

*THE MADRAS CHAMBER
OF
COMMERCE AND INDUSTRY*

*COMPANY LAW AND CORPORATE MATTERS
COMMITTEE*

*MONTHLY NEWSLETTER -
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DO YOU KNOW

STATISTICAL INSIGHTS TILL JULY 2026

As on December 31, 2025, a total of 30, 30,432 companies were registered in the country. Out of these, 20,14,858 companies were active (comprising of 19,40,404 private companies and 74,454 public companies)

<i>Total number of Companies that are active as on 31.07.2026</i>	<i>21,55,827</i>
<i>Total number of LLPs that are active as on 31.07.2026</i>	<i>5,13,790</i>
<i>Total number of DINs approved in July 2026</i>	<i>63,833</i>
<i>Total number of companies struck off in July 2026</i>	<i>2,124</i>
<i>Total number of companies incorporated in July 2026</i>	<i>26,407</i>

Courtesy: Ministry of Corporate Affairs

List of All SEBI Regulations (Updated)

Issued Year	Regulations
1. 2026	Securities and Exchange Board of India (Mutual Funds) Regulations, 2026 [Last Amended on July 7, 2026] https://www.sebi.gov.in/legal/regulations/jul-2026/securities-and-exchange-board-of-india-mutual-funds-regulations-2026-last-amended-on-july-7-2026-_102780.html
2. 2026	Securities and Exchange Board of India (Stock Brokers) Regulations, 2026 https://www.sebi.gov.in/legal/regulations/jan-2026/securities-and-exchange-board-of-india-stock-brokers-regulations-2026_98974.html
3. 2025	Securities and Exchange Board of India (Procedure for making, amending and Reviewing of Regulations) Regulations, 2025 https://www.sebi.gov.in/legal/regulations/feb-2025/securities-and-exchange-board-of-india-procedure-for-making-amending-and-reviewing-of-regulations-regulations-2025_91954.html
4. 2025	Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 2025 https://www.sebi.gov.in/legal/regulations/dec-2025/securities-and-exchange-board-of-india-registrars-to-an-issue-and-share-transfer-agents-regulations-2025_98477.html
5. 2024	Securities and Exchange Board of India (Index Providers) Regulations, 2024 [Last Amended on November 28, 2024] https://www.sebi.gov.in/legal/regulations/nov-2024/securities-and-exchange-board-of-india-index-providers-regulations-2024-last-amended-on-november-28-2024-_89268.html
6. 2021	Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 [Last amended on September 3, 2025] https://www.sebi.gov.in/legal/regulations/sep-2025/securities-and-exchange-board-of-india-delisting-of-equity-shares-regulations-2021-last-amended-on-september-3-2025-_96548.html
7. 2021	Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 [Last amended on January 21, 2026] https://www.sebi.gov.in/legal/regulations/jan-2026/securities-and-exchange-board-of-india-issue-and-listing-of-non-convertible-securities-regulations-2021-amended-as-on-january-21-2026-_99288.html

8. 2021 Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 [Last amended on December 4, 2025]
<https://www.sebi.gov.in/legal/regulations/dec-2025/securities-and-exchange-board-of-india-share-based-employee-benefits-and-sweat-equity-regulations-2021-last-amended-on-december-4-2025-98638.html>
9. 2021 Securities and Exchange Board of India (Vault Managers) Regulations, 2021 [Last Amended on February 10, 2025]
<https://www.sebi.gov.in/legal/regulations/feb-2025/securities-and-exchange-board-of-india-vault-managers-regulations-2021-last-amended-on-february-10-2025-92416.html>
10. 2020 Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 [Last amended on September 03, 2025]
<https://www.sebi.gov.in/legal/regulations/sep-2025/securities-and-exchange-board-of-india-portfolio-managers-regulations-2020-last-amended-on-september-03-2025-96560.html>
11. 2019 Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 [Last amended on July 07, 2026]
<https://www.sebi.gov.in/legal/regulations/jul-2026/securities-and-exchange-board-of-india-foreign-portfolio-investors-regulations-2019-last-amended-on-july-07-2026-102902.html>
12. 2018 Securities and Exchange Board of India (Appointment of Administrator and Procedure for Refunding to the Investors) Regulations, 2018
<https://www.sebi.gov.in/legal/regulations/oct-2018/securities-and-exchange-board-of-india-appointment-of-administrator-and-procedure-for-refunding-to-the-investors-regulations-2018-40621.html>
13. 2018 Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018 [Last amended on July 6, 2026]
<https://www.sebi.gov.in/legal/regulations/jul-2026/securities-and-exchange-board-of-india-buy-back-of-securities-regulations-2018-last-amended-on-july-6-2026-103042.html>
14. 2018 Securities and Exchange Board of India (Depositories and Participants) Regulations 2018 [Last amended on November 22, 2025]
<https://www.sebi.gov.in/legal/regulations/nov-2025/securities-and-exchange-board-of-india-depositories-and-participants-regulations-2018-last-amended-on-november-22-2025-98196.html>

15. 2018 Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 *[[Last amended on March 21, 2026]*
<https://www.sebi.gov.in/legal/regulations/mar-2026/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-regulations-2018-last-amended-on-march-21-2026-100581.html>
16. 2018 Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 *[Last amended on November 28, 2024]*
<https://www.sebi.gov.in/legal/regulations/nov-2024/securities-and-exchange-board-of-india-settlement-proceedings-regulations-2018-last-amended-on-november-28-2024-89270.html>
17. 2018 Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 *[Last amended on November 22, 2025]*
<https://www.sebi.gov.in/legal/regulations/nov-2025/securities-contracts-regulation-stock-exchanges-and-clearing-corporations-regulations-2018-last-amended-on-november-22-2025-98205.html>
18. 2015 Securities and Exchange Board of India (Issue and Listing of Municipal Debt Securities) Regulations, 2015 *[Last amendment on July 08, 2026]*
<https://www.sebi.gov.in/legal/regulations/jul-2026/securities-and-exchange-board-of-india-issue-and-listing-of-municipal-debt-securities-regulations-2015-last-amendment-on-july-08-2026-102918.html>
19. 2015 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 *[Last amended on July 14, 2026]*
<https://www.sebi.gov.in/legal/regulations/jul-2026/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-regulations-2015-last-amended-on-july-14-2026-102974.html>
20. 2015 Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 *[Last amended on March 12, 2025]*
<https://www.sebi.gov.in/legal/regulations/mar-2025/securities-and-exchange-board-of-india-prohibition-of-insider-trading-regulations-2015-last-amended-on-march-12-2025-92672.html>
21. 2014 Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 *[Last amended on April 17, 2026]*
<https://www.sebi.gov.in/legal/regulations/apr-2026/securities-and-exchange-board-of-india-infrastructure-investment-trusts-regulations-2014-last-amended-on-april-17-2026-101012.html>

22. 2014 Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014 [Last amended on April 18, 2026]
<https://www.sebi.gov.in/legal/regulations/apr-2026/securities-and-exchange-board-of-india-real-estate-investment-trusts-regulations-2014-last-amended-on-april-18-2026-101013.html>
23. 2014 Securities and Exchange Board of India (Research Analysts) Regulations, 2014 [Last amended on November 25, 2025]
<https://www.sebi.gov.in/legal/regulations/nov-2025/securities-and-exchange-board-of-india-research-analysts-regulations-2014-last-amended-on-november-25-2025-98248.html>
24. 2013 Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 [Last amended on November 25, 2025]
<https://www.sebi.gov.in/legal/regulations/nov-2025/securities-and-exchange-board-of-india-investment-advisers-regulations-2013-and-securities-last-amended-on-november-25-2025-98246.html>
25. 2012 Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 [Last amended on July 14, 2026]
<https://www.sebi.gov.in/legal/regulations/jul-2026/securities-and-exchange-board-of-india-alternative-investment-funds-regulations-2012-last-amended-on-july-14-2026-102975.html>
26. 2011 Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 [Last amended on December 5, 2025]
<https://www.sebi.gov.in/legal/regulations/dec-2025/securities-and-exchange-board-of-india-substantial-acquisition-of-shares-and-takeovers-regulations-2011-last-amended-on-december-5-2025-98643.html>
27. 2011 Securities and Exchange Board of India {KYC (Know Your Client) Registration Agency} Regulations, 2011 [Last amended on February 10, 2025]
<https://www.sebi.gov.in/legal/regulations/feb-2025/securities-and-exchange-board-of-india-kyc-know-your-client-registration-agency-regulations-2011-last-amended-on-february-10-2025-92423.html>
28. 2009 Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009 [Last amended on September 2, 2025]
<https://www.sebi.gov.in/legal/regulations/sep-2025/securities-and-exchange-board-of-india-investor-protection-and-education-fund-regulations-2009-last-amended-on-september-2-2025-96546.html>

