

Procedure No. 63 Issue of Bonus Shares

Governing section(s) of the Companies Act, 2013	Section 63
Governing chapter of the SEBI (ICDR), 2018	Chapter XI
Rule Nos.	<ul style="list-style-type: none"> • Rules 5 and 14 of the Companies (Share Capital and Debentures) Rules, 2014; • Rules 5, 10 and 24 of the Companies (Management and Administration) Rules, 2014; • Rules 9A and 12 of the Companies (Prospectus and Allotment of Securities) Rules, 2014
Form Nos.	MGT-1, MGT-14, PAS-3 and SH-1
Approval(s)	Board Meeting and General Meeting
Timeline	4 to 75 days



IMPORTANT PROVISIONS/PRE-REQUISITES

- Ensure that there is sufficient authorised share capital to accommodate the increase in the subscribed share capital that will arise due to the proposed bonus shares. If the authorised capital is inadequate, alter MOA to ¹**increase the authorised share capital of the company**.
- A company may issue fully paid-up bonus shares to its members out of, its free reserves, the securities premium account or the capital redemption reserve account. Issue of bonus shares cannot be made by capitalising reserves created by revaluation of assets. *[Section 63(1)]*
- No company shall issue fully paid-up bonus shares, unless:
 - (a) it is authorised by its Articles;
 - (b) it has, on the recommendation of the Board, been authorised in the general meeting of the company;
 - (c) it has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it;
 - (d) it has not defaulted in respect of the payment of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus;


¹ See 'Procedure for Increase in Authorized Capital of a Company'.

- (e) the partly paid-up shares, if any outstanding on the date of allotment, are made fully paid-up;
- (f) In case of a listed company, any of its promoters or directors is not a fugitive economic offender. *[Section 63(2) and Regulation 293 of the SEBI (ICDR) Regulations, 2018]*
- The company which has once announced the decision of its Board recommending a bonus issue shall not subsequently withdraw the same. *[Rule 14 of the Companies (Share Capital and Debentures) Rules, 2014]*
 - The bonus shares shall not be issued in lieu of dividend. *[Section 63(3)]*
 - A listed company shall make a bonus issue of equity shares only if it has made reservation of equity shares of the same class in favour of the holders of outstanding compulsorily convertible debt instruments if any, in proportion to the convertible part thereof. *[Regulation 294 of the SEBI (ICDR) Regulations, 2018]*
 - If a listed company has issued Superior Rights (SR) equity shares to its promoters or founders, any bonus issue on the SR equity shares shall carry the same ratio of voting rights compared to ordinary shares and the SR equity shares issued in a bonus issue shall also be converted to equity shares having voting rights same as that of ordinary equity shares along with existing SR equity shares. *[Regulation 294 of the SEBI (ICDR) Regulations, 2018]*
 - Every unlisted public company (except a Nidhi, a Government company and a wholly owned subsidiary) shall issue the securities only in dematerialised form. *[Rule 9A(1) of the Companies (Prospectus and Allotment of Securities) Rules, 2014]*
 - In case any of the allottee is a foreign resident, then provisions of the Foreign Exchange Management Act needs to be complied with.





PROCEDURE






In case of an unlisted company:

S. No.	Activity	Governing provision	Steps
1.	 Board Meeting	Sections 63 and 173 and Secretarial Standards-1	Hold a ¹ meeting of the Board: <ul style="list-style-type: none"> • To consider and approve issue of bonus shares subject to approval of members by ordinary resolution. • To consider and approve the book closure period/record date. • To fix the day, date, time and agenda for the general meeting for

¹ See 'Procedure for convening of Board Meeting'.

S. No.	Activity	Governing provision	Steps
			<p>passing an ordinary resolution to issue bonus shares.</p> <ul style="list-style-type: none"> To approve draft notice of the general meeting along with explanatory statement for the purpose of passing the ordinary resolution. To authorise CS or any other officer to issue notice of the general meeting under the authority of the Board to every member and every other person entitled to such notice. <p>Note: In case of closely held company, book closure is not necessary, list of shareholders can be identified based on a particular date.</p>
2.	 Form and documents filing	Sections 117 and 179(3) read with r 24 of the Companies (Management and Administration) Rules, 2014	In case of a public company, file a copy of Board resolution with ROC within 30 days of the passing in Form MGT-14 along with the requisite documents and ¹ fees.
3.	 Advertisement in Newspaper	Section 91(1) read with r 10 of the Companies (Management and Administration) Rules, 2014	<ul style="list-style-type: none"> In case of book closure, give at least 7 days' previous notice by advertisement at least once in a vernacular newspaper in the principal vernacular language of the district and having a wide circulation in the place where the Registered Office of the company is situated, and at least once in English language in an English newspaper circulating in that district and having wide circulation in the place where the Registered Office of the company is situated. In case of a private company, notice shall be served on all members of the private company not less than 7 days prior to closure of the register of members

¹ See 'Table of fees' in Ready Referencer.

