

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. Normally, the shareholders elect representatives from among themselves known as 'Directors' to manage the affairs of the company.

Vanishing Companies The Capital Market Boom of early 1990s witness a large number of companies tapping the Capital Market through public issues. However, some companies which had raised funds by making public issue later vanished with the investors' money. A joint mechanism called Coordination and Monitoring Committee (CMC), co-chaired by Secretary, Ministry of Corporate Affairs, (MCA) and chairman, SEBI, was setup to settle the policy issue regarding the delinquent/companies/promoters and to monitor the progress in regard to action taken against Vanishing Companies under the provision of the companies Act, 1956 and under the relevant provision of India Penal Code (IPC) as well as under SEBI Act, 1992. Of the 229 companies that came out with IPOS during 1992-98, earlier identified as Vanished, 87 companies remains as vanishing companies while rest of the companies have either been traced are now regular in filing statutory returns etc. or have gone in to liquidation after the CMC started functioning. The number of vanishing companies has reduced significantly and for the period of 1998-2001 only 08 companies have been identified as vanishing while the number of companies which vanished after this period is NIL.

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 31-3-2010, there are 773432 companies (limited by shares) in the country. Out of these companies 75995 companies are public limited and 697437 are private limited companies.
- Out of companies, 25% are in Manufacturing, 15% are engaged in Wholesale & Retail Trade and Restaurants and Hotels and 28% are in Finance, Insurance, Real Estate and Business Services. These 3 groups accounts for nearly 70% of all the companies in India.
- As far as paid-up capital in concerned, three sectors viz. (i) Manufacturing, (ii) Electricity, Gas and Water, and (iii) Finance, Insurance, Real Estate Buisness contribute the maximum share. In 2010, these 3 sectors accounted for more than 60% of the total paid up capital.
- As on 31st March, 2010, maximum number of companies around 23.5 % of the total is in Maharashtra followed by Delhi 22%. Rest of the companies are in the states West Bengal (12.7%), Tamil Nadu (8.5%), Andhra Pradesh (8.0%).

- In case of Mining and Quarrying, although the number of Public as well as Private Limited Companies has increased; the total number of companies registered an increase of 63.0 %, in 2010 over 2001, the paid up capital have decreased by 4.0 %.
- The classified companies (limited by shares) which were registered during the period from 1st April, 2010 to 31st March, 2011 comprised 1997 public limited companies and 55110 private limited companies. In Addition, there were 9425 public and 69328 private unclassified companies.
- In 2010, maximum number of new companies were registered in the Finance, Insurance, Real Estate Business Services sector. This was seen in the case of both Public Companies (31%) and Private Companies (40%).

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)