

Appointment and Qualification of Directors





Section 149(1)

- Every co. shall have BOD consisting of individuals as director .

(A)	MINIMUM NUMBER	MAXIMUM NUMBER
OPC	1	15
PVT. CO.	2	15
PUBLIC CO.	3	15



- **1st Proviso :**
- Provided that a company may appoint more than 15 directors by passing SR in GM .
- Govt. co and Sec 8 co. are exempted from the applicability of provisions of Sec 149 (1)(b) and its proviso.
- However , Sec 8 co. shall be given the above exemption only if it has not defaulted in filing of financial statements u/s 137 and Annual Return u/s 92 of the Companies Act , 2013.



- **2nd Proviso :**
- Provided further that such companies as may be prescribed shall have at least 1 woman director .
- Rule 3 of the Companies (Appointment & Qualification of Directors) Rules 2014 prescribes the following companies to appoint at least 1 woman director
 - LISTED COMPANIES
 - UNLISTED PUBLIC CO. HAVING PUSC \geq 100 CRORES .
 - UNLISTED PUBLIC CO. HAVING T/O \geq 300 CRORES
- Newly incorporated companies shall comply this provision within 6 months of its incorporation



- **Casual Vacancy of Woman Director :**
 - Shall be filled up in the immediate next BM or within 3 months from the casual vacancy whichever is later .
- **As per Reg 17 of the SEBI (LODR) Reg 2015 :**
 - Top listed 2000 companies / entities shall have minimum 6 directors
 - Top listed 1000 companies shall have at least 1 Independent Woman Director



- **Sec 149(2) : Transitional Provisions**

- Every co. existing on or before the commencement of this Act shall comply with Sec 149(1) within 1 year from the commencement of this Act.



SEC 149(3) – RESIDENT DIRECTORS





Applicability

- Every co. shall have at least 1 resident director

Meaning

- Resident director is a director who resides for at least 182 days in India during the FY

Newly Incorporated Co.

- For 1st year of incorporation , it shall be calculated proportionately .
- E.g – Co. got incorporated on 1.12.24 . FY ends 31.3.25 .
- No of days till end of FY – 121 days .
- Director shall have to stay in India for a minimum of ($182/365$) *121
- = 61 days

Exemption –

- IFSC Private Co. , IFSC Public Co. are exempted in 1st FY



Listed Public Co.

At least 1/3rd of the total directors shall be independent directors (any fraction rounded off to 1)

Rule 4

Public Co. shall have at least 2 ID satisfying any of the following conditions :

- PUSC \geq 10 cr.
- Loans / Deposits / Debentures $>$ 50 cr.
- T/O \geq 100 cr.

However, the following unlisted public companies are exempted from applying the provisions of ID

- WOS
- J/V
- DORMANT CO.

