

Section - 2 of Companies Act, 2013: Definition

Clause (1) of Sec 2: Abridged prospectus [effective from 12.09.2013]

“Abridged Prospectus” means a Memorandum containing such salient features of a prospectus as may be specified by the Securities and Exchange Board by making regulations in this behalf.

1. Meaning of abridged prospectus

Abridged prospectus means a memorandum containing such salient features of a prospectus as may be specified by the Securities and Exchange Board of India by making regulations in this behalf. Under the Companies Act, 1956, the salient features of an abridged prospectus were to be prescribed by the Central Government. Whereas under the new Act, the salient features of a abridged prospectus shall be as specified by the Securities and Exchange Board of India. The term abridged prospectus is not defined under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. However the term ‘abridged prospectus’ was defined under clause 1.2.1(i) of SEBI (Disclosure and Investor Protection) Guidelines, 2000, as “the memorandum as prescribed in Form 2A under sub-section (3) of section 56 of the Companies Act, 1956”. The definition of ‘Prospectus’ as provided in clause (70) of section 2, Red herring prospectus as provided in section 32 and Shelf Prospectus in section 31 of the Act is to be read together for complete understanding of the term “abridged prospectus”.

2. Requirement of abridged prospectus:

Section 33 of the Act states that no form of application can be issued for the purchase of any securities of a company, which proposes to list its securities, unless it is accompanied by an abridged prospectus. There are, however, in the following cases the application may not accompany abridged prospectus, in case application was issued:

- a. in connection with the bona fide invitation to a person to enter into an underwriting agreement with respect to such securities;
- b. in relation to the securities which are not offered to the public.

3. Contents of Abridged Prospectus:

Regulation 58(1) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended vide No. SEBI/ LAD-NRO/ GN/2015-16/025 dated 27.10.2015 provides that an abridged prospectus shall contain the disclosures of the memorandum prescribed in the Companies Act, 2013 and additional disclosures as specified in Part D of Schedule VIII.

Further it also provides that the abridged prospectus shall not contain any matter extraneous to the contents of the offer document. The additional disclosures as specified in Part D of Schedule VIII are as under:

Disclosures:

1. Information as is material and appropriate to enable the investors to make an informed decision shall be disclosed in the abridged prospectus.
2. An issuer making a public issue of specified securities shall make the disclosures in the abridged prospectus as per the format specified by the Board from time to time.

General Instructions:

- I. The abridged prospectus shall be submitted to the Board (one copy).
- II. The abridged prospectus including the application form shall not exceed 5 sheets (printed both sides).
- III. Information which is of generic nature and not specific to the issuer shall be brought out in the form of a General Information Document (GID) as specified by the Board.
- IV. Abridged Prospectus shall be printed in a booklet form of A4 size paper.
- V. The Abridged Prospectus shall be printed in a font size which shall not be visually smaller than Times New Roman size 11 (or equivalent) with 1.0 line spacing.
- VI. Information required to be given in Tabular Format shall not appear in running text format.
- VII. The order in which items appear in the abridged prospectus shall be as specified by the Board.
- VIII. The application form shall be so positioned that on the tearing-off of the application form, no part of the information given in the abridged prospectus is mutilated." Further the contents of abridged prospectus had been provided vide SEBI circular no. CIR/CFD/DIL/1/2016 dated 01.01.2016.

4. Reference of the term in the Act:

The term abridged prospectus is used in the Act at various places as mentioned herein below.

Sl. No.	Relevant Section in the Act	Relevant Text
1.	33(1)	"No form of application for the purchase of any of the securities of a company shall be issued unless such form is accompanied by an abridged prospectus."

Indian Accounting Standards (Ind ASs)

Rule 3 of The Companies (Indian Accounting Standards) Rules, 2015 provides that the accounting standards means Indian Accounting Standards (Ind ASs) as provided in annexure to the said rule, for classes of companies specified in rule 4 and for other companies the accounting standards means accounting standard as provided in the annexure to the Companies (Accounting Standards) Rules, 2006.

