

P.G. SEM - II
CC- 8 (CORPORATE LEGAL FRAMEWORK)
TOPIC - MEANING OF PUBLIC COMPANY

Meaning of Public Company

A public company is a type of company that is incorporated under the Companies Act and is permitted to invite the general public to subscribe to its shares and debentures. It enjoys wider access to capital and operates under stricter legal regulations to protect the interests of investors and the public.

Definition

According to the Companies Act, 2013, a public company means a company which:

- * Is not a private company, and
- * Has a minimum paid-up share capital as may be prescribed.

A public company may be listed or unlisted, but it must comply with statutory provisions applicable to public companies.

Essential Features of a Public Company

1. Minimum Number of Members

A public company must have at least 7 members. There is no maximum limit on the number of members.

2. Minimum Number of Directors

It must have at least 3 directors to manage the affairs of the company.

3. Free Transferability of Shares

Shares of a public company are freely transferable, subject to provisions of the Companies Act and SEBI regulations.

4. Invitation to Public

A public company can invite the public to subscribe to its shares and debentures through a prospectus.

5. Limited Liability

The liability of members is limited to the unpaid amount on shares held by them.

6. Separate Legal Entity

A public company has a separate legal identity distinct from its shareholders.

7. Statutory Compliance

Public companies are required to follow strict legal and disclosure requirements, including audit, filing of returns, and compliance with SEBI norms (if listed).

Advantages of a Public Company

- * Easy mobilization of large capital
- * Greater public confidence
- * Growth and expansion opportunities
- * Better corporate governance

In conclusion public company plays a vital role in the corporate sector by mobilizing public savings for productive use. Due to its ability to raise large funds and its regulated structure, it is an important form of business organization under the corporate legal framework.