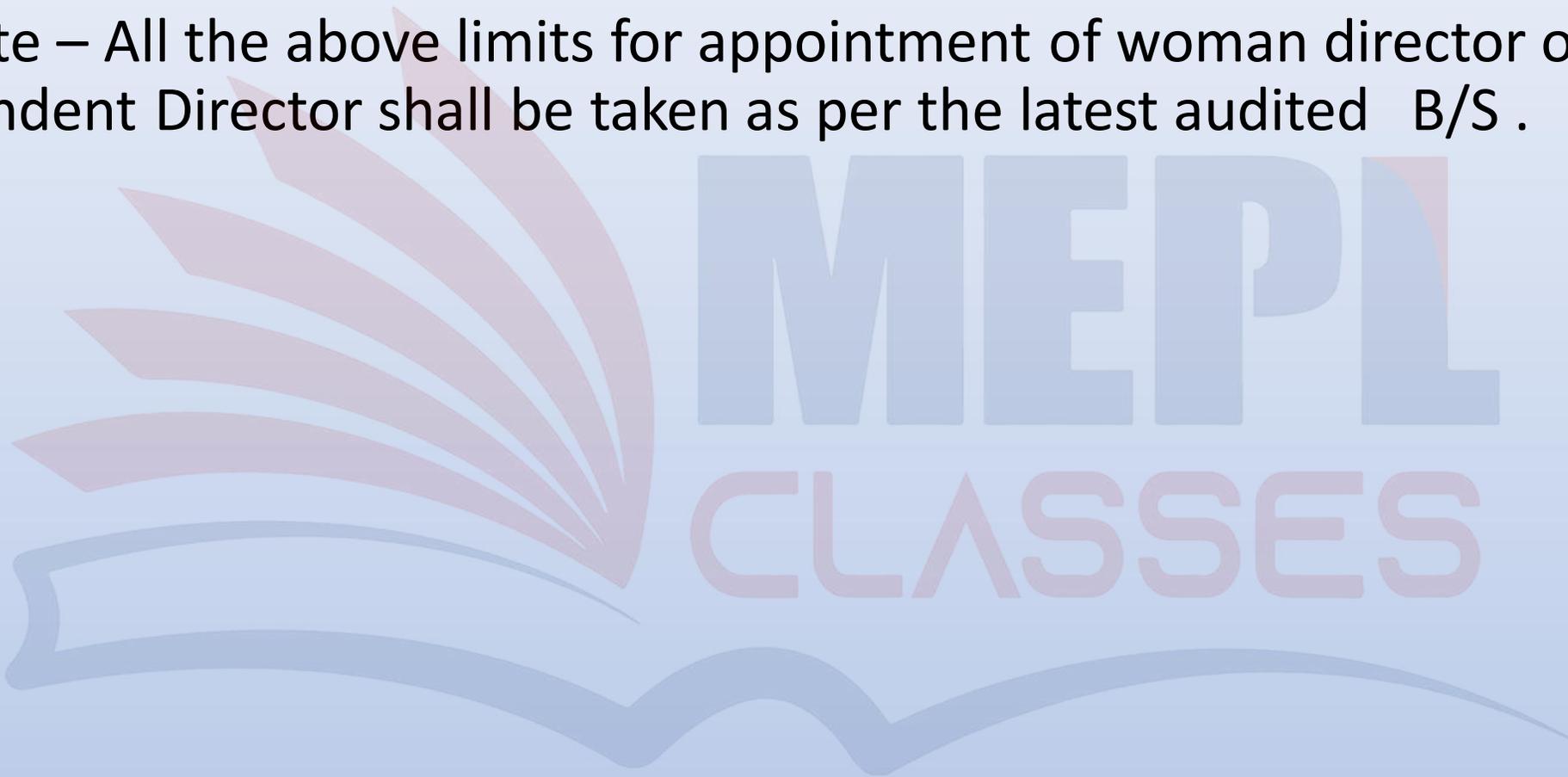
SEC 149(4) – APPOINTMENT OF INDEPENDENT DIRECTOR



- If any other section requires higher number of Independent Directors then the company shall have to appoint such higher number of Independent Directors.
- For e.g – As per Sec 177 , audit committee shall consist of majority no. of independent directors . So, if Audit Committee of an unlisted public company is having 5 directors , no. of independent directors must be at least 3 .
- So , such cos shall have to appoint 3 independent directors.
- If co. ceases to attract any of the above 3 conditions for 3 consecutive FY then it shall not have to follow the provisions of appt of ID.

