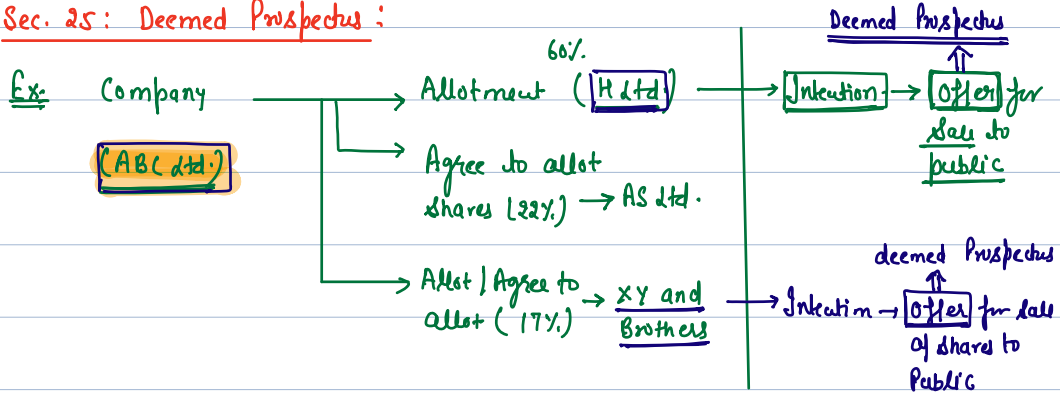


(3) Types of Prospectus: (sec. 25, 28, 31 and 32)

(A) Sec. 25: Deemed Prospectus:



Meaning: Where a company allot or agree to allot any securities



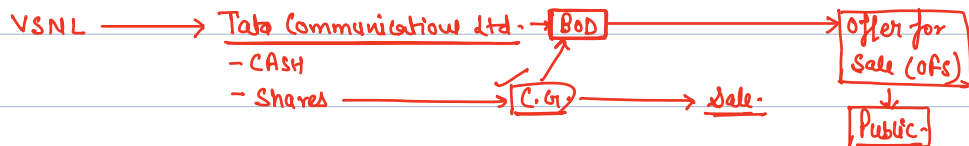
with a view that all or any of such securities shall be offered for sale to public



any document by which the offer for sale to the public is made, shall be deemed to be a prospectus issued by the company.

Statutory Provisions: — to be covered from book —

(B) Sec. 28: Offer document for sale of shares by Members:



Meaning: Any document by which the offer of sale to the public is made by certain members of the company, such document will be deemed to be a prospectus issued by the company.

Statutory Provisions: — to be covered from book —

(c) Shelf Prospectus (Sec. 31):

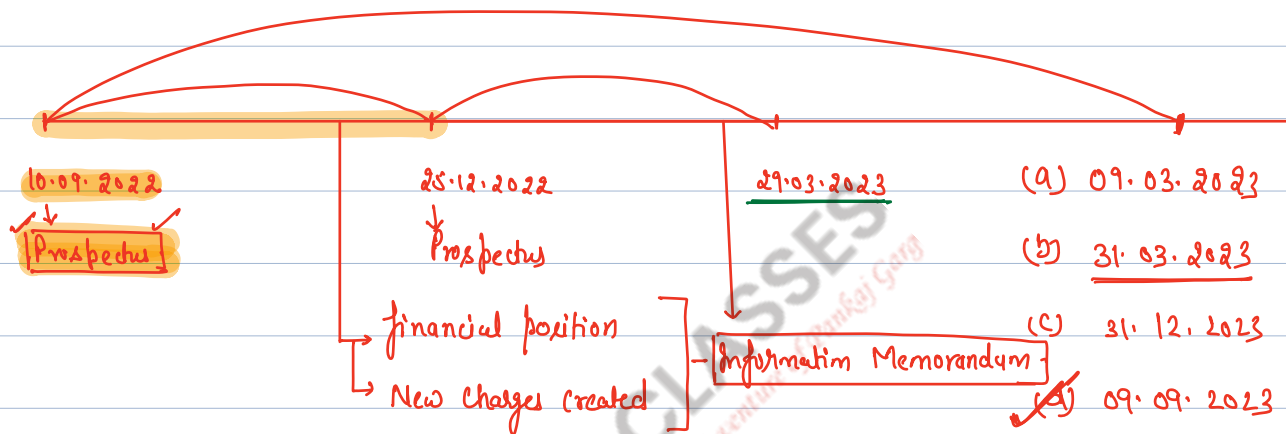
X dtd.

