Issue of Bonus Shares

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ISSUE OF BONUS SHARES BY LISTED AND UNLISTED PUBLIC COMPANY

- **PRILIMINARY**

The term “bonus shares” can be defined in a lay man’s language as, “When a company is prosperous and accumulates surplus, it converts its surplus into capital and divides the capital among the members in proportion to their rights. This is done by issuing fully paid shares representing the increased capital.” While on the other hand, astoundingly, Companies Act, 1956 does not specifically define the term “bonus share.” It however throws light on the matter through Section 78 and Section 205. If a company declares a bonus out of undivided capitalized profits and allots to its shareholders in satisfaction of the bonus unissued shares in the company as fully paid up, the shares so allotted are known as bonus shares and they are capital and not income in the hands of shareholders. An issue of bonus shares is referred to as a bonus issue. The Apex Court in *Inland Revenue Commissioner v. Blott and Commissioner of Income Tax v. Dalmia Investments Company Limited* has held that the company can distribute profits to its shareholders in two ways, firstly by way of cash in the form of dividend and secondly by fully paid shares in the form of Bonus shares.

A bonus shares are a free share of stock given to the existing shareholders of the Company. Issuance of bonus shares is a way of bringing the paid up capital of the company in line with actual capital employed in the business. The provisions to issue bonus shares comes to notice of the company that have substantial reserve in their balance sheet against a relatively small paid up capital base. In current scenario, the question of the need to capitalize a portion of their reserves by issue of bonus shares to the existing shareholders has been considered by the numbers of company. The issue of bonus shares help in bringing about proper balance between paid up capital and accumulated reserves, elicit good public response to equity issue of the public company and helps in improving the market image of the company.

Bonus shares are issued by capitalizing the free reserves by issuing fully paid bonus shares to the existing shareholders who are required to pay nothing in lieu of bonus shares they get, because in a sense, free reserves belong to the equity shareholders who are ultimate owners of the company.

As per Department of Company Affairs vide Circular No. 9/94, dated 6-9-1994, existing private/closely held and unlisted companies not to issue bonus shares out of reserves created by revaluation of fixed assets.

- **RELEVANT PROVISIONS**

1. **Companies Act, 1956:**

(i) **Section 53:** All share certificates shall be delivered to the shareholders within 3 months from the date of allotment of Bonus share in a manner specified in this section.

(ii) **Section 75:** File return of allotment in Form-2 of Companies (Central Governments) General Rules and Forms, 1956 with Registrar of Companies together with prescribed fee within 30 days from the date of allotment.

(iii) **Section 78(2):** The Securities Premium Account may be applied by the company in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares.

(iv) **Section 80 (5):** The Capital Redemption Reserve Account may be applied by the company, in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares.

(v) **Section 205 (3):** There is no prohibition on a company to capitalize its profits or reserves for the purpose of issuing fully paid bonus shares or paying up an amount, for the time being unpaid, on any shares held by the members of the company.

(vi) **Table A of Schedule I:** If the Company has adopted regulation 96 of Table A of Schedule I of the Companies Act, 1956 only the share premium account and capital redemption reserve account shall be applied in the paying up of unissued shares to be issued to members of the company as fully paid bonus shares.

Regulation No. 96: (1) The company in general meeting may, upon the recommendation of the Board, resolve-

(a) that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the company's reserve accounts, or to the credit of the profit and loss account, or otherwise available for distribution; and

(b) that such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.

(2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in clause (3), either in or towards-

(i) paying up any amounts for the time being unpaid or any shares held by such members respectively.

ii) paying up in full, unissued shares of the company to be allotted and distributed, credited as fully paid-up, to and amongst such members in the proportions aforesaid; or

(iii) partly in the way specified in sub-clause (i) and partly in that specified in sub-clause (ii).

(3) A share premium account and [a capital redemption reserve account] may, for the purposes of this regulation, only be applied in the paying up of unissued shares to be issued to members of the company as fully paid bonus shares.
(4) The Board shall give effect to the resolution passed by the company in pursuance of this regulation.

Regulation No. 97: (1) Whenever such a resolution as aforesaid shall have been passed, the Board shall-

(a) make all appropriations and applications of the undivided profits resolved to be capitalized thereby, and all the allotments and issues of fully paid shares, if any; and

(b) generally do all acts and things required to give effect thereto.

(2) The Board shall have full power-

(a) to make such provision, by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, for the case of shares or debentures becoming distributable infractions and also;

(b) to authorise any person to enter, on behalf of all the members entitled thereto, into an agreement with the company providing for the allotment to them respectively, credited as fully paid up, of any further shares to which they may be entitled upon such capitalisation, or (as the case may require) for the payment up by the company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares.

(3) Any agreement made under such authority shall be effective and binding on all such members.

2. Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009:

Chapter IX of the said regulation deal with issue of Bonus shares. The said regulations will applicable to company whose shares are listed on stock exchanges. Detail provisions of this chapter are given below:

Conditions for Bonus Issue (Regulation 92): Subject to the provisions of the Companies Act, 1956 or any other applicable law for the time being in force, a listed company (issuer) may issue bonus shares to its members if:

(a) it is authorized by its article of associations for issue of bonus shares, capitalization of reserves, etc.;
Provided that if there is no such provisions in the article of associations, the issuer shall pass a resolution at its general meeting making provisions in the articles of associations for capitalization of reserve;

(b) It has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it;

(c) It has sufficient reason to believe that it has not defaulted in respect of the payment of statutory dues of the employees such as contribution to provident fund, gratuity and bonus;

(d) The partly paid shares, if any outstanding on the date of allotment, are made fully paid up.

Restriction on Bonus Issue (Regulation 93): (1) No issuer shall make a bonus issue of equity shares if it has outstanding fully or partly convertible debt instruments at the time of making the bonus issue, unless it has made reservation of equity shares of the same class in favor of the holders of such outstanding convertible debt instruments in proportion to the convertible part thereof.

(2) The equity shares reserved for the holders of fully or partly convertible debt instruments shall be issued at the time of conversion of such convertible debt instruments on the same terms or same proportion on which the bonus shares were issued.

Bonus Shares only against reserves, etc. if capitalised in cash (Regulation 94): (1) The bonus issue shall be made out of free reserves built out of genuine profits or securities premium collected in cash only and reserve created by revaluation of fixed assets shall not be capitalised for the purpose of issuing bonus shares.

(2) Without prejudice to the provisions of sub regulation (1), the bonus shares shall not be issued in lieu of dividend.

Completion of Bonus Issue (Regulation 95): (1) An issuer, announcing a bonus issue after the approval of its Board and not requiring shareholders' approval for capitalization of profits or reserves for making the bonus issue, shall implement the bonus issue within 15 (fifteen days) from the date of approval of the issue by its board of Directors:

Provided that where the issuer is required to seek shareholders' approval for capitalization of profits or reserves for making the bonus issue shall be implemented within two month from the date of the meeting of its Board of directors wherein the decision to announce the bonus issue was taken subject to shareholders' approval.

(2) Once the decision to make a bonus issue is announced, the issue can not be withdrawn.

3. Listing Agreement:

Clause 16: The Issuer agrees to close its transfer books for purposes of bonus shares or for such other purposes as the NSE may agree to or require and further agree to close its transfer books at least once a year at the time of the Annual General Meeting if they have not been otherwise closed at any time during the year and to give to NSE the notice in advance of at least seven working days, or of as many days as NSE may from time to time reasonably prescribe, stating the dates of closure of its transfer books (or, when the Transfer books are not to be closed, the date fixed for taking a record of its shareholders or debenture holders) and specifying the purpose or purposes for which the transfer books are to be closed (or the record is to be taken) and to send copies of such notices to the other recognized stock exchanges in India. The Issuer further agrees to ensure that the time gap between two book closures and record dates would be at least 30 days.

The Company on whose stocks, derivatives are available or whose stocks form part of an index on which derivatives are available, shall give a notice period of atleast 7 working days to stock exchanges for corporate actions like bonus shares.

Clause 19: The Issuer will give notice simultaneously to NSE in case the proposal for declaration of bonus is communicated to its Board of Directors as part of the agenda. No prior intimation is required about the Board Meeting in case the declaration of Bonus by the company is not on the agenda of the Board Meeting.

Clause 20 : The Issuer will, immediately after the meeting of its Board of Directors has been held to consider or decide the same, intimate to the Stock Exchanges where the company is listed, (within 15 minutes of the closure of the board meeting) by phone, fax, telegram, e-mail (cmlist@nse.co.in) and (corp.relations@bseindia.com):

a) all dividends and/or cash bonuses recommended or declared or the decision to pass any dividend or interest payment;

Clause 22: The Issuer will, immediately after the meeting of its Board of Directors has been held to consider or decide the same, intimate to the Stock Exchanges where the company is listed, (within 15 minutes of the closure of the board meeting) by phone, fax, telegram, e-mail (cmlist@nse.co.in) (corp.relations@bseindia.com):

a) short particulars of any increase of capital whether by issue of bonus shares through capitalization, or by way of right shares to be offered to the shareholders or debenture holders, or in any other way;

Clause 24: a) The company agrees to obtain 'in-principle' approval for listing from the exchanges having nationwide trading terminals where it is listed, before issuing further shares or securities. Where the company is not listed on any exchange having nationwide trading terminals, it agrees to obtain such 'in-principle' approval from all the exchanges in which it is listed before issuing further shares or securities. The company also agrees to make an application to the Exchange for the listing of any new issue of shares or securities and of the provisional documents relating thereto

Clause 31: b) The Issuer will forward to NSE promptly and without application six copies of all notices, resolutions and circulars relating to new issue of capital prior to their dispatch to the shareholders;

4. **Foreign Exchange Management (Transfer or Issue of security by a Person Resident Outside India) Regulations, 2000**

