

Guidelines for issue of bonus shares by companies

*195. SHRI KALYAN ROY: SHRI JAHARLAL BANERJEE: SHRI BHOLA PRASAD;

Will the Minister of FINANCE be pleased to state;

(a) whether Government propose to revise the guidelines for the issue of bonus shares which were considerably liberalised in the last few years;

(b) if not, what are the reasons therefor;

(c) what is the total amount involved in the issue of bonus shares in 1978, 1979 and 1980 till date;

(d) what are the names of companies which issued these shares in 1978, 1979 and 1980 till the date and details thereof, including the number of shares issued and the amount involved in each case;

(e) whether Government propose to investigate into the fact that a large number of companies which have been issuing bonus shares are guilty of non-payment of provident fund and wages of workers, evasion of taxes and other serious economic offences and are facing prosecution; and

(f) if not, what are the reasons therefor?

THE MINISTER OF FINANCE AND INDUSTRY (SHRI R. VENKATARAMAN): (a) to (f) A statement is laid on the Table of the House.

Statement

(a) and (b) There is no proposal for review of the guidelines before the Government at present. Guidelines for issue of bonus shares are kept under review and are revised, as and when it is considered necessary to do so, in the light of all relevant facts and circumstances.

(c) and (d) An annexure is attached. [See Appendix CXIII, Annexure No. 48].

(e) and (f) The capitalisation of reserves and issue of bonus shares is essentially a book keeping transaction to bring the shareholders' funds more in line with the capital permanently employed in the business. It does not lead to any cash outgo from the company or to depletion of its funds. In terms of the guidelines governing the issue of bonus shares, companies will have to satisfy *inter alia* the residual reserve test (which requires that the residual free reserves are not less than one third of the enlarged capital base) and the profitability test (which requires that 30% of the average *pre* tax profits for the last three years should yield a return of at least 9% on the enlarged capital base). Ordinarily the financial position of companies satisfying these guidelines would be sound and it is highly unlikely that they may be in default of payment of provident fund and wage dues, etc., and may be facing prosecution.

Foreign investment in the industrial sector

*196. SHRI SYED SHAHABUDDIN: Will the Minister of FINANCE be pleased to state:

(a) what is the quantum of foreign investment in the industrial sector as on 31st December, 1979; sector-wise;

(b) what is the percentage of foreign investment in the total industrial investment in the country as on 31st December, 1979; and

(c) what is the average outflow on account of (a) profits and dividends and (b) royalty during the last three years?

THE MINISTER OF FINANCE AND INDUSTRY (SHRI R. VENKATARAMAN):

(a) A statement is laid on the Table of the House indicating data available for the latest period. See statement I below)