INSTITUTIONAL

The tough-to-get $6 billion treasure trove of unclaimed shares and dividends for investors

The government-run Investor Education and Protection Fund (IEPF) holds a fortune in unclaimed shares and dividends. Investors to whom the money belongs find it because to get it back. Calls for change are getting louder

Anand Kalyaniwalla | 4 Nov 2022

Dividends unclaimed for seven years and shares unclaimed for seven years are kept in a fund. Investors can claim the money back from the fund. Illustration: Ajit Kumar Sahoo

It's an arduous claim and someone who has lost shares and dividends knows the hoops they have to jump through to get back what is theirs. Pooja Gupta

Filing a tax-bearing or tax-saving fund with the Securities and Exchange Commission (Sebi) is a breeze. The Supreme Court has taken note

Tweet

Reuse this content for free

CTNE KEN EXPLAINS

Earlier this year, Harish Bhyagat, a registered insurance advisor in India's financial capital, Mumbai, discovered an unclaimed dividend. Bhyagat's unclaimed shares worth Rs 1 lakh (~ $1,500). After doing some more digging, he found that over his retirement date had unclaimed shares worth more than Rs 10 lakh (~ $14,000) and Rs 60 lakh (~ $72,000).

These are all housed with the Investor Education and Protection Fund (IEPF), run by the IEPF Authority (IEPFA), a government-backed agency under the ministry of corporate affairs (MCA).

Dividends declared by companies but unclaimed by investors for seven years are transferred to the IEPF. You can then, at a date changed in 2016, reclaim shares unclaimed or sell shares and dividends unclaimed which also be moved to the fund. Besides, unclaimed interest on bonds and unclaimed bonds, among other investments, are shifted to the fund.

In essence, the IEPF is a surplus or mutualised unclaimed money. It held ₹ 5,000 crore (~ $600 million) in 2016, Rs 36,264 crore (~ $4.5 billion) in 2020 and is now at Rs 45,000 crore (~ $5.5 billion). Its corpus in Rights to Interbanks (RTI) queries dated by public policy activist and entrepreneur Ankesh Goel.

But the IEPFA's annual accounts, cached every year on its website, show a steady increase in the fund's corpus, from Rs 36,264 crore (~ $4.5 billion) as of March 2021. The reason for this discrepancy is unclear. The IEPFA did not respond to a detailed set of queries sent by The ken.

"In RTIs, there could be a gap between what was asked, what was understood, and what was responded to. Our single-word another RTI query for clarification," quips a market expert, who had to pen.

All experts The ken spoke to think that the current value of the fund could be even bigger—about Rs 10,000 crore (Sebi bidding) at the lower end of the estimates. For perspective, if it were a listed asset, the IEPF would be crore among India's top 100 companies by market capitalisation.

The unclaimed money is an exercise of many factors. For retailer, investors are updating their addresses, legal heirs being unaware of investments, closure of bank accounts linked with demat accounts, etc. The IEPFA, in its part, is meant to conduct investor awareness and protection programmes, and ensure the money to the investors or their legal heirs. On the latter, at least, no record so far has not been much to write home about.

Massive money in custody

The unclaimed funds with the IEPFA have grown sharply over the past five years

Graphic by Ajinkya Kulkarni | The Ken
Source: IEPFA Annual Accounts, prevailing exchange rate

CTNE KEN EXPLAINS

Investment Education and Protection Fund Authority. "Based on IEPFA's last 12 refreshing unclaimed shares and dividends, and the rate of exchange of the rupee to the dollar, the IEPF's corpus is at Rs 45,000 crore (~ $5.5 billion)

Graphic by Ajinkya Kulkarni | The Ken
Source: IEPFA Annual Accounts, prevailing exchange rate

The money in the IEPF belongs to investors who can claim it back. But doing so is easier said than done. To start with, many don't even know their entitlement and that it has been transferred to the IEPF. Some do, but IEPFA website has a cumbersome process, but it doesn't work most of the time. The IEPFA portal's search functionality produced nothing. Video Boutique. The eminent finds an echo among another experts and other investors.

Exact non-official platitudes such as Hiare Samudhaan, Revenue, and Revenueha that have compiled the information, and other search and retrieval services for the unclaimed money or investors. Interestingly, Revenueha's founder, Ankesh Goel, has filed Rights to Interbanks (RTI) queries of these websites. While the search on these private platforms is free, some of them charge a fee. Also, 40% of the value in case one, to provide details of share retrievals.