- **NEEDS OF COMPANY FOR BONUS ISSUE**

The Companies Act, 1956 does not contain a separate set of sections dealing with bonus shares. The Act though has made references to bonus issue in its certain sections.
Issue of bonus shares is a common feature and it takes place when the company accumulates large surplus. This surplus is converted into capital and dividend among members in proportion to their rights as fully paid bonus shares. Bonus issue is also known as capitalization issues as the purpose behind this is capitalize profits which are available in the hands of company after the distribution of profits as dividends to its shareholders.
By issue of bonus shares value of shares is likely to reduce proportionately, i.e. in the ratio number of bonus shares bear to increased number of shares after bonus issue. *{Chandrakant Mulraj v Tata Engg. & Locomotive Co. Ltd. (1985) 58 Comp Cas 320 (Bom)}*

Bonus shares are capital in the hands of shareholders and not dividend; bonus shares do not give them an immediate right to a larger amount of the existing assets but simply confer a title to a larger proportion of the surplus assets in the event of winding up. *{IRC v Blott (1921) 2AC 171 (HL)}.*

- ## FACTORS AFFECTING BONUS ISSUE

The company has to consider many important factors before taking of decision for issuance of bonus shares. A list of such factors are given below:-

a) Quantum of free reserves built out of genuine profits including share premium collected in cash only;
b) Present authorized capital and paid up share capital;
c) Present equity share capital base in relation to earning of the company;
d) Quantum of earning of the company in last two or three years;
e) Return on equity capital after deduction of tax and preference dividend, if any;
f) Present share price and estimated price of the company's share after bonus issue;
g) Company capacity to maintain earning after bonus issue;
h) Trend in capital markets;
i) Create confidence for investors/ shareholders;
j) Projected earning of the company in the next two or three years.

- ## SOURCES FOR BONUS ISSUE

Section 78(2) of the Companies Act says that the Securities Premium Account may be applied by the company in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares.

Section 80 (5) of the Companies Act, 1956 provides that the Capital Redemption Reserve Account may be applied by the company, in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares.

As per section 205(3) of the Companies Act, 1956, profits or reserves of a company may be capitalized by issuing fully paid bonus shares or paying up an amount for the time being unpaid on any shares held by the members of the company.

The Supreme Court held in case of *Bhagwati Developers v Peerless General Finance & Investment Co. Ltd. and Others (2005) 62 SCL 574 (SC)* decided on August 9, 2005 that proviso of section 205 (3) permits capitalization of profit or reserves of a company for the purpose of issuance of fully paid up shares. However, the shares issued by way of capitalization of revaluation reserves will not be considered for promoter contribution under the SEBI Guidelines.
The Supreme Court in the case of *CIT Vs. General Insurance Corp. (2008)* has held that expenditure on bonus share is not a capital expenditure as there is no increase in the

capital base of the company because existing free reserves of the company are utilized for issue of bonus shares.

A company cannot issue bonus, unless it is authorized by its articles, therefore, the articles of a company must contain provisions for authorization for issue of bonus shares. In absence of such authorization, articles will have to be altered by applying the provisions of section 31 of the Companies Act.

The paid up share capita after bonus issue must be within the autorised share capital of the company otherwise authorized share capital of the company shall have to tb increased at first place and then the company can go in for a bonus issue.

Regulation 92 to 95 of Chapter IX of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 deal with bonus issue of listed company. The listed company must comply such regulation before issue of bonus shares to the shareholders.

If the Company has adopted regulation 96 of Table A in Schedule I of the Companies Act, 1956 only the share premium account and capital redemption reserve account shall be applied in the paying up of unissued shares to be issued to members of the company as fully paid bonus shares. It is advisable to consult the auditor and company secretary of the company in drawing up the terms and conditions of the bonus issue.

- **ISSUE OF BONUS SHARES TO NRI's**

FEMA provisions allow Indian company to freely issue bonus shares to existing non-resident shareholders subject to the adherence to the sectoral cap, if any. However, such issue of bonus shares have to be in accordance with other laws and regulation.

Under Regulation 6A of Foreign Exchange Management (Transfer or Issue of security by a Person Resident Outside India) Regulations, 2000 an Indian company may issue bonus shares to its non-resident shareholders, subject to the following conditions:

a) The shares against which bonus shares are issued by the company were acquired or held by the non-resident shareholders in accordance with the rules/ regulations applicable to such acquisition;
b) The bonus shares acquired by the non- resident shareholders shall be subject to the same conditions including restrictions in regards to repatriability as are applicable to the original issue.

The concerned Indian company should approach RBI for issuance of bonus shares to non-resident shareholders if the original investment is on repatriation basis.

Issue of bonus shares in respect of investment on non-repatriation basis is covered by general permission.

A company issuing bonus shares must within 30 days from the date of allotment file a report in Form FC-GPR to the regional office of the RBI under whose jurisdiction the registered office of the company is situated.

