

Companies Act Fundamentals

Bonus Shares



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Applicable Law

- Chapter IV- Share Capital and Debentures - Section 43-72 of the Companies Act 2013

- The Companies (Share Capital and Debentures) Rules, 2014.

- Act means – Companies Act 2013
- Rules means - The Companies (Share Capital and Debentures) Rules, 2014.

Bonus Shares

Issue of Bonus Share

- Section 63 of the Act provides that a company may issue fully paid-up bonus shares to its members, in any manner whatsoever, out of—
 - (i) its free reserves;
 - (ii) the securities premium account; or
 - (iii) the capital redemption reserve account:

- The section specifically clarifies that no issue of bonus shares shall be made by capitalizing reserves created by the revaluation of assets. The bonus shares shall not be issued in lieu of dividend.

Conditions for issue of Bonus Shares

No company shall issue fully paid-up bonus shares unless—

- it is authorised by its articles of association;
- it has, on the recommendation of the Board, been authorized in the general meeting of the company;
- it has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it;
- it has not defaulted in respect of the payment of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus;
- the partly paid-up shares, if any outstanding on the date of allotment, are made fully paid-up;
- it complies with such conditions as may be prescribed.
- Under the rules no company which has once announced the decision of its Board recommending a bonus issue, can subsequently withdraw the same.

Thank you



**Mind, Heart, Aspiration =
Passion, Integrity, Excellence**

Thank You

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