29. 2008 Securities and Exchange Board of India (Intermediaries) Regulations, 2008 [Last Amended on April 16, 2026]
<https://www.sebi.gov.in/legal/regulations/apr-2026/securities-and-exchange-board-of-india-intermediaries-regulations-2008-last-amended-on-april-16-2026-101073.html>
30. 2008 Securities and Exchange Board of India (Issue and Listing of Securitized Debt Instruments and Security Receipts) Regulations, 2008 [Last amended on July 06, 2026]
<https://www.sebi.gov.in/legal/regulations/jul-2026/securities-and-exchange-board-of-india-issue-and-listing-of-securitised-debt-instruments-and-security-receipts-regulations-2008-last-amended-on-july-06-2026-102674.html>
31. 2007 SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 [Last amended on July 15, 2025]
<https://www.sebi.gov.in/legal/regulations/jul-2025/securities-and-exchange-board-of-india-certification-of-associated-persons-in-the-securities-markets-regulations-2007-last-amended-on-july-15-2025-95599.html>
32. 2004 Securities and Exchange Board of India (Self-Regulatory Organizations) Regulations, 2004 [last amended on February 07, 2023]
<https://www.sebi.gov.in/legal/regulations/feb-2023/securities-and-exchange-board-of-india-self-regulatory-organisations-regulations-2004-last-amended-on-february-7-2023-69216.html>
33. 2003 SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 [Last amended on December 05, 2025]
<https://www.sebi.gov.in/legal/regulations/dec-2025/securities-and-exchange-board-of-india-prohibition-of-fraudulent-and-unfair-trade-practices-relating-to-securities-market-regulations-2003-last-amended-on-december-05-2025-98694.html>
34. 2001 SEBI (Procedure for Board Meetings) Regulations, 2001 [Last amended on December 9, 2022]
<https://www.sebi.gov.in/legal/regulations/dec-2022/securities-and-exchange-board-of-india-procedure-for-board-meetings-regulations-2001-last-amended-on-december-9-2022-66463.html>
35. 2001 Securities and Exchange Board of India (Employees' Service) Regulations, 2001 [Last amended on July 11, 2026]
<https://www.sebi.gov.in/legal/regulations/jul-2026/securities-and-exchange-board-of-india-employees-service-regulations-2001-last-amended-on-july-11-2026-103047.html>
36. 2000 Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000 [Last amended on July 10, 2026]
<https://www.sebi.gov.in/legal/regulations/jul-2026/securities-and-exchange-board-of-india-foreign-venture-capital-investors-regulations-2000-last-amended-on-july-10-2026-102904.html>

37. 1999 Securities and Exchange Board of India (Collective Investment Scheme) Regulations, 1999 [Last amended on December 05, 2025]
<https://www.sebi.gov.in/legal/regulations/dec-2025/securities-and-exchange-board-of-india-collective-investment-scheme-regulations-1999-last-amended-on-december-05-2025-98692.html>
38. 1999 Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999 [Last amended on January 15, 2026]
<https://www.sebi.gov.in/legal/regulations/jan-2026/securities-and-exchange-board-of-india-credit-rating-agencies-regulations-1999-last-amended-on-january-15-2026-99126.html>
39. 1996 Securities and Exchange Board of India (Custodian) Regulations, 1996 [Last Amended on July 08, 2026]
<https://www.sebi.gov.in/legal/regulations/jul-2026/securities-and-exchange-board-of-india-custodian-regulations-1996-last-amended-on-july-08-2026-102764.html>
40. 1994 Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994 [Last amended on February 10, 2025]
<https://www.sebi.gov.in/legal/regulations/feb-2025/securities-and-exchange-board-of-india-bankers-to-an-issue-regulations-1994-last-amended-on-february-10-2025-92444.html>
41. 1993 Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993 [Last amended on October 27, 2025]
<https://www.sebi.gov.in/legal/regulations/oct-2025/securities-and-exchange-board-of-india-debenture-trustees-regulations-1993-last-amended-on-october-27-2025-97887.html>
42. 1992 Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992 [Last amended on December 5, 2025]
<https://www.sebi.gov.in/legal/regulations/dec-2025/securities-and-exchange-board-of-india-merchant-bankers-regulations-1992-last-amended-on-december-5-2025-98640.html>

CIRCULARS ISSUED BY SEBI DURING THE MONTHS APRIL TO JULY 2026.

***ALL THE CIRCULARS ISSUED BY SEBI DURING THE PERIOD APRIL TO JULY 2026
WAS GIVEN AS AN ATTACHMENT TO NOTICE CONVENING THE FIRST MEETING
OF THE COMPANY LAW AND CORPORATE MATTERS COMMITTEE HELD ON
18.08.2026***

MASTER CIRCULARS ISSUED BY SEBI DURING THE PERIOD APRIL TO JULY 2026

<i>DATE</i>	<i>TITLE</i>
<i>Jul 14, 2026</i>	<i>Master Circular for Merchant Bankers</i>
<i>Jun 03, 2026</i>	<i>Master Circular for Alternative Investment Funds (AIFs)</i>
<i>May 15, 2026</i>	<i>Master Circular on Surveillance of Securities Market</i>

MINISTRY OF CORPORATE AFFAIRS

CIRCULARS & NOTIFICATION

ISSUED DURING THE PERIOD

(April – July 2026)

<i>Date of issue</i>	<i>Subject matter</i>	<i>Explanation</i>
<i>17.04.2026</i>	<i>Filling up of the post of Director General in the Competition Commission of India on deputation basis - extension of last date for submission of applications to 05.05.2026 reg.</i>	<i>The Competition Commission of India vide O.M. of even number dated 23.02.2026 had invited application for one post of Director General on deputation basis.</i> <i>The last date prescribed for receipt of applications in the Commission, complete in all respect, stands extended from 20th April, 2026 to 05th May, 2026 (by 05:00 PM).</i>

05.05.2026	<i>Filling up of the post of Director General in the Competition Commission of India on deputation basis - extension of last date for submission of applications to 15.05.2026 reg.</i>	<i>The Competition Commission of India vide O.M. of even number dated 23.02.2026 and 17.04.2026 had invited application for one post of Director General on deputation basis.</i> <i>The last date prescribed for receipt of applications in the Commission, complete in all respect, stands extended from 15th May, 2026.</i>
19.06.2026	<i>Relaxation in paying additional fees in case of delay in filing DPT-3 for Financial Year ended on 31 March 2026 up to 31st July 2026-reg.</i>	<i>The due date for filing Form DPT-3 (Return of deposits) is 30th of June 2026 for the Financial Year 2025-2026. In view of the capacity enhancement/restoration activities being done at Data Center consequent to a fire incident on 05/06/2026, it has been decided to allow companies to file Form DPT -3 for the financial year 2025-2026 without paying additional fees up to 31st July 2026.</i>
08.07.2026	<i>Extension of Companies Compliance Facilitation Scheme, 2026 (CCFS2026) up to 31st August 2026-reg.</i>	<i>The Ministry of Corporate Affairs had introduced the Companies Compliance Facilitation Scheme, 2026 (CCFS-2026) to provide an opportunity to companies to complete pending statutory filings. The Scheme is presently valid up to 15th July, 2026.</i> <i>In view of the capacity enhancement/restoration activities being done at data center consequent to a fire incident on 05.06.2026, it has been decided to extend the validity of the Companies Compliance Facilitation Scheme, 2026 (CCFS-2026) up to 31st August, 2026,</i>

