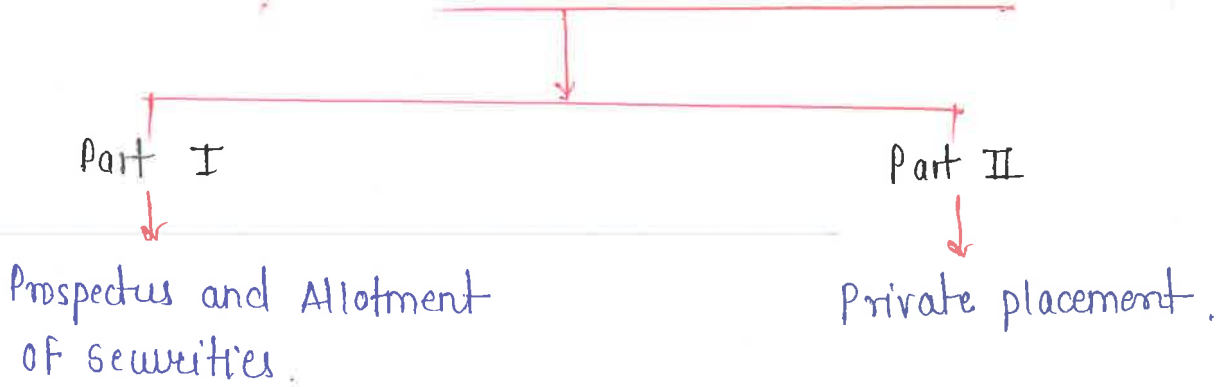


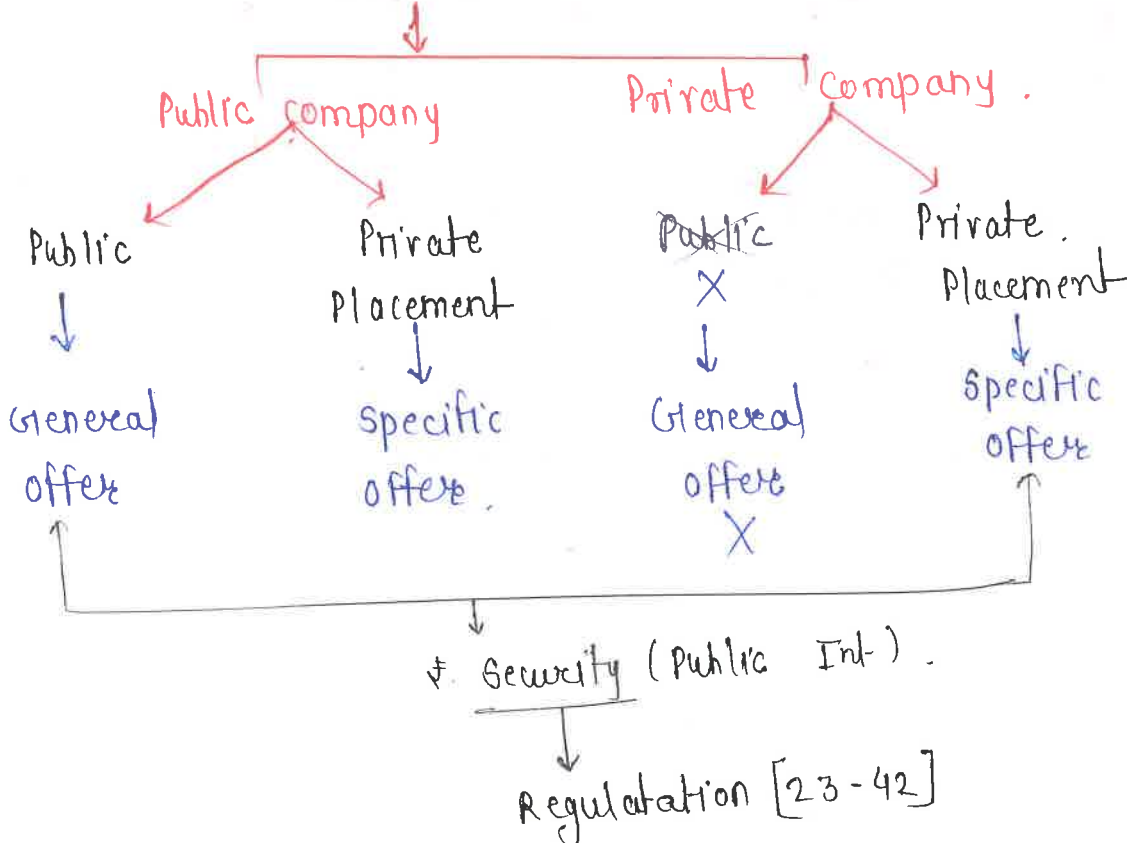
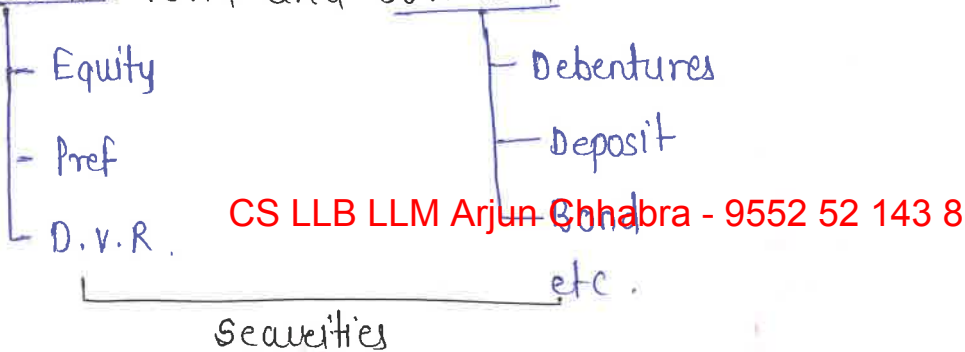
Chapter 3 → Prospectus and Allotment of Securities.

[Sec 23-42] Form → PAS



Background / purpose of this chapter -

- Once the company is incorporated. It requires funding.
- funding, basically by two ways -
- owned fund and borrowed fund.



Prospectus

Public

Misleading statement

Section 34

Criminal liability

Section 35

Civil liability

Sec 39

10000 shares issued
at least 90% subscribe

fail

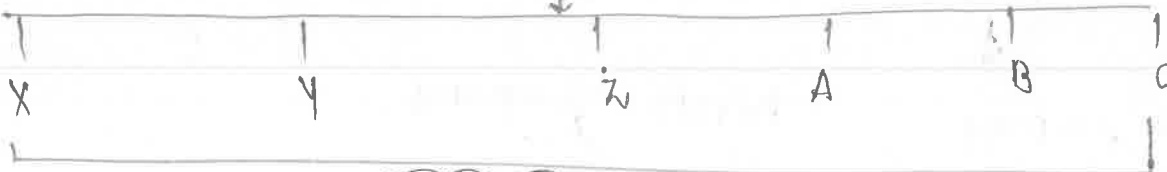
Conclusion - IF co. is raising fund through public or private placement. Regulation made in this chapter makes sure that such fund must be secured.

Section 42 - Private placement

Act Pvt Ltd

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offers.



Identified Person

BOD Recommend

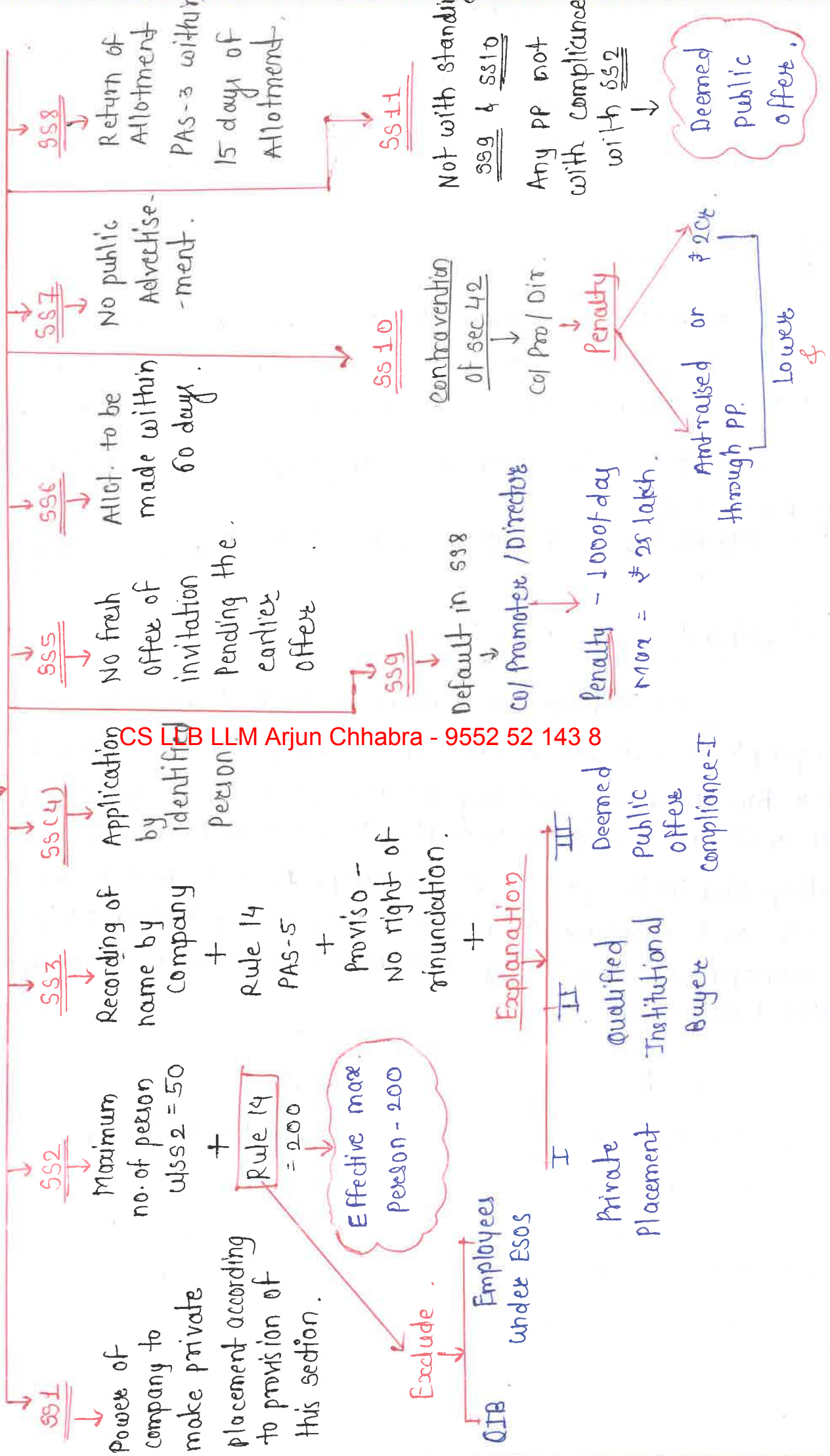
members

SR

Approve

Section 42 - offer or invitation for subscription of securities on

Private placement



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Refund all money @ 12% int. p.a.

