

Welcome students, We will be discussing Module 7 of company law.

Module 7 deals with definition and content of Prospectus. In this module we will be discussing about the meaning and definition of prospectus. Objective of prospectus, Ingredient of prospectus.

When the Prospectus is not required to be issued, registration of the prospectus and the content of the prospectus.

From this module students will be able to learn the concept of prospectus under Companies Act of 2013.

Also, students will be able to understand the content of the prospectus under Companies Act of 2013.

### **Meaning of the prospectus**

Company prospectus is released by the company to inform the public and investors of the various securities that are available. These documents describe mutual funds, bonds, stocks and other forms of investments offered by the company. A prospectus is generally accompanied by basic performance and financial information about the company. Prospectus is an important document to be submitted to the registrar of companies after incorporation of a Public limited company. Prospectus is an invitation to the public to offer to subscribe shares. After incorporation, a public company has to secure a minimum subscription within 120 days. Then only a certificate of incorporation is issued by the registrar of companies. A public company cannot start business until and unless this certificate is issued.

### **Definition of prospectus.**

Section 2(70)- defines a prospectus as “any document described or issued as a prospectus that include any notice, circular, advertisement or other document inviting deposits from the public or the subscription or purchase of any shares in or debentures of a body corporate”. The word subscription in the definition of prospectus means taking or agreeing to take shares for each.

A prospectus must be in writing. An oral invitation to subscribe for shares or debentures of a company is not a prospectus. Likewise an advertisement in television or a film is not treated to be a prospectus.

### **Objects of Prospectus**

It informs the company about the formation of a new company. It serves as written evidence about the terms and conditions of issue of shares or debentures of a company.

It induces the investors to invest in the shares and debentures of the company.

- It describes the nature, extent and future prospects of the company.
- It maintains all authentic records on the issue and makes the directors liable for the misstatement in the prospectus.

Next, we'll discuss what do you mean by ingredient of prospectus?

### **Ingredient of Prospectus**

- a)There must be an invitation to the public
- b)The invitations must be made “by or on behalf of the company or in relation to an intended company.
- c)The invitation must be “to subscribe or purchase”
- d)The invitation must refer to shares or debentures or such other instruments.

### **When Prospectus is not required to be issued (Sec 26)**

- a)Where the shares or debentures are not offered to public, [section
- b) Where a person is a bonafide invitee to enter into an underwriting agreement with regard to share or debenture
- c)Where the shares or debentures are offered to the existing holders of shares or debentures.
- d)Where the prospectus is issued as a newspaper advertisement

### **Registration of Prospectus Sec 27(7)**

- 1)Prospectus must be dated
- 2)A copy of prospectus must be filled with the register on or before its publication-
- 3)The experts consent ,a copy of every contract should be attached to the prospectus

### **Contents of the Prospectus**

The prospectus contains the main objectives of the company, the name and addresses of the signatories of the memorandum of association and the number of shares held by them.The name, addresses and occupation of directors and managing directors. The number and classes of shares and debentures issued.The qualification share of directors and the interest of directors for the promotion of the company.

Prospectus should contain the dates of the opening and closing of the issue and declaration about the issue of allotment letters and refunds within the prescribed time.

Statement by the Board of Directors about the separate bank account where all money received out of the issue is to be transferred and disclosure of details of the amount received including utilised and unutilised money out of the previous issue is also required to be mentioned.

Consent of the Directors, auditors, bankers to the issue, experts opinion if any. Details about the underwriting, amount and rate of underwriting commission. • Procedure and time schedule for allotment and issue of securities. Main object of the public officer, terms of present issue and other particulars which may be prescribed.

The amount for the minimum subscription. If the company is carrying on business, the length of time of such businesses. The estimated amount of preliminary expenses. Name and address of the auditors, bankers and solicitors of the company. Time and place where copies of balance sheets, profits and loss accounts and the auditors report may be inspected.

Other particulars relating to the Risk factors specific to the project, gestation period of the project, deadline for completion of project and any legal litigation or legal action pending. Report relating to Profits and losses for each of the five financial years immediately preceding the financial year of the issue of prospectus including reports of subsidiaries. Declaration about compliance of statutory provisions under Sec 26 of Companies Act 2013.

Following references could be made for the present Module.

Thank you.