MINISTRY OF CORPORATE AFFAIRS
NOTIFICATION ISSUED DURING THE PERIOD
(April – July 2026)

Date of Notification: 21.04.2026

G.S.R. 300(E).— In exercise of the powers conferred by sections 396, 398, 399, 403 and 404 read with sub-sections (1) and (2) of section 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules further to amend the Companies (Registration Offices and Fees) Rules, 2014, namely:—

1. Short title and commencement. - (1) These rules may be called the Companies (Registration Offices and Fees) Amendment Rules, 2026.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Companies (Registration Offices and Fees) Rules, 2014, in the Annexure, for item VII and the entries relating thereto, the following item and entries shall be substituted, namely:-

"(VII) FEE FOR FILING Form No. DIR-3 KYC Web under Rule 12A of the Companies (Appointment and Qualification of Directors) Rules, 2014,

<i>Fee for Form No. DIR-3 KYC Web</i>	<i>Amount (Rs.)</i>
<i>(i) The form is filed within the timeline provided in sub-rule (1) of rule 12A of the Companies (Appointment and Qualification of Directors) Rules, 2014</i>	NIL
<i>(ii) The form is filed after the timeline referred to in serial number (i), or filed for reactivation of DIN</i>	500
<i>(iii) Form DIR-3-KYC Web filed again at any time for any change as provided in subrule (2) of rule 12A of the Companies (Appointment and Qualification of Directors) Rules, 2014</i>	500 (for every filing)

Date of Notification: 27.05.2026

G.S.R. 415(E).— In exercise of the powers conferred by section 135 and sub-sections (1) and (2) of section 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules further to amend the Companies (Corporate Social Responsibility Policy) Rules, 2014, namely:-

1. Short title and commencement. - (1) These rules may be called the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2026.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Companies (Corporate Social Responsibility Policy) Rules, 2014 (hereinafter referred to as the said rules), in rule 2, in the sub-rule (1), -

(i) after clause (h), the following clause shall be inserted, namely: -

‘(ha) “Not for Profit Organization” has the same meaning as in clause (e) of regulation 292A of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.’;

(ii) after clause (k), the following clause shall be inserted, namely: -

‘(l) "zero coupon zero principal instrument" means an instrument declared as a security that is issued by a Not for Profit Organization registered with the Social Stock Exchange segment of a recognised Stock Exchange in accordance with the regulations made by the Securities and Exchange Board of India.’.

3. In the said rules, after rule 4, the following rule shall be inserted, namely:-

“4A Corporate Social Responsibility implementation through zero coupon zero principal instrument.-

(1) A company may carry out Corporate Social Responsibility activities through a zero coupon zero principal instrument:

Provided that the expenditure incurred for such instrument shall not exceed ten percent of the total Corporate Social Responsibility expenditure of such company for that financial year.

(2) The company that has subscribed in a zero coupon zero principal instrument shall be exempted from undertaking impact assessment of any project funded by such an instrument

(3) The Not for Profit Organisation issuing the zero coupon zero principal instrument and raising fund therefrom shall

(a). undertake a project with a duration not more than three succeeding financial years from the issue of such zero coupon zero principal instrument; and

(b). on termination of listing of such zero coupon zero principal instrument, transfer the unspent amount to any fund included in Schedule VII to the Act and submit its compliance report to the Securities Exchange Board of India;

(4) The provisions of rule 4, except sub-rules (5) and (6) shall be applicable to the implementation of Corporate Social Responsibility through a zero coupon zero principal instrument."

Date of Notification: 27th May, 2026

G.S.R. 416(E).— In exercise of the powers conferred by sub-section (1) of section 467 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following further amendments in the Schedule VII to the said Act, namely: —

In the said Schedule, after item (xii) and the entries relating thereto, the following item and entry shall be inserted, namely:

"(xiii) Subscription to zero coupon zero principal instruments on Social Stock Exchange."

Date of Notification: 1st June, 2026

G.S.R. 432(E).— In exercise of the powers conferred by section 247 read with sections 458,459 and 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules further to amend the Companies (Registered Valuers and Valuation) Rules, 2017, namely:-

1. Short title and commencement. – (1) These rules may be called the Companies (Registered Valuers and Valuation) Amendment Rules, 2026

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Companies (Registered Valuers and Valuation) Rules, 2017, in rule 12, in sub-rule (1), for clause (i) the following clause shall be substituted, namely:-

"(i) it has been registered under section 25 of the Companies Act, 1956 (1 of 1956) or section 8 of the Companies Act, 2013 (18 of 2013), having, -

(a) a minimum paid-up share capital of twenty-five lakh rupees;

(b) the sole object of dealing with matters relating to regulation of valuers of an asset class or asset classes;and

(c) bye-laws containing the requirements specified in Annexure –III: Provided that a registered valuer organisation which does not have the specified minimum paid-up capital as on the date of the commencement of the Companies (Registered Valuers and Valuation) Amendment Rules, 2026 shall comply with this requirement on or before 31st March, 2028

Date of Notification: 16th June, 2026

S.O. 3140(E).—In exercise of the powers conferred by sub-clause (ii) of clause (11) of section 2 of the Companies Act, 2013 (18 of 2013), the Central Government hereby specifies, for the purposes of the said sub-clause, the New Development Bank, established under an agreement including its Annexe amongst the Governments of Federative Republic of Brazil, the Russian Federation, the Republic of India, the People's Republic of China and the Republic of South Africa signed on 15th July, 2014 at the city of Fortaleza, Brazil and any amendment thereto.

NO NOTIFICATION HAS BEEN ISSUED IN THE MONTH OF JULY 2026.

KNOWLEDGE SHARING

Transmission of Securities: A Standardized, Investor Centric Framework under SEBI Circular dated 23rd July 2026

A professional update for Company Secretaries on the evolving law, process and governance expectations around transmission of securities

Introduction

Transmission of securities is not merely an administrative event in the life cycle of shareholding, it is a point at which corporate law, securities regulation, succession principles, investor protection and operational governance intersect.

For companies, registrars and transfer agents, depositories, depository participants and asset management companies, the process must balance two important considerations, respecting the legal rights of heirs, nominees and surviving holders, while ensuring that investors are not subjected to avoidable procedural delays at a sensitive time.

The circular issued by the Securities and Exchange Board of India (“SEBI”) on 23rd July 2026 is therefore significant not only as a procedural circular, but as a regulatory restatement of how transmission should be handled across market infrastructure. It has been issued under Regulation 40(7) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and the July 2026

amendment requires listed entities to comply with procedural requirements for transmission as specified by SEBI from time to time.

Transmission: Concept and Legal Character

Transmission is distinct from transfer and transposition. A transfer is a voluntary act between parties and generally requires an instrument of transfer. Transposition is swapping the order of shareholders in case of joint holding. Transmission, on the other hand, occurs by operation of law, most commonly on death, insolvency, succession or inheritance.

Section 56(2) of the Companies Act, 2013 preserves the power of a company to register a transmission upon receipt of an intimation of transmission of any right to securities by operation of law.

Section 56(4)(c) further requires delivery of certificates for securities that are transferred or transmitted within one month from receipt of the relevant instrument or intimation, unless prohibited by law, court order, tribunal order or other competent authority.

The Articles of Association also remain relevant. Table F, where adopted or where similar provisions exist in the articles, recognises the survivor or survivors in case of joint holding and the legal representatives in case of sole holding as the persons having title to the deceased member's interest.

For listed entities, this statutory foundation is supplemented by SEBI's procedural regime under Regulation 40 of the LODR Regulations.

Therefore, a Company Secretary should not look at SEBI's circular in isolation. The correct approach is to read the circular with Section 56, the Company's Articles, applicable succession law, depository requirements and investor service obligations.

