

## **Types of company**

### **On the Basis of Number of Members**

On the basis of number of members, a company may be :

- (1) Private Company, and
- (2) Public Company.

#### **A. Private Company**

As per **Section 2(68)** “Private Company” means a company having a minimum paid-up share capital of **ONE LAKH** rupees or such higher paid-up share capital as may be prescribed, and which by its articles,—

- (i) Restricts the right to Transfer its Shares;
- (ii) Limits the Number of its Members to **200**; and
- (iii) Prohibits any Invitation to the Public to Subscribe for any **SECURITIES** of the Company;

**NOTE:** – 1. Joint holders shall be counted as one.

1. (A) Employees holding shares; and

(B) Person formerly in employment were, who members during such employment and still Continue to be the members shall not be counted in the limit of 200.

### **Characteristics or Features of a Private Company.**

The main features of a private company are as follows :

- i) A private company restricts the right of transfer of its shares.

The shares of a private company are not as freely transferable as those of public companies. The articles generally state that whenever a shareholder of a Private Company wants to transfer his shares, he must first offer them to the existing members of the existing members of the company. the family nature of the company's shareholders.

- ii) It limits the number of its members to 200 excluding members who are employees or ex-employees who were and continue to be the member. Where two or more persons hold share jointly they are treated as a single

member. The minimum number of members to form a private company is two.

iii) A private company cannot invite the public to subscribe for its capital or shares or debentures. It has to make its own private arrangement.

## **B. Public company**

According to the Companies Act, 2013, 'public company' means a company which is not a private company. A public limited company is a joint stock company. It is governed under the provisions of the Indian Companies Act, 2013. ... The company can invite public for subscription of shares and debentures.

Differences between a Public Company and a Private company)

**1. Minimum number :** The minimum number of persons required to form a

public company is 7. It is 2 in case of a private company.

**2. Maximum number :** There is no restriction on maximum number of members in a public company, whereas the maximum number cannot exceed 200 in a private company.

**3. Number of directors.** A public company must have at least 3 directors whereas a private company must have at least 2 directors

**4. Restriction on appointment of directors.** In the case of a public company, the directors must file with the Register a consent to act as directors or sign an undertaking for their qualification shares. The directors of a private company need not do so

**5. Restriction on invitation to subscribe for shares.** A public company invites the general public to subscribe for shares. A private company invites the general public to subscribe for the shares or the debentures of the company. A private company by its Articles prohibits invitation to public to subscribe for its shares.

**6. Name of the Company :** In a private company, the words “Private Limited” shall be added at the end of its name.

**7. Public subscription :** A private company cannot invite the public to purchase its shares or debentures. A public company may do so.

**8. Issue of prospectus :** Unlike a public company a private company is not expected to issue a prospectus or file a statement in lieu of prospectus with the Registrar before allotting shares.

**9. Transferability of Shares.** In a public company, the shares are freely transferable . In a private company the right to transfer shares is restricted by Articles.

**10. Special Privileges.** A private company enjoys some special privileges. A public company enjoys no such privileges.

**11. Quorum.** If the Articles of a company do not provide for a larger quorum. 5 members personally present in the case of a public company are quorum for a meeting of the company. It is 2 in the case of a private company