- **PROCEDURAL STEPS FOR ISSUENCE OF BONUS SHARES**

The Company proposes to issue of bonus shares by capitalization of profit has to comply the following procedures:

1. Ensure that there is a provision in the Articles permitting issue of bonus shares by capitalization of reserve, etc. If there is no such provision, alter them accordingly.
2. See that the expanded share capital after the issue of bonus share is within the authorized share capital of the company. Otherwise, complete the proceeding to increase the authorized share capital suitably. [Regulation 92 (a) of SEBI (ICDR) Regulation, 2009].
3. Ensure that there is no default in payment of interest or principal in respect of (i) fixed deposits; and (ii) interest on existing debentures or principal on redemption thereof. [Regulation 92 (b) of SEBI (ICDR) Regulation, 2009].
4. Ensure that there is no default in respect of the payment of statutory dues of the employees such as contribution to provident fund, gratuity, bonus etc. and that you have sufficient reason to believe so. [Regulation 92 (c) of SEBI (ICDR) Regulation, 2009].
5. In case the share capital of the company consists of any partly paid-up shares, make them fully paid-up before issue of bonus shares. [Regulation 92 (d) of SEBI (ICDR) Regulation, 2009].
6. Ensure that the bonus issue is not made within 12 months of your public issue or rights issue, if any.
7. Ensure strict compliance with the following financial parameters for determining the quantum of bonus issue;
   (i) That the bonus issue is made out of free reserve built out of the genuine profits or share premium collected in cash only;
   (ii) That reserves created by revaluation of fixed assets or without accrual of cash resources are not capitalized.

8. Convene a Board Meeting after giving notice to all directors of the company to consider the issue of bonus shares.
9. The Board of directors of the company at their meeting must consider the matter related to the availability of amount in current year profit and issuance of bonus shares.
10. It is advisable to get report of the auditors relating to the amount available for distribution as bonus shares to the members.
11. The Board should pass following necessary resolutions at their meeting:
    a) Approval of the bonus issue subject to the approval in general meeting;
    b) Approve the record date to determine the entitlement of bonus shares.
    c) Approval of the notice for the AGM/EGM.
12. Send intimation of such proposal to the stock exchanges where the securities of the company are listed before and after the Board Meeting.
13. Note that the bonus issue should be made within a period of 6 months from the date of approval of the Board of Directors thereof and company has no option to change the decision.
14. General notice should be published about issue of bonus shares in at least one English Newspaper and one in principal language of the district/region in which the registered office of the is situate.
15. Issue of notice of closure of register of members in at least one English Newspaper and one in principal language of the district/region in which the registered office of the is situate. [Section 154]
16. Keep in mind that permission of RBI, if any, required under section 6 of FEMA 1999 should be obtain to allot bonus shares to Non-Resident shareholders.
17. Issue notice in writing at least 21 days before the date of the General Meeting with suitable explanatory statement.
18. Promptly forward to the stock exchanges six copies of notices sent to the shareholders one of them should be certified.
19. The stock exchanges should be given a notice of 21 days informing it about the closure of share transfer books and recording date.
20. Send copy of general notice published in news paper to the stock exchange promptly.
21. After the record date, a complete list of all members, who are entitled to receive bonus shares, is prepared.
22. Please note that as per Section 206A (b) of the Companies Act, 1956, if the instrument of transfer of shares has been delivered to the company but the same was not registered by it till the date of closure of register of members, the company should keep in abeyance the offer of bonus shares relating to shares involved in the transfer.
23. On the due date the company hold general meeting and pass the necessary resolution.

24. If the resolution passed in a Special Resolution, file the same with the ROC in e-Form-23 within 30 days. [Section 192].
25. Promptly forward to the stock exchanges copies of the proceeding of the general meeting.
26. Note that all notices and resolutions of the general meeting/board meeting relating to issue of bonus shares should be forwarded to the stock exchanges.
27. Apply to the stock exchanges for obtaining "In Principle Approval" for listing entitlement of bonus issue together with the provisional documents relating thereto. [Clause 24 (a) of the Listing Agreement].

- **ALLOTMENT OF BONUS SHARES**

1. Convene a Board Meeting by giving notice to all the directors of your company and complete the proceeding regarding allotment of the bonus shares in the proportion and in the manner as mentioned in the resolution and as approved by the stock exchanges.
2. Promptly forward to stock exchanges copies of the proceeding of the Board meeting.
3. A return of allotment is filed in e-Form-2 with ROC within 30 days of the allotment being made.
4. Share Certificate are issued to the allottees in accordance with the Companies (Issue of Share Certificate) Rules, 1960 and give credit to the members through CDSL and/ or NSDL in case of having shares in the electronic mode.
5. Fraction of shares resilting on issue of bonus shares shall be dealt as decided in the general meeting. Usually, all fractions are collected and disposed of by the company in the market and realization on such disposal is distributed among the shareholders in the proportion of their entitlement.
6. Make suitable entries in the register of members.
7. In case of listed company, application shall be made to stock exchanges for final listing and permission for trading of bonus shares.
8. Submit a certificate to the SEBI of compliance of provisions of SEBI Bonus Issue Regulations duly signed by a company and counter signed by a statutory auditor or company secretary in practice.