S. No.	Activity	Governing provision	Steps
			or debenture holders or other security holders.
4.	 Website disclosure	Section 91(1) read with r 10 of the Companies (Management and Administration) Rules, 2014	Publish the notice of book closure on the website (if any) of the company.
5.	 General Meeting	Sections 63, 96, 100 and 110 and Secretarial Standards-2	Hold a ¹ General Meeting to pass ordinary resolution for issue bonus shares. Note: Resolution may be passed by means of ² postal ballot.
6.	 Board Meeting	Sections 39, 63 and 173 and Secretarial Standards-1	Hold a ³ meeting of the Board or pass Board resolution by circulation: <ul style="list-style-type: none"> To consider the allotment of bonus shares. To authorise CS or CFO or any director of the company to file return of allotment with ROC.
7.	 Register of members	Section 88 read with r 5(1) of the Companies (Management and Administration) Rules, 2014	In case of a private company where shares are not allotted in demat, make necessary entries in the register of members in ⁴ Form MGT-1 within 7 days of the Board meeting in which the allotment of equity shares was approved.
8.	 Form and documents filing	Section 39(4) read with r 12 of the Companies (Prospectus and Allotment of Securities) Rules, 2014	File a return of allotment with ROC within 30 days from the date of allotment in Form PAS-3 along with the requisite documents and ⁵ fees.



¹ See 'Procedure for convening of General Meeting'.

² See 'Procedure for transacting business through postal ballot'.


³ See 'Procedure for convening of Board Meeting/passing resolution by circulation'.

⁴ See 'Format' in Ready Referencer.



⁵ See 'Table of fees' in Ready Referencer.

S. No.	Activity	Governing provision	Steps
9.	 RBI Reporting	Regulation 13.1(2) of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017	Where allotment of bonus shares is made to any non-resident, then file Form FCGPR to RBI on firms.rbi.org.in portal within 30 days of allotment.
10.	 Deliver the share certificate	Sections 46 and 56(4) read with r 5 of the Companies (Share Capital and Debentures) Rules, 2014	In case of a private company, if shares are not to be allotted in Demat form, issue and deliver the certificates of all shares allotted in ¹ Form SH-1 within a period of 2 months from the date of allotment to the respective shareholders after payment of stamp duty to the respective State Government.
		Section 29 read with r 9A of the Companies (Prospectus and Allotment of Securities) Rules, 2014	Where shares are allotted in demat, file corporate action form with depositories for credit of the shares and pay necessary stamp duty.




In case of a listed company:

S. No.	Activity	Governing provision	Steps
1.	 Advance Intimations	Regulation 29 of the SEBI (LODR) Regulations, 2015	Give prior intimation to the stock exchanges where the shares of the company are listed about the meeting of the Board of Directors in which the proposal for declaration of bonus shares is due to be considered, at least 2 working days in advance, excluding the date of the intimation and date of the meeting.

1 See 'Format' in Ready Referencer.

S. No.	Activity	Governing provision	Steps
2.		SEBI (PIT) Regulations, 2015 read with the Company's Code of Conduct	<ul style="list-style-type: none"> Trading window to be closed as per company's code of conduct for prevention of insider trading. Simultaneously, give prior intimation to the stock exchanges about the closure of trading window.
3.	 Board Meeting	Sections 63 and 173 and Secretarial Standards-1	Hold a ¹ meeting of the Board: <ul style="list-style-type: none"> To consider issue of bonus shares subject to approval of members by ordinary resolution. To consider and decide the record date or book closure period as the case may be. To fix the day, date, time and agenda for the general meeting for passing an ordinary resolution to issue bonus shares. To approve draft notice of the general meeting along with explanatory statement for the purpose of passing the ordinary resolution. To authorise CS or any other officer to issue notice of the general meeting under the authority of the Board to every member and every other person entitled to such notice.
4.	 Time-bound disclosures	Regulations 30 and 46(3) of the SEBI (LODR) Regulations, 2015	Submit to the stock exchanges (where the shares of the company are listed), outcome of the Board meeting within 30 minutes of the closure of the meeting and post the same on the website of the company within 2 working days. Note: For details of disclosure, see SEBI Circular No. 04/2015 dated 09.09.2015 in Ready Referencer on p 2.287




¹ See 'Procedure for convening of Board Meeting'.

