company. Mergers, acquisitions, stock splits, spin off; Dividends are some of the common examples of corporate actions. Corporate actions can be either voluntary or obligatory. Obligatory corporate actions are by default applied to the investments involved whereas voluntary corporate actions require an investor's response to be applied.

In this paper researcher attempts to clarify the differences and similarities between stock splits and bonus shares which are often considered as same by many investors. Bonus shares benefits the existing shareholders while stock split benefits both existing shareholders as well as potential investors.

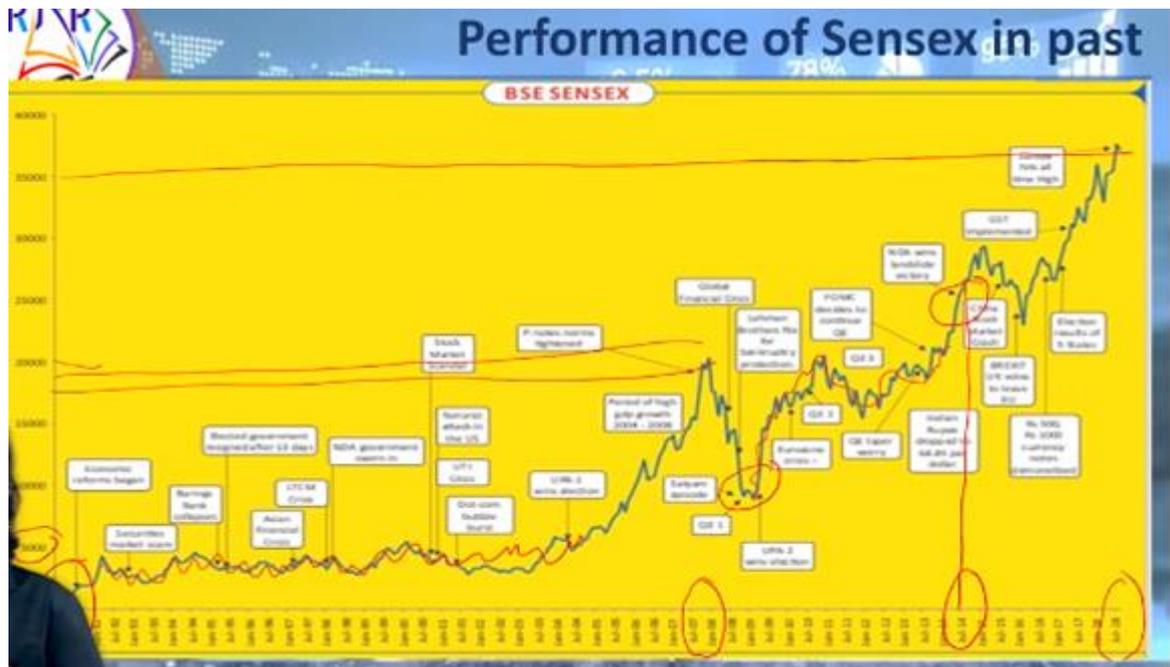


Image 1.1 www.bseindia.com

2. OBJECTIVES-

1. The prime objective of writing this research paper is to throw a light upon how a bonus share multiplies the single and small amount invested over a period of time.
2. To explain how the power of compounding works.
3. To wipe out the myths about the stock market.

3. HOW TO READ THE BONUS ISSUE ANNOUNCEMENT?

When anyone investing in the stock market in a long run ultimately they will be in profits. **In BONUS SHARES-**logic remains same as stock split. Market value remains same, number of shares increases and share value decreases. Post bonus market price falls down as the number of shares increases but Face Value remains the same.

How one can read the bonus issue announcement is explained further-

Announcement Date	Bonus Ratio	Record Date
29-05-2017	1:2	14-07-2017
22-05-2013	1:2	13-07-2013
29-05-2008	1:1	03-10-2008
07-06-2006	1:1	29-09-2006
01-08-1986	3:5	-
01-08-1982	3:4	-
01-08-1979	1:2	-
01-08-1973	8:25	-
01-08-1969	1:10	-

Figure 1.1

The proper interpretation of the above image is given below-

- For every 2 shares you hold, you will get 1 share of bonus and likewise (1:2)
- (3:5) for every 5 shares you hold, you will get 3 shares of bonus.
- (8:25) for every 25 shares you hold, you will get 8 shares of bonus.
- (1:10) for every 10 shares you hold, you will get 1 share of bonus.
- (3:4) for every 4 shares you hold, you will get 3 shares of bonus.

