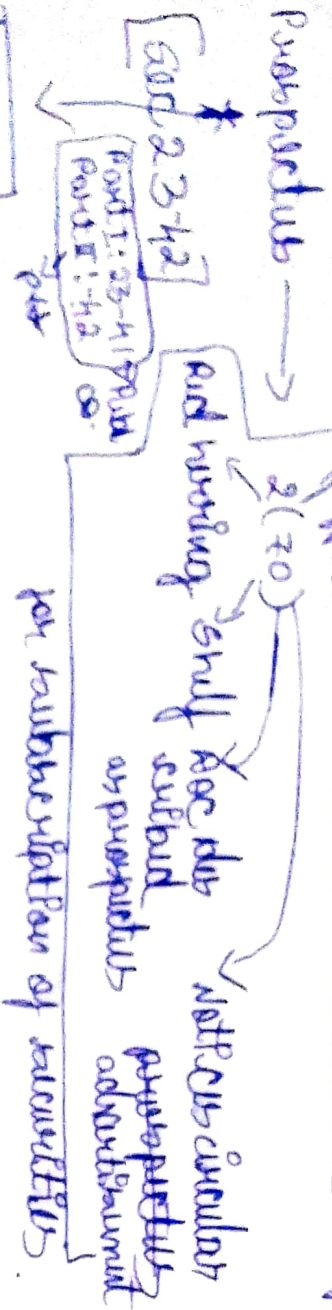


### Prospectus & Allotment of securities



### Meaning of securities

SAC 24

Regulation of issue & transfer of securities

matters

① Issue & transfer of securities (+)

② other matters (relating to prospectus)

(readers of P.S.) return of all of them

- Public co.
  - ✓ Out platform ✓
  - ✓ Regd. issue ✓
  - ✓ Bonus issue ✓
  - ✓ Public offer X
- Private co.
  - ✓ IPO
  - ✓ FPO
  - ✓ OFSS (as)

limited co. → SEBI  
 sell take sales & regulation

other co. → CG/ROC/MCA 21

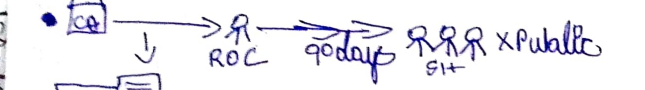
Document  
 If co. will issue a document to SEI purpose co will receive from SEI

Sec 26 content of prospectus

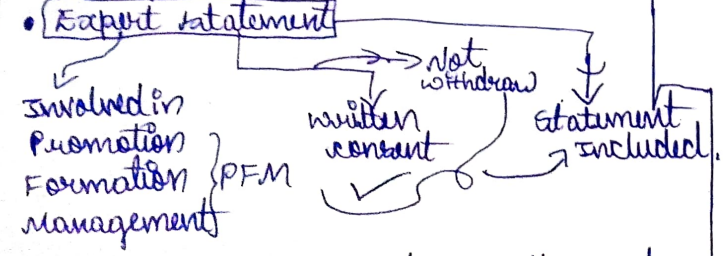
- Dated & signed
- SEBI + CG → SEBI Act
- compliance → CO Act <sup>2015 Act</sup>  
SEBI <sup>1992 Act</sup>  
SCRA <sup>1956 Act</sup>

- Exceptions
  - Right Issue <sup>(existing issue)</sup>
  - uniform issue [RSE]