NOTE SS2 - While computing the no. of persons to whom private placement has been made by company, following shall be excluded;

- ① Qualified Institution buyer ; &
- ② Employees of the Co. under a scheme of employees stock option [ESOs]

* Special Note of SS2 -

refer Q.8

The restrictions with respect to the maximum no. of person to whom private placement can be made reckoned individually for each kind of security, i.e. equity share, pref shares and debentures.

In simple word, Maximum no. of person is restricted with securities.

- Just for knowledge -

* ESOs [Employees stock option scheme] / ESPS [Employees stock purchase scheme]

Logic behind ESOs & ESPS

An employee or director works best when he has 'sense of belonging'. He will put his best if he simply rewarded. One way is to offer him shares of company at low price or at conventional price. This will give him more incentive to work as he will be indirectly participating in the profits of company. It will help to develop keen interest and commitment to work. They develop feeling of 'participation' in management. That's why companies issue shares to its employees under ESOs or ESPS.

ESOs Vs

ESPS

① Employees are given an option to purchase shares at a later date, at predetermined price which is usually lower than current market price.

② Employees are given an option to purchase the shares on the spot at a discounted price.

① The company may specify the lock-in period for the shares issued by exercising an option.

② Share issued under ESOPs shall be locked-in for min-period of 1 year from the date of Allotment.

③ Minimum ~~wait~~ vesting period [Waiting] ESOPs is 1 year

③ No vesting period for ESOPs as shares are offered on the spot.

Section 42 -

① Scope of section 42 -

a) Section 42 empowers a company to make a private placement of securities.

b) Every private placement of securities shall comply with -

i) The provisions of sec 42 ; &

ii) such conditions as may be prescribed in rule 14 of the Companies [Prospectus & Allotment] Rules, 2014.

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② Definition of private placement.

Private placement means any offer or invitation to subscribe or issue of securities to a select group of persons by a company other than by way of public offers through private placement offer-cum-application, which satisfy the conditions specified under this sec.

③ Requirement of Special Resolution -

a) A company shall not make a private placement of ~~list~~ securities unless such proposal has been previously approved by the Shareholders of the company by SR, for each of the offers or invitations.

where in case of offer or invitation for non convertible debentures, shall be sufficient if -

i] The company passes a private SR only once in a year for all the offers or invitation for such debentures during the year, if proposed amount does not exceed [P.U.S.C + FR + SPAC] [Section 181c];

ii] The company passes a resolution in a Board meeting, in an other case.

© iii] A company shall issue private placement offer-cum-application only after the relevant SR or BR has been filed with the registrar.

d) The Explanatory statement shall have following disclosures:-

i) Particulars of offers including the date of BR.

ii) Kind and price of securities offered.

iii] Justification for price.

iv] Amt. which company intended to raise.

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4)* Private placement offer-cum-Application-

i) A private placement shall be made only to identified person.

ii) The private placement offer-cum-application shall be-

① In form no PAS-4

② Serially numbered; and.

③ Sent either in writing or in electronic mode.

5) Recording of Names By the company.

The company shall maintain complete record of private placement offers in form no-PAS 5 & within 30 days of recording sent private placement offer cum application to every identified person.

⑥ Maximum no. of persons,

① The private placement shall not be made, during the entire to more than -

① 50 persons; or

② such higher no. of persons as may be prescribed. [The prescribed no. for this purpose is 200]

② Refere note & special note for ss2.

⑦ Allotment to be made within 60 days -

① A company making private placement shall allot the securities within 60 days of receiving the application money for securities

② If the co. is not ^{able to} allot the securities within said period of 60 days it shall within next 15 days repay application money to applicants.

③ If the co. fails to repay the application money within the said period of 15 days, it shall be liable to pay interest @ 12% p.a from the expiry of 60th day.

⑧ Monies to be kept in separate Bank A/c -

① All monies received on application shall be kept in separate Bank A/c in scheduled bank.

② All such monies shall be utilised only when the securities have been allotted.

⑨ Monies not to be utilised -

A co. shall not utilise the monies raised through private placement unless -

① The securities have been allotted; &

② The return of Allotment is filed with the registrar.

Form of Allotment -

F.Y.

The return of allotment shall be filed within 15 days of date of allotment in form no PAS-3 containing the following details -

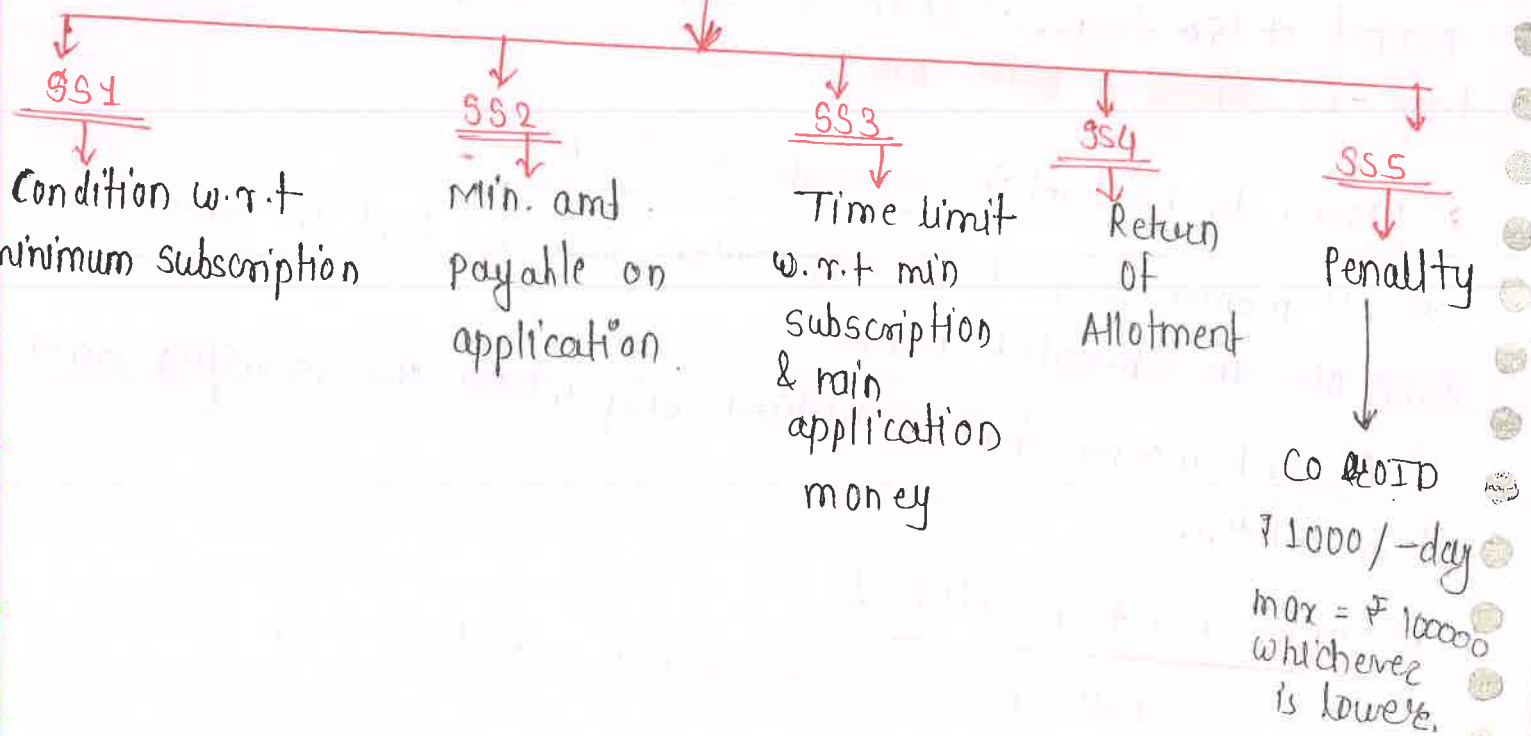
- ① Full name, Address, PAN & Email ID of all the allottees
- ② No. of securities allotted to each allottee.
- ③ Class of securities allotted to each allottee.
- ④ The date of allotment of securities to each allottee.
- ⑤ Nominal value and amt. paid up on securities; and
- ⑥ Particulars of consideration received, if securities were issued for consideration other than cash.

① No fresh offers or Invitation pending the earlier offers -

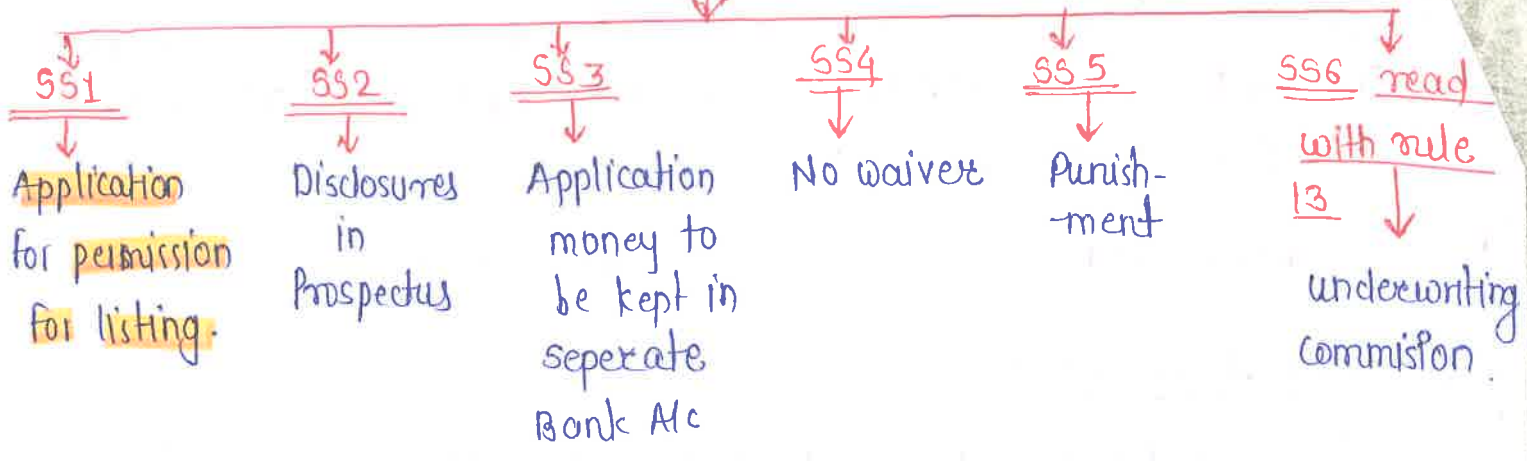
② No public Advertisement.