And likewise you one may interpret the table above.

Bonus History (Jubilant Foodworks)

Announcement Date	Bonus Ratio	Record Date	Ex-Bonus Date
08-05-2018	1:1	23-06-2018	21-06-2018

Source : **Dion Global Solutions Limited**

Figure 1.2

Above image can be interpreted as below-

1. There are 3 important dates- Announcement date, record date and Ex-bonus date.
2. Ex-bonus is excluding bonus.
3. You should buy the shares before 1 day before ex-bonus date
4. Bonus/split both are same actions.
5. Record date- It is the date on which shareholders must have shares in their demat account to enjoy bonus shares. It is the date at which shares started trading at a revised price. It is the date on which all those who are on record as shareholders of a company get the benefit of corporate actions of that company.
6. When a security is traded on cum basis, it means that it incorporates the benefit of the corporate action in its price. Once it goes ex-basis, the buyer no longer has the benefit of the corporate action.

ANNOUNCEMENT DATE	PURPOSE	FROM	TO	REMARKS
14-04-2021	BOOK CLOSURE	01-06-2021		AGM AND 300% FINAL DIVIDEND
15-10-2020	BOOK CLOSURE	26-10-2020		INFOSYS LTD HAS INFORMED BSE THAT THE COMPANY HAS FIXED OCTOBER 26, 2020 AS THE RECORD DATE ...
15-05-2020	BOOK CLOSURE	01-06-2020		RS.9.5000 PER SHARE(190%)FINAL DIVIDEND
11-10-2019	BOOK CLOSURE	24-10-2019	23-10-2019	THE BOARD, AT THEIR MEETING HELD ON OCTOBER 10-11, 2019, TRANSACTED THE FOLLOWING ITEMS OF B...
12-04-2019	BOOK CLOSURE	15-06-2019	15-06-2019	RS.10.5000 PER SHARE(210%)FINAL DIVIDEND& A.G.M.

Figure 1.3- <https://www.business-standard.com/company/infosys-2806/corporate-action>

4. DATA ANALYSIS AND INTERPRETATION OF INFOSYS PRIVATE LTD.

Infosys Ltd. | BSE 1410.U5 ▲ 12.70 (0.91%) | NSE 1410.U5 ▲ 12.80 (0.92%) | Trade | + Add

Bonus Summary

The last bonus that Infosys had announced was in 2018 in the ratio of 1:1. The share has been quoting ex-bonus from September 04, 2018.

Bonus History (Infosys)

Announcement Date	Bonus Ratio	Record Date	Ex-Bonus Date
13-07-2018	1:1	05-09-2018	04-09-2018
24-04-2015	1:1	30-11--0001	15-06-2015
10-10-2014	1:1	03-12-2014	02-12-2014
14-04-2006	1:1	14-07-2006	13-07-2006
13-04-2004	3:1	02-07-2004	01-07-2004
25-01-1999	1:1	05-03-1999	08-02-1999
18-06-1997	1:1	12-09-1997	19-08-1997
30-06-1994	1:1	15-09-1994	19-08-1994

Figure 1.4 (Source-<https://www.moneycontrol.com/company-facts/infosys/bonus/IT#IT>)

From the above image it can be seen that how the bonus issue impact on net worth. Original issue price of Infosys in 1991 was somewhere around Rs. 400 Or Rs.500. In 1991 for anyone 5000 is a big amount and if you had bought 10 shares. Infosys had given 8 times bonus shares.

- Let us calculate-

1. $10+10=20$,
2. $20+20=40$,
3. $40+40=80$,
4. $80+80=160$,
5. $160+160= 320$,
6. $320+320= 640$,
7. $640+640=1280$
8. $1280+1280= 2560$

Today's market price is 1400, now $1400*2560= 35840000$ (cum- cumulative of dividend, Ex dividend- excluding of dividend)

- It is the plain economics, all the shareholders will decide will the share price will go up or down.
- Bonus shares- these are free shares issued by the company to the investors. E.g. bonus declared in the ratio of 1:1. Original market price (cum dividend) 1000, ideal price (Ex dividend) 500.

5. CONCLUSION-

From the given case analysis of Infosys private Ltd, it can be said that corporate actions are playing like magical sticks some times when it comes to value investing. And the bonus issue of the shares will multiply the original valuation of any stock to the manifold. And from this one can conclude that some of the myths about stock market are just myths as the results are there in front of us. When it is in the long run, investors will never be in loss. It is all about the power of compounding.

6. REFERENCES-

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