But finding out these basic details is just the first step in a claim and process process that is heavy on legal work, complicated and time consuming. It entails a lot of back and forth between the IEPFA, companies and their registrar and transfer agents (RTAs).

This again leads investors to third party service providers—professional retrieval experts, as some call themselves. In exchange for a fee, which can be up to 30% of the value of the unclaimed shares and dividends and 25% of the value—the large sum. Experts say that some platforms practically exploited agreements, charge up to 50% of the proceeds in some cases, placing on the current and identifiable of lone investors.

While the IEPFA discourages investors from approaching third parties, Gimmate seem to have little choice. Alleging to the Securities Exchange Board of India (Sebi) and Ministry of Corporate Affairs (MCA), the "amount is with the IEPF. The ken's filing and its details are our actual investors detailed in all. Have you going back and forth with IGA and the IEPF is tempting.

The claimers to view the search and claim process is getting harder, with the Supreme Court of India also taking note of the matter.

Tight-fisted?

In August, the Supreme Court issued notice to the government and financial regulators—the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (Sebi)—on a petition filed by business publication Moneylife's managing editor Sucheta Dalal.

The petition states that information on unclaimed funds be made available on a remodeled online platform to help investors and their legal heirs claim the money. Along with other unclaimed funds, such as Deposits Education and Awareness Fund (DEAF) and the Senior Citizens' Welfare Fund (SCWF), the IEPF is also mentioned in the petition.

The big money at stake has drawn the spotlight. Calculations by numbers intermission provide pointerinfoline.com show that the current value of the shares held by the IEPFA is the National Stock Exchange listed companies is about Rs 45,700 crore (~ $5.5 billion). This is based on four shareholdings and certain such prices.

Add to this the unclaimed dividend estimate by market experts of Rs 4,000 crore (~ $480 million) as Rs 1,000 crore (~$600 million) this a close to the Rs 5,700 crore (~ $5.7 million) mentioned in the IEPFA's annual accounts for the year ended March 2021. The total value of funds with the IEPFA (dividends and market value of shares) then comes to about Rs 50,000 crore (Sebi).

Top-heavy

The top 10 companies in terms of value of their shares in the IEPFA' estimated market value of shares

Market value of unclaimed shares* (in Rs cr)

*Investment Education and Protection Fund.** Based on IEPFA's June 2022 refreshing, a 1,000 listed companies and share prices as of March 2022

Graphic by Ajinkya Kulkarni | The Ken
Source: @mintlounge

Explore open categories like Ice in The Ken - Visual Stories

In creation, the money is has given back one to in quite small. The IEPFA's September 2021 assessment stated that the authority had settled about 18,000 claims, refunding dividends and about 2.1 million shares of around Rs 2,000 crore (~ $120 million) market value to shareholders.

According to the ken communications from the IEPFA in January 2022, a total of 22,200 claims month Rs 1,000 crore (~$17 million) have been approved since its inception, says Utkarsh Jain, founder of Sense Samadhan.

The latest cumulative value refunded is not available. The IEPFA's monthly newsletter only mentions the number of shares returned and the number of claims settled. Based on the latest data available, for the month, the maximum monthly settlement has been 2 million shares and about Rs 1 crore (10,000,000) in dividends. Extrapolating this and the per aggregate settlement metrics, the total value refunded is unlikely to have exceeded Rs 2,100 crore (~ $300 million) so far. That's just about 1% of the total value the IEPFA holds.

While the number of revenues release shares are held by the IEPFA is not clear, the number of revenue claims the IEPFA received in the year stood at 1.5 million, says Shagufta Gangadhar, founder at Revenueha. The IEPFA held nearly 500 million shares as of March 2021. It would have, on average, retrieved about 15 million shares so far. Revenueha's data shows that 2% retrieved in six years.

Long way to go

The IEPFAF refunded just a fraction of the shares and funds it had

Graphic by Ajinkya Kulkarni | The Ken
Source: @mintlounge

Explore open categories like Ice in The Ken - Visual Stories

The amount refunded is very low compared to what is actually there. There is a huge gap between the ears," says Shertosh Khandekhal, managing partner at Revenueha.

This big chasm is due to problems in many levels.

The process is the punishment

To start with, the basic search for claims on the IEPFA website is an exercise in futility for many.

The IEPFA portal requires that the search to be based on the exact first middle last name combination of the investor and index Reshmal which can be a rough hurdle to cross. Mother express explain that does could be a rough hurdle to cross. Mother express explain that does could be a rough hurdle to cross. Mother express explain that does could