Sec 39 Allotment of Securities by Company

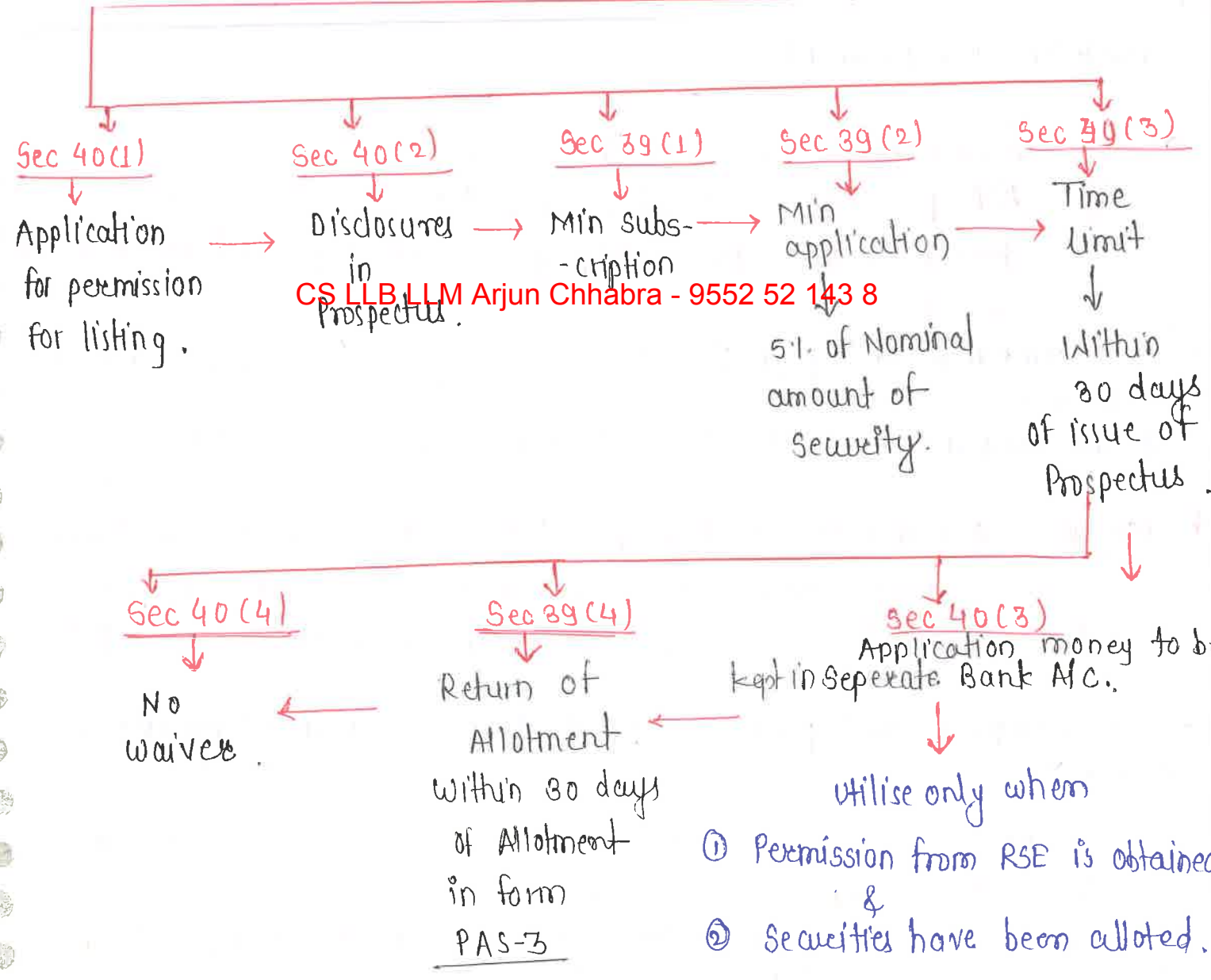
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Sec 40 Securities to be dealt with in stock exchange.



* Conclusion chart of Sec 39 Read with sec 40 -



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Note for sec 40 (1) -
Provision is very clear that not only "company" has to apply for of the securities at RSE but also obtain permission there of from THE STOCK EXCHANGES WHERE IT HAS APPLIED BEFORE MAKING THE PAYMENT PUBLIC OFFER.

* Underwriting Commission [sec 40(6) + Rule no 13] -

Meaning of Underwriter -

Underwriter means an intermediary who undertakes [promise] to subscribe to the securities offered by the company in case this are not subscribed by the public, in case of an underwritten issue.

Conditions for payment -

Case I - Board decide UC = 5% of issue price

AOA prescribe = 3% of Issue price.

Board further decide to pay UC out of proceed of share capital

Decide CS LLB LLM Arjun Chhabra - 9552 52 143 8

→ ① Company can't pay UC 5% because the maximum permissible UC is 3%.

② The company may pay UC out of proceeds of share capital.

* Case II - Act Ltd decides to pay 2.5% of the value of debentures as underwriting commission but AOA authorized only 2%.

Co. further decide idea to pay UC in the form of professional lecture.
Decide.

→ ① Company can't pay UC 2.5% since maximum permissible UC is 2%.

② Payment of UC in the form of professional lecture is permissible.

Since the underwriting commission may be paid in cash, kind or in lumpsum or in the way of percentage. Since there is not prohibition on payment of UC in kind.

Case law - Bhoota vs New alicander gold mining co.

Conditions for payment of commission to underwriter.

① Payment of UC shall be authorized by AOA of company.

② Source of commission
 UC may be paid out of the proceeds of the issue or out of the profits of company or both.

③ Rate of UC commission.

④ Following disclosures in Prospectus -

- ① Name of UW's.
- ② Rate and amount of commission payable to UW's.
- ③ No. of securities underwritten by UW's.

⑤ NO UC on securities not offered to Public.

⑥ Copy of UW agreement shall be delivered to ROC at the time of filing of Prospectus.

CS LLB LLM Arjun Chhabra - 9552 52 1438

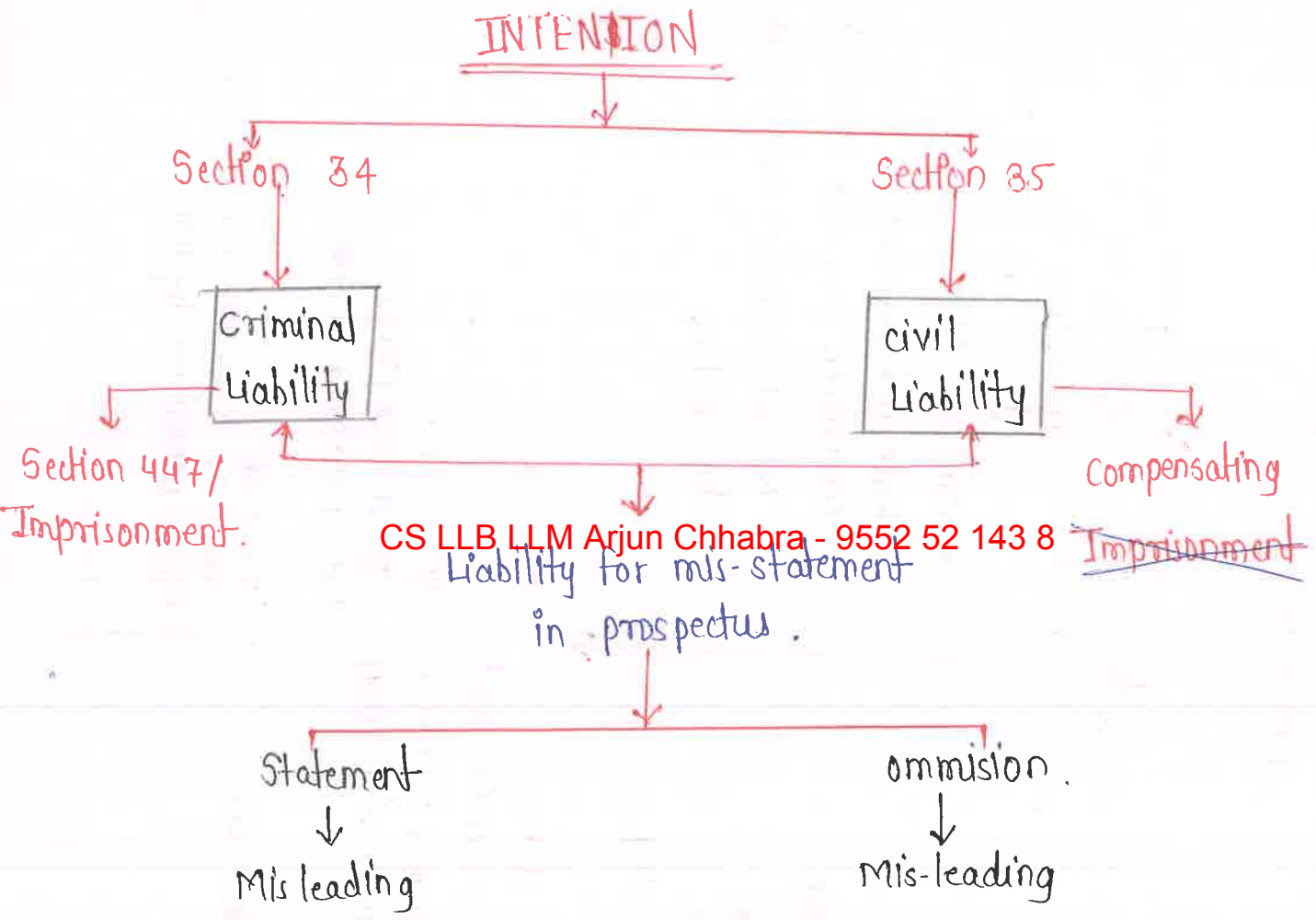
Nature of securities issued	Rate of UC
① shares [Whether equity or preferred]	Lower of - 5% of issue price; or Rate authorized by AOA.
② Debentures	Lower of - 2.5% of issue price; or Rate authorized by AOA.