• Date Indicated in prospectus = Date of publication

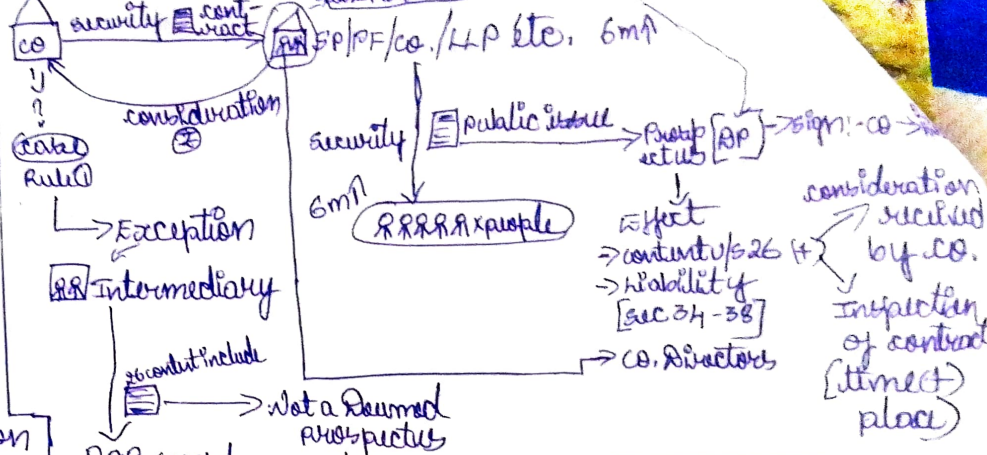


- Director sign
- (H) List of Documents attached.
- Expert statement



sf contravention small 50000 to 300000.

Sec 25 → Deemed prospectus



Case law  
SEBI - Kunnammkul - Jam papers Mills Ltd.  
RI to equity members (with slight to remuneration) > 50%

Note: Private circulation > 200 even if limited circulation = Public offer  
"strictly Pvt confidential doc. prospectus"

variation → terms of contract  
 → object of prospectus X buying, dealing in ES of listed co.

NO! → unless

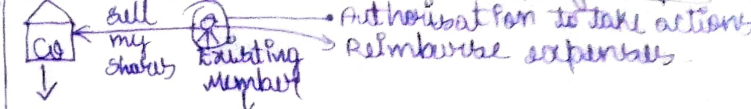
SR (postal ballot)

Notice (PAS-1)

- 2 newspapers
  - English
  - vernacular
- website

Dissenting SH:  
 Exit offer  
 [SEBI]

Section 28 offer for sale (28-41) apply except



OK!  
 include name (+) reasons for OFS  
 Assumed prospectus → content v/s 26  
 Liability v/ misreading

Except :-  
 • minimum subscription x 90%  
 • minimum application value x 5%  
 • statement of utilisation of money x etc.

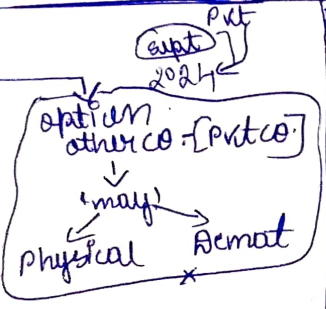
Section 29 Demat

mandatory - new issue  
 [Public offer] → Prescribed

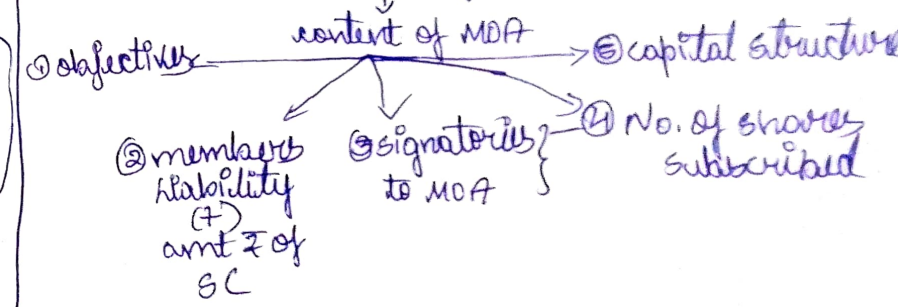
listed + unlisted public co

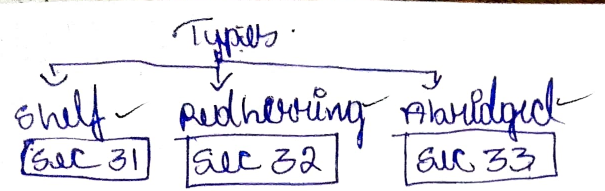
→ Facilitating securities  
 → facilitate Demat

Also, comply the Depositories Act 1996



Section 30 Advertisement of prospectus





**Auction 31** shelf prospectus

- 1 or more issues
- certain period → Max for sum up of 1st yr

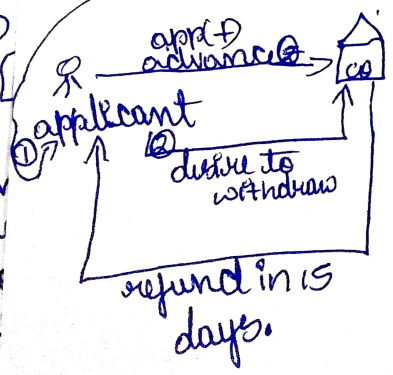
File with ROC

- 1st offer
- shelf prospectus

subsequent → 1 month before PAS-2 in offer

- **Information memorandum**
- Material Facts
- New charges
- changes in Financial position
- etc -

