

## Companies Act, 1956

### Section 56 - Matters to Be Stated and Reports to Be Set out in Prospectus

---

(1) Every prospectus issued -

(a) by or on behalf of a company, or

(b) by or on behalf of any person who is or has been engaged or interested in the formation of a company,

shall state the matters specified in Part I of Schedule II and set out the reports specified in Part II of that Schedule; and the said Parts I and II shall have effect subject to the provisions contained in Part III of that Schedule.

(2) A condition requiring or binding an applicant for shares in or debentures of a company to waive compliance with any of the requirements of this section, or purporting to affect him with notice for any contract, document or matter not specifically referred to in the prospectus, shall be void.

(3) No one shall issue any form of application for shares in or debentures of a company, unless the form is accompanied<sup>1</sup>[by a memorandum containing such salient features of a prospectus as may be prescribed] which complies with the requirements of this section:

<sup>2</sup>[Provided that a copy of the prospectus shall, on a request being made by any person before the closing of the subscription list be furnished to him:

Provided further that] this sub-section shall not apply if it is shown that the form of application was issued either -

(a) in connection with a bona fide invitation to a person to enter into an underwriting agreement with respect to the shares or debentures; or

(b) in relation to shares or debentures which were not offered to the public.

If any person acts in contravention of the provisions of this sub-section, he shall be punishable with fine which may extend to<sup>3</sup>[fifty thousand rupees].

(4) A director or other person responsible for the prospectus shall not incur any liability by reason of any non-compliance with, or contravention of, any of the requirements of this section, if -

(a) as regards any matter not disclosed, he proves that he had no knowledge thereof; or

(b) he proves that the non-compliance or contravention arose from an honest mistake of fact on his part; or

(c) the non-compliance or contravention was in respect of matters which, in the opinion of the Court dealing with the case<sup>4</sup>[were immaterial] or was otherwise such as ought, in the opinion of that court, having regard to all the circumstances of the case, reasonably to be excused:

Provided that no director or other person shall incur any liability in respect of the failure to include in a prospectus a statement with respect to the matters specified in clause 18 of Schedule II, unless it is proved that he had knowledge of the matters not disclosed.

(5) This section shall not apply -

(a) to the issue to existing members or debenture-holders of a company of a prospectus or form of application relating to shares in or debentures of the company whether an applicant for shares or debentures will or will not have the right to renounce in favour of other persons; or

(b) to the issue of a prospectus or form of application relating to shares or debentures which are, or are to be, in all respects uniform with shares or debentures previously issued and for the time being dealt in or quoted on a recognised stock exchange; but, subject as aforesaid, this section shall apply to a prospectus or a form of application, whether issued on or with reference to the formation of a company or subsequently.

(6) Nothing in this section shall limit or diminish any liability which any person may incur under the general law or under this Act apart from this section.

---

1. Substituted by Act 31 of 1988, Section 8, for "by a prospectus" (w.e.f. 31-5-1991).

2. Substituted by Act 31 of 1988, Section 8, for "Provided that" (w.e.f. 31-5-1991).

3. Substituted by Act 53 of 2000, Section 17, for "five thousand rupees" (w.e.f. 13-12-2000).

4. Substituted by Act 52 of 1964, Section 3 and Schedule II, for "was immaterial" (w.e.f. 29-12-1964).