

Understanding Unlisted Shares: A Simple Q&A Guide.

1. What are unlisted shares?

- Unlisted shares are shares of companies that are not traded on regular stock exchanges like NSE or BSE.
- You can buy or sell them privately through brokers, platforms, or directly from company employees.
- These shares are common in startups, pre-IPO companies, and private firms.

2. How are unlisted shares different from listed shares?

- *Listed Shares:* Traded on stock exchanges with easy buying/selling, transparent pricing, and strict regulatory oversight.
- *Unlisted Shares:* Traded privately, often with limited buyers and sellers, less liquidity, and fewer regulatory requirements.

3. Why do people invest in unlisted shares?

- High growth potential, especially if the company plans to go public.
- Opportunity to invest in companies before they become popular.
- Potential for higher returns compared to traditional listed stocks.
- Diversification of investment portfolio.

4. What are the risks of investing in unlisted shares?

- Hard to buy or sell quickly (low liquidity).
- Less information available about the company, making it harder to assess risks.
- Prices are not transparent like in the stock market, leading to potential overvaluation.
- Risk of company failure, especially with startups.

5. How can I buy unlisted shares?

- Through SEBI-registered brokers who deal in unlisted shares.
- Via online platforms specializing in unlisted shares.

- Directly from company employees, promoters, or existing investors through private placements.

6. Are there any rules or guidelines for investing in unlisted shares?

- Always verify the credibility of brokers or platforms.
- Check the company's financial reports, management background, and business model.
- Ensure compliance with SEBI regulations related to unlisted securities.
- Be cautious of fraudulent schemes and avoid unverified sources.

7. How is the price of unlisted shares decided?

- Prices are based on demand and supply, the company's performance, financial health, growth potential, and recent transactions.
- There's no official price like in listed shares.

8. What about taxes on unlisted shares?

- If you sell after 2 years: 20% tax with indexation benefits (considered long-term capital gains).
- If you sell within 2 years: Taxed as per your income tax slab (short-term capital gains).
- Dividend income from unlisted shares is taxable as per your income slab.

9. Can I sell unlisted shares anytime?

- Selling is possible, but it might take time to find a buyer.
- Unlike the stock market, you can't sell them instantly.
- The process involves private negotiations, and the price may vary based on buyer interest.

10. Who should invest in unlisted shares?

- Investors with a high-risk appetite.
- Those willing to hold investments for a longer period (illiquid nature).
- People looking for diversification beyond regular stocks.
- Investors who understand private equity and venture capital dynamics.

11. What is the lock-in period for unlisted shares?

As per regulations, after a company's IPO, holders of unlisted shares must wait for 6 months before selling their shares. This mandatory lock-in period starts from the listing date.

Key Takeaway:

Unlisted shares can offer high rewards but come with higher risks. Do thorough research, consult financial advisors, and invest wisely.

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