- **BOARD RESOLUTION FOR ISSUE OF BONUS SHARES**

1. For Listed Company:

"RESOLVED THAT pursuant to provisions of Article………. Of the Articles of Association of the Company and pursuant to all other applicable provisions, of the Companies Act, 1956 ("the Act") , and in accordance with the provisions contained in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("the Regulations") (including any statutory amendment, modification or re-enactment to the Act of the Regulations for the time being in force)and subject to the consent of the members in General Meeting and subject to the such approvals ,permissions, sanctions and subject to such conditions and modifications, as may be prescribed or imposed while granting such approvals, consent, permission and/or sanctions, approvals, Board of Directors of the Company (herein after referred to as the "Board" which term shall be deemed to include any Committee of the Board) do hereby recommend that a sum of Rs. ………… be capitalized out of general reserves and set free for distribution among the equity shareholders by issue of ………..equity shares of Rs. 10/- each created as fully paid to the equity shareholders in the proportion of ………. Equity shares for every ……..equity shares held by them on record date to be decided by the Board, provided that the issue and allotment of the said bonus shares are subject to the following terms and conditions:

a) That the said bonus shares shall be allotted subject to the Memorandum & Articles of Association of the company;
b) That the said bonus shares shall in all respect rank pari passu and carry the same rights as the existing equity shareholders of the company, notwithstanding the date or dated of allotment thereof, including entitlement to payment of dividend, if declared, for the financial year in which the same are allotted.
c) That the issue and allotment of the bonus shares to the extent that they relate to non resident shall be subject to approval of Reserve Bank of India, under the Foreign Exchange Management Act, 1999 (inclusing any statutory modification(s) or re-enactment(s) thereof for the time being in force).

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, an Extraordinary/Annual General Meeting of members of the company be convene to consider the proposed capitalization of profits and issue of bonus shares and that the Secretary of the Company be and is hereby authorized to issue notice of the said meeting to the shareholders along with explanatory statement as per drafts thereof submitted to this meeting and initialed by the Chairman for the purpose of identification."

2. For Unlisted Public Company

"RESOLVED THAT pursuant to provisions of Article………. Of the Articles of Association of the Company and all other applicable provisions, of the Companies Act, 1956 ("the Act"), and subject to the consent of the members in General Meeting and subject to the such approvals ,permissions, sanctions and subject to such conditions and modifications, as may be prescribed or imposed while granting such approvals, consent, permission and/or sanctions, approvals, Board of Directors of the Company (herein after referred to as the "Board" which term shall be deemed to include any Committee of the Board) do hereby recommend that a sum of Rs. ………… be capitalized out of general reserves and set free for distribution among the equity shareholders by issue of ………..equity shares of Rs. 10/- each created as fully paid to the equity shareholders in the proportion of ………. Equity shares for every ……..equity shares held by them on record date to be decided by the Board, provided that the issue and allotment of the said bonus shares are subject to the following terms and conditions:

a) That the said bonus shares shall be allotted subject to the Memorandum & Articles of Association of the company;
b) That the said bonus shares shall in all respect rank pari passu and carry the same rights as the existing equity shareholders of the company, notwithstanding the date or dated of allotment thereof, including entitlement to payment of dividend, if declared, for the financial year in which the same are allotted.
c) That the issue and allotment of the bonus shares to the extent that they relate to non resident shall be subject to approval of Reserve Bank of India, under the Foreign Exchange Management Act, 1999 (inclusing any statutory modification(s) or re-enactment(s) thereof for the time being in force).

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, an Extraordinary/Annual General Meeting of members of the company be convene to consider the proposed capitalization of profits and issue of bonus shares and that the Secretary of the Company be and is hereby authorized to issue notice of the said meeting to the shareholders along with explanatory statement as per drafts thereof submitted to this meeting and initialed by the Chairman for the purpose of identification."

3. Resolution for Allotment of Bonus shares

RESOLVED THAT pursuant to Article……. of Articles of Association and Special Resolution passed under Section 81(1A) of the Companies Act, 1956 by the shareholders of the Company at the Extraordinary/Annual General Meeting held on …………. and in principle approval received from the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE), the allotment of……… number of equity shares against existing ….. total equity shares existing as fully paid up in the company, be and is hereby made as Bonus Issue to the existing shareholders of the Company as on Record Date being ….. 20.. in the ratio of 1 (One) share for every 1 (One) equity share held (i.e. in the ratio of 1:1 share) as per the table below:

Folio No.	Name of the Shareholder	Existing No. of Shares	Equity Shares allotted as Bonus
1	X	1	1
2	Y	1	1
3	X	1	1

RESOLVED FURTHER THAT the said Equity Shares shall rank pari passu in all respects and carry the same rights as the existing Equity Shares of the Company.

RESOLVED FURTHER THAT the allotment advice be sent to the allottee and the relevant Share Certificate be issued to them in accordance with the Companies (Issue of Share Certificates) Rules, 1960 and the Articles of Association of the Company.

