**Unit-1**

**Corporate Law:-**

Corporate Law (also known as Company Law) is a branch of law that governs the formation, operation, and dissolution of corporations. It focuses on the legal framework within which businesses operate, ensuring they comply with legal standards, protect stakeholders' rights, and promote good governance

**What is a Company:-**

Company is a voluntary association of persons formed for the purpose of doing business having a name and limited liability. It is a juristic person having a separate legal entity distinct from the members who constitute it, capable of rights and duties of its own with the potential of perpetual succession's. 3(1)(i) of The Companies Act, 1956, states that ‘company’ includes a company formed and registered under the Act or an existing company i.e. a company formed or registered under any of the previous company laws

**Characteristics / Features of company :-**

1. **Separate Legal Entity-**

* A company is considered a distinct legal person, separate from its members (owners) and directors.
* It can own property, enter contracts, sue, and be sued in its own name.
* Example: The landmark case *Salomon v. Salomon & Co Ltd* established the principle of corporate personality.

1. **Limited Liability-**

* The liability of the company’s shareholders is limited to the amount unpaid on their shares.
* Personal assets of shareholders are not at risk if the company faces financial distress or legal action.
* Promotes investment as individuals face reduced financial risk

1. **Transferability of Shares-**

* Shares in a company can be transferred from one person to another with ease, subject to the company’s Articles of Association.
* Facilitates liquidity for shareholders and investment opportunities for new investors.
* In public companies, shares are freely traded on stock exchanges.

1. **Perpetual Succession**

* A company’s existence is not affected by the death, retirement, or insolvency of its members or directors.
* The company continues to exist until it is legally dissolved.
* This ensures stability and continuity in business operations.

1. **Common Seal-**

* The common seal acts as the official signature of the company.
* It is used to authenticate legal documents, such as property deeds and contracts.
* While the use of a common seal has become optional in some jurisdictions, it still holds traditional significance in corporate transactions.

**Types & Classification of companies-**

1. **Based on Incorporation-**
2. **Statutory Companies**

* Incorporated by a special act of Parliament or State Legislature.
* Governed by their own statute, not the Companies Act, 2013.
* Example: Reserve Bank of India (RBI), Life Insurance Corporation of India (LIC).

1. **Registered Companies**

* Incorporated under the Companies Act, 2013.
* Can be Private Limited, Public Limited, One Person Company, etc**.**

1. **Based on Liability**
2. **Limited Liability Companies**

* Liability of members is limited to their shareholding.
* Types:  
  (a) Companies Limited by Shares – Most common, liability is limited to unpaid share capital.  
  (b) Companies Limited by Guarantee – Liability is limited to the amount guaranteed by members**.**
* Example: Non-profit organizations, clubs.

1. **Unlimited Liability Companies**

* Members have unlimited personal liability for debts.
* Less common in practice.

1. **Based on Ownership**
2. **Government Company**

* A Government Company is a company in which at least 51% of the shares are held by the Central Government, State Government, or both.
* Features of Government Companies
* Registered under the Companies Act, 2013.
* Majority ownership is with the government.
* Can be either Public Limited or Private Limited.
* Managed like a private business but controlled by the government.
* Aims to provide essential services and boost economic development.

1. **Non-Government Company**

* A Non-Government Company is a company where the government does not hold 51% or more of the shares. These companies are privately owned and controlled by individuals, businesses, or other entities.
* Features of Non-Government Companies
* Owned and managed by private individuals or organizations.
* Can be Private Limited (Pvt. Ltd.) or Public Limited (Ltd.).
* The government has no control over decision-making.
* Profit-oriented businesses focusing on market competition.

1. **Based on Control**
2. **Holding Company**

* A company that owns more than 50% shares of another company (subsidiary).
* Example: Tata Sons is the holding company of Tata Motors, Tata Steel, etc.

1. **Subsidiary Company**

* A company that is controlled by a holding company.
* Example: Jio Platforms Ltd. is a subsidiary of Reliance Industries Ltd.

1. **Based on Number of Members**
2. **Private Company (Private Limited - Pvt. Ltd.)**

* A private company restricts the transferability of shares and limits the number of shareholders.
* Features:
* Minimum 2 shareholders and maximum 200.
* Cannot issue shares to the public.
* Requires at least ₹1 lakh as minimum capital (as per Companies Act, 2013).
* "Private Limited (Pvt. Ltd.)" is added to the name.
* Examples:
* Infosys Technologies Pvt. Ltd.
* Reliance Retail Pvt. Ltd.

1. **Public Company (Limited - Ltd.)**

* A public company offers its shares to the general public through stock exchanges.
* Features:
* Minimum 7 shareholders, no maximum limit.
* Can issue shares to the public and get listed on stock exchanges.
* Requires at least ₹5 lakh as minimum capital.
* "Limited (Ltd.)" is added to the name.
* Examples:
* Tata Steel Ltd.
* HDFC Bank Ltd.

**One Person Company (OPC)-**

* Introduced under the **Companies Act, 2013**.
* Has **only one member/shareholder**.
* Suitable for **small businesses** and startups.
* The owner has **limited liability** but enjoys full control.
* Example: A single entrepreneur registering a company for business purposes.

**Associate Company-**

* An Associate Company is a company in which another company holds at least 20% but less than 50% of the total share capital or voting power. However, the parent company does not have full control over the associate company’s operations.
* **Key Features of an Associate Company:**

1. **Ownership Stake –** The parent company owns 20% to 50% of shares in the associate company**.**
2. **Significant Influence –** The parent company can influence financial and operational decisions but does not have full control.
3. **Independent Operations –** The associate company operates separately but aligns with the policies of the parent company.
4. **No Subsidiary Relationship –** If a company holds more than 50% of shares, the associated entity becomes a subsidiary, not an associate company.
5. **Accounting Treatment –** The parent company records its share of the associate company’s profits or losses in proportion to its ownership percentage.

**Dormant Company-**

* A **dormant company** is a company that is registered and incorporated but is not actively engaged in any business activities or trading. In legal terms, a dormant company does not receive income or carry out any significant business operations. While the company exists, it is essentially inactive..
* Under Section 455, the following companies can apply to Registrar to obtain the status of a Dormant company:
  + - A company formed and registered for a future project or
    - to hold an asset or intellectual property and
    - has no significant accounting transaction or
    - an inactive company (a company which has not file its financial statements and annual returns with the Registrar for the last two years)
* ROC on application or suo-moto enter the name of any company in Register of Dormant Companies.
* Dormant company shall have minimum no,. of directors and file necessary documents, as may be prescribed, to retain its dormant status.
* It may become active company by filing an application.