What is a Stock Split?

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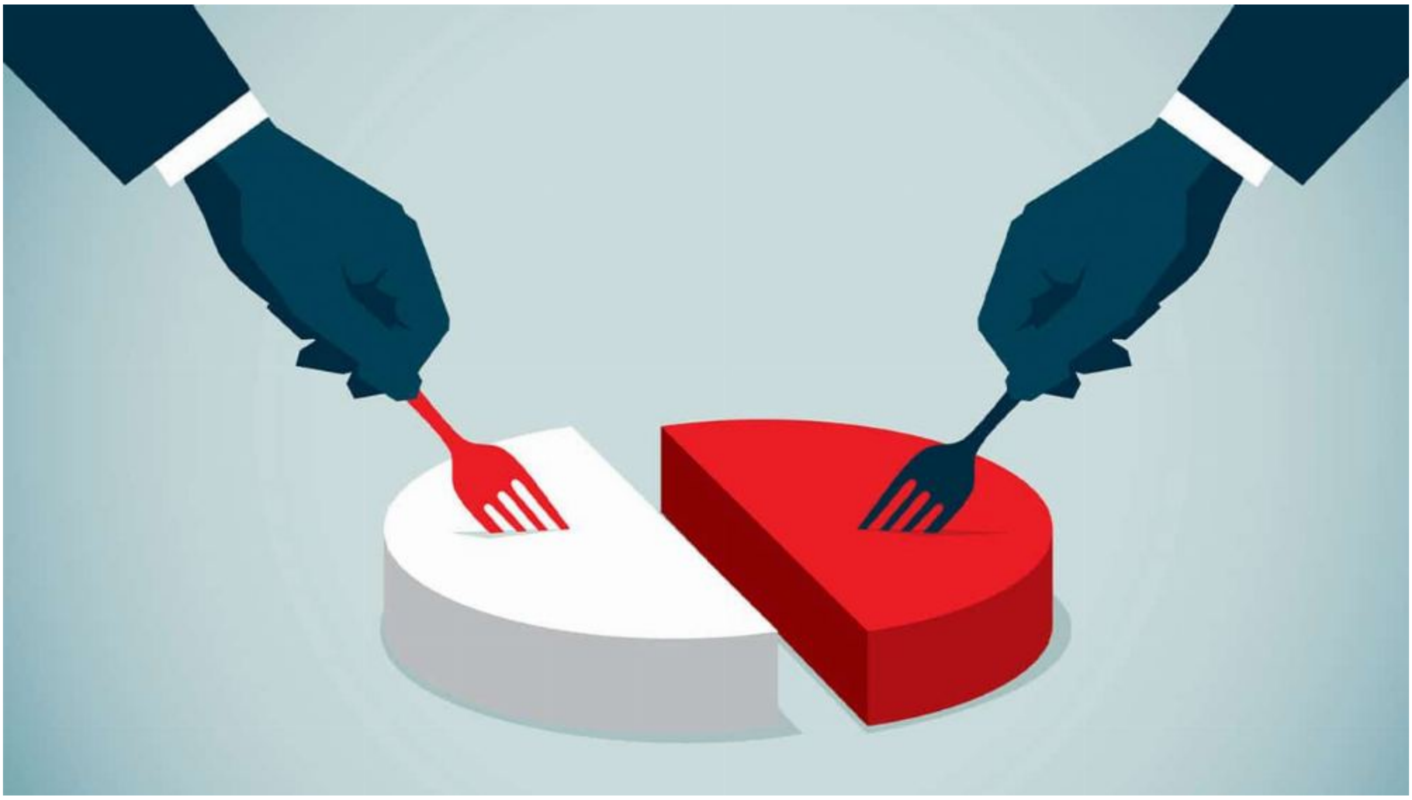

About Stock Split:

- A stock split **happens when a company increases the number of its shares** to boost the stock's liquidity.
- It is a corporate action in which a company **issues additional shares to shareholders**, **increasing the total by the specified ratio** based on the shares they held previously.
- Although the **number of shares outstanding increases**, there is **no change to the company's total market capitalization** as the **price of each share will split as well.**
- The most **common split ratios are 2-for-1 or 3-for-1** (sometimes denoted as 2:1 or 3:1). This means that **for every share held before the split**, each **stockholder will have two or three shares**, respectively, **after the split.**
- The **number of shares increases**, but the **price per share goes down in proportion**.
- **Why is a stock split done?**
  - It is done to **infuse liquidity** and to **make shares affordable** for various investors who could not buy the shares of that company before due to high prices.
  - It is sometimes **aimed at helping a company meet the minimum requirements to remain listed** on an exchange. This is **because some stock indexes are price-weighted,** meaning a

company wishing to join the index would need to have, among other criteria, a price that falls within a certain band.

- **What is a Reverse Stock Split?**
    - It is the opposite transaction, in which a co**mpany lowers, instead of increasing, the number of shares outstanding**, **raising the share price accordingly.**
    - The **total value** of your shares **would remain consistent.**

Q1) What is Market Capitalization?

Market cap—or market capitalization—refers to the total value of all a company's shares of stock. It is calculated by multiplying the price of a stock by its total number of outstanding shares.

Source: Sigachi Industries announces 10:1 stock split, shares begin trading ex-split

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