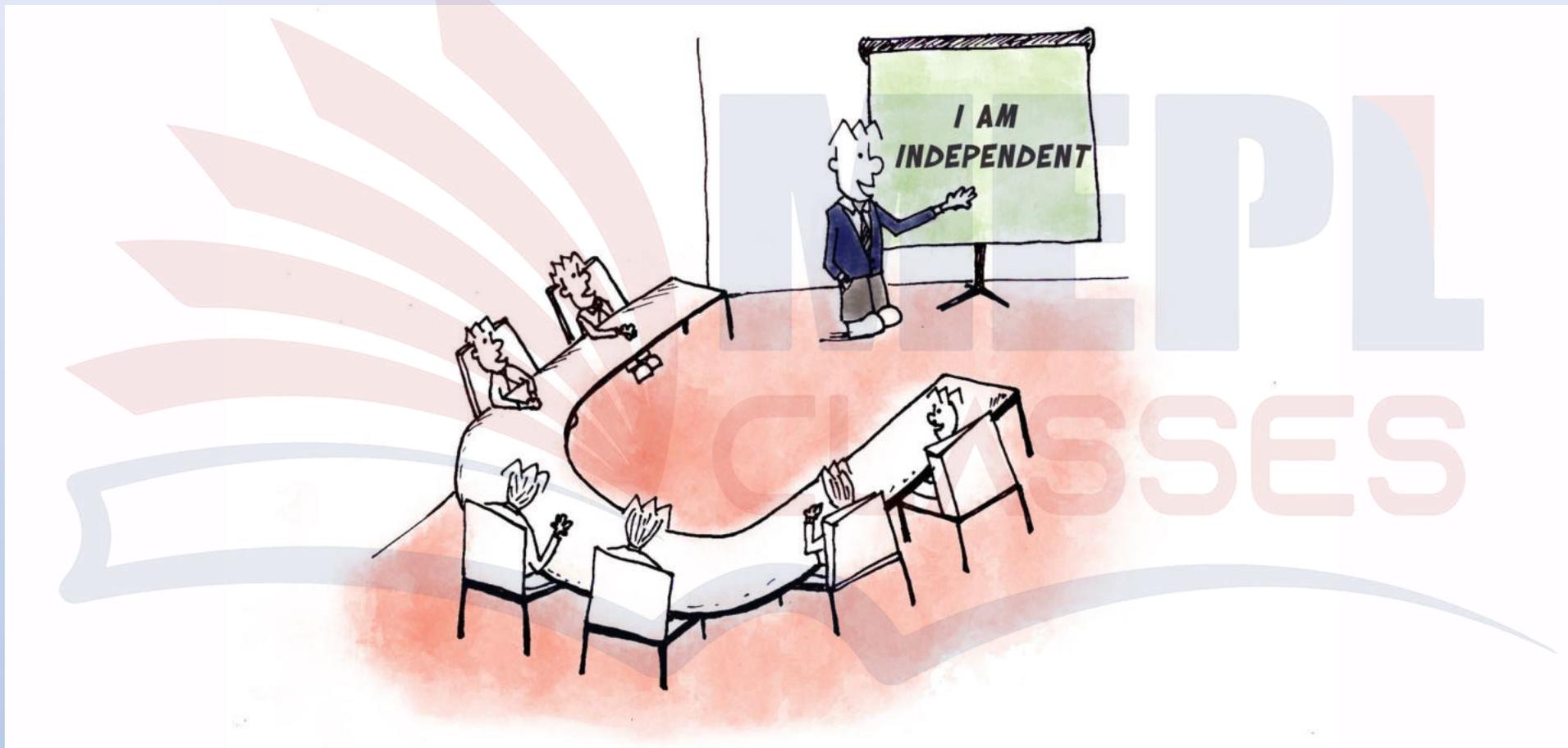


- Sec 149(5) – Existing co. shall comply with Sec 149(4) within 1 year from the commencement of this Act.
- Self Note – All the above limits for appointment of woman director or Independent Director shall be taken as per the latest audited B/S .