Synopsis - SEBI's 2026 Framework: On Transmission of Securities

SEBI vide notification dated 10th July 2026, effective from 14th July 2026, substituted the requirements under Reg 40(7), empowering SEBI for specifying the procedural requirements for transmission of securities.

Thereafter, SEBI Circular dated 23rd July 2026, which is effective from 22nd August 2026, introduced a detailed framework for transmission of securities.

SEBI's 2026 circular is framed around two connected objectives: (i) ease of doing investment for investors and (ii) ease of doing business for regulated entities.

It applies to: (i) Listed Companies, (ii) registrars and share transfer agents ("RTAs"), (iii) depositories, (iv) depository participants ("DPs") and (v) asset management companies ("AMCs").

It covers transmission consequent to the demise of the sole holder or all joint holders of securities, but expressly excludes situations involving disputes, contesting claims or competing claims, which must be resolved through appropriate judicial or legal proceedings.

The most notable features of the framework are the introduction of Quick Transmission Processing ("QTP") for low value claims, rationalisation of thresholds for simplified documentation, standardisation of forms and supporting documents, recognition of QR code based death certificates, and removal of the mandatory requirement of probate of a Will in line with changes in succession related requirements.

The framework also requires monthly reporting by processing entities to SEBI for a limited period of 6 months in the prescribed format, thereby embedding supervisory visibility into implementation.

Importantly, SEBI has also directed processing entities to strive to extend the benefit of the simplified framework to requests received before the effective date, and not to require resubmission of documents already submitted merely because new formats have been introduced.

This transitional instruction reflects a practical regulatory intent: simplification should benefit investors immediately and should not become another ground for procedural rejection.

Key Definitions and Regulatory Concepts

The circular defines various terms, and these definitions are important because they standardise what earlier varied across companies, RTAs and intermediaries.

Glossary of Key Terms:

<i>Term</i>	<i>Meaning / Relevance</i>
<i>Apostille</i>	<i>A certificate authenticating the origin of a public document, (such as a birth, marriage or death certificate, judgment, register extract or notarial attestation), where the relevant countries are parties to the Hague Apostille Convention.</i>
<i>Processing Entities / Entity</i>	<i>(i) Listed companies, (ii) RTAs, (iii) depositories, (iv) depository participants and (v) AMCs responsible for processing transmission claims under the SEBI framework.</i>
<i>Relevant Authority</i>	<i>For legal heirship certificate or equivalent certificate purposes, a revenue authority not below the rank of Tehsildar or an equivalent authority.</i>
<i>Verifiable Death Certificate</i>	<i>Includes an:</i> <i>(i) original death certificate, or a copy attested by the nominee subject to verification with the original, or</i> <i>(ii) a copy attested by a notary public, or Gazetted Officer or Judicial Magistrate First Class, or</i> <i>(iii) a death certificate with QR code.</i>
<i>Quick Transmission Processing (QTP)</i>	<i>A low value transmission route introduced for small investors, available only to specified immediate relatives such as parents, spouse, children and parents-in-law, subject to monetary thresholds, and does not include siblings.</i>

<i>Simplified Documentation Category</i>	<i>A category for claims within the prescribed threshold where transmission may be processed with common documents, notarised indemnity bond and notarised affidavit-cum-NOC or family settlement deed, subject to applicable exceptions.</i>
<i>Above Threshold Category</i>	<i>Claims exceeding the simplified documentation threshold, requiring succession related documents such as Will, legal heirship certificate, succession certificate, letter of administration or court decree.</i>
<i>Client Master List (CML)</i>	<i>The latest demat account details of the claimant or nominee, required to enable credit of transmitted securities in dematerialised form.</i>
<i>Statement of Account (SOA)</i>	<i>A holding statement applicable particularly for mutual fund or unit holdings, which may be submitted where physical security certificates are not applicable.</i>
<i>Affidavit-cum-NOC</i>	<i>A combined affidavit and no objection declaration from legal heirs confirming identification, legal ownership claim, consent / no objection and related declarations.</i>
<i>Indemnity Bond</i>	<i>A notarised indemnity document furnished by legal heirs or claimants to protect the listed company, issuer, AMC, RTA, DP or depository against future claims or disputes arising from transmission.</i>
<i>Rule of Survivorship</i>	<i>In joint holdings, securities are transmitted to surviving joint holder(s) on production of the death certificate of the deceased joint holder, subject to the Articles of Association</i> .

Thresholds and Documentation Architecture

Category	Applicability	Indicative threshold	Key documents
Quick Transmission Processing	Very low value claims by immediate relatives (parents, spouse, children, parents-in-law) where no nomination exists	Physical(1): ₹10,000; Demat(2): ₹30,000	Transmission request cum undertaking, relationship proof, death certificate, CML and holding proof
Simplified documentation	Claims within the prescribed simplified documentation threshold	Physical(1): ₹10 lakh*; Demat(2): ₹30 lakh *Listed entity may, at its discretion, enhance the value of securities from the threshold limit of rupees ten lakhs, in case of securities held in physical mode.	Common documents, notarised indemnity bond and notarised affidavit cum NOC or family settlement deed
Above threshold	Claims exceeding the simplified documentation threshold	Physical: Above ₹10 lakh; Demat: Above ₹30 lakh	Common documents, affidavit cum NOC and succession document such as Will, legal heirship certificate, succession certificate, letter of administration or court decree

Scenario-wise Documentation: Detailed Analysis

The common documents remain constant:

- (i) Transmission Request Form (“TRF”) (Annexure-2 for QTP claims and Annexure-3 for other claims);*
- (ii) Latest client master list of the claimant(s) demat account;*
- (iii) Verifiable death certificate and*
- (iv) Original security certificate or copy of statement of account as applicable.*

Additional documents then depend on whether the claim falls under QTP, simplified documentation or above-threshold documentation.

- ✓ QTP is limited to immediate relatives - parents, spouse, children and parents-in-law, and requires a transmission request form cum undertaking on plain paper together with relationship proof.*
- ✓ The simplified documentation category requires a notarised indemnity bond and a notarised affidavit cum NOC from all legal heirs, or alternatively a family settlement deed executed by all legal heirs and duly attested or approved as prescribed.*
- ✓ For above threshold cases (i.e. claims exceeding the simplified threshold), the claimant must provide an affidavit-cum-NOC and one of the recognised succession documents: copy of Will, legal heirship certificate or equivalent, succession certificate, letter of administration or court decree, with indemnity where applicable.*

Where a nomination exists, the process is deliberately lean. The nominee must file the prescribed transmission request form, provide the latest client master list of the demat account, submit a verifiable death certificate and furnish the original security certificate or statement of account wherever applicable.

The nominee route is not dependent on claim value, because the nominee’s role is recognised as the operative discharge mechanism for the regulated entity.

Where there is no nomination, the framework moves to a value based risk model.

Nomination, Legal Heirs and the Trustee Principle

Where a valid nomination has been registered, SEBI's framework permits transmission to the nominee upon submission of the prescribed transmission request form, latest client master list of the nominees demat account, verifiable death certificate and original security certificate or statement of account, as applicable.

However, the nominee receives the assets as a trustee on behalf of the legal heirs of the deceased holder. This reflects the settled legal position that nomination facilitates discharge and administrative transmission but does not, by itself, conclusively determine beneficial succession against lawful heirs.

A regulated entity is fully discharged from liability upon transmission to the nominee in accordance with the prescribed procedure. If one nominee predeceases the investor and the nomination is not changed, the assets attributable to the deceased nominee are to be distributed among the surviving nominees on a pro rata basis.

These provisions underscore the importance of periodic review of nominations by investors and of robust nominee records by companies and intermediaries.

Case Law: Nomination does not override the Succession laws

In Shakti Yazdan VS Jayanand Jayant Salgaonkar case, the Supreme Court of India has ruled stating that Nomination process does not override the succession laws and therefore, upon the security holder's death, the nominee would not get an absolute title to the subject matter of nomination.