✓ 10.09.2022 Issue → Shares (Type-I) - Prospectus required

25.12.2022 Issue → Shares (Type-I) - Prospectus not required (Sec. 26)

✓ 25.12.2022 Issue → Shares (Type-II) - Prospectus required

✓ 29.03.2023 Issue → debⁿ (Type-I) - " "



Meaning: A prospectus in respect of which the securities or class of securities specified therein are issued for subscription in one or more issues over a certain period without issue of further prospectus is known as Shelf Prospectus.

Statutory requirements:

- Any class or classes of Company, as specified by SEBI, may file a shelf prospectus with the Registrar at the time of first offer of securities included therein. (10.09.2022)
- Shelf prospectus shall indicate a period not exceeding One year as its validity, which shall commence from the date of opening of first offer of securities under this prospectus.

10.09.2022

→ 09.09.2023

(iii) In respect of 2nd or subsequent offer of securities issued during the validity period of shelf prospectus, no further prospectus is required.

(iv) A company filing shelf prospectus shall be required to file an information memorandum, containing material facts relating

to: (a) New charges created and

(a) 10.09.22 - 29.03.23

(b) Changes in financial position

(b) 10.09.22 - 25.12.22

as occurred between the first offer | previous offer and

10.09.2022

(c) 25.12.22 - 29.03.23

subsequent offer, with the Registrar prior to issue of 2nd or subsequent offer of securities under shelf prospectus.

(v) Information memorandum shall be in form PAS-2 and filed with the Registrar within one month prior to issue of 2nd or subsequent offer of securities under the Shelf Prospectus.

(D) Red herring Prospectus (Sec. 32)

X Ltd. → Public Issue → Not Suk. → Qty to be offered.
↓ Price to be offered.

Prospectus → Incomplete info. → application → Shares.
Price (Price Band)

Meaning: A prospectus which does not include complete particulars of the (a) Quantum; or (b) price of securities included therein, shall be known as red herring prospectus.

Statutory Provisions: — to be covered from book —

IV ^{Imp.} Liability for Misstatements / Omissions in Prospectus:

✓ (A) Criminal liabilities (fines / Imprisonment)

- Sec. 34



Where any prospectus is issued /
Circulated / distributed



which includes any statement which
is untrue or misleading or any
material fact is omitted



Every person who authorises the
issue of such prospectus shall be
liable u/s 447 (Fraud).

(B) Civil liabilities (Compensation)

- Sec. 35



Where a person has subscribed for
securities of a company, acting on any
statement included in the prospectus

which is misleading or any material
fact is omitted in the prospectus

↓ and

has sustained any loss or damages



Company and Every person (director,
proposed director, promoter, Experts)
shall be liable to pay

Compensation.

Exceptions: liability shall not arise if

✓ (a) such statement or omission
was immaterial.

(b) such person had reasonable
grounds to believe and did upto
the time of issue of prospectus
believe that the statement was
true or omission was necessary.