Sec 149(6) – Meaning of Independent Directors



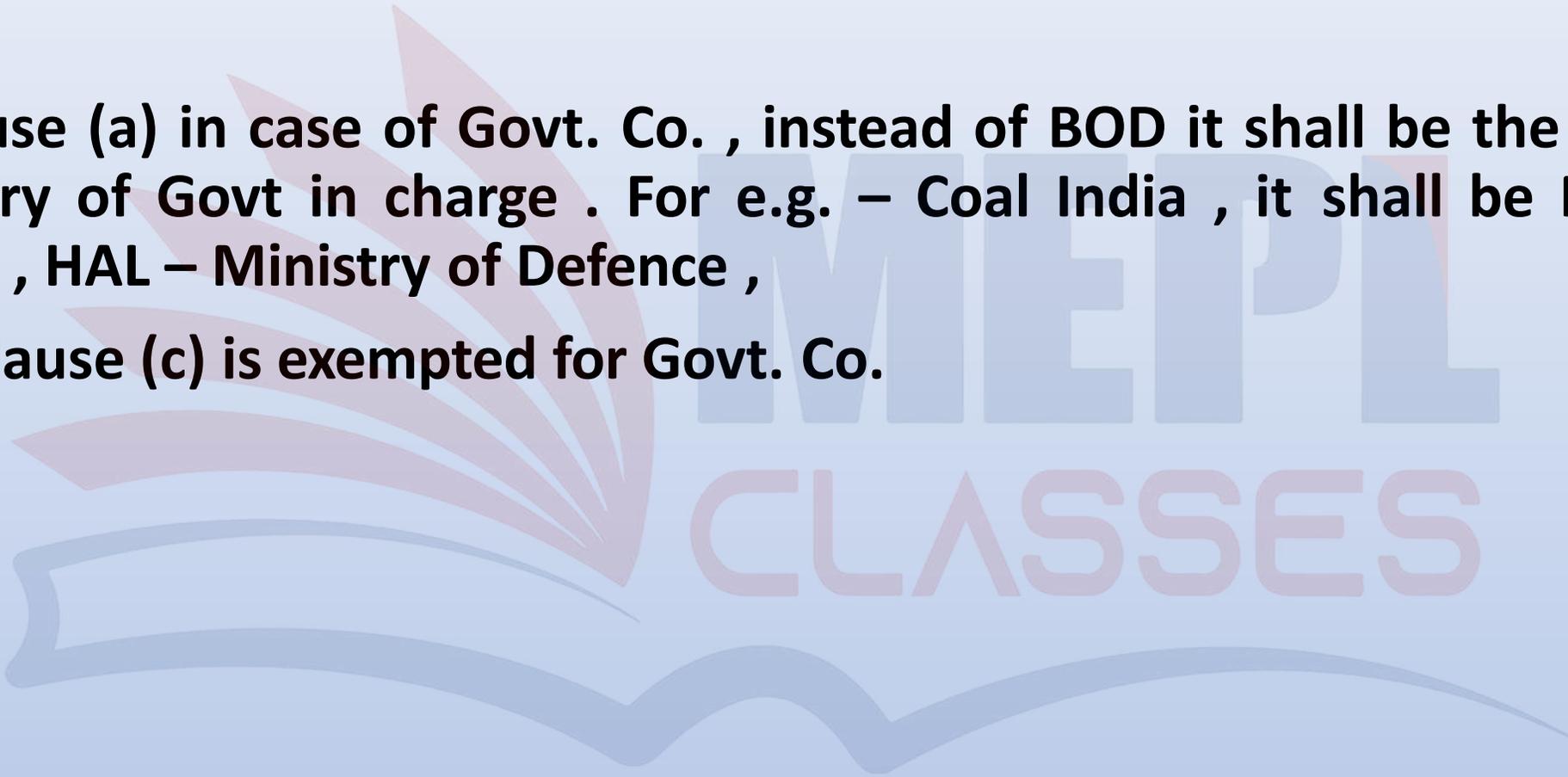


Independent Director in relation to a company means a director other than WTD/MD/Nominee Director who satisfies all the foll. conditions :

- (a) Who in the opinion of BOD is a person of integrity and possesses all the relevant expertise and experience.
- (b)(i) Who is / was not the promoter of co., its holding(h) , its subsidiary(s) , its associate(a)
- (ii) Not related to the promoters , directors of co./ h/ s/ a.
- (c) Who has no pecuniary (financial) relationship with co. / h/s/a or with their directors , promoters other than
 - Remuneration received in the capacity of director
 - OR
 - Transactions not exceeding 10% of his total income during current FY and immediately preceding 2 FY.