It was opined that the statutory provisions allow for the liability to be moved from the company or the depository to the nominee, but the nominee continues to hold the shares/securities in fiduciary capacity and is also answerable to all claims in the succession law. Also, a bequest made in a Will executed in accordance with the Indian Succession Act, 1925 in respect of shares or securities of the deceased, supersedes the nomination.

Briefly, the Supreme Court held that:

- *A nominee does not become the absolute owner of the shares merely because of the nomination.*
- *The nominee receives the securities for the limited purpose of dealing with the company/depository after the shareholder's death.*
- *The nominee does not get a superior right over the legal heirs.*
- *The Will or applicable succession law will determine who ultimately owns the shares/securities.*
- *Nomination under the Companies Act does not create a separate or “third mode” of succession.*

In simple terms, a nominee is essentially the person authorised to receive/deal with the securities initially, but the ultimate ownership is decided according to the Will or Succession law.

Rule of Survivorship in Joint Holdings

In joint holdings, the rule of survivorship has special significance.

Clause 23 of Table F in Schedule I read with Section 56(2) & 56(4)(c) to the Companies Act, 2013, provides that, on the death of a member, the survivor(s) where the deceased was a joint holder, and the legal representatives where the deceased was a sole holder, are the only persons recognised by the company as having title to the deceased member's interest in the shares.

SEBI's circular reiterates that, subject to there being nothing contrary in the Articles of Association, securities must be transmitted in favour of surviving joint holder or holders on production of the death certificate of the deceased joint holder.

This is a crucial compliance point. Processing entities should not insist on KYC documents, indemnities, undertakings or legal heir documents from surviving joint holders in routine survivorship cases, unless the company's articles provide otherwise or a legal prohibition applies.

*The regulatory emphasis is clear: **survivorship transmission should not be converted into a succession adjudication exercise.***

Cross Border Death Certificates and Verification

The circular also addresses increasingly common cross border situations.

Where the death certificate is issued outside India, the entity must accept a certified true copy:

- *certified by a court, magistrate, judge or notary public in the country of issuance; or*
- *singularised by the Indian embassy or consulate; or*
- *apostilled; or*
- *certified by authorised officials of overseas branches of scheduled commercial banks registered in India or overseas banks having correspondent banking relationships with Indian banks.*

If the document is not in English, a self certified English translation must accompany the certified copy of the original.

Annexures prescribed under the SEBI framework

A notable feature of the circular is that it does not merely state principles; it provides model annexures to standardise implementation across processing entities.

These annexures are intended to reduce interpretational gaps, prevent entity specific documentation practices and make the investor facing process more predictable.

<i>Annexure</i>	<i>Purpose</i>	<i>Practical relevance for companies and RTAs</i>
<i>Annexure 1</i>	<i>Simplified Grid for documentation requirement for transmission of securities.</i>	<i>Serves as the master checklist for identifying whether the claim falls under:</i> <i>(i) QTP,</i> <i>(ii) simplified documentation or</i> <i>(iii) above-threshold documentation</i> <i>and what documents are required in each case.</i>
<i>Annexure 2</i>	<i>Transmission Request Form cum Undertaking for QTP claims where no nominee is registered.</i>	<i>Designed for very low value claims by specified immediate relatives.</i> <i>It can be submitted on plain paper and captures claimant details, deceased holder details, relationship proof, holding particulars and claimant undertaking.</i>
<i>Annexure 3</i>	<i>Transmission Request Form for cases other than QTP.</i>	<i>Used for:</i> <i>(i) Nominee claims,</i> <i>(ii) Simplified documentation claims and</i> <i>(iii) Above-threshold claims.</i> <i>It captures claimant/nominee/legal heir details, securities details, KYC related information for SOA holdings, consent by other nominees where relevant and a document checklist.</i>

Annexure 4	Indemnity Bond for transmission where the deceased sole holder / all holders died without registering a nominee.	Provides the prescribed indemnity structure to protect the listed company, issuer, AMC, RTA, DP and depository where transmission is processed without insisting on a succession certificate, probate, letter of administration or court order, as permitted under the framework.
Annexure 5	Affidavit cum No Objection Declaration from claimant and non-claimant legal heirs.	Combines: (i) identification, (ii) claim confirmation, (iii) relinquishment/no-objection and (iv) indemnity related declarations into one standard document, replacing separate affidavit and NOC practices.

From a governance perspective, these annexures should be adopted as standard operating templates rather than treated as optional reference material.

The Company Secretary should ensure that:

- (i) The forms uploaded on the company / RTA website are as per the SEBI formats;*
- (ii) Investor service teams use the annexure wise checklist while acknowledging claims,*
- (iii) No additional format is insisted upon unless expressly justified under the circular.*

The annexures also support consistency in board level reporting and audit review, because they create a common language for categorising claims and tracking deficiencies.

A noteworthy reform is the removal of the mandatory requirement of probate of Will.

Probate may still be relevant where the applicable succession law or facts require it, and it remains one of the court issued documents that may be furnished.

However, the SEBI framework no longer treats probate as an automatic pre condition in all Will based transmission cases. This is a practical and investor friendly change, especially for families dealing with low or moderate value securities, where insisting on probate could be disproportionate.

Valuation

The value of listed securities is to be determined on the basis of the previous closing price at any recognised stock exchange, while mutual fund units are valued on the basis of the last available net asset value.

This is important because the applicable documentation route depends on the value of the claim and the mode in which the securities are held.

Operational Process and Timelines

The framework requires processing entities to make standardised forms available physically and, on their websites, together with checklists and guidance for different scenarios.

On receipt of documents, the entity must acknowledge the claim and, at that stage itself, indicate any missing, incomplete or incorrect documents. The entity may additionally offer an online facility for submitting such claims.

Once all required documents are received, a confirmation must be issued that the claim is complete for processing.

SEBI prescribes a settlement period not exceeding 21 calendar days from the date of receipt of all required documents associated with the claim.

If the claim is delayed or rejected, reasons must be communicated in writing. Where delay is attributable to the entity, SEBI may take appropriate action under the relevant laws, regulations and circulars.

For transmission involving securities held in physical mode: The claimant should have the original security certificate(s) (except for cases which fall under duplicate cum transmission).

Post verification transmission is linked with dematerialisation, and credit is to be made directly to the demat account of the security holder or claimant.

The RTA shall retain the physical securities as per the existing procedure and deface the certificate with a stamp "Securities issued in dematerialised form" on the face/ reverse of the certificate, after processing of service request.

Risk Controls and Records for Processing Entities

The framework gives limited discretion to seek additional documents in above threshold cases, but such discretion must be exercised with discipline.

Reasons should be recorded in writing, requirements should be consistent across processing entities and across similar cases, and additional documents should not be sought as a routine defensive practice.

A robust audit trail should capture the date of receipt, deficiency communication, date of receipt of complete documents, approval or rejection, reasons for rejection, demat credit confirmation and investor communication.

For the first six months under the revised framework, processing entities are required to report monthly data to SEBI on QTP, simplified and above-threshold cases, including opening pendency, cases received, approved, rejected, cases where additional documents were sought with reasons, and closing pendency through email on rta@sebi.gov.in. I am of the view that this report shall be sent by RTA / DP by marking a copy to the processing entity in the email.

Governance Implications for Company Secretaries

For Company Secretaries, the revised framework is more than a procedural update. It requires alignment of Articles, internal standard operating procedures, RTA service level expectations, investor grievance processes and board reporting.

The compliance function should periodically review whether transmission requests are being handled within the prescribed timeline, whether deficiencies are communicated at the first acknowledgement stage, whether additional documents are sought only where permitted and for recorded reasons, and whether survivorship cases are processed without unnecessary insistence on heirship documents.