RESOLVED FURTHER THAT Mr……., Managing Director, Mr. ……….., Director and Mr…………., Company Secretary/Authorised Signatory of the Company be and are hereby severally authorized to sign the Share Certificate and submit the Return of Allotment in Form-2 to the Registrar of Companies.

RESOLVED FURTHER THAT Mr. ………., Managing Director and Mr………., Company Secretary of the Company be and are hereby severally authorized to complete all the formalities and compliances with SEBI/RBI and other concerned authorities and to make an application for enlistment of bonus issue with National Stock Exchange Limited, Bombay Stock Exchange Limited and to do all such act, deeds and thinks as may be necessary in this regard."

- **GENERAL MEETING RESOLUTION**

1. **Listed Company can use the following draft resolution:**

"RESOLVED THAT pursuant to provisions of Article……of the Articles of Association of the Company and upon recommendation of the Board of Directors made at their meeting held on ………20 (herein after referred to as "the Board" which term shall be deemed to include any committee of the Board of Directors in this behalf) and pursuant to the applicable provisions of the Companies Act, 1956, and in accordance with Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("the Regulations") and subject to such necessary approvals, permissions and sanctions, as may be required and subject to such terms and conditions as may be specified while according such approvals, a sum of Rs…………… (Rupees………) out of the sum outstanding to the credit of share premium account, forming part of General Reserves of the Company, be and is hereby capitalized and utilized for allotment of 1 (one) Bonus equity share of Rs. 10/- (Rupees Ten) credited as fully paid for every 1 (one) eligible existing fully paid equity share of Rs. 10/- (Rupee Ten) held by the members and accordingly the Board, be and is hereby authorized to appropriate the said sum for distribution to and amongst the members of the company whose name appear in the Register of Members or as the beneficial owner(s) of the equity shares of the company, in the regards of Depositories, at the close of business on such date (hereinafter referred to as "the Record Date") to be hereafter fixed by the Board and on the basis and that the Bonus shares so distributed shall, for all purposes, be treated as an increase in the nominal amount in the capital of the company, held by each such member and not as income.

RESOLVED FURTHER THAT the new equity shares shall be allotted subject to the Memorandum and Articles of Association of the Company and shall in all respect rank *pari passu* with existing subdivided fully paid-up equity shares of the Company, with a right, to participate in dividend in full that may be declared after the date of allotment of these equity shares as the Board may be determine.

RESOLVED FURTHER THAT the Board be and is hereby authorized to capitalize the required amount out of Company's General Reserve Account/ Securities Premium Account or such other account as are permissible to be utilized for the purpose, as per the audited accounts of the company for the financial year ended March 31………. And that the said amount be transferred to the Share Capital Account and be applied for issue and allotment of the said equity shares as Bonus Shares credited as fully paid up.

RESOLVED FURTHER THAT no letter of allotment shall be issued in respect of the said bonus shares but in case of members who opt to receive the bonus shares in dematerialized form, the bonus shares aforesaid shall be credited to the beneficiary accounts of the shareholders with their respective Depository Participant within the stipulated time as may be allowed by the appropriate authorities and in the case of shareholders who opt to receive the bonus shares in physical form, the share certificate in respect thereof shall be delivered within such time as may be allowed by the appropriate authorities.

RESOLVED FURTHER THAT the Board be and is hereby authorize to take necessary steps for listing of the bonus shares so allotted on the stock exchanges where the securities of the Company are listed as per the provisions of the listing agreements with the stock exchanges concerned, the Regulations and other applicable laws.

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board is hereby authorized to do all such acts, deeds, matters and things as may be necessary or expedient and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities without requiring the Board to secure any further consent or approval of the members of the Company in this regard."

2. Unlisted Company can use the following resolution:

"RESOLVED THAT pursuant to the provisions of Article……of the Articles of Association of the Company and upon recommendation of the Board of Directors made at their meeting held on ………20 (herein after referred to as "the Board" which term shall be deemed to include any committee of the Board of Directors in this behalf) and pursuant to the applicable provisions of the Companies Act, 1956, and subject to such necessary approvals, permissions and sanctions, as may be required and subject to such terms and conditions as may be specified while according such approvals, a sum of Rs…………… (Rupees………) out of the sum outstanding to the credit of share premium account, forming part of General Reserves of the Company, be and is hereby capitalized and utilized for allotment of 1 (one) Bonus equity share of Rs. 10/- (Rupees Ten) credited as fully paid for every 1 (one) eligible existing fully paid equity share of Rs. 10/- (Rupee Ten) held by the members and accordingly the Board, be and is hereby authorized to appropriate the said sum for distribution to and amongst the members of the company whose name appear in the Register of Members or as the beneficial owner(s) of the equity shares of the company, in the regards of Depositories, at the close of business on such date (hereinafter referred to as "the Record Date") to be hereafter fixed by the Board and on the basis and that the Bonus shares so distributed shall, for all purposes, be treated as an increase in the nominal amount in the capital of the company, held by each such member and not as income.

