

# Chapter - 3 "Prospectus and Allotment of Securities"

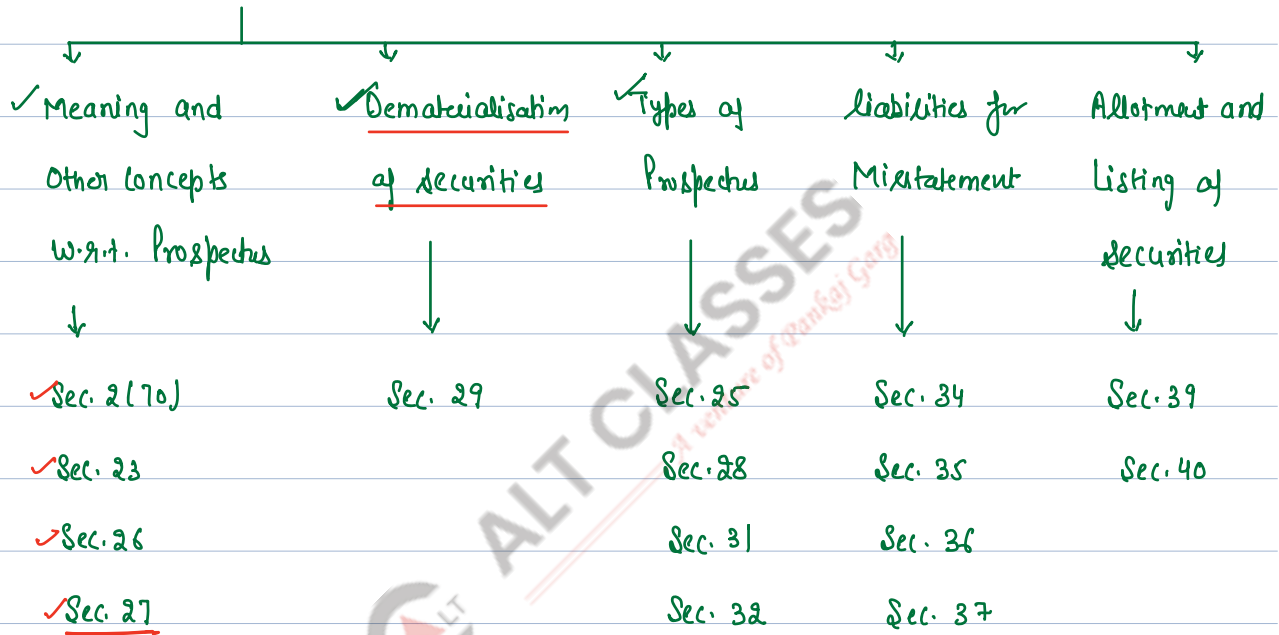
Chapter - III of Companies Act, 2013

Part - I

Part - II

Prospectus and Allotment of Securities  
(Sec. 23 to 41)

Private Placement  
(Sec. 42)



## (1) Meaning and concepts w.r.t. Prospectus (Sec. 23, 26, 27)

(a) Meaning - Sec. 2(70): Prospectus means

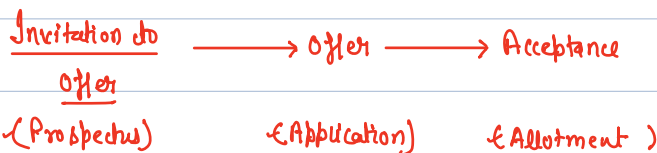
any document

described or issued and includes as Prospectus

- Red herring Prospectus, Shelf Prospectus

- Notice, Circular, advertisement, other document inviting offer from public

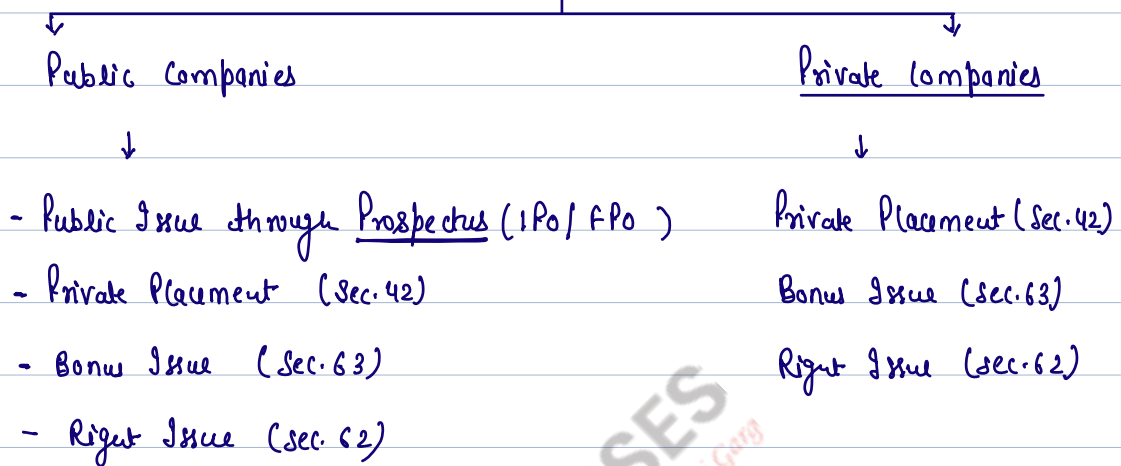
to subscribe or purchase of any securities of the company.