S. No.	Activity	Governing provision	Steps
5.		Regulation 28 of the SEBI (LODR) Regulations, 2015	Obtain 'in-principle' approval from recognised stock exchange(s).
6.	 Form and documents filing	Sections 117 and 179(3) read with r 24 of the Companies (Management and Administration) Rules, 2014	File a copy of Board resolution with ROC within 30 days of the passing in Form MGT-14 along with the requisite documents and ¹ fees.
7.	 General Meeting	Sections 63, 96, 100 and 110 and Secretarial Standards-2	Hold a ² General Meeting to pass ordinary resolution for issue bonus shares. Note: Resolution may be passed by means of ³ postal ballot.
8.	 Time-bound disclosures	Regulations 30 and 46(3) of the SEBI (LODR) Regulations, 2015	Disclose the proceedings of general meeting to stock exchanges (where the shares of the company are listed) as soon as reasonably possible and not later than 24 hours from the conclusion of general meeting and post the same on the website of the company within 2 working days.
9.		Regulation 44 of the SEBI (LODR) Regulations, 2015	Submit to the stock exchange, within 2 working days of conclusion of general meeting (where the shares of the company are listed), details regarding the voting results in the format specified by SEBI and forthwith post the same on the website of the company. Format: SEBI Circular No. 8/2015 dated 04.11.2015. [See Circular in Ready Referencer on p 2.302]
10.		Regulation 42 of the SEBI (LODR) Regulations, 2015	<ul style="list-style-type: none"> Fix a record date for purpose of identifying members of the company who are eligible for the bonus shares.




1 See 'Table of fees' in Ready Referencer.

2 See 'Procedure for convening of General Meeting'.

3 See 'Procedure for transacting business through postal ballot'.

S. No.	Activity	Governing provision	Steps
			<ul style="list-style-type: none"> Company shall give notice in advance of at least 7 working days (excluding the date of intimation and the record date) to stock exchange(s) of record date or book closure specifying the purpose of record date.
11.	 Advertisement in Newspaper	Section 91(1) read with r 10 of the Companies (Management and Administration) Rules, 2014	In case of book closure, give at least 7 days' previous notice by advertisement at least once in a vernacular newspaper in the principal vernacular language of the district and having a wide circulation in the place where the registered office of the company is situated, and at least once in English language in an English newspaper circulating in that district and having wide circulation in the place where the registered office of the company is situated and publish the notice on the website of the company and submit a copy of the same to the Stock Exchanges within 24 hours of publication.
12.	 Board Meeting	Sections 39, 63 and 173 and Secretarial Standards-1	Hold a ¹ meeting of the Board or pass Board resolution by circulation: <ul style="list-style-type: none"> To consider the allotment of bonus shares. To authorise CS or CFO or any director of the company to file a return of allotment with ROC and to execute corporate action with depositories and file listing application with exchanges, etc.
13.	 Time-bound disclosures	Regulations 30 and 46(3) of the SEBI (LODR) Regulations, 2015	Submit disclosure of the Board meeting to stock exchanges (where the shares of the company are listed), as soon as reasonably possible and not later than 24 hours from the conclusion of Board meeting and post the same on the website of the company within 2 working days.
14.		Regulation 31 of the SEBI (LODR)	In case of change in capital structure of more than 2% of the total paid-up

¹ See 'Procedure for convening of Board Meeting/passing resolution by circulation'.

S. No.	Activity	Governing provision	Steps
		Regulations, 2015	share capital, the company shall submit to the stock exchange(s) a statement showing holding of securities and shareholding pattern separately for each class of securities, in the format specified by SEBI from time to time within 10 days of the allotment of shares.
15.	 Form and documents filing	Section 39(4) read with r 12 of the Companies (Prospectus and Allotment of Securities) Rules, 2014	File a return of allotment with ROC within 30 days from the date of allotment in Form PAS-3 along with the requisite documents and ¹ fees.
16.	 RBI Reporting	Regulation 13.1(2) of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017	Where allotment of bonus shares is made to any non-resident, then file Form FCGPR to RBI on firms.rbi.org.in portal within 30 days of allotment.
17.	 Listing and Trading Approval	SEBI (ICDR) Regulations, 2018	Make an application for listing, within 20 days from the date of allotment, to all recognised stock exchange(s) where the shares of the company are listed along with the documents specified by stock exchange(s) from time to time.
18.		–	Upon receipt of the listing approval, apply for capital admission with NSDL and CDSL.
19.		–	Upon capital admission, apply to the Stock Exchange(s) for the trading approval.

