

P.G. SEM - II
CC- VIII (CORPORATE LEGAL FRAMEWORK)
TOPIC - KINDS OF COMPANIES

Kinds of Companies

A company is a voluntary association of persons formed and registered under the Companies Act, 2013, having a separate legal identity, perpetual succession, and a common seal. The Companies Act recognizes different kinds of companies based on incorporation, liability, ownership, control, and nationality. Understanding the kinds of companies is essential for legal compliance and corporate governance.

1. On the Basis of Incorporation

a) Chartered Company

These companies are formed by a special charter granted by the Crown. Such companies existed during British rule, for example, the East India Company. They are rarely found today.

b) Statutory Company

A statutory company is created by a special Act of Parliament or State Legislature. Examples include Life Insurance Corporation of India (LIC) and Reserve Bank of India (RBI).

c) Registered Company

These companies are registered under the Companies Act, 2013 or previous company laws. Most modern companies fall under this category.

2. On the Basis of Liability

a) Company Limited by Shares

The liability of members is limited to the unpaid amount on the shares held by them. This is the most common type of company.

b) Company Limited by Guarantee

Members' liability is limited to the amount they agree to contribute in the event of winding up. Such companies are usually formed for non-profit purposes.

c) Unlimited Company

Members have unlimited liability for the debts of the company. This type is rare in practice.

3. On the Basis of Number of Members

a) Private Company

A private company restricts the transfer of shares, limits the number of members, and prohibits public invitation to subscribe to shares. Minimum members are two.

b) Public Company

A public company can invite the public to subscribe to its shares and has a minimum of seven members.

c) One Person Company (OPC)

An OPC is formed by a single individual and combines the benefits of sole proprietorship and company structure.

4. On the Basis of Control

a) Holding Company

A holding company controls one or more subsidiary companies.

b) Subsidiary Company

A subsidiary is controlled by another company known as the holding company.

5. On the Basis of Ownership

a) Government Company

A company in which at least 51% of the paid-up share capital is held by the Central or State Government.

b) Non-Government Company

A company not owned or controlled by the government.

6. Other Kinds of Companies

a) Foreign Company

A company incorporated outside India but having a place of business in India.

b) Section 8 Company

A non-profit company formed to promote commerce, education, charity, or social welfare.

The Companies Act, 2013 provides for various kinds of companies to suit different business objectives and legal requirements. Classification of companies helps in understanding their legal status, liability structure, and regulatory framework.