(b) Statutory Provisions:

(i) Sec. 23 : Public offer and Private Placement

Manner for issue of securities



(ii) Sec. 26 : Matters to be dealt in the Prospectus:

(a) Every prospectus shall be dated and signed. Date so specified in the prospectus shall be considered as date of publication.

(b) Prospectus shall state such information and set out such reports on financial information as specified by SEBI in consultation with the C.G.

Note: Until SEBI specifies such information, provisions as covered under the SEBI Regulations shall apply.

(c) Prospectus shall make a declaration about its compliance (legal and regulatory)

(d) Issue of prospectus shall not be required in following cases:

(i) Issue of shares by private companies;

(ii) Issue of shares or debentures by a public company through private placement.

✓iii) Bona fide invitation to a person under underwriting agreement.

(e) A signed copy of the prospectus shall be delivered to Registrar, for filing, on or before date of publication.

(f) Prospectus shall not be valid, if it is issued more than 90 days after delivery to Registrar.

(g) As per Sec. 26(5), statement of Experts can be included in prospectus, if:

(a) Expert is not engaged or interested in promotion, formation or management of the company.

(b) Expert has given written consent to include his statement in the prospectus and has not withdrawn such consent before delivery of a copy of prospectus with the Registrar.

✓(c) Statement to that effect is included in the prospectus.

(h) Penalty for Contravention - Sec. 26(9)

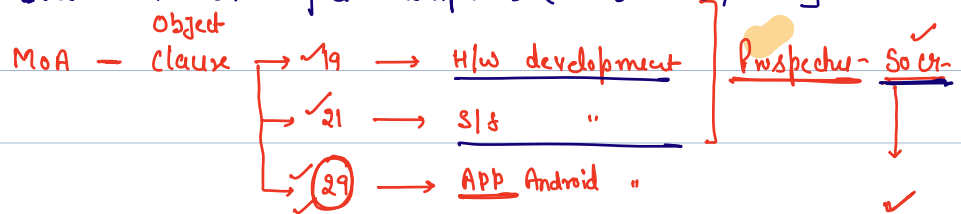
In case of any contravention occurs in compliance of provisions of this section,

- the company; and

- Every person knowingly a party to the issue of prospectus shall be liable for a fine of ₹ 50,000 to ₹ 3,00,000.

(c) Sec. 27: Variation in the terms of Contract or [Object] stated in Prospectus:

[Read with Rule 7 of the Companies (PAS) Rules, 2014]



- (i) Terms of the contracts referred to in the Prospectus can be varied by way of special resolution through Postal Ballot.
- (ii) Details of notice of such resolution shall be published in two newspapers.
- (iii) Advertisement of notice shall be in form PAS-1.
- (iv) Notice shall also be placed on the Website of the company.
- (v) Company shall not use the amount raised through prospectus for buying, trading or otherwise dealing in equity shares of other listed companies.
- (vi) Dissenting shareholders shall be given an exit offer by promoters or controlling shareholders at such exit price and in such manner as specified by SEBI.

(2) Dematerialisation of securities: Sec. 29 + [Rule 9 + Rule 9A]

— to be covered from book —

# Companies

Private Companies

Public Companies

listed company (Public offer)

Unlisted company

Optional  
(Physical as well  
as demat)

Mandatory demat

On or after 02.10.2018

Company

Existing security holders

- shall facilitate the dematerialisation
- " apply the depository
- " ensure timely payment of fees of depository, Registrar to Issue and Share Transfer Agent.

- shall ensure maintenance of security deposits
- shall inform security holders as to dematerialisation of securities

- shall not <sup>make any</sup> issue of security / buyback offer / Bonus Issue / Right Issue till dematerialisation of existing securities

- cannot transfer securities in physical form.
- cannot apply for securities offered by co. / buyback of securities / Bonus Issue / Right issue, until dematerialisation of existing securities held by them.