**Prospectus = SP + im**



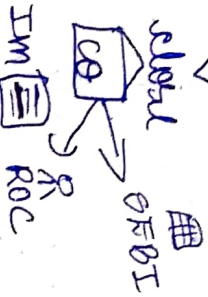
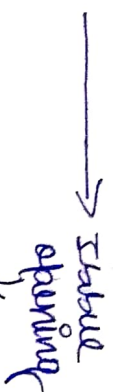
R  
I  
C  
R  
H  
I  
P  
F  
M

and merging prospectus

missing / incompatible

Quantum

Price



- highlight
- variation
- capital raised
- clearing price
- etc.

Surfson - 33

revised prospectus

summary: salient features

\* mandatory to attach to every prospectus

- except!
- underwriter
  - not offered to public
  - existing minority

not new co.

Exc: Book building: - price discovery method.

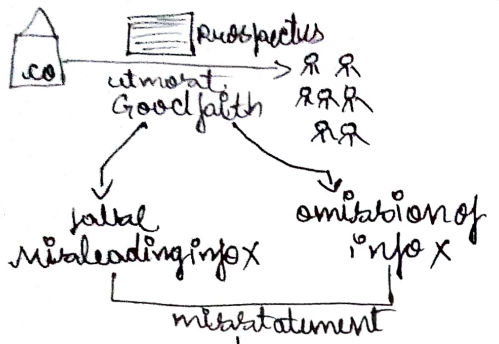
- D 100
  - D 110
  - D 120
  - D 130 votes (short)
  - D 140 100,000
  - D 150 200,000
- } reject

R -> suggest full prospectus - before closing subscription

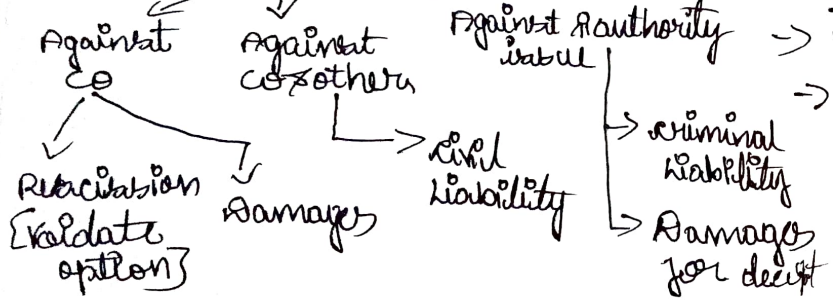
usually: 50K/default

non-compliance with

conclat :- Misst. statement prospectus



Remedy?



Ec!:-

Case

Remedies :- hendonson vs. hacom

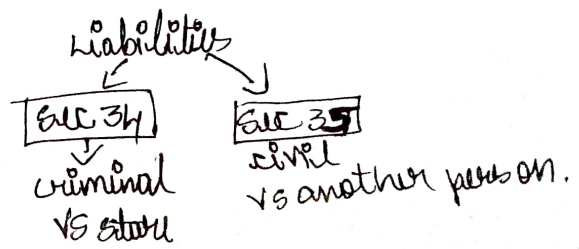
→ Director & friend have subscribed large portion of shares 10 only

→ Ree v. Kybant

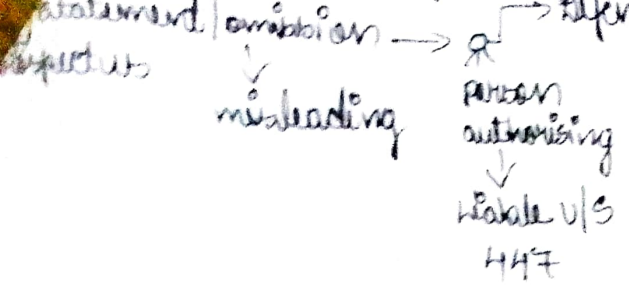
→ hiding truth paid dividend  
⇒ substantial losses.