Payment of VC in the form of flat is permissible. - st

Underwriting commission may be paid in cash or in kind or lumpsum by way of percentage.

② since there is no prohibition on payment of underwriting commission in kind.

③ since source is prescribed and mode is not prescribed.



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Sec 40(1) Application for permission of listing

Every co. making public offers shall, before making such application, make an application to one or more RSE or exchanges and obtain permission for the securities to be dealt with in such stock exchange or exchanges.

Sec 40 (2) - Disclosure in prospectus

The prospectus shall state the name or names of the stock exchange in which the securities shall be dealt with.

Sec 39 (1) - Condition w.r.t minimum subscription.

Where a company makes an offer to the public for subscription of its securities, no allotment of any securities shall be made unless the following two conditions are satisfied; -

(a) The amount stated in the prospectus as the minimum subscription is subscribed.

(b) The sum payable on application in respect of minimum subscription is received by the company by check or other instrument.

Sec 39 (2) Amount of Application Money -

The application money on every security shall not be less than -

- 5% of the nominal amount of the security; or
- other percentage as prescribed by SEBI.

Sec 39 (3) Time limit w.r.t min subscription.

(a) The amount stated in the prospectus as the min. subscription must be subscribed and the sum payable on application must be received by the company within -

(1) 30 days of issue of prospectus; or

(2) such other period as may be specified by SEBI.

(b) otherwise, all money received by the company shall be returned within a period of 15 days from the closure of the issue.

Sec 40 (3) - Application money to be kept in separate Bank A/c

All monies received in application from the public for subscription to the securities shall be kept in separate bank A/c in scheduled banks.

(b) All such monies shall be utilised only when -

- ① The securities have been permitted to be dealt within the stock exchange or exchanges specified in the prospectus ; &
- ② The securities have been allotted.

Sec 39 (4) - Return of Allotment.

Whenever a company makes any allotment of securities, it shall file with the registrar a return of allotment in form no PAS 3 within 30 days from the date of Allotment.

Sec 40(4) - No waiver (forcing someone to do wrong thing).

Any condition purporting to require or bind any applicant for securities to waive compliance with any of the requirements of this section shall be void.

Sec 40(5) - Punishment / Penalty

CS LLB LLM Arjun Chhabra - 9552 52 143 8

Company



Min - 5 lakh

Max - 50 lakh

officer in default



Min - 50000/-

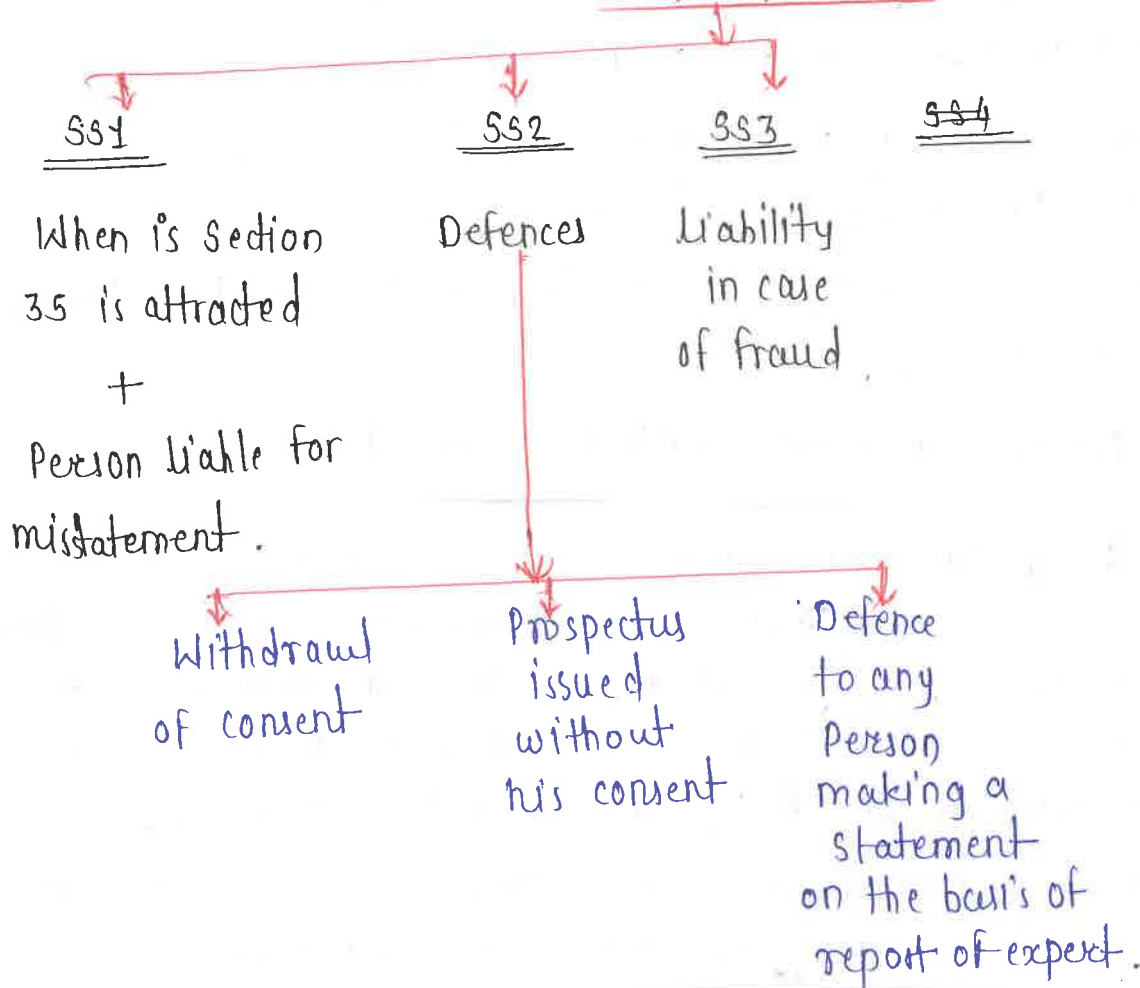
Max - 5 lakh and

Imprisonment - max 1 year.

or

Both.

Sec 35 - Civil liability for mis-statement in prospectus.



CS LLB LLM Arjun Chhabra - 9552 52 143 8

Sec 35 (1) -

Where

- A person has subscribed for securities of company.
- Acting on any statement, which is misleading; or
- omission of any matter, which is misleading
- in the prospectus.
- and such person sustains any loss as consequence thereof, section 35 is attracted.

Case I -

ACT limited issued prospectus inviting public to subscribe its equity shares stating that co. was in good financial health & paying regular dividend of 20% over last 5 years but in fact co. was running in loss from last 3 years and paying dividend from reserve. Mr. Arvind read the prospectus and bought 500 shares. After getting to know about mis-statement he went to resign contract & claim damages.

→ ① The prospectus is misleading since the non disclosure of fact that the company was making losses and dividend paid out of past year profit give a false impression that the company was making profit.

② Since the suppression of such fact might have affected investors decision to subscribe for shares.

③ Since the prospectus does not disclose all material facts truly, honestly and accurately.

④ The allottee of shares are entitled to avoid allotment.

Case II - A prospectus containing some false information in prospectus.

Mr. Vedant read prospectus but did not apply for any share. After completion of allotment, Mr. Vedant bought 4000 shares from stock exchange at higher rate, which later on fell sharply. Mr. Vedant want to claim damages on the ground of false statement.

→ ① Mr. Vedant is not an original allottee of shares, since he purchased shares from market and not from company.

② Mr. Vedant can't claim damages from company because he did not subscribe the shares on the faith of misleading prospectus.

Case III -

Mrs. Sakshi applied for shares on the basis of prospectus which contains mis statement. Shares allotted to her and afterwards she transferred shares to Ishita. Ishita wants to claim damage on the ground of mis statement.

→ ① Mrs. Ishita is not an original allottee of shares, since she obtain shares by transfer from Sakshi.

② Hence, Mrs. Ishita not entitled to claim damages from company.

* Person liable for Mis-statement -

- ① The Company
- ② Every person who -
 - i) Is a director of the company at the time of issue of prospectus.
 - ii) Has authorized himself to be named and is named in the Prospectus as director of the Company.
 - iii) Has agreed to become director of company, either immediately or after an interval of time.
 - iv) Is a promoter of company.
 - v) Authorize the issue of prospectus.
 - vi) Is an expert.

* Punishment -

Every person liable for mis statement shall be liable for -

- ① Payment of compensation to every person who has sustained any loss or damage.
- ② Punishment for fraudulently inducing any person to invest under Sec 36.

552 - Defences

① Withdrawal of Consent

No person shall be liable U/s 35, if he proves that, having consented to become a director of the company, he withdrew his consent before the issue of the prospectus, and that prospectus was issued without his authority or consent.

② Prospectus issued without his consent -

No person shall be liable U/s 35 if he proves that the prospectus was issued without his knowledge or consent and on becoming aware of its issue, he forthwith gave a reasonable public notice that it was issued without his knowledge or consent.