Practical Compliance Checklist

- ✓ *Map every transmission scenario: nomination, no nomination, joint holding survivorship, QTP, simplified, above-threshold, and foreign death certificate cases.*
- ✓ *Align the Articles of Association, RTA mandate, investor grievance SOP and website disclosures with the revised SEBI framework.*
- ✓ *Publish and use SEBI prescribed annexure wise forms as detailed above.*
- ✓ *Ensure the acknowledgement process clearly identifies missing, incomplete or incorrect documents at the first checkpoint.*
- ✓ *Track the 21 calendar day settlement period from the date of receipt of complete documents.*
- ✓ *Avoid seeking KYC, indemnity or heirship documents from surviving joint holders in routine survivorship cases, unless the articles or a legal order require otherwise.*
- ✓ *Create a written approval matrix for additional document requests in above-threshold cases.*
- ✓ *Maintain monthly MIS on pendency, approvals, rejections, reasons for delay and RTA performance.*
- ✓ *Train investor service teams on the distinction between legal ownership, nominee discharge and succession adjudication.*
- ✓ *Place periodic updates before the Stakeholders Relationship Committee or Board, especially where transmission grievances are material.*

Conclusion

The revised transmission framework represents a decisive move from document accumulation to risk based documentation.

SEBI's 2026 circular, Regulation 40(7) of the LODR Regulations, Section 56 of the Companies Act, 2013 and the rule of survivorship under Table F collectively create a coherent legal and procedural regime. For IEPF claims, Schedule II of IEPF Rules shall continue.

For investors, the framework promises clarity, speed and reduced hardship.

For listed companies and intermediaries, it demands consistency, documentation discipline and accountable timelines.

For Company Secretaries, it presents a wider governance responsibility to ensure that transmission is handled not as a clerical share registry function, but as an investor protection process grounded in law, empathy and institutional integrity.

With special thanks to Dr. B. Ravi, Chairman , Company Law and Corporate Matters Committee of MCCI and every Members of the Committee.

CS R. Prakash
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HC Kothari Group of Companies, Chennai

The views expressed in the Article are that of the author, Mr CS R Prakash, and any clarification you may please write to him and he will be too pleased to provide the clarification.

I as the Chairman of the Committee on my own behalf and on behalf of all the members of the Committee thank Mr R Prakash for readily agreeing to provide a write up on the subject matter he articulated on 18.08.2026 at the committee meeting and he has extensively covered the whole subject matter in his own inevitable style.

Unlocking Hidden Equity:

How Bonus Debentures Create Value Without Depleting Liquidity

Executive Summary

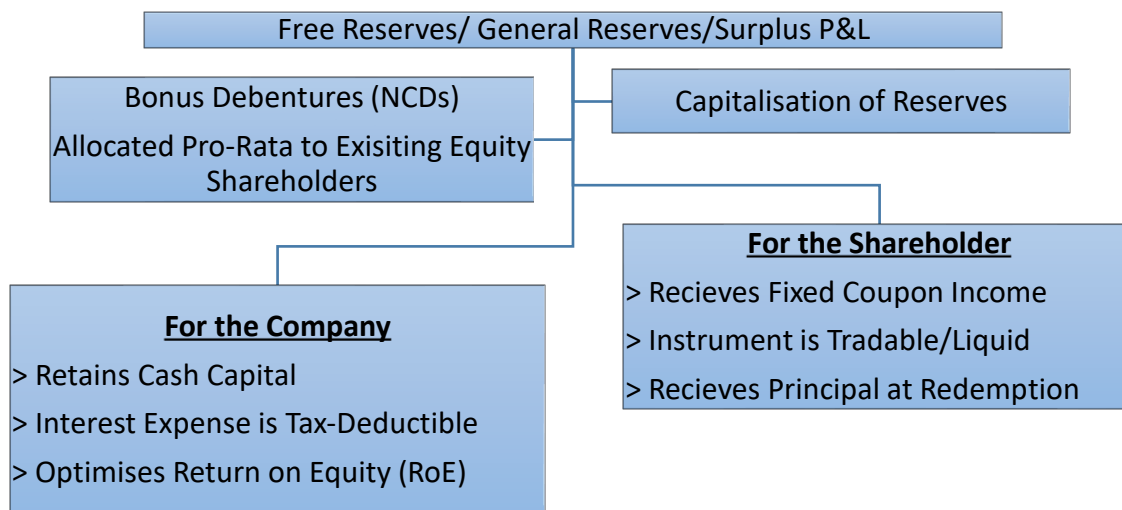
In corporate financial strategy, returning surplus wealth to equity holders while conserving liquid reserves for core operations, debt obligations, or aggressive capital expenditure represents a fundamental financial challenge. Traditional capital allocation pathways present distinct trade-offs: cash dividends trigger immediate liquidity outflows; stock splits create no economic value; equity bonus issues expand the paid-up share capital base without providing immediate income, often diluting future Earnings Per Share (EPS).

Enter Bonus Debentures—a hybrid corporate restructuring mechanism through which a company capitalizes its free reserves or retained earnings to issue fully paid debt securities (Non-Convertible Debentures or NCDs) to existing shareholders in a fixed ratio, without requiring any cash consideration from the recipients.

For mature companies with cash-generative operations, under-leveraged balance sheets, and substantial accumulated reserves, bonus debentures represent an optimal capital restructuring instrument. From a Secretarial, Legal, and Governance standpoint, executing a bonus debenture transaction requires precise alignment across corporate law, securities regulations, tax codes, debenture trust frameworks, and judicial approval processes.

1. Conceptual Framework and Mechanics

A bonus debenture issue converts retained earnings or accumulated free reserves into long-term debt liabilities owed to existing equity shareholders. Unlike standard debt issuances designed to raise fresh working capital from external financial institutions or public investors, bonus debentures are distributed pro-rata to existing equity shareholders as a corporate entitlement.



Capital Structure Impact

When a company issues bonus debentures:

- *Reserves & Surplus Account: Debited by an amount equal to the total face value of the debentures issued.*
- *Long-Term Borrowings (Non-Current Liabilities): Credited by the corresponding total face value, establishing a formal creditor-debtor relationship between the company and its equity shareholders.*
- *Paid-Up Equity Capital: Unchanged. EPS is not diluted by an increased share count, preserving equity metrics.*

2. Strategic Advantages and Comparative Evaluation

To evaluate the corporate rationale behind issuing bonus debentures, governance boards and corporate secretarial teams must weigh them against alternative capital distribution mechanisms.

Financial & Strategic Attribute	Cash Dividend	Equity Bonus Shares	Bonus Debentures
Immediate Cash Outflow	High (Immediate liquidity drain)	Zero	Zero (Only ongoing coupon/interest obligations)
Share Base & EPS Impact	Unchanged	Expands share count (Dilutes EPS)	Unchanged (Preserves equity EPS)
Capital Structure (Debt/Equity)	Decreases equity via cash payout	Reallocates within Shareholders' Funds	Optimizes balance sheet by increasing leverage
Corporate Tax Deductibility	Payout made from Post-Tax Profit (PAT)	No tax impact for issuer	Interest paid is tax-deductible (Shields income)
Investor Income Profile	Discretionary, variable payout	Depends on share sale / future dividends	Fixed, predictable interest income + capital redemption
Secondary Market Liquidity	N/A	Highly liquid via equity trading	Tradable on debt segments of stock exchanges

Key Strategic Benefits

Tax Efficiency via Interest Deductibility: Coupon payments made on bonus debentures qualify as business expenses under section 36(1)(iii) of the Income Tax Act, 1961. This creates a corporate tax shield that lowers the effective cost of servicing the capital compared to non-deductible dividend payouts.

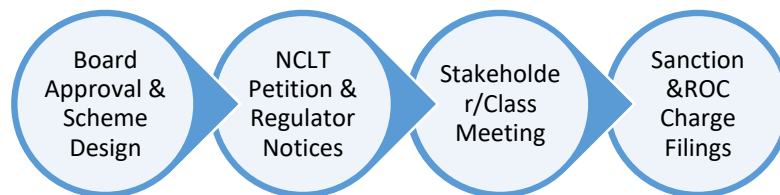
Enhancement of Financial Ratios: Capitalizing general reserves into debt optimizes the company's Debt-to-Equity ratio. Reducing total equity while maintaining operating profit enhances the company's Return on Equity (RoE) and Return on Capital Employed (ROCE).