- In clause (a) in case of Govt. Co. , instead of BOD it shall be the concerned Ministry of Govt in charge . For e.g. – Coal India , it shall be Ministry of Power , HAL – Ministry of Defence ,
- Also clause (c) is exempted for Govt. Co.





(d) None of whose relative are

Sub clauses (i) to (iv) have to be checked only in relation to current FY and immediately preceding 2 FY 's.

(i) Holding shares in co./ h/s/a exceeding FV 50 lacs rupees or 2% PUSC whichever is higher

(ii) Indebted to co/h/s/a or its directors , promoters for an amt exceeding 50 lacs.

(iii) Guarantor to co/ h/s/a or its promoter ,director for indebtedness of any 3rd party to the co. for an amount exceeding 50 lacs .

(iv) Having any pecuniary relationship with co./ h/s/a or its promoters, directors.

2% or more than 2% of total turnover or total income either individually or in combination with the above 3 points



(e) Neither he himself or his relatives

- (i) is or was KMP/ Employee during immediately preceding 3 FY's. Provided that relative can be an employee .
- (ii) is or was partner / proprietor / employee in firm of auditors / CS/CMA who did co./ h/s/a – financial audit / secretarial audit / cost audit during immediately preceding 3 FY's.
- Is or was partner /proprietor /ee in the law firm who receives 10% or more than 10% of Gross Total Turnover from the co./h/s/a .
- (iii) holds 2% or more VP in the co. along with his relative or alone .
- (iv) is a CEO/ Director of NPO who receives 25% or more than 25% receipt from co./h/s/a or their promoters , directors, or such NPO holds 2% or more than 2% VP in the co.



(f) possesses such other qualifications as may be prescribed

- **Shall have knowledge , expertise and experience in 1 or more than 1 field of finance , law , management , administration, corporate governance, technical matter or any other matter in relation to the co.**



149(7) – Declaration by ID .

- ID shall declare his independence
 - In the 1st BM in which he participates in the capacity of an ID .
 - In the 1st BM of every FY , and
 - If there is any change in the circumstances which affects the status of ID, then he shall declare whether he meets the criteria of ID u/s 149(6)



149(8) – Code of Conduct of ID

- Every ID shall abide by the Code of Conduct mentioned in Schedule IV of the Companies Act , 2013.
- Uphold Ethical Standards
- Maintain highest level of integrity
- Avoid conflict of interest
- Discharge his duty diligently to the best of the interest of the co.



Sec 149(9) –

- An Ind Director shall not be entitled to employees stock option scheme but shall be entitled to remuneration by way of fees for attending the BM and reimbursement of any expenses incurred for the purpose of attending the BM .



TENURE OF ID

- **Sec 149(10)**
 - Can be appointed for a term of 5 consecutive years and can be re-appointed for another term for 50 consecutive years by passing SR in GM.
- **Sec 149(11)**
 - No ID shall be appointed for more than 2 terms , but he shall be eligible for appointment after 3 years from the date when he ceased to become the ID.
 - Provided that he is eligible for appointment only if he is not associated with the co. in those 3 years in any capacity either directly or indirectly



Sec 149(12) – Liability of ID .

Notwithstanding anything contained in this Act , an Independent Director or non – executive director who is not a promoter / KMP/ of the co. shall be only liable for

Those acts of commission or omission which were done through Board Processes with his knowledge

And

He gave his consent or connivance or he did not act diligently (i.e, he acted recklessly)



Sec 149(13)

The provisions of retirement of directors by rotation u/s 152 (6) , 152(7) shall not be applicable in case of ID .

Note – Sec 149(4) to Sec 149(13) shall not be applicable to IFSC Co. and Sec 8 Co.