The above rule further provides that a company which follows the Ind AS or Accounting Standards specified in Annexure to the Companies (Accounting Standards) Rules, 2006 shall follow such respective standards only.

i. Applicability of Ind ASs:

The Ind ASs shall be applicable in following cases:

- I. All Companies on voluntary basis for financial statements for accounting periods beginning on or after 01.04.2015, with the comparatives for the periods ending on 31.03.2015, or thereafter;
- II. The Companies fulfilling the following parameters or the accounting periods beginning on or after 01.04.2016, with the comparatives for the periods ending on 31.03.2016, or thereafter:
 - a. companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of rupees 500 crores or more;
 - b. companies other than those covered under clause (a) above and having net worth of rupees 500 crores or more;
 - c. holding, subsidiary, joint venture or associate companies of companies covered under clause (a) and (b) above; and
- III. The following companies shall comply with the Indian Accounting Standards (Ind ASs) for the accounting periods beginning on or after 01.04.2017, with the comparatives for the periods ending on 31.03.2017, or thereafter, namely:
 - a. companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of less than rupees 500 crore;

- b. companies other than those covered under clause II and clause III (a), that is, unlisted companies having net worth of rupees 250 crore or more but less than rupees 500 crore.
- c. holding, subsidiary, joint venture or associate companies of companies covered under clause III (a) and (b) above, as the case may be:

ii. Non Applicability of Ind ASs

The Ind ASs shall not be applicable to the following Companies:

- a) whose securities are listed or are in the process of being listed on SME exchange as referred to in Chapter XB or on the Institutional Trading Platform without initial public offering in accordance with the provisions of Chapter XC of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- b) the insurance companies, banking companies and non-banking finance companies either voluntarily or mandatorily basis.

The net worth is required to be calculated in accordance with the stand-alone financial statements of the company as on 31.03.2014 or the first audited financial statements for accounting period which ends after that date;

Further the companies which are not in existence on 31.03.2014 or an existing company falling under any of thresholds specified in sub-rule (1) for the first time after 31.03.2014, the net worth need to be calculated on the basis of the first audited financial statements ending after that date in respect of which it meets the thresholds specified in Companies (Indian Accounting Standards) Rules, 2015, Rule 4 of sub-rule (1).

iv. Other General Points regarding Ind ASs:

- i. Once Ind ASs become applicable, the Company shall comply with the same in preparation of both standalone & consolidated financial statements.
- ii. Overseas subsidiary, associate, joint venture and other similar entities of an Indian company may prepare its standalone financial statements in accordance with the requirements of the specific jurisdiction. However such Indian holding company shall prepare its consolidated financial statements in accordance with the Indian Accounting Standards (Ind ASs) either voluntarily or mandatorily if it meets the criteria as specified in rules
- iii. Indian company which is a subsidiary, associate, joint venture and other similar entities of a foreign company shall prepare its financial

statements in accordance with the Indian Accounting Standards (Ind ASs) either voluntarily or mandatorily if it meets the criteria as specified in rules

- iv. Any company opting to apply the Indian Accounting Standards (Ind ASs) voluntarily as specified in the rules for its financial statements shall prepare its financial statements as per the Indian Accounting Standards (Ind ASs) consistently.
- v. Once the Indian Accounting Standards (Ind ASs) are applied voluntarily, it shall be irrevocable and such companies shall not be required to prepare another set of financial statements in accordance with Accounting Standards specified in Annexure to Companies (Accounting Standards) Rules, 2006.
- vi. Once a company starts following the Indian Accounting Standards (Ind ASs) either **voluntarily or mandatorily on the basis of criteria specified in rules, it shall be required to follow** the Indian Accounting Standards (Ind ASs) for all the subsequent financial statements even if any of the criteria specified in this rule does not subsequently apply to it.
- vii. The companies meeting the specified thresholds given under Companies (Indian Accounting Standards) Rules, 2015 for the first time at the end of an accounting year shall apply Indian Accounting Standards (Ind ASs) from the immediate next accounting year.