③ for Expert -

A person who makes any statement on basis of report of an expert shall not be liable under section 35, if it's proved that -

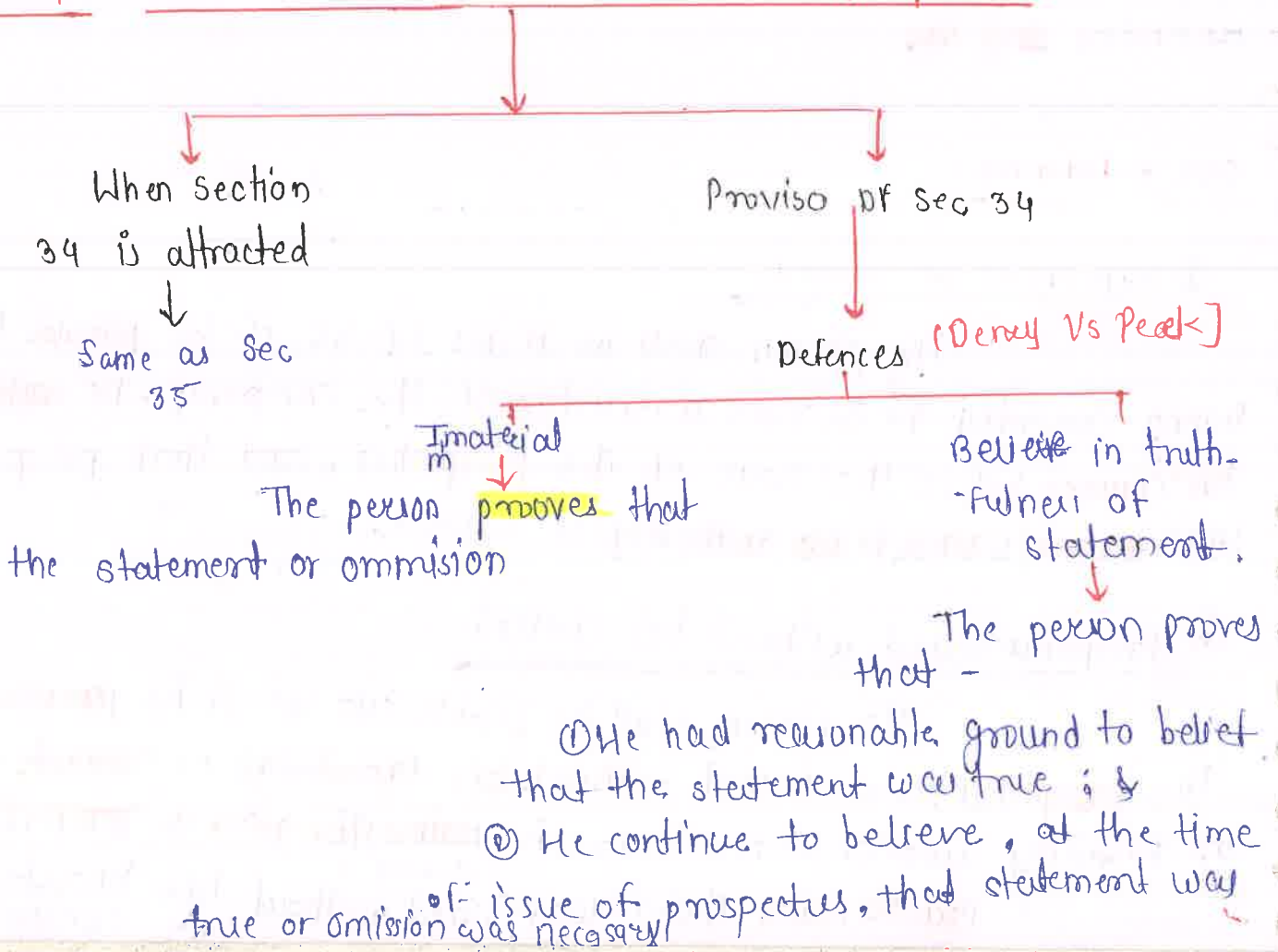
- ⓐ The statement made was a correct and fair representation of the statement made by the expert.
- ⓑ He was having reasonable ground to believe that the expert was competent to make it.
- ⓒ Expert had given his consent.
- ⓓ Expert had not withdrawn his consent before filing of the prospectus with the registrar.

§ 3 - Liability in case of fraud

Every person liable for mis statement shall be personally liable without any limitation of liability to compensate every person who has sustained any losses.

CS LLB LLM Arjun Chhabra - 9552 52 143 8

Sec 34 - Criminal liability for mis statement in prospectus



*Derry vs Peek -

The directors were not guilty of fraud, as they honestly believed that once the parliament had authorised the use of steam, the consent of the Board of Trade practically concluded.

Sec 447 - Punishment for Fraud

When is Section 447 attracted

Where is any person found guilty of fraud.

Punishment under 447 for fraud of greater value.

fraud involving an amount of min. ₹ 10 lakh or 1% of turnover of the company whichever is lower.

Punishment under 447 for fraud of lesser value

fraud involving an amt. less than ₹ 10 lac

or 1% of T/O of company, whichever is lower.

+ No public interest is involved.

Penalty

- ① Imprisonment upto 5 yrs or
- ② fine upto ₹ 20 lakh or
- ③ Both

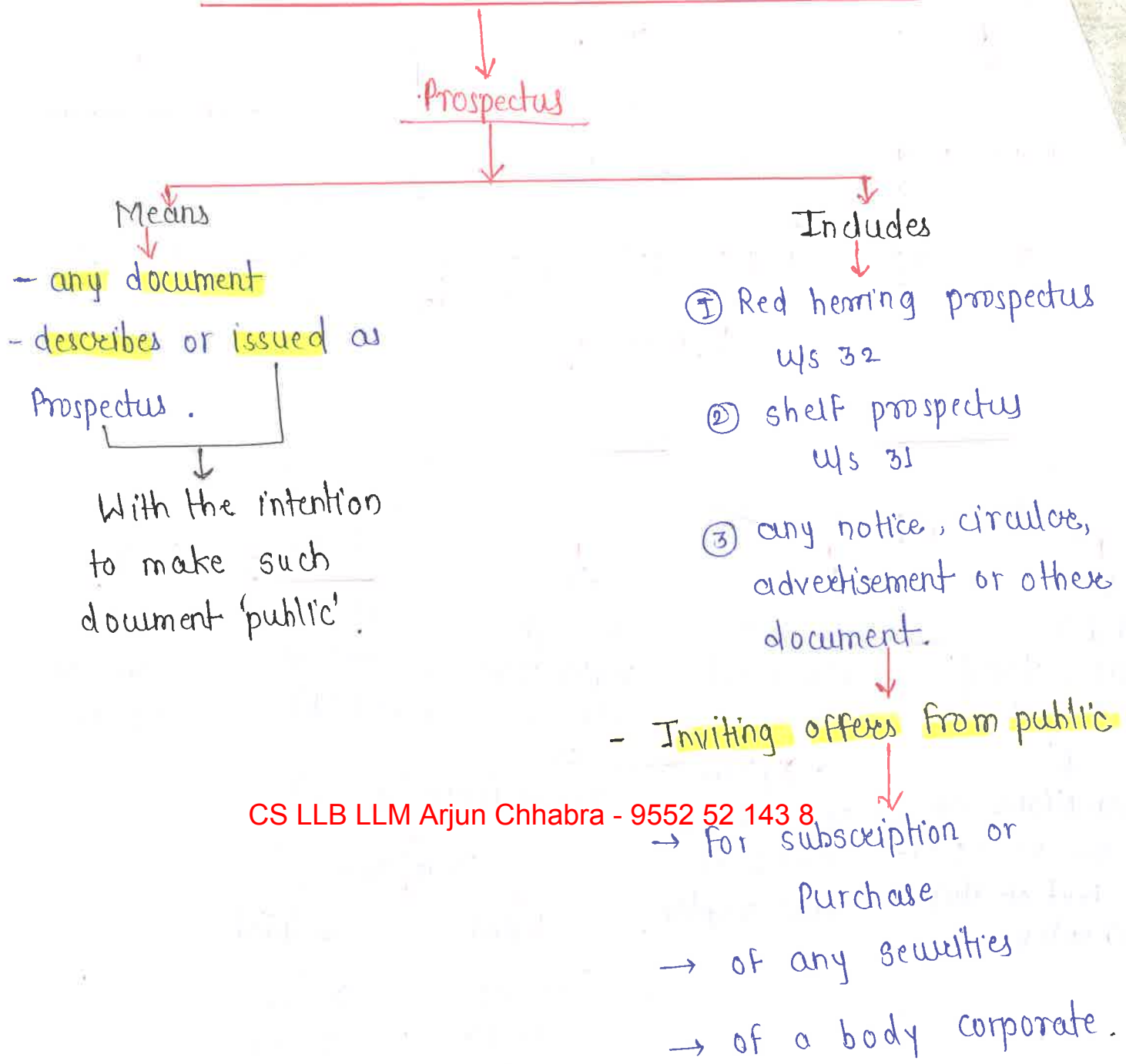
Other liabilities to remain unaffected. Including repayment of any debt.

	fraud involving public interest	Any other case
Min Imp	3 years	6 Month
Max Imp	10 years	
Min fine	Amount involved in the fraud	
Max fine.	3 times of the amount involved in fraud.	

CS LLB LLM Arjun Chhabra - 9552 52 143 8

Basis	Sec 34	Sec 35.
① Applicability	When any statement or omission in the prospectus is misleading.	
② Persons responsible for mis statement.	Any person who authorizes the issue of prospectus shall be u/s 447	Persons as provided u/s 35(1)
③ Defences available.	① Innocence of guilty 2	3
④ Essence Essence of guilty mind where required	✓	X
⑤ Intention of fraud.	CS LLB LLM Arjun Chhabra - 9552 52 143 8 X	
⑥ Remedies available	All the person liable to compensate to every person who has sustained the loss	Persons responsible shall be liable u/s 447.
⑦ Imprisonment	✓	X

Section 2 (70) - Definition of Prospectus.



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In simple words, Any document of the company inviting offer from public for subscription or purchase of any security of the company such document shall be considered as "prospectus".

Nash vs Wynde -

Private communication between business friend does not constitute a prospectus. The case is dismissed.
A single private communication does not satisfy the term "issue".

Case law [Just for knowledge]

Imme. gan vs Ranga Ram

Resouth of England vs Natural Gas Ltd.

Nash vs Lynde.

Any private communication travelled through various shall not termed as Prospectus.

sec 23 - Public offer and Pvt. Placement.

ss1

Public company

- (a) Public offer through Prospectus
- (b) Through Pvt Placement
- (c) Through right issue

compliance of sec 23-41 of Part of this chapter

compliance of Part II of this chapter.

Sec 62 or bonus issue (sec 63)

ss2

Private company

- (a) Same as ss1 (b)
- (b) same as ss1 (c)

Compliance

- Listed: Sec 62, Sec 63 + SEBI regulations.
- Unlisted: Sec 62, Sec 63

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* Explanation

Public offer

IPO

Initial public offer

When a public co. invites offers from public to subscribe its security for first time through prospectus it is known as IPO

FPO

further P.O.