Protection of Core Liquidity: Companies planning mid-to-long-term capital expenditure (e.g., plant expansions, technology acquisitions) can reward shareholders without drawing down liquid cash reserves.

Creation of Tradable Liquidity for Shareholders: Listed bonus debentures provide shareholders with a liquid fixed-income asset. Investors requiring cash can sell the debentures in the secondary debt market without reducing their equity stake or voting power in the company.

3. Regulatory, Statutory, and Governance Framework

Executing a bonus debenture issue requires strict compliance with company law, securities regulations, listing agreements, and accounting standards.



The Scheme of Arrangement Route (NCLT Supervision)

In India, the Companies Act, 2013 does not explicitly outline a standalone direct route for issuing bonus debentures in the same manner as Section 63 governs bonus shares. Consequently, corporate practice mandates structuring the issuance as a Scheme of Arrangement under Sections 230 to 232 of the Companies Act, 2013.

- *Judicial Sanction: The National Company Law Tribunal (NCLT) must sanction the scheme. This statutory process ensures that the rights of all stakeholder classes—equity holders, preference shareholders, secured creditors, and unsecured creditors—are preserved.*

- *Binding Nature: Once sanctioned by the NCLT and filed with the Registrar of Companies (ROC), the scheme becomes legally binding on the company, its shareholders, and its creditors.*

Provisions under the Companies Act, 2013

- *Section 71 (Issue of Debentures): Mandates compliance with rules regarding debenture creation, redemption terms, and the appointment of an independent Debenture Trustee.*
- *Section 71(4) & Debenture Redemption Reserve (DRR): The company must create a DRR out of profits available for dividend distribution to back the redemption obligation. Under current Indian regulations (Companies Share Capital and Debentures Rules), listed companies, NBFCs, and HFCs enjoy specific exemptions from DRR creation, but unlisted entities must comply.*
- *Section 125 (IEPF Rules): Any unpaid or unclaimed interest or redemption proceeds remaining unclaimed for seven years must be transferred to the Investor Education and Protection Fund.*

SEBI Regulatory Compliance (For Listed Entities)

SEBI (LODR) Regulations, 2015:

- *Regulation 29: Prior notice of at least two working days must be provided to stock exchanges regarding the Board meeting scheduled to consider the scheme/bonus debenture proposal.*
- *Regulation 30: Immediate disclosure of board decisions, material outcomes, NCLT orders, and scheme updates.*
- *Regulation 51 & Schedule III (Part B): Disclosure of prompt information regarding non-convertible debt securities.*

SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (NCS Regulations):

Governs the appointment of a SEBI-registered Debenture Trustee, execution of the Debenture Trust Deed (DTD), creation of underlying security (if secured), obtaining credit ratings from recognized agencies, and obtaining listing approval from BSE/NSE.

4. Taxation Architecture for Issuer and Investor

Tax implications heavily influence the structural design of a bonus debenture program.

A. Deemed Dividend Exposure

Under Section 2(22)(a) or Section 2(22)(ea) of the Indian Income Tax Act, 1961, any distribution by a company to its shareholders of debentures, debenture-stock, or deposit certificates, to the extent of accumulated profits, is classified as a Deemed Dividend.

- *Taxation at Allotment: At the time of issuing and allotting bonus debentures, the market or face value credited is treated as dividend income in the hands of the shareholders.*
- *Tax Deducted at Source (TDS): The company must withhold tax under Section 194 (for resident shareholders) or Section 195 (for non-resident shareholders) upon the distribution/allotment of the debentures.*

B. Taxation of Periodic Interest Income

- *For the Investor: Interest earned annually on bonus debentures is taxable under the head "Income from Other Sources" at the investor's applicable slab rate.*
- *For the Company: Interest paid on debentures is treated as a deductible financial expense under Section 36(1)(iii), reducing the company's overall taxable corporate income.*

C. Capital Gains on Secondary Market Sales & Redemption

- *Cost of Acquisition: For calculating capital gains when selling debentures on the stock exchange, the cost of acquisition is generally deemed to be the face value (or the amount considered as deemed dividend at allotment).*
- *Holding Period Rules: Listed debentures held for more than 12 months qualify as long-term capital assets, subjecting gains to applicable capital gains tax rates without indexation benefits.*

5. End-to-End Secretarial Execution Workflow

A Company Secretary leads the regulatory, governance, and administrative processes required for a bonus debenture issue.

Step 1: Preliminary Governance & Due Diligence

Constitutional Audit: Review the Articles of Association (AOA) to confirm explicit authorization for capitalizing reserves and issuing debentures via a Scheme of Arrangement. If absent, pass a Special Resolution under Section 14 to amend the AOA.

Capital & Financial Auditing: Verify free reserves, general reserves, and retained earnings with the statutory auditors to confirm sufficient funds for capitalization.

Step 2: Board Approval & Scheme Formulation

Draft the detailed Scheme of Arrangement specifying:

Entitlement ratio (e.g., 1 Debenture for every 1 Equity Share held).

Face value, coupon rate (fixed or floating), tenure, and redemption structure.

Security creation terms (if issuing secured NCDs).

Convene a Board Meeting with proper notice under Section 173. Pass resolutions approving:

- *The Scheme of Arrangement.*

- *Draft valuation reports and fairness opinions from Registered Valuers / Merchant Bankers.*
- *Application filings to BSE, NSE, SEBI, and NCLT.*

Step 3: Stock Exchange & SEBI In-Principle Approvals

Submit the draft scheme to the stock exchanges along with the valuation report, fairness opinion, compliance certificates under SEBI Regulation 11/37, and audit reports.

Address regulatory queries to secure Observation Letters / No-Objection Certificates (NOC) from BSE, NSE, and SEBI before proceeding to the NCLT.

Step 4: NCLT Petition & Stakeholder Meetings

File an application under Section 230(1) before the jurisdictional NCLT bench seeking directions to convene or dispense with meetings of equity shareholders, preference shareholders, secured creditors, and unsecured creditors.

Issue notices of NCLT-convened meetings (Form CAA.2) accompanied by explanatory statements under Section 230(3) at least 30 clear days prior to the meeting date.

Serve formal notices to statutory authorities: Income Tax Department, Registrar of Companies, Regional Director, SEBI, and Reserve Bank of India (if applicable).

Conduct the meetings. Secure approval from a majority in number representing three-fourths (75%) in value of the creditors or shareholders present and voting.

Step 5: NCLT Sanction & Statutory Filings

File the final petition before the NCLT for sanctioning the scheme.

Upon receiving the NCLT order sanctioning the scheme, file Form INC-28 with the ROC within 30 days of receiving the certified copy to make the scheme legally effective.

Step 6: Trustee Execution, Allotment, & Listing

Execute the Debenture Trust Deed (DTD) with the SEBI-registered Debenture Trustee within prescribed timelines.

Create underlying security over assets (for secured debentures) and file Form CHG-9 with the ROC within 30 days.

Fix the Record Date in coordination with stock exchanges to determine shareholder eligibility.

Pass a Board/Committee resolution allotting the Bonus Debentures and issue demat credits to shareholders' beneficiary accounts via NSDL and CDSL.

Apply for final trading approval from BSE/NSE to list the debt instruments on the exchange's debt segment.

6. Comprehensive Precedent Analysis: Landmark Indian Cases

Examining real-world precedents illustrates how major corporations have leveraged bonus debentures to meet specific financial and governance objectives.

Case Study 1: NTPC Limited (2015) — Capital Restructuring at Scale



Background & Financial Context

In 2015, Maharatna PSU NTPC Limited faced a dual requirement: optimizing its financial metrics to improve Return on Equity (RoE) while preserving cash for a multi-billion-dollar thermal and renewable energy power project pipeline. Dividend

payouts would have depleted the liquid capital needed for power station construction.