1 See 'Table of fees' in Ready Referencer.



DOCUMENTS REQUIRED

For filing of Board resolution with ROC by public company - Form MGT 14
<ul style="list-style-type: none"> • Certified true copy of Board resolution(s).
For return of allotment - Form PAS 3
<ul style="list-style-type: none"> • List of allottees stating their names, address, occupation, if any, and number of shares allotted to each of the allottees. • Copy of Board resolution.
For reporting of foreign investment - Form FC-GPR
<ul style="list-style-type: none"> • FIRC and KYC of the foreign investor. • CS certificate. • Copy of Board resolution.



DRAFT RESOLUTIONS

Title	To issue bonus shares subject to approval of members by ordinary resolution
Type of meeting	Board Meeting
Type of resolution	Board Resolution

“RESOLVED THAT pursuant to the provisions of Section 63 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Share Capital and Debentures) Rules, 2014, the Securities and Exchange Board of India (“SEBI”) (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“the ICDR Regulations”), the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) (including any statutory modification(s) or re-enactment thereof for the time being in force) and other applicable regulations, rules and guidelines issued by SEBI and the Reserve Bank of India (“RBI”) from time to time, the enabling provisions of the Articles of Association of the Company and subject to such approvals, consents, permissions, conditions and sanctions as may be necessary from appropriate authorities and subject to such terms and modifications, if any, as may be specified while according such approvals and subject to approval of the members of the company, consent be and is hereby capitalize a sum not exceeding Rs _____ (Rupees _____) from and out of the free reserve, and/or any other permitted reserves/ surplus of the Company, as may be considered appropriate for the purpose of issue of bonus equity shares of Rs ___/- (Rupees _____) each, credited as fully paid to eligible members of the Company holding equity shares of Rs ___/- (Rupees _____) each of the Company whose names appear in the Register of Members and in the beneficial records of the depositories on the ‘Record Date’, in the proportion of ___ (____) new fully paid-up equity share

of Rs___/- (Rupees _____) each for every ___ (_____) existing fully paid-up equity share of Rs___/- (Rupees _____) each held by them;

RESOLVED FURTHER THAT the new equity shares so allotted shall in all respects rank *pari-passu* with the existing 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;

RESOLVED FURTHER THAT an Extraordinary General Meeting of the Company be called and held at _____ on _____ day of _____ at _____ as per the draft notice and explanatory statement placed before the meeting duly initialed by the Chairperson for identification;

RESOLVED FURTHER THAT Mr./Ms. _____ of M/s _____, [Practicing Company Secretaries/Practicing Chartered Accountant/ Practicing Cost Accountant/Advocate], who has given his consent to act as Scrutinizer, be and is hereby appointed as Scrutinizer for the e-voting and voting through ballot at the General Meeting at such remuneration and out of pocket expenses, as may be determined by _____ [Director];

RESOLVED FURTHER THAT the consent be and is hereby accorded to avail the services of _____ [Electronic Voting Agency] for the purpose of conducting the electronic voting at such fees, as may be determined by _____ [Director];

RESOLVED FURTHER THAT Mr./Ms. _____ [name], _____ [Director/CS] of the Company be and is hereby authorized to issue the said notice to the members and others who are entitled for the same, and take all necessary action in this respect;

RESOLVED FURTHER THAT Mr./Ms. _____ [name] _____ [director/ CFO/ CS] and Mr./Ms. _____ [name] _____ [director/ CFO/ CS] of the Company be and are hereby jointly/severally authorized to file the necessary documents/form(s) with the Registrar of Companies, SEBI, Stock Exchanges, RBI, NSDL, CDSL, RTA of the Company and to do all such acts, deeds, matters and things as may be deemed necessary, desirable, proper or expedient for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto."

