Real-World Example: Infosys Bonus Issue (2018) to understand the impact of Bonus Shares

Before Bonus Issue:

- Market price per share: ₹1200
- Bonus Issue Ratio: 1:1

Example for an Individual Holding 100 Shares:

1. **Number of Bonus Shares Eligible**:

   Number of Bonus Shares=100/1=100

2. **Total Number of Shares After Bonus Issue**:

   New Number of Shares=100+100=200

3. **Theoretical Ex-Bonus Price (TEBP)**:

   TEBP=(100×1200)/200=120000/200=₹600

Conclusion

Bonus shares are additional shares issued to existing shareholders without any cost, thereby increasing the number of shares held by shareholders. The market price of the shares adjusts downward, but the total investment value remains the same. For individual shareholders, bonus shares increase the number of shares held, making the shares more affordable and potentially increasing trading activity.