Provided that Sec 8 Co. shall be given the exemption only if it has not defaulted in filing of Financial Statements u/s 137 or filing of Annual Return u/s 92.



Sec 152 – Appointment of Directors

Sec 152(1) - Appointment of First Director.

1st Director shall be those whose name are mentioned in the Articles

However , if the Article is silent then as per Reg 60 of Table F , majority of the subsidiaries shall decide the 1st director .

However , if majority of the subscribers cannot decide or articles not to follow Table F then all the individual subscribers shall become the first director , until the new directors are duly appointed in GM.



152(2)

- Save otherwise expressly provided in this Act , directors should be appointed in GM

152(3)

- No person shall be appointed as director unless he has been allotted DIN

152(4)

- Person proposed to be appointed as a director shall furnish
 - DIN &
 - Declaration that he is not disqualified

152(5)

- Person appointed as a director shall not act as director unless he submits DIR2 to co. and co. shall submit DIR 12 to ROC within 30 days of his appointment as a director

Provided that in case of specified Public co. the above time limit of 30 days shall be considered as 60 days .



Sec 152(6) deals with directors who are subject to retire by rotation

Sec 152(6) and (7) are only applicable to public co.

Sec 152(6)

- Unless the articles otherwise provide , at least $2/3^{\text{rd}}$ of the total directors shall be rotational directors
- $1/3^{\text{rd}}$ of the rotational directors shall retire by rotation at every AGM , starting from the 1^{st} AGM.
- The directors who shall retire will be the one who held the office for the longest duration . However, if the directors were appointed on the same date , the as per agreement , if there is no agreement then they shall retire by lot .



Sec 152(7)

- If the vacancy of the retiring director is not filled in the meeting and the meeting has not resolved not to fill the vacancy then the meeting shall be adjourned to same day , place and time in the next week . However if that day is a national holiday then to the succeeding day which is not a national holiday at same place and time
- If at the adjourned meeting also the vacancy is not filled and the meeting has not resolved not to fill the vacancy then the retiring directors shall be re-appointed except in 5 cases
 - He has been disqualified or
 - Sec 162 is applicable
 - He gives his written notice stating his un-willingness to be re-appointed
 - His resolution was put to vote and he lost
 - Appointment requires other approvals also as per the provisions of the law



Sec 152(6) &(7) is not applicable to

Sec 152(5) is not applicable on

IFSC Public co.

Unlisted Govt. co and its subsidiary

Sec 8 co.

Govt. co whose directors are appointed by C.G / S.G



Section 160

Right of a person other than retiring director to stand for his directorship

(1) Any person other than the retiring director may submit a written notice at Co's R.O proposing his candidature

(2) Member may submit his own candidature or propose any person's candidature

(3) Such written notice to be submitted at least 14 days before the GM along with a sum of ₹1 lacs.



(4) Sum of ₹1 lac is not required

- In case of appointment of Independent Director
- If the candidature is proposed by Nomination & remuneration Committee u/s 178
- If the candidature is proposed by BOD in case of co. who are not required to constitute NRC

(5) Co. shall inform about proposed candidature of director to all the members at least 7 days before the meeting

- By sending email or post or
- Advertising in 2 NP , one in English NP and the other one in Vernacular NP , both having wide circulation in the district in which Co's RO is situated . Also it shall be hosted on Co's website if any



(6) However ₹1 lacs shall be refunded if the person gets elected as a director or he gets more than 25% votes in his favour.

- In case of Nidhi Co. , instead of 1 lacs it shall be ₹10,000

Sec 160 shall not apply to –

- Private Co.
- IFSC Public Co.
- Sec8 Co.
- Wholly owned Govt. Co.
- Subsidiary of wholly owned Govt. Co.