Structural Execution

- *Scheme Route: Executed a Scheme of Arrangement under Sections 391–394 of the Companies Act, 1956 (NCLT/High Court mechanism).*
- *Ratio: Issued 1 fully paid Secured Non-Convertible Debenture of face value ₹50 each for every 1 existing equity share of ₹10 each.*
- *Volume: NTPC capitalized ₹10,306.83 Crore from its General Reserve, representing one of the largest debt creations via capitalization of reserves in global corporate history.*
- *Terms: 10-year tenure bearing a coupon of 8.49% p.a., payable annually, benchmarked against prevailing 10-year Government Securities (G-Sec) yields.*

Corporate & Secretarial Outcomes

- *Cash Preservation: NTPC preserved over ₹10,000 Crore in immediate liquid funds, funding capital projects without increasing third-party bank debt.*
- *Tax Optimization: Interest payments on ₹10,306 Crore provided NTPC with substantial annual corporate tax deductions, lowering its effective cost of capital.*
- *Shareholder Value: Investors received a secure, tradable asset yielding predictable income (8.49% p.a.), backed by security over company assets.*

Case Study 2: Hindustan Unilever Limited (HUL, 2001) — Innovating Capital Allocation

Background & Financial Context

Hindustan Unilever Limited (HUL) accumulated massive cash reserves through its high-margin Fast-Moving Consumer Goods (FMCG) operations. With minimal debt and modest capital expenditure requirements, the company sought an efficient,

tax-effective method to return value to shareholders while optimizing its capital base.

Structural Execution

First of Its Kind in India: HUL pioneered the bonus debenture concept in India by structuring a Scheme of Arrangement sanctioned by the Bombay High Court.

Ratio: Issued 1 Bonus Debenture of face value Rs. 6 each for every 1 equity share of Re 1 face value.

Coupon & Tenure: 9% p.a. coupon with a short tenure of 3 years.

Corporate & Secretarial Outcomes

- *Capital Optimization: Restructured HUL's balance sheet by introducing debt into an all-equity capital structure, elevating its RoE and ROCE metrics.*
- *Model Establishment: Created the legal and procedural blueprint in India for using Court-sanctioned Schemes of Arrangement to capitalize reserves into debt.*

Case Study 3: Britannia Industries Limited (2019 & 2021) — Managing Shareholder Returns

Background & Financial Context

Britannia Industries Limited, a major food products company, sought to reward shareholders during periods of heightened market volatility while preserving working capital to manage raw material inflation.

Structural Execution

- *2019 Issue: Issued 1 Secured NCD of face value ₹60 for every 1 equity share held, capitalizing ~₹720 Crore from General Reserves.*
- *2021 Issue (Bonus Commercial Paper / NCD Hybrid Scheme): Issued Non-Convertible Debentures and Commercial Papers via a Scheme of Arrangement to distribute surplus funds efficiently.*

Corporate & Secretarial Outcomes

- *Financial Flexibility: Allowed Britannia to continuously reward shareholders without reducing liquidity during unpredictable market conditions.*
- *Demonstrated Repeatability: Showed that mature, cash-generative businesses can use bonus debentures periodically as part of an active capital management strategy.*

7. Comparative Analysis Matrix: Precedent Case Studies

Parameter	NTPC Limited (2015)	Hindustan Unilever (2001)	Britannia Industries (2019)	Britannia Industries (2021)
Industry Sector	Power & Infrastructure	FMCG	FMCG / Food Processing	
Total Transaction Value	₹10,306.83 Crore	~₹1,320 Crore	~₹720 Crore	₹698.52 Crore
Entitlement Ratio	1 NCD (₹50 Face Value) for 1 Equity Share (₹10 Par)	1 NCD (₹6 Face Value) for 1 Equity Share (Re 1 Par)	1 NCD (₹60 Face Value) for 1 Equity Share (₹1 Par)	1 NCD (₹29 Face Value) for 1 Equity Share + Cash Dividend (₹12.50)
Tenure & Redemption	10 Years	3 Years	3 Years	3 Years
Coupon / Return	8.49% p.a. (Fixed)	9% p.a. (Fixed)	~8% p.a. (Fixed)	5.50% p.a. (Fixed)
Primary Corporate Driver	Defer capital payout to retain cash for massive power capex	Distribute surplus cash & introduce debt to optimize equity balance	Reward shareholders while managing operational liquidity volatility	Efficient capital payout post-COVID-19 market boom while keeping cash reserves strong
Security Cover	Secured by underlying power generation assets	Unsecured	Secured by company assets	Unsecured (Listed Non-Convertible Debentures)

Regulatory Framework	<i>High Court / NCLT Scheme of Arrangement</i>	<i>High Court of Scheme of Arrangement</i>	<i>NCLT Scheme of Arrangement</i>	<i>NCLT Scheme of Arrangement (Kolkata Bench)</i>
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8. Governance Checklist and Operational Blueprint

For Company Secretaries, Chief Financial Officers, and Legal Counsel, the following operational checklist outlines the steps required to execute a bonus debenture program smoothly.

- Step 1 Article Authorisation (Verify/Amend)*
- Step 2 Auditor Certification of Free Reserves & Retained Earnings*
- Step 3 Board Resolution approving Scheme of Arrangement & Ratio*
- Step 4 Merchant Banker Fairness Opinion & Valuation Reports*
- Step 5 Draft Scheme submission to BSE/NSE for In-principle approval*
- Step 6 First NCLT Motion (Application for convening/dispensing meetings)*
- Step 7 Issue Form CAA.2 Notices (30 Clear days) to shareholders & Regulators*
- Step 8 Conduct NCLT Meeting (secure 75% Majority in value)*
- Step 9 Second NCLT Motion (Filing final petition for scheme sanction)*
- Step 10 File form INC-28 with ROC within 30 days of NCLT Order*
- Step 11 Execute Debenture Trust Deed & Appoint SEBI Debenture Trustee*
- Step 12 Register Security charge via ROC Form CHG-9 (within 30 days)*
- Step 13 Establish record date & Credit Demat NCDs via NSDL/CDSL*
- Step 14 Final trading listing applications with BSE and NSE*

Risk Management Considerations

1. *Interest Coverage Ratio (ICR) Monitoring: The Board must ensure that future operational earnings (EBIT) can comfortably service the recurring coupon obligations throughout the debenture tenure.*
2. *Deemed Dividend Tax Withholding: The secretarial and tax teams must prepare for immediate TDS compliance upon allotment, ensuring clear communication to shareholders regarding tax deductions.*
3. *Debenture Redemption Reserve (DRR) & Sinking Funds: Ensure accounting teams maintain appropriate reserves and liquid investments to fulfill statutory redemption commitments upon maturity.*

Conclusion

Bonus debentures represent a sophisticated capital management tool at the intersection of corporate finance, law, and corporate strategy. By converting accumulated free reserves into long-term debt liabilities, companies can reward equity holders, preserve core liquidity for growth, create tax deductible interest expenses, and improve key financial metrics like Return on Equity.

Executing a successful bonus debenture issue requires rigorous corporate governance and legal adherence. For the Company Secretary, leading this process—from navigating NCLT Court-sanctioned schemes and managing SEBI regulations to securing ROC charge filings—demonstrates the strategic value of governance professionals in shaping long-term corporate financial policy.

Disclaimer:-

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I as the Chairman of the Committee on my own behalf and on behalf of all the members of the Committee thank Mrs. ***C V Kavviya*** for accepting my request to write an article for the Newsletter. She without any hesitation readily agreed to the same and have written on **Unlocking Hidden Equity: How Bonus Debentures Create Value Without Depleting Liquidity** for this issue which is reproduced supra and I am sure the readers will be immensely benefitted with the details she has given.



HAPPY KRISHNA JAYATHI

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SHARING KNOWLEDGE IS ADDING VALUE

CS DR B RAVI
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COMPANY LAW AND CORPORATE MATTERS COMMITTEE