

Conversion of Public Company into Private Company

COMPANIES ACT, 2013

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A public limited company may be converted into private limited company. In order to make such conversion, the company needs to take the following steps :

1. Ensuring the Possibility of Conversion
2. Calling and Holding the Board Meeting
3. Issue of Notice of General Meeting
4. Passing Resolutions
5. Filing Documents to the Registrar
6. Approval from NCLT

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7. Alteration in Articles
8. Filing the Documents and Registration by the Registrar
9. Obtaining fresh Certificate of Incorporation
10. Notice of change to the stock exchange(s)
11. The change of name will be noted
12. Public notice

1. Ensuring the Possibility of Conversion

- First of all, it would be in the fitness of things to ensure the possibility of alteration of a public company into a private company.
- For this purpose, the number of members may prove to be a big hurdle. If the number of members of a public company is more than 200, it is impossible to convert it into a private company unless the members can be lawfully reduced and limited to 200.
- Therefore, this possibility should be explored.

2. Calling and Holding the Board Meeting

First of all, the Board of Directors in their meeting pass a resolution for voluntary conversion of a public company into private company. It will fix a date for conveying the General Meeting of the company.



3. Issue of Notice of General Meeting

Issue the notice of general meeting to all the members, auditors and directors of the company.

4. Passing Resolutions

At the general meeting, the company must pass special resolutions to the following effects :

- a) To include the restrictions, limitations, and prohibitions included in the articles in terms of Section 2(68).
- b) To change the name of company so that it should end with the words 'Private Limited'.

5. Filing Documents to the Registrar :

Copy of Special Resolutions along with explanatory statements to be filed with the Registrar in **Form MGT-14** within **30 days** of passing of special resolution.

6. Approval from NCLT (National Company Law Tribunal)

The company shall make an application to NCLT, because any alteration in articles having the effect of conversion of a public company into a private company shall not take effect except with the approval of the NCLT. The Tribunal shall make an order for such approval if it deems fit [Sec. 14(1)].

But it should also be noted that the

- Rules notified by the MCA state that since Section 14(1) and (2) have not been enforced from 1st April 2014, the approval should be obtained from the competent authority i.e. the Central Government instead of the Tribunal [Rule INC-33]
- The Central Government may require a suitable notice to be published in newspaper and in that case, the same should be complied with and the relevant newspaper cuttings should be sent to the government.

7. Alteration in Articles

- After approval of the Tribunal, the company makes necessary alterations in its articles.
- All restrictions, limitations, and prohibitions required to be included in the articles of a private company [under Sec. 2(68)] are included in the articles of the company.
- The word 'private' is also inserted in the articles wherever required.

8. Filing the Documents and Registration by the Registrar

Where the alteration has been approved by the Central Government, a printed copy of the altered articles, along with **Form No. INC.27**, must be filed by the company with the Registrar of Companies, within **15 days** of the date of receipt of the order of approval, to get the certificate of incorporation altered by the Registrar.

9. Obtaining fresh Certificate of Incorporation

Obtaining fresh Certificate of Incorporation from the Registrar of Companies (RoC).

10. Notice of change to the stock exchange(s)

- In case of a listed company, the notice of change shall be given to the stock exchange(s), where its securities are listed.
- It may be noted that company shall also be required to take steps for delisting of shares.

11. The change of name will be noted

The change of name will be noted in all copies of the memorandum and articles of association lying in the office of the company, and in letterheads, invoice forms, receipt forms, all other stationery items, common seal, etc. and at every other place where the name of the company appears.

12. Public notice

If required, Public notice of change of name shall be published in news paper.

References

- Company Law And Practice, Ratan Nolakha, Vikas Publication House.
- Company Law & Secretarial Practice, Appannaiah, Reddy, Prabhudev, Himalaya Publishing House.
- Secretarial Practice, M. C. Kuchhal, S. Chand Publishing.
- <http://www.mca.gov.in>
- <http://www.icsi.edu>

The background features three overlapping circles of varying shades of blue, creating a layered effect. The circles are positioned on the left side of the frame, with the largest and darkest circle on the left, and two smaller, lighter circles overlapping it towards the right. The text 'THANK YOU' is centered within the largest circle.

THANK YOU