

Companies may issue debt to non-residents as bonus, says RBI

The Reserve Bank today allowed Indian companies to issue non-convertible or redeemable preference shares or debentures to non-resident shareholders from their reserves as bonus.

"On a review and with a view to rationalising and simplifying the procedures, it has been decided that an Indian company may issue non-convertible/redeemable preference shares or debentures to non-resident shareholders...by way of **distribution** as bonus from its general reserves," RBI said in a notification.

This facility will also encompass the depositories that act as trustees for the ADR/GDR holders, it said.

So far, RBI was granting permission for such issuances on a case-to-case basis.

RBI said it simplified the norms following references from some Indian companies to issue non-convertible or redeemable bonus preference shares or debentures to non-resident shareholders from the general reserve under a scheme of arrangement by a court, under the provisions of the Companies Act.

The permission has been given only for issue of non- convertible/redeemable preference shares or debentures to non- resident shareholders by way of distribution as bonus from the general reserves.

Further RBI clarified that issue of preference shares (excluding non-convertible/redeemable preference shares) and convertible debentures (except optionally convertible or partially convertible debentures) would be subject to Foreign Direct Investment Scheme.

(Times of India)