Smith v. Chadwick

→ PV of T/O 1 million sterling/annum  
→ capacity: untill present production.

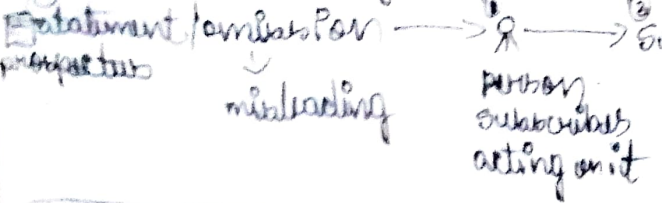


# 1] Criminal Liability



- Reference:
- 1] immaterial
  - 2] statement true
  - (+) inclusion - omission necessary
- valid upto time of issue

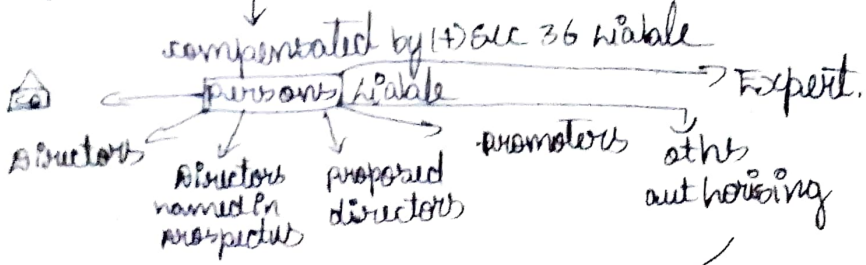
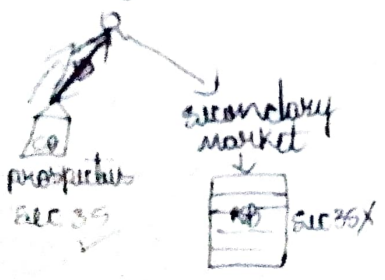
# 2] Civil Liability



# fraud: A personally liable w/o limitation for loss

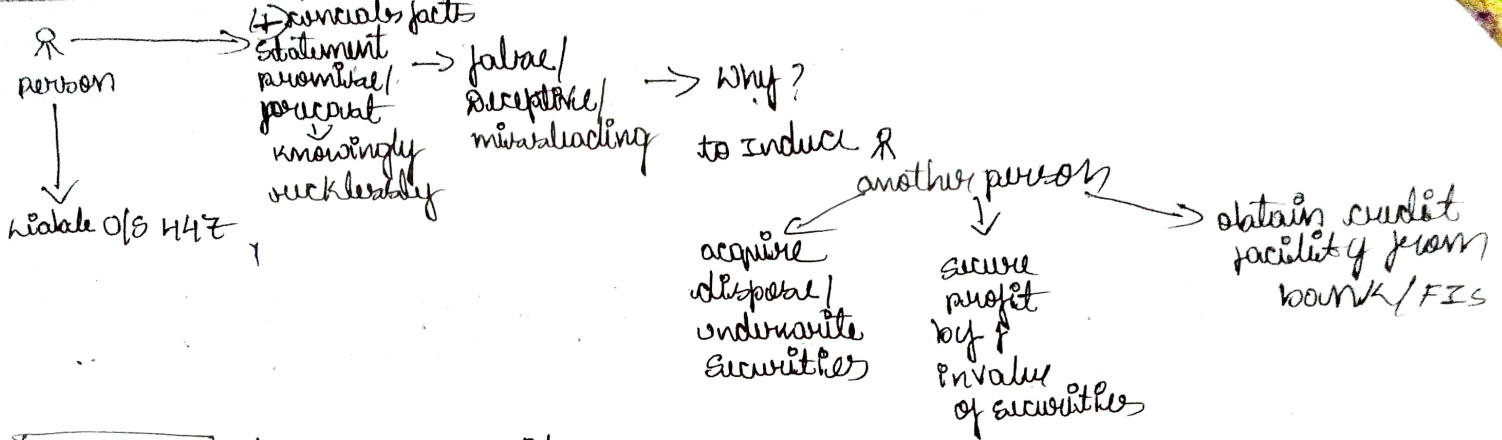
# 3] Case Law

Beek vs Gurnell  
 sec 35 only for original allottee → not for I/F / secondary market