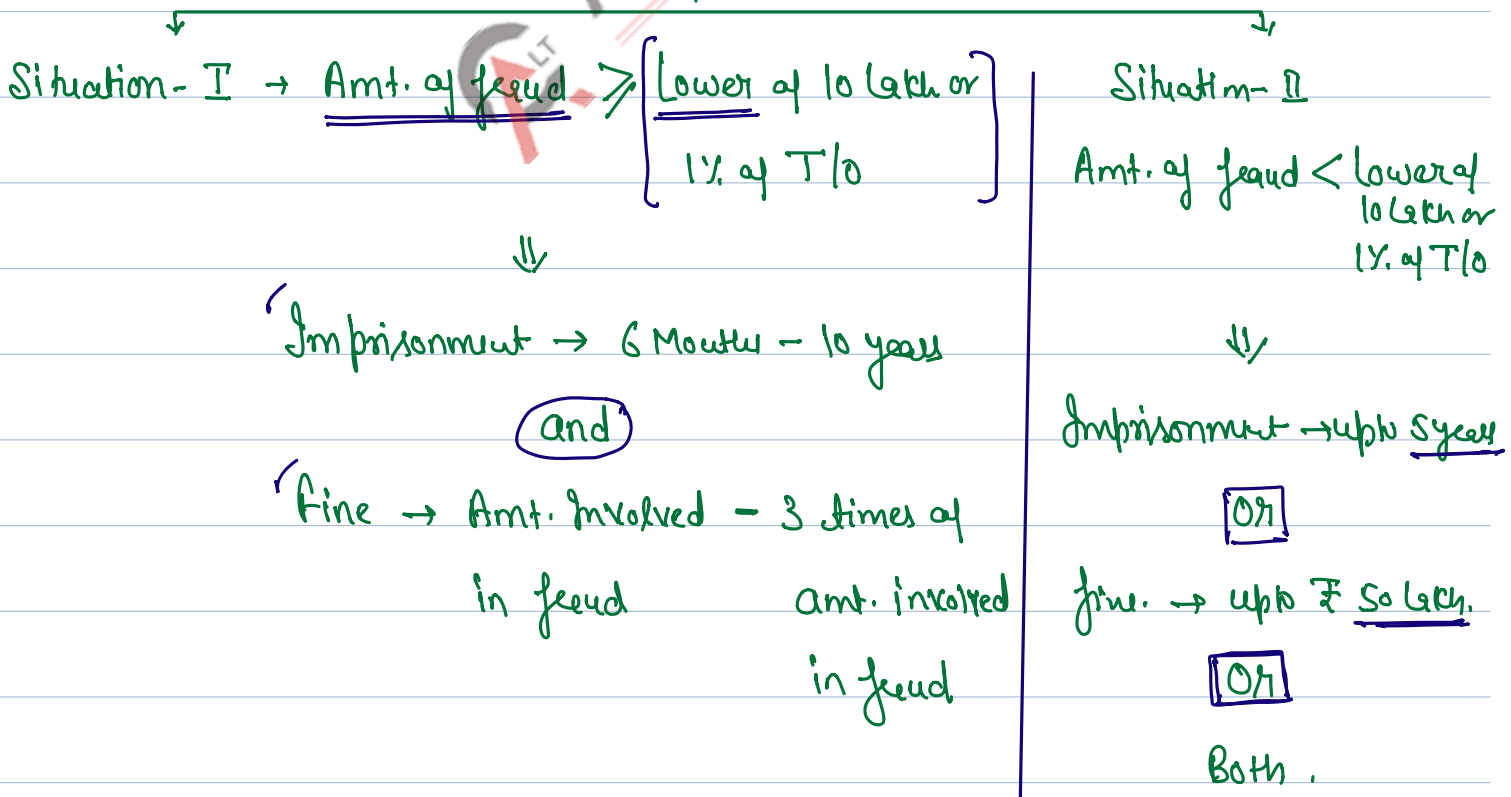
Exceptions: liability shall not arise
if the person proves that -

(a) he withdrew his consent before
issue of prospectus or the prospectus
was issued without his consent.

(b) Reasonable ^{public} Notice was issued that
prospectus was issued without his consent.

(c) Every misleading statement purported to be made by an Expert was a Correct and fair presentation of the statement and he had reasonable grounds to believe and did up to the time of issue of prospectus believe that the person making the statement was competent to make it and consent had been given u/s 26 and not withdrawn before filing of prospectus with the Registrar.

Sec. 447: Punishment for fraud:



Example: Turnover : 5 cr. 1% of T/o = 5 Lakh.

Lower of 10 lakh or 1% of T/o = 5 Lakh.

Fraud : 6 Lakh → Situation I shall apply

= 4 Lakh. → Situation II shall apply

Turnover = 20 cr 1% of T/o = 20 Lakh.

Lower of 10 Lakh or 1% of T/o = 10 Lakh

Fraud = 12 Lakh → Situation I shall apply

Fraud = 9 Lakh → " II " "

✓ Sec. 37: Action by affected persons:

A suit may be filed or any other action may be taken

by any person, group of persons or association of persons.

who have been affected by any misleading statement or omission of any material fact.

Ex: X Ltd. → Prospectus (Misleading info. / omission of material fact)

Mr. A → subscribe 1000 shares of Co. based on prospectus.

Mr. B → acquire 500 shares of Co. from Mr. A

whether Mr. B can take action against the company based on misleading information in prospectus. → No.

→ DO PRACTICE - Questions on Sec. 34 and 35

H.W. ✓
MTP - March 18
RTP - May 18