Title	Ordinary resolution for issue of bonus shares
Type of meeting	General Meeting
Type of resolution	Ordinary Resolution

"RESOLVED THAT pursuant to the provisions of Section 63 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Share Capital and Debentures) Rules, 2014, the Securities and Exchange Board of India ("SEBI") (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("the ICDR Regulations"), the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") (including any statutory modification(s) or re-enactment thereof for the time being in force) and other applicable regulations, rules and guidelines issued by SEBI and the Reserve Bank of India ("RBI") from time

to time, the enabling provisions of the Articles of Association of the Company and subject to such approvals, consents, permissions, conditions and sanctions as may be necessary from appropriate authorities and subject to such terms and modifications, if any, as may be specified while according such approvals and subject to acceptance of such conditions or modifications by the Board of Directors, consent of the members be and is hereby accorded to the Board of Directors of the Company ('the Board', which term shall include any Committee authorised by the Board to exercise its powers including powers conferred on the Board by this resolution) for capitalisation of a sum not exceeding Rs _____ (Rupees _____) from and out of the free reserve, and/or any other permitted reserves/ surplus of the Company, as may be considered appropriate for the purpose of issue of bonus equity shares of Rs ___/- (Rupees _____) each, credited as fully paid to eligible members of the Company holding equity shares of Rs ___/- (Rupees _____) each of the Company whose names appear in the Register of Members and in the beneficial records of the depositories on the 'Record Date' to be determined by the Board for this purpose, in the proportion of ___ (____) new fully paid-up equity share of Rs ___/- (Rupees _____) each for every ___ (____) existing fully paid-up equity share of Rs ___/- (Rupees _____) each held by them;

RESOLVED FURTHER THAT the bonus equity shares so allotted shall rank *pari passu* in all respects with the fully paid-up equity shares of the Company as existing on the Record Date;

RESOLVED FURTHER THAT Board of Directors of the Company, be and are hereby authorized to file the necessary documents/form(s) with the Registrar of Companies or such other Statutory bodies as may be required and to do all such acts, deeds, matters and things as may be deemed necessary, desirable, proper or expedient for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto."

Title	To consider and approve the allotment of bonus shares
Type of meeting	Board Meeting
Type of resolution	Board Resolution

"RESOLVED THAT pursuant to the provisions of section 63 and all other applicable provisions of the Companies Act, 2013 read with Rule 14 of the Companies (Share Capital and Debentures) Rules, 2014 and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("the ICDR Regulations")(including any statutory modification(s) or re-enactment thereof for the time being in force)_____ Equity Shares of Rs ___/- each be and are hereby allotted as bonus shares to the existing shareholders of the Company holding shares at the close of business hours on the Record Date i.e. _____ [DD/MM/YYYY] in the ratio of ___:___, by capitalization of Rs _____/- standing to the credit of the Company's _____ as per the audited accounts of the Company for the financial year ended _____ [DD/MM/YYYY];

RESOLVED FURTHER THAT the bonus equity shares so allotted shall rank *pari passu* in all respects with the existing equity shares of the Company;

RESOLVED FURTHER THAT in accordance with the provisions of Section 46 of the Companies Act, 2013 and rules made thereunder, the consent of the Board be and is hereby accorded to issue the share certificate(s) subsequent to the allotment of these bonus equity shares, under the signatures of Mr./Ms. _____ [name] _____ [director] and Mr./Ms. _____ [name] _____ [director/ CS] of the Company and common seal (if any) shall be affixed on the certificates in presence of the said persons;

RESOLVED FURTHER THAT Mr./Ms. _____ [name] _____ [director/ CFO/ CS] and Mr./Ms. _____ [name] _____ [director/ CFO/ CS] of the Company be and are hereby jointly/severally authorized to file the necessary documents/form(s) with the Registrar of Companies, SEBI, Stock Exchanges, RBI, NSDL, CDSL, RTA of the Company and to do all such acts, deeds, matters and things as may be deemed necessary, desirable, proper or expedient for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto."



TIMELINE FOR UNLISTED COMPANY

S. No.	Event	Maximum	Minimum
1.	Board meeting to consider the issue of bonus shares	8 to 10 days	1 day
2.	General meeting	23 to 25 days	1 day
3.	Board meeting to approve the allotment	8 to 10 days	1 day
4.	Filing of return of allotment with ROC	30 days	1 day
TOTAL		69 to 75 days	4 days

A listed company is required to implement the bonus issue within 15 days of passing the Board Resolution. In case shareholder's resolution is required, then the trading approval for bonus shares shall be completed within two months of passing the Board Resolution.