

# Conversion of Private Company into Public Company

COMPANIES ACT, 2013

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A private company may be converted into a public company in the following ways:

1. Conversion by default
2. Conversion by choice

# Conversion by Default

- A private company may enjoy privileges and exemptions granted to it under the Act so long as it complies with the requirements of Section 2(68) and retains its status of a private company.
- When the company fails to comply with these requirements, it shall no more be entitled to these privileges and exemptions.
- Consequently, all provisions of the Act shall then apply to such private company as if were a public company.

# Conversion by Choice

A private company may by its own choice convert into a public company. In order to make such conversion, the company needs to take the following steps :

1. Calling and Holding the Board Meeting
2. Issue of Notice of General Meeting
3. Passing Resolutions
4. Alteration in the Articles
5. Increasing the Members

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6. Increasing the Number of Directors
7. Raising the paid-up capital
8. Filing Documents to the Registrar
9. A copy of order of the competent authority
10. Obtaining fresh Certificate of Incorporation
11. The change of name will be noted

# 1. Calling and Holding the Board Meeting

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



## 2. Issue of Notice of General Meeting

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

## 3. Passing Resolutions

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

- a) To delete the restrictions, limitations, and prohibitions included in the articles in terms of Section 2(68).
- b) To delete the word 'private' from its name.



## 4. Alteration in the Articles

- After passing the resolution, the articles of the company are suitably altered.
- The restrictions, limitations, and prohibitions included in the articles as required by Section 2(68) are deleted.
- The word 'private' is also deleted wherever it appears in the articles and memorandum. Then it should be printed afresh.

## 5. Increasing the Members

Where the number of members in the company is less than 7, steps should be taken to increase the number of members to at least 7.

## 6. Increasing the Number of Directors

If the company has less than 3 directors, the company shall increase this number at least to 3.

## 7. Raising the paid-up capital

If the paid-up capital is less than Rs. 5 lakh, then it should be increased to atleast Rs. 5 lakh.

**\*But, an amendment in 2015 removed this requirement.**

The words “of five lakh rupees or such higher paid-up share capital,” omitted by Act 21 of 2015, s. 2 (w.e.f. 29-5-2015)

## 8. Filing Documents to the Registrar :

Copy of **Special Resolutions** along with **explanatory statements** to be filed within **30 days** with the Registrar in **Form MGT-14** and copy of altered Memorandum and Articles shall be attached therewith.

## 9. A copy of order of the competent authority

A copy of order of the competent authority approving the alteration shall be filed with the Registrar in Form **INC-27** with fee together with the printed copy of the altered articles within **15 days** of the receipt of the order from the Central Government.

## 10. Obtaining fresh Certificate of Incorporation

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

## 11. The change of name will be noted

On registration of altered articles the company shall delete the words 'private' from its name wherever it is printed or painted or affixed. For this purpose no approval is needed from any authority. [Sec.13(2)]

Every alteration made in the memorandum or articles of a company shall be noted in every copy of the memorandum or articles, as the case may be. [Sec.15(1)]



# Punishment for Default

If a company makes any default in complying with the provisions of sub-section (1), the company and every officer who is in default shall be liable to a penalty of **one thousand rupees** for every copy of the memorandum or articles issued without such alteration.

[Sec.15(2)]

# 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**