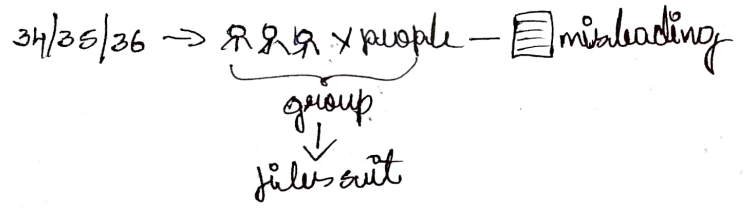


- Reference:
- 1] relied on experts report
  - 2] correct copy of some extract from an official document
  - 3] expert was competent
  - 4] expert gave consent & not withdrawn
  - 5] reasonable ground statement allotment
  - 6] withdrawal of consent to be director
  - 7] prospectus issued w/o authority / consent
  - 8] w/o knowledge / consent (+) on becoming aware
  - 9] reasonable public notice for withdrawal

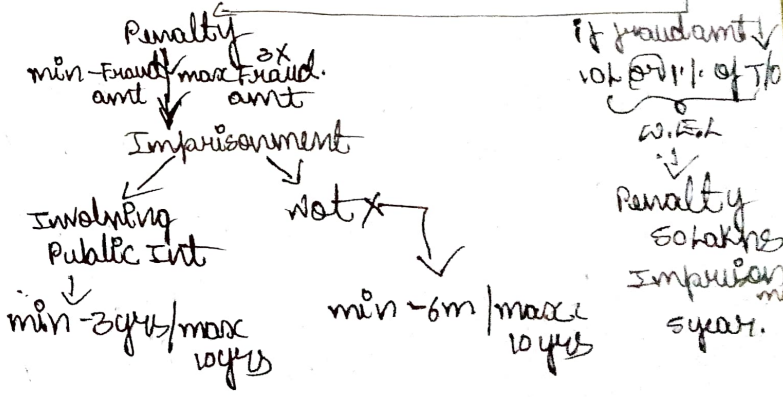
**Sec 36** Fraudulently inducing person to invest



**Section 37** cloaks Action suit



**Section 447** Punishment for fraud





Part I

Section 40 Application to RSE [Public offer]

↑  
All more RSE

↑  
All RSE

↑  
Application RSE income in prospectus

in  
secure

Application → separate bank etc

↑  
money

↑  
refund

out  
return

↑  
nowhere

↑  
priority → 50% to 50%

↑  
50% - 50% to 31

↑  
can be paid

↑  
in kind or cash

↑  
in 1/2 of 97 lump sum

↑  
from parent in prospectus

Part 39

in subscription -  
money secured by

↑  
adjustment

↑  
application money

↑  
5% / 97

↑  
1% by SEBI

↑  
within 30 days or days - SEBI

↑  
if not - refund - 15 days

↑  
credit to same bank etc

↑  
if not - 15% per cent

↑  
consequence of default - 100/day or 10%  
C.O.F.I.