When a public co. invites offers from public to subscribe its securities other than 1st time through prospectus it is known as FPO

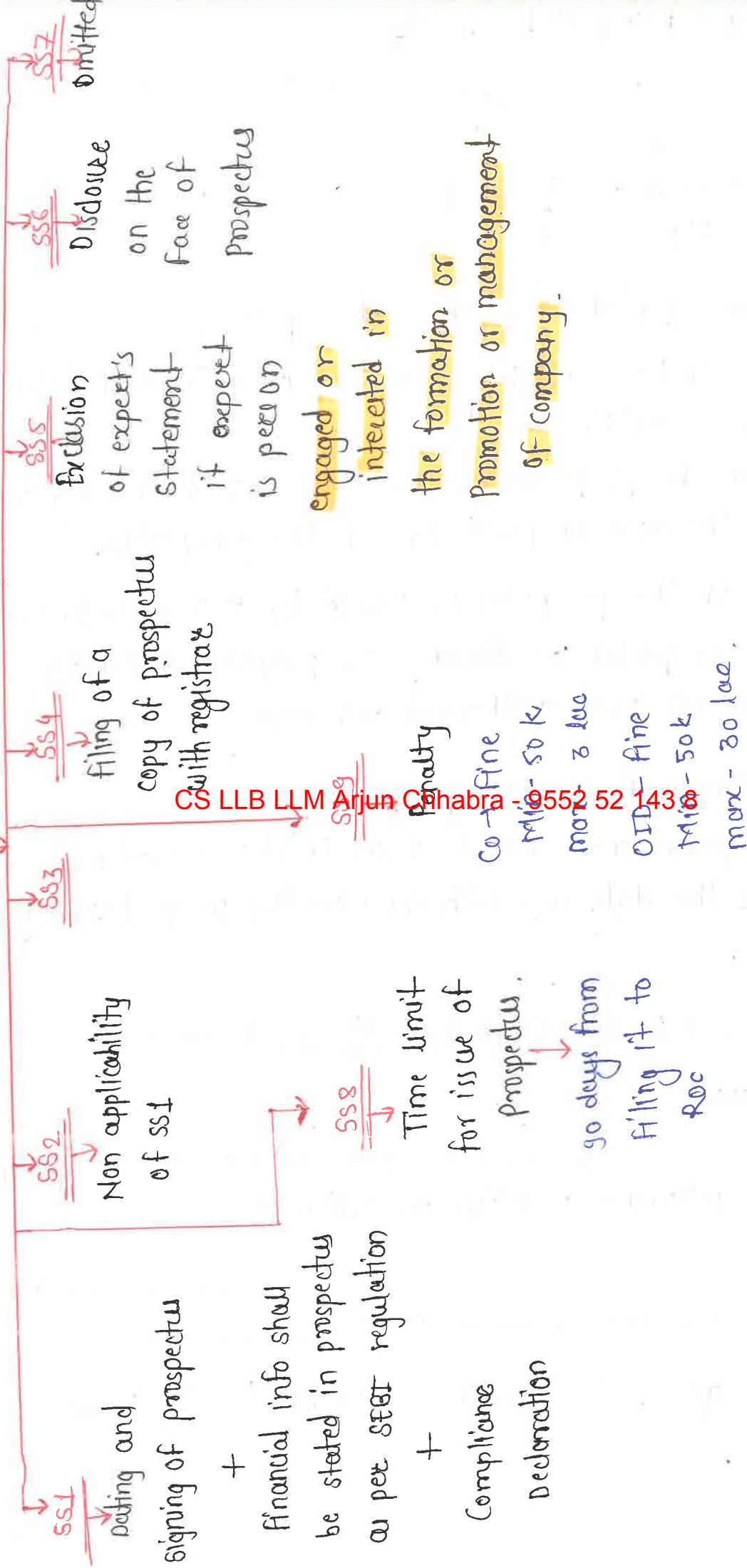
OFS

(offer for sale)

When existing equity st's of co (certain members) (substantial st) proposes to offer their shares for sale to the public it is known as OFS.

{ refer p.n 130 }

Sec 26 - Matters to be stated in prospectus



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SS1 - Dating and filing of prospectus

Ⓐ Every prospectus issued by or on behalf of a public co. shall be dated and signed.

Ⓑ The date indicated in the prospectus shall be deemed to be date of publication.

SS4 - Filing of copy of prospectus with registrar

A prospectus may be issued by a company only if the following two conditions are satisfied -

① A copy of the prospectus has been filed with the registrar on or before the date of publication of the prospectus.

② Such copy of the prospectus is signed by every person who is named in the prospectus as director or proposed director of the company or by his duly authorised attorney.

SS8 - Time limit of issue of prospectus

CS LLB LLM Arjun Chhabra - 9552 52 143 8

A prospectus shall not be valid if it is issued more than 90 days after the date on which copy of the prospectus is filed with registrar.

SS5 - Inclusion / Exclusion of expert's statement in the Prospectus

A statement made by expert may be included in the prospectus, only if all the following conditions are satisfied -

Ⓐ The expert is a person who is not and has not been, engaged or interested in formation / promotion / management of co.

Ⓑ Expert has given his written consent to the issue of prospectus.

© The expert has not withdrawn his consent before date of filing of the copy of the prospectus with the registrar.

© A statement is included in the prospectus that the expert has given his written consent and has not withdrawn such consent.

* Definition of Expert [Sec 2(88)] -

Expert includes an engineer, a valuer, a CA, a CS, a CMA and any other person who has the power or authority to issue a certificate in pursuance of any law for the time being in force.

SS1 - Other Particulars of prospectus -

© Prospectus shall contain financial info.

© Prescribed by SEBI & CG.

© A declaration shall be included in the prospectus stating that -

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① The company has complied with provision of The Companies Act, 2013; and

② Nothing in the prospectus is contrary to the provision contained in The Companies Act 2013, The Securities, Contract (Regulation) Act, 1956 and SEBI Act, 1992.

© Every prospectus shall contain following disclosures -

① A statement that a copy of the prospectus has been filed with the registrar.

② A list of all such documents as required to be attached with the prospectus.

552 - Non applicability of Sec 26(1)

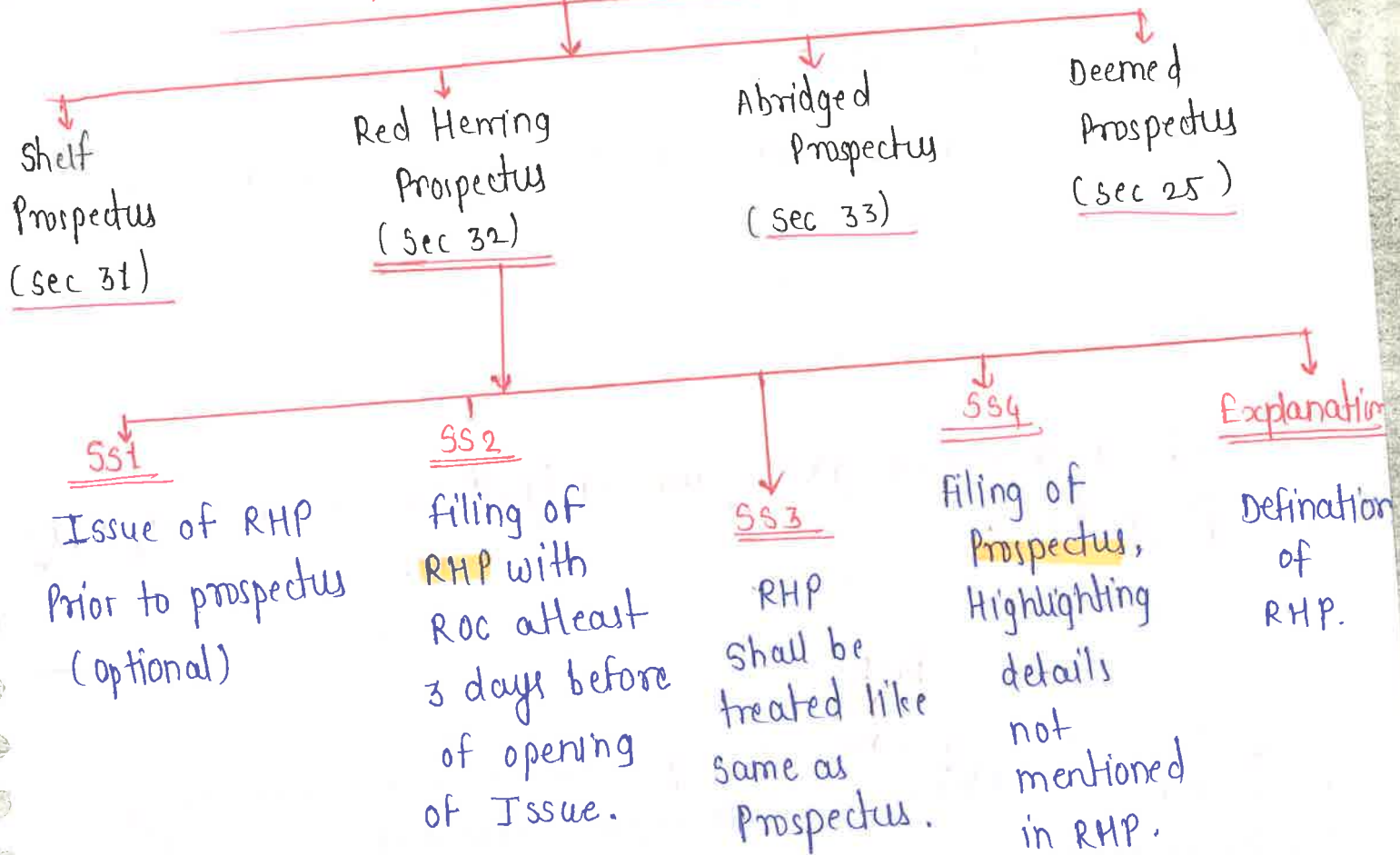
(a) Where a prospectus or form of application relating to shares or debentures is issued to the existing members or debenture holder of company as per Sec 62 (Whether a right to renounce the shares in favour of any other person is given or not given).

(b) Where a prospectus or form of application relating to shares or debentures is issued, if such shares or debentures are in all respects uniform with shares or debentures previously issued and such securities being dealt in RSE.

* Irregular Allotment -

- ① Where a company does not issue prospectus in public issue as required by Sec. 23; or
- ② Where prospectus issued by co. does not include any of the matters required to be included therein under Sec 26(1), or the information given is misleading, faulty and incorrect; or
- ③ Where the prospectus has not been filed with the registrar for registration under section 26(4); or
- ④ The min. subscription as specified in the prospectus has not been received in terms of section 39; or
- ⑤ Min. amt receivable on application less than 5% of nominal value of the securities offered or lower than amount prescribed by SEBI in this behalf; or
- ⑥ In case of public issue, approval for listing has not been obtained from one or more of the RSE under Sec 40 of Companies Act, 2013.
- ⑦ Return of Allotment.
- ⑧ Allotment money shall be kept in separate Bank A/c.

Kinds of Prospectus



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* Defination of RHP

The expression 'RHP' means a prospectus which does not include complete particulars of the quantum or the price of the securities included there in.