RESOLVED FURTHER THAT the new equity shares shall be allotted subject to the Memorandum and Articles of Association of the Company and shall in all respect rank *pari passu* with existing subdivided fully paid-up equity shares of the Company, with a right, to participate in dividend in full that may be declared after the date of allotment of these equity shares as the Board may be determine.

RESOLVED FURTHER THAT the Board be and is hereby authorized to capitalize the required amount out of Company's General Reserve Account/ Securities Premium Account or such other account as are permissible to be utilized for the purpose, as per the audited accounts of the company for the financial year ended March 31………. And that the said amount be transferred to the Share Capital Account and be applied for issue and allotment of the said equity shares as Bonus Shares credited as fully paid up.

RESOLVED FURTHER THAT no letter of allotment shall be issued in respect of the said bonus shares but in case of members who opt to receive the bonus shares in dematerialized form, the bonus shares aforesaid shall be credited to the beneficiary accounts of the shareholders with their respective Depository Participant within the stipulated time as may be allowed by the appropriate authorities and in the case of shareholders who opt to receive the bonus shares in physical form, the share certificate in respect thereof shall be delivered within such time as may be allowed by the appropriate authorities.

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board is hereby authorized to do all such acts, deeds, matters and things as may be necessary or expedient and to settle any questions, difficulties or doubts that may arise in this regard at any stage without requiring the Board to secure any further consent or approval of the members of the Company in this regard."

- **DRAFT EXPLANATORY STATEMENT AS PER SECTION 173 OF THE COMPANIES ACT, 1956**

Option I

The company's performance has considerably improved during the financial year …………… and has reported good results. In the view of the expansion and envisaged profitability and in view of the comfortable reserve position, the Board of Directors at its meeting held on …….. has recommended capitalization of reserves to the extent of Rs………….(Rupees…) of Rs. 10/- each in the proportion of 1:1 (i.e. one fully paid bonus share of face value of Rs. 10/- each for every eligible existing fully paid equity shares of Rs. 10/- each) held by members as on the Record Date to be hereafter decided by the Board or its committee thereof.

The Company satisfies the conditions of and requirements for, issue of Bonus Shares contained in Chapter IX of the Securities and Exchange Board of India (Issue of Capital and

Disclosure Requirements) Regulations, 2009 and other rules and regulations as presently in force.

The issue and allotment of Bonus Shares to the extent that they relate to non- resident shall be subject to approval of the Reserve Bank of India, under the Foreign Exchange Management Act, 1999 (including any statutory modification(s) or re-enactment thereof for the time being in force.)

None of the Directors of the company are in any way interested in the Resolution, except to the extent of their shareholding and shareholding of their relatives in the company.

Your Directors recommend the above resolution for your approval.

Option II

In terms of provisions of Articles ……of Articles of Association and other applicable provisions of the Companies Act, 1956 for capitalization of reserves and in order to bring the share capital to a level commensurate with the total capital employed in the company, your director has proposed the sum not exceeding Rs. …………………be drawn from the Securities Premium Account/ General Reserves of the company and be capitalized and transferred to Share Capital Account towards issue and allotment of ……..equity shares of Rs. 10/- each as bonus shares, credited as fully paid up to the members holding equity shares as on Record Date to be specified in this behalf.

The bonus shares will be issued in proportion of one new equity shares for every one equity shares held on the record date. The said bonus shares shall rank *pari passu* with the then existing equity shares.

In terms of the above resolution, subject to any unforeseen circumstances and /or any regulatory measures of law, your directors, places on record their intention to continue payment of dividend on the increased capital after the issue and allotment of bonus shares and that the allotment of bonus shares is not in lieu of the dividend to be declared by the company for the financial year in which such bonus shares are issued and allotted.

The Directors of the Company may be deemed to be concerned or interested in the Resolution to the extent of Bonus shares that may be allotted in respect of the existing shares held by them or their relatives and by companies, body corporate or trust of which the directors of the company are directors, members and beneficiaries.
The Board recommends the resolution for approval of the shareholders.

- **REDORD DATE AND BOOK CLOSUR PUBLIC NOTICE FORMAT**

RECORD DATE FOR ALLOTMENT OF BONUS SHARES OF ……………… LIMITED

………………20 has been fixed as the Record Date for ascertaining the names of the shareholders who shall be entitled to receive the Bonus Shares of the Company

………………… LIMITED

Corporate Office: ……………………………………………………
Regd. Office & Works: ………………………….

NOTICE is hereby given pursuant to Section 154 of the Companies Act 1956 that **Monday, the ……………. 20** has been fixed as the **Record Date** for **ascertaining** the **Names** of the **Shareholders** who shall be **entitled** to receive the **Bonus Shares** of the Company in the ratio **1:1** (i.e **One Bonus Shares for every One Equity Share held**) as approved by the members at the Extraordinary/Annual General Meeting held on ………… 20. Members whose names will appear on register of members of the Company and/or the register of beneficial owner's maintained by Depositories as at the close of Monday, the………… 20 will be entitled to receive the aforesaid Bonus Shares.

