

# CHAPTER 17

## COMPANIES

A company comes into existence only when it has been registered after completion of all formalities required by the Indian Companies Act, 1956. A company has its own separate existence independent of its members. It means that a company can own property, enter into contracts and conduct any lawful business in its own name. It can sue and can be sued by others in the court of law. The shareholders are not the owners of the property owned by the company. Also, the shareholders cannot be held responsible for the acts of the company

A company continues to exist as long as it fulfils the requirements of law. It is not affected by the death, lunacy, insolvency or retirement of any of its members. Companies have democratic management and control. That is, even though the shareholders are owners of the company, all of them cannot participate in the management of the company. Normally, the shareholders elect representatives from among themselves known as 'Directors' to manage the affairs of the company.

**Private Limited Company** These companies can be formed by at least two individuals having minimum paid-up capital of not less than Rupees one lakh. As per the Companies Act, 1956 the total membership of these companies cannot exceed 50. The shares allotted to its members are also not freely transferable between them. These companies are not allowed to raise money from the public through open invitation. They are required to use "Private Limited" after their names. The examples of such companies are Combined Marketing Services Private Limited, Indian Publishers and Distributors Private Limited, Oricom Systems Private Limited, etc.

**Public Limited Company** A minimum of seven members are required to form a public limited company. It must have minimum paid-up capital of ₹ 5 lakhs. There is no restriction on maximum number of members. The shares allotted to the members are freely transferable. These companies can raise funds from general public through open invitations by selling its shares or accepting fixed deposits. These companies are required to write either 'public limited' or 'limited' after their names. Examples of such companies are Hyundai Motors India Limited, Steel Authority of India Limited, and Jhandu Pharmaceuticals Limited etc.

### **Government Company**

In these companies the Government (either state or central government or both) holds a majority share capital i.e., not less than 51%. However, companies having less than 51% share holding by the government can also be called Government companies provided control and management lies with the government. Examples of government companies are: Mahanagar Telephone Nigam Limited, Bharat Heavy Electricals Limited.

### **Indian Company**

A company having business operations in India and registered under the Indian Companies Act, 1956 is called Indian Company. An Indian company may be formed as a public limited, private limited or government company.

### **Foreign Company**

A foreign company as defined under Section 591 of the Companies Act 1956, is a company formed and registered outside India having business operations in India

### **Highlights**

- As on 31-3-2009, there were 786747 companies (limited by shares) in the country. Out of these companies 82058 companies were public limited and 704716 were private limited companies.
- As on 31st March, 2009, maximum number of companies around 22.5 % of the total is in Maharashtra followed by Delhi 20%. Rest of the companies are in the major states West Bengal (11.8%), Tamil Nadu(8.0%),Andhra Pradesh(7.4%), Gujarat(5.7%), Rajasthan(2.0%) and Uttar Pradesh(3.4%).

- Number of Companies in Agriculture and Allied activities has come down by 1.5 percent. In 2009 as compared to 2001, but the paid up capital has increased by 97.3 % during the same period. It could be noticed that while the number of Public Companies decreased, the number of Private companies registered a marginal increase of 4.7 % over the same period.
- In case of Mining and Quarrying, the number of Public as well as Private Limited Companies has increased; the total number of companies registered an increase of 49.5 %, in 2009 over 2001. The paid up capital have increased by only 16.3 %. A similar trend could be noticed in the sectors namely Manufacturing, Electricity, Gas and Water Supply, Construction, Transport Storage and Communication, Community Social and Personnel services.
- In case of “Wholesale & Retail Trade and Restaurants and Hotels”, and “Finance, Insurance, Real Estate and Business Services”, although the total number of companies have increased, but in these cases the number of Public Limited Companies have come down by 7 % and 5.5 % respectively. However in both the cases the Paid Up Capital have increased, For “Wholesale & Retail Trade and Restaurants and Hotels” the paid up capital of Public Limited Companies have increased by 22.7 % and for Finance, Insurance, Real Estate and Business Services, it has increased by 142.9 %.
- The companies (limited by shares) which were registered during the period from 1<sup>st</sup> April, 2009 to 31<sup>st</sup> March, 2009 comprised 2396 public limited companies and 62186 private limited companies.
- In 2009, the maximum number of new companies have emerged in “Finance, Insurance, Real Estate and Business Services” (31.35%) followed by 19.8% in “Wholesale & Retail Trade and Restaurants and Hotels” then Manufacturing (16.8 %) and then Construction (14.9%)
- Around 45.8 % of total ceased companies in 2009 are in West Bengal.

**This chapter contains the following tables:**

**Table 17.1(A)** -Companies at Work by Industrial Activity (Number and Paid-Up Capital)

**Table 17.1(B)** - Companies at Work (Number and Paid-Up Capital)

**Table 17.2(A)** - Companies Newly Registered By Industrial Activity (Number and Authorised Capital)

**Table 17.2(B)**-Companies Newly Registered By Major Classification (Number and Authorised Capital)

**Table 17.3**- Companies Ceased To Work by Major Classification (Number and Paid-Up Capital)