* Procedure for issue of securities under RHP

① A company proposing to make an offer of securities may issue a RHP prior to the issue of prospectus

② A company proposing to issue a RHP shall file with it (RHP) with the registrar atleast 3 days prior to the opening of the offer.

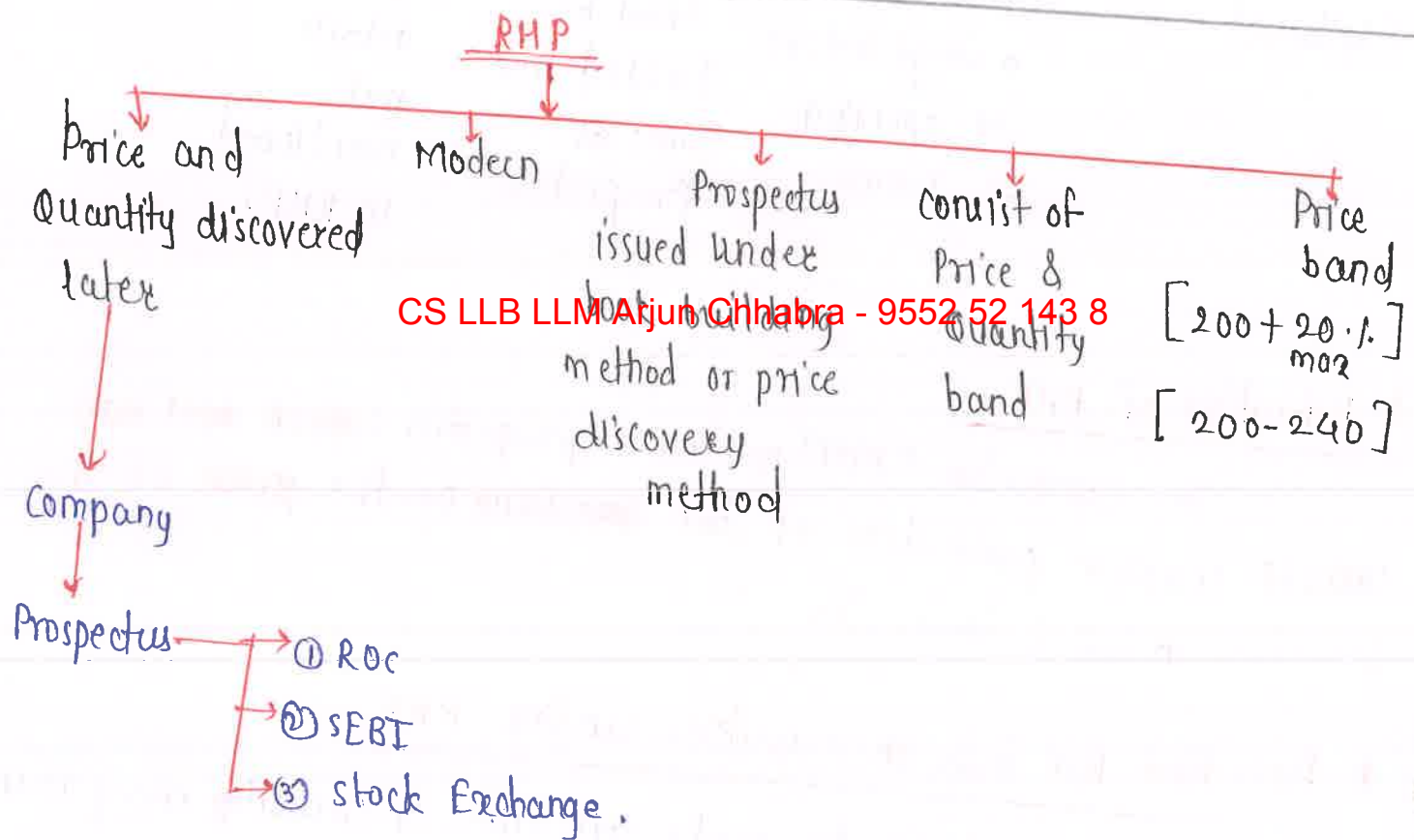
③ upon the closing of the offer of securities, the prospectus shall be filed with the registrar and SEBI.

variation between RHP and prospectus shall be highlighted variations in the prospectus.

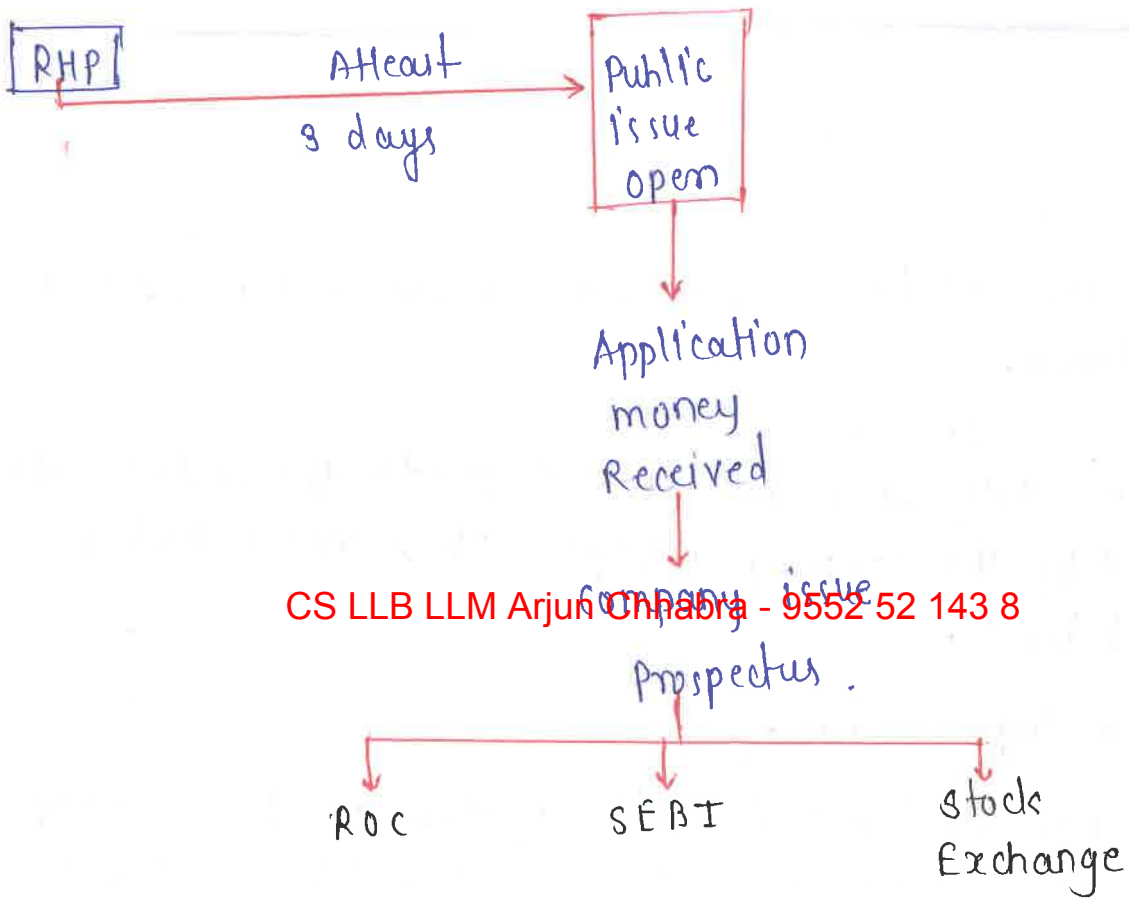
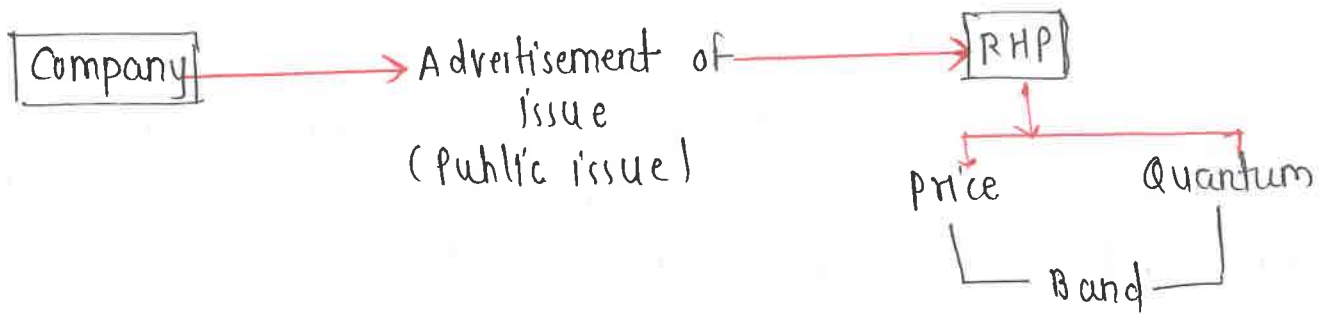
The prospectus shall state :-

- 1] The total capital raised, whether by way of debt or share capital;
- 2] The closing price of the securities; and
- 3] Any other details as were not included in RHP

* A RHP shall carry the same obligations as are applicable to prospectus -

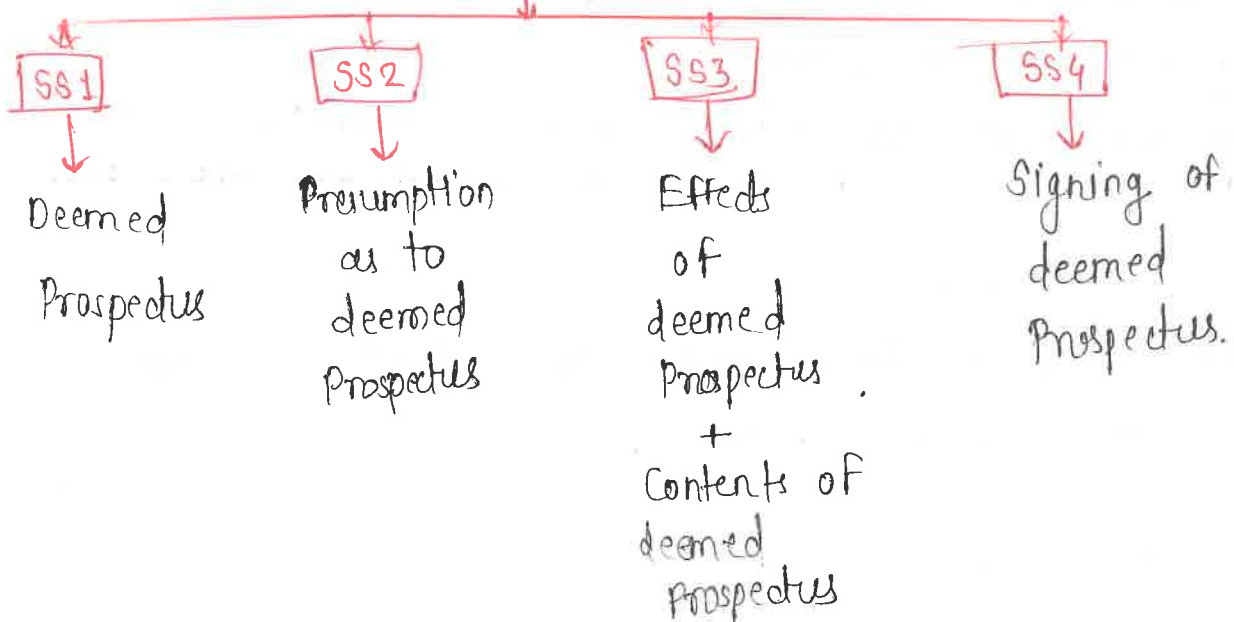


Procedure



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* Sec 25- Deemed prospectus (offer for sale). (refer p. 133 of chart)



① In simple words, it is an exception to the issue of prospectus. Here, the co. allot the shares to issue house which in turn makes an "offer for sale" to the public.