↑  
underwriting contribution

↑  
condition

↑  
allotment contract

↑  
to RSE

↑  
income contribution

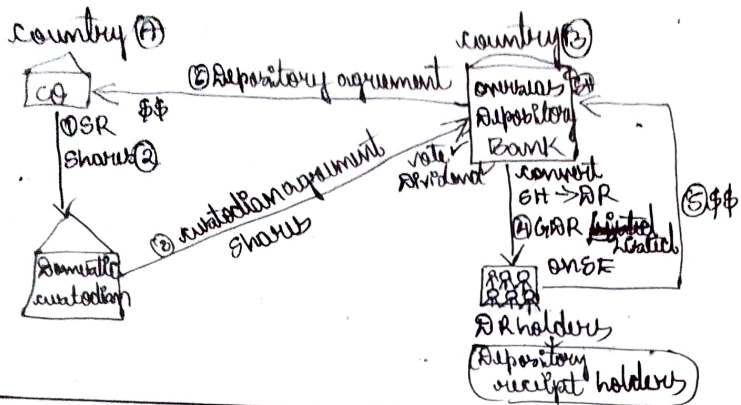
↑  
% of contribution

↑  
no vc if not issued to public

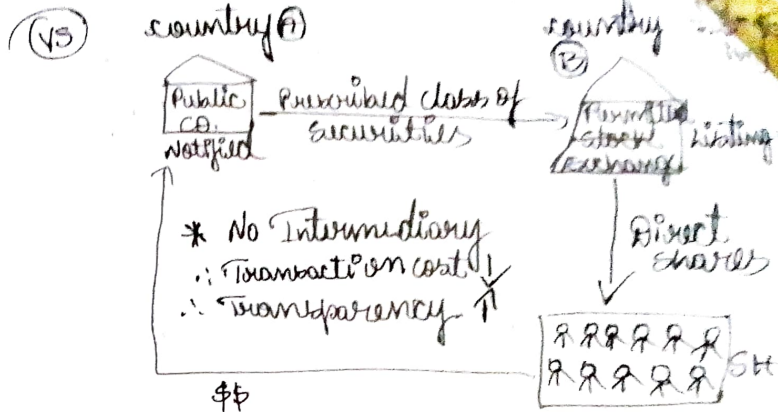
SEBI  
85/10

Section 40 Part II

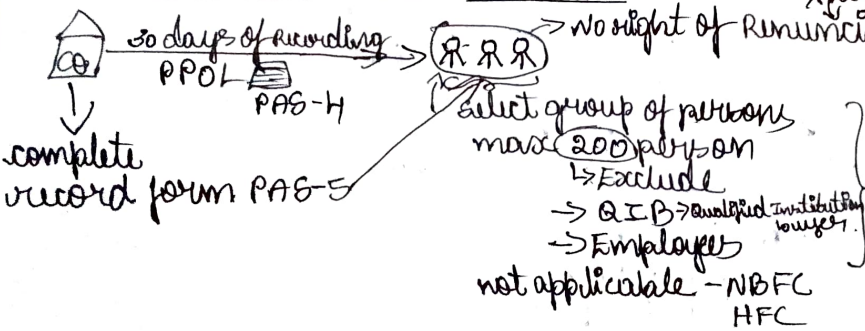
sec. 41 Global Depository Receipts.



overseas direct listing



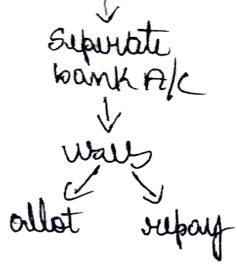
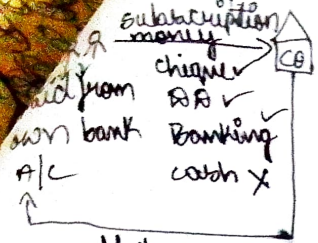
Part II sec 42 Private Placement



\* process not open for intermediaries or other persons.

Restriction individually for Equity, Debt

Eq:	200 PP Equity
	200 Debt
	800 PS
	600



If joint holder  
 ↳ who will pay the money first that will name come first.

allot security 60 days  
 ↓  
 If not  
 ↓  
 refund - next 15 days  
 ↓  
 If not  
 ↓  
 12% p.a. from 60th day

Return of allotment  
 ↓  
 ROC

PA&3P - complete list of allottees.  
 15 days

- Name, PAN, Email, where he stays
- class of security
- Rate of allotment
- no. of sec (H) NY (F) F paid
- (H) particulars of consideration other than cash

Part provision No further offer pending earlier offer

No public ad<sup>\*</sup>

contravention Pen  
 [ > 200 ]  
 Amt raised 2 cr  
 w/E L

(+) Refund money - 30 days

public offer part I apply [23-41]  
 whether listed / UL  
 intends → ROF  
 record = / not

Penalty: CO (H) promoter (H) Director  
 1000/day max 25L

(+) comply  
 → CO Act  
 → SUPA  
 → SEBI

SR (+) • Explanation statement

u/s 102

→ SR Rate

→ kind + price

→ justification → Value & valuation

→ how much amount?

→ object?

→ asset?

↓  
Exceptions

① Non-convertible Debt :- Amt 180(i)(c) ↓ ; OR ✓

If amt 180(i)(c) ↑ :- one SR for all offers - 1 year.

② QIB → 1SR for whole year.

③ Body corporate country that shares land border with India :- Govt. approval under FEMA

Irregular allotment → 28, 26, 39 X 2, 40 X 2