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Course M.Com Part II

Paper IX

Topic: Public Co. & Private Co.

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Difference between Public Company vs Private Company

The company is an association of people who want to do certain business activities with having a legal existence. There are multiple types under which a company can be formed under company laws like Statutory Companies, Single Person Company, Companies Limited by shares, a company limited by guarantee, Public Limited Company, Private Limited Company.

Company formation type is completely based on the liability of members, the number of members, incorporation mode. Among these types, Private companies and Public companies are the most popular.

A private company cannot offer its share to the general public as it is restricted, in a private company the shares are privately held by the members or investors. The private company the suffix after its name Private Limited (PVT LTD), the main advantage of a private company is

they don't need to disclose their financials to the general public. The public company is only answerable to its members/investors only.

A public company under the companies act 2013 means a company that is listed on a stock exchange and can sell its securities to the general public. To become a public company; the company needs to offer an IPO to the public. Publicly listed company means their shareholders can sell securities freely on a stock exchange. A public company needs to disclose its annual report to all the stakeholders. A public company can expand its business by issuing more shares to the general public.

The differences are as follows between the two:

1. A public company is a company that is listed in the well-known stock exchange and can be traded freely. Where a private limited company is not listed on a stock exchange and it is held privately by the member of the company.
2. In a private company, it is not mandatory to call a statutory meeting of members, whereas it is mandatory to have a statutory meeting in case of a public limited company.
3. There must be a minimum of seven members to form and start a public company, on the other side private company has a limit of a minimum of two members to start the business.
4. There is no capping for the maximum number of members in a public limited company. But a private company cannot have more than 200 members, subject to some conditions.
5. To start a public company there should be at least 3 directors and is a privately held company, the minimum number of directors should be 2.

6. In a public company, at least 5 members must be present personally at the Annual general meeting (AGM) for the formation of the requisite quorum, whereas in the private limited company at least 2 members should present in the AGM.
7. General Public can be invited by the company for the subscription of shares of the public limited company. On the other hand, there is no such thing in a private limited company to invite the general public for the subscription of share
8. The issuance of the prospectus is compulsory in the public limited company and for the private limited company, there is no such instance.
9. In a private limited company transferability of shares is fully restricted; In contrast, the shareholders of a public limited company can easily and freely transfer their shares.
10. In a Private Limited Company requires the only certificate of incorporation to start the business, on the other side public company requires a certificate of incorporation and then the certificate of commencement to start a business.

Let's discuss the top comparison between Public Company vs Private Company

Basis for Comparison	Public Company	Private Company
Meaning	Public Company is owned and traded publicly on the stock exchange.	A Private Company is owned and traded privately.

Use of Suffix	Limited can use after the public company name (Example- ABC Limited).	Private Limited can be used after the private company name. (Example- ABC Private Limited).
Min. Members	Minimum 7 members must be required to form a public company.	Minimum 2 members must be required to form a private company.
Max Members	There is no maximum limit of the member in public company	The maximum limit of the member in a private company is 200.
Min Directors	At least 3 directors are required in a public company.	At least 2 directors are required in a Private company.
Start of Business	Certificate of incorporation and commencement of business is required to start the business.	The only certification of incorporation is required to start the business.
Public Subscription of Shares	Public subscription of share is allowed in public companies.	Public subscription of share is not allowed in private companies.
Quorum at AGM	5 members should be present personally at AGM.	2 members should be present personally at' AGM.
Statutory Meeting	The statutory meeting is compulsory.	The statutory meeting is Optional.

Issue of Prospectus	It is their mandate to issue the prospectus.	It is not required in a private company.
Shares Transferability	Share can be transferred freely in public companies.	Transfer of share is restricted in private companies.
Managerial Remuneration	There is no restriction is managerial remuneration.	Managerial remuneration can exceed 11% of the Net Profit.
Disclosure of Financial Report	A public company needs to disclose its financial reports quarterly and annual.	There is no such obligation for a private company to disclose their financial results to the normal public.
Size	Generally, the size of the public company is very huge.	Normally the size of a private company is small in comparison to the public company. But a private company also be a big company.
Funding	A public company can raise funds by issuing an IPO in the general public.	Private companies can raise funds through private investors.

We have seen both the types of companies and both types of companies have their advantages and disadvantages. A private company cannot issue its share and a public

company can raise capital from the general public by issuing the securities. Majorly, the size of the public company is relatively higher as compared to private companies. A public can transform into a private company or a private company can also be transformed into a public company by offering an IPO.