② The document by which offer for sale made by issue house although not being issued by company, shall be deemed to be a prospectus issued by the company. That's why the document by which issue house makes an offer for sale is deemed prospectus.

* Conditions -

In order to constitute offer for sale either of two conditions must be satisfied -

① offer for sale to the public was made within 6 months after the allotment.

OR
② At the date when the offer is made the whole consideration to be received by the company in respect of securities had not been received by it.

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* Effect of Deemed prospectus -

- It shall carry the same obligation as that of the prospectus. i.e. Sec 23, Sec 26, Sec 39, 40, 34, 35 etc will be applicable to deemed prospectus.

- In addition to matters stated in sec 26, deemed prospectus shall also specify the following contents.

① Net consideration received or to be received by the company in respect of securities which are offer for sale to the public.

② Time and place for inspection of contract where under the securities have been allotted.

Signing of Deemed Prospectus

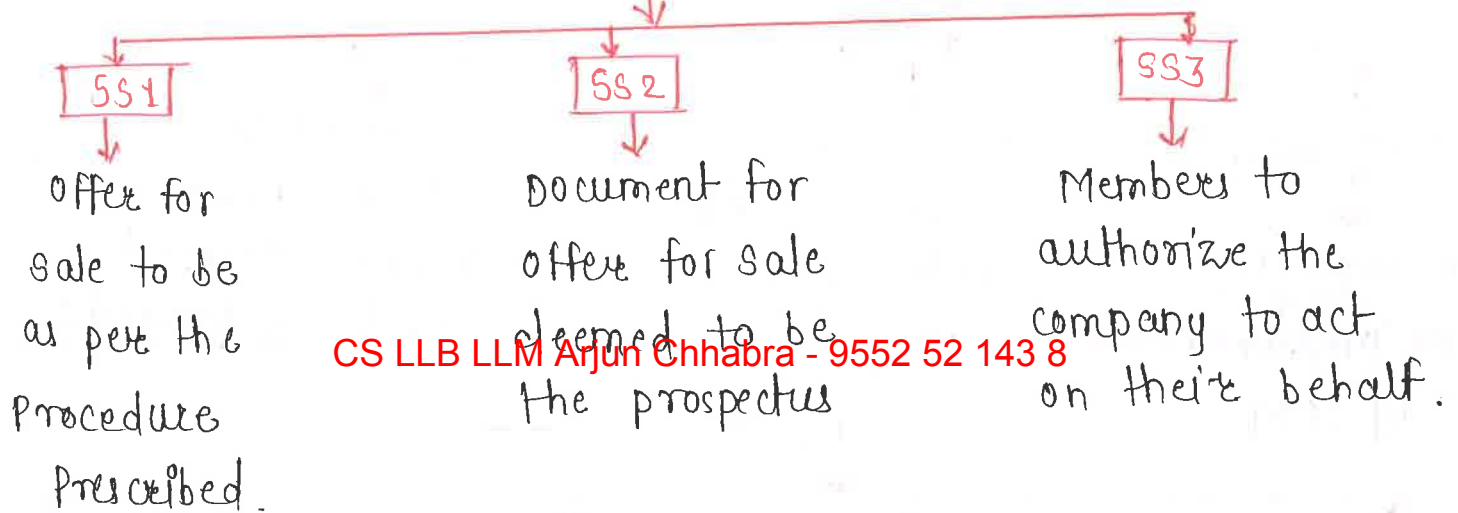
If issued by company
[Issue House]

By two directors of
the company

If issued by a firm

By not less than ~~half~~
of the partners.

Sec 28 - offer for sale of share by certain members of company.



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SS1

- Sec 28 is applicable where certain members of company propose to offer for sale to the public, the shares held by them

- Sec 28 empowers such members to do so -

(a) In consultation with BOD;

(b) In accordance with such procedure as may be prescribed.

SS2 - Any document by which the offer for sale to public is made shall be deemed to be A prospectus issued by the company.

Such prospectus shall carry the same obligation as that of the Prospectus.

SS3 The members, whose shares are proposed to be offered to the public shall -

(a) collectively authorize the company to take all actions in respect of offer for sale on their behalf; and

(b) Reimburse the co. all expenses incurred by the company.

Sec 31 - shelf Prospectus and information of Memorandum

SS1

Applicability

On companies

As prescribed by SEBI

SS2

Procedure for issue of securities under shelf Prospectus

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SS3

Information memorandum shall be deemed to be a prospectus.

Filing of shelf prospectus

With registrar at stage of the first offer of securities specified in shelf prospectus.

Validity period of shelf prospectus

A one year from date of opening of 1st offer of securities

+ for 2nd or any subsequent offers during such one year, No further prospectus is required.

Information Memorandum

Prior to 2nd or subsequent offer, company shall file and IM with RoC containing the following details.

Intimation of changes and opportunity to withdraw applications

If co. has received applications for securities along with advance payment, before such

changes, the co. shall - Intimate the changes to such applicants - If they desire to withdraw their application, shall refund all money received in 15 days

Information Memorandum - Details

- ① New charges created
- ② Changes in financial position of company between 1st and subsequent offers.

Sec 29 - Public offer of securities to be in dematerialised

Form.

+ Rule 9A of the Companies (Prospectus and allotment of securities) Rules, 2014.

→ Issue of securities in dematerialised form by unlisted public companies.

Refer 131 of chart book

SS1

Mandatory issue of securities in dematerialised form.

By every company making public offers

SS1 a

Holding and transfer of securities in dematerialised form by unlisted companies.

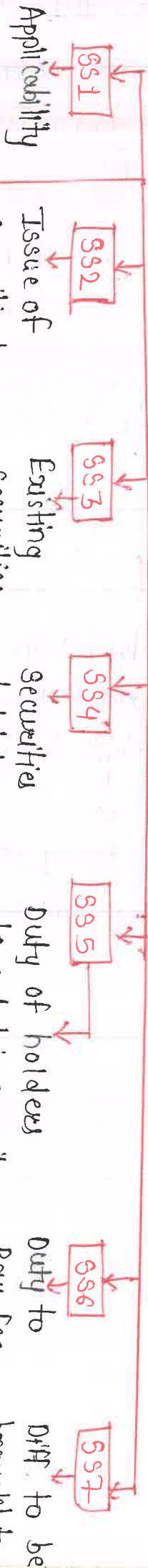
SS2

Optional dematerialisation for any other company.

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Rule 9A - Issue of securities in dematerialised form by

Unlisted public company.



851
Applicability

Alignment of
governance of
security
holders before
investor education
and protection
fund [IEPF]

852
Issue of
securities to
be in demate-
rialised form.

By every
unlisted public
company

853

Non applicability
of Rule 9A.

- ① Nidhiie Company
- ② A Govt Company
- ③ A Wholly owned company.

853

Existing
securities
to be
dematerialised

→ UPC shall
facilitate
dematerialisation
of all existing
security

→ UPC shall inform
about such facility to
all existing shareholders.

854

securities
held by
Promoters,
directors and
KMPs to be
in dematerialised
form.

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855

Duty of holders
to get his securities
dematerialised
before transfer or
subscription

Before it makes
any offer for -

- ① Issue of any
securities ; or
- ② For buy back of
securities ; or
- ③ Right issue
- ④ Bonus issue.

856

Duty to
Pay fee
and main-
tain security
deposit.

on or after
1.10.2018

Every UPC
shall make
timely payment
of fees to the
depository.

② And maintain
Security deposit
of all times of
not less than 2 years
fees.

defaulted can not
make any kind of offer
or security.

857

DRP to be
brought to
notice of
Depository

In its
issued
capital
&
held in
dematerial-
sed form

Sec 27 - Variation in terms of contract or object in

Prospectus. - [Refer P.N 134 of chart book]

Sec 33 - Issue of application form for securities

↓
[Not in syllabus]

[refer page 136 of chart book]

Sec 36 - Punishment for fraudently inducing person to invest money.

- * If a person, either knowingly or recklessly makes any -
 - statement, promise or forecast which is false.
 - Disceptive (धोकेसे) misleading, or deliberately conceals any material fact.
- so as to induce another person to enter into any agreement, such person shall be liable for sec 447

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Sec 37 - Action by affected person / class action suit.

A suit may be filed u/s 34, 35 or 36 by any person or group of persons or any associations of persons affected by any misleading statement or the omission of any matter in the prospectus.

* Coverage of section under this chapter -

- 36 - Punishment for fraudulently inducing person to invest money.
- 2(70) - Prospectus
- 28 - Public offer and Private placement.
- 25 - Deemed prospectus
- 26 - Matters to be stated in prospectus.
- 29 - Public offer of securities to be dematerialised form.
- 31 - shelf prospectus.
- 32 - Red Herring prospectus
- 28 - offer of sale of shares by certain members of co.
- 27 - Variation in Terms of contract or object in prospectus
- 40 - Securities to be dealt with stock exchange.
- 39 - Allotment of securities by company
- 35 - Criminal liability
- 34 - civil liability
- 42 - offer or Invitation for subscription securities on private placement.
- 447 - Punishment for fraud.
- 33 - Issue of application form for securities.
- 37 - Action by affected person.

CSLLELLM Arjun Chhabra - 9552 52 143 8