For ……………………. Limited

Sd/-
Mr./Ms..
Company Secretary

Dated: …………..
Place: …………..

NOTICE OF BOOK CLOSUERE

………………LIMITED

Corporate Office: ……………………………………………………
Regd. Office & Works: …………………………..

Notice is hereby given that the Extraordinary/Annual General Meeting of the Company will be held on Tuesday………………to transact the business contained in the notice of said EGM/AGM. The explanatory statement pursuant to section 173(2) of the Companies Act, 1956 has been annexed to the Notice of EGM/AGM which has been dispatched to the shareholders of the Company.

Notice is also given under section 154 of the Companies Act, 1956 that the Register of Members and Share Transfer Books of the Company shall remain closed from Friday,……….to Tuesday,…….. (both days inclusive) for the said AGM/EGM of the Company and issue of Bonus Shares, if approved at the EGM/AGM.

In respect of dematerialized shares, the bonus shares will be credited to the 'Beneficial Owners' of the shares, whose name appear in the Statement of Beneficial Ownership, as at the close of the business hour on Monday………, furnished by NSDL & CDSL.

For ……………………. Limited

Sd/-
Mr./Ms..
Company Secretary

Dated: …………..
Place: …………..

- **LISTING OF BONUS ISSUE UNDER CLAUSE 24(a) OF THE LISTING AGREEMENT**

If the securities of the Company are listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE)

Following list of documents/details required for grant of approval for listing of Bonus Issue under Clause 24(a) of the Listing Agreement:

1. Certified true copy of the resolution passed by the Board of Directors approving the issue.
2. Certified true copy of the notice convening the Extraordinary/ Annual General Meeting of the shareholders along with explanatory statement annexed thereto where the proposal for issue of bonus shares was approved.
3. Certified true copy of the resolution passed by the shareholders at the Extraordinary/ Annual General Meeting approving the issue of bonus shares/ increase in authorized share capital/capitalization of reserve.
4. Confirmation from the company that the equity shares so issued/ arising on conversion of any convertible instrument so issued shall rank *pari-passu* with the existing shares of the company in all respect including dividend.
5. Confirmation from company that if the conversion of FCD/PCD's is pending from company, if pending, benefit of bonus is available to those FCD/PCD holders also.
6. Confirmation from the company that there is no partly paid up shares existing in the company and all the partly paid up shares are made fully paid up before the bonus issue is made by the company.
7. Statement of total bonus entitlement as per the existing capital, bonus shares actually allotted and shares kept in abeyance, if any to be given by the Company Secretary.
8. Certified True copy of the amended copy of the Memorandum and Articles of Association of the company. In case the Memorandum and Articles of Association is not amended, confirmation from the company regarding the same.

BSE demands additional documents/details in additional for grant of approval for listing of Bonus Issue under Clause 24(a) of the Listing Agreement.

LISTING OF FURTHER ISSUE OF SECURITIES AS BONUS AFTER ALLOTMENT

Following details/documents are required for listing of further issue of securities issued as Bonus:

1. Letter of Application
2. Certified true copy of the resolution passed by the Board of Directors of the Company approving the issue of bonus shares.
3. Certified true copy of the notice convening the Extraordinary/ Annual General Meeting of the shareholders along with explanatory statement annexed thereto where the proposal for issue of bonus shares was approved.
4. Certified true copy of the resolution passed by the shareholders at the Extraordinary/ Annual General Meeting approving the issue of bonus shares/ increase in authorized share capital/capitalization of reserve.
5. Certified true copy of the Board Resolution for allotment of bonus shares.
6. Certified copy of the amended copy of MOA/AOA, in case of amendment made, if any.
7. Certified true copy of the shareholding pattern of the company, pre and post issue of bonus securities in the format given as per Clause 35 of the Listing Agreement.
8. Certificate from Statutory Auditors/Practicing Chartered Accountant/Practicing Company Secretary to the effect that the SEBI (ICDR) Regulations, 2009 for bonus issue is complied with.
9. Confirmation from the Company Secretary that the shares issued to NRI are as per guidelines issued by RBI, if applicable.
10. Certified true copy of the letter of allotment for new ISIN, if a security other than equity shares has been issued as bonus.
11. Confirmation from company that if the conversion of FCD/PCD's is pending from company, if pending, benefit of bonus is available to those FCD/PCD holders also.
12. Confirmation from the company that there is no partly paid up shares existing in the company and all the partly paid up shares are made fully paid up before the bonus issue is made by the company.
13. Confirmation from the company that shares issued rank pari-passu with the existing equity shares of the company including dividend.
14. Statement of total bonus entitlement as per the existing capital, bonus shares actually allotted and shares kept in abeyance, if any to be given by the Company Secretary.
15. Additional listing fee as may be applicable.

In case any of the above documents have been submitted at the time of seeking approval under Clause 24(a) of theof the listing agreement, the same are not required to be submitted again.

(**NOTE:** This information is given for the limited purpose of bringing awareness about the subject matter for readers.)

THANK YOU

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