BASIS	ADDITIONAL DIR	ALTERNATE DIR	NOMINEE DIR	CASUAL VAC DIR
SECTION	161(1)	161(2)	161(3)	161(4)
APPLICABILITY	ALL COMPANIES	ALL CO.	ALL CO.	ALL CO.
APPOINTMENT	BR AT BM	BR AT BM	BR AT BM	BR AT BM
PRE-CONDITIONS	ARTICLES MUST AUTH. IF ARTICLE IS SILENT TABLE F BECOMES APPLICABLE AS PER WHICH ADD DIR CAN BE APPTD BY BR AT BM . HOWEVER, IF ARTICLE EXPRESSELY SAYS NOT TO FOLLOW TABLE F THEN ALTER ARTICLES BY PASSING SR IN GM	ARTICLES MUST AUTH. OR BY PASSING OR IN GM. IN FUTURE AGAIN OR IN GM HAS TO BE PASSEDS FOR APPT OF ALTERNATE DIR. SO ALTERNATIVELY ALTER ARTICLES BY SR IN GM AND THEN BR AT BM	SUBJECT TO THE ARTICLES	SUBJECT TO THE ARTICLES



BASIS	ADDITIONAL DIR	ALTERNATE DIR	NOMINEE DIR	CASUAL VAC DIR
PURPOSE	FOR MANAGING ADDITIONAL WORK LOAD	WHEN THE ORG DIRECTOR GOES OUTSIDE INDIA FOR 3 MONTHS OR MORE	AGREEMENT BETWEEN CO & BANKS / FI	WHEN THE ORG DIRECTOR APPOINTED IN GM HAS VACATED HIS OFFICE BEFORE THE EXPIRY OF HIS NORMAL TENURE
TENURE	UNTIL THE DUE DATE OF THE NEXT AGM OR THE HOLDING OF THE NEXT AGM W.E IS EARLIER	ALT DIR SHALL VACATE THE OFFICE . WHEN ORG DIR RETURNS TO INDIA FOR ANY PURPOSE WHEN THE ORG DIR VACATES THE OFFICE WHEN THE ALTERNATE DIR GETS DISQUALIFIES	AS PER AGREEMENT	TILL THE REMAINING TENURE OF THE ORG DIRECTOR



BASIS	ADDITIONAL DIR	ALTERNATE DIR	NOMINEE DIR	CASUAL VAC DIR
SPECIAL POINTS	ANY PERSON REJECTED IN THE GM AS A DIR. CANNOT BE APPOINTED AS A ADDITIONAL DIR.	ALT DIR FOR INDEPENDENT DIR SHALL ALSO BE INDEPENDENT U/S 149(6) DIRECTOR OF CO. CANNOT BECOME THE ALTERNATE DIRECTOR AUTOMATIC RE-APPOINTMENT OF DIRECTORS U/S 152(7) APPLIES TO ORG DIRECTOR AND NOT TO ALTERNATE DIRECTOR		THE APPT HAS TO BE RATIFIED IN THE NEXT GM



Q 1 – Due date of AGM of A Ltd is on 30/9/25 . A Ltd appointed Mr. Jiggy as an Additional Director . Comment on Mr.Jiggy’s tenureship :

(1) If the AGM was held on 15/9/25

(2) If the AGM was held on 30.10.25

Ans- (1) Mr. Jiggy shall hold the office until 30/9/25 or 15/9/25 whichever is earlier -15/9/25



Q 2 -MEPL wants to appoint an additional director but the articles are silent . Advice

Ans – Reg. 66 of Table F become applicable & additional director can be appointed by passing BR at BM

If articles specify not to follow Table F then first alter the articles by passing SR in GM

- **Now pass BR at BM for appointing additional director**



**C Ltd wants to appoint alternate director but articles are silent .
Comment .**

**Pass OR in GM and then BR at BM . But in future if again appt of
alternate director has to be done then again OR in GM shall be passed.**

**Or, Alter articles by SR in GM and then BR at BM for appointment of
alternate director**



Sec 162 – Appointment of Directors to be voted individually

- Each director shall be appointed individually by passing a separate resolution
- 2 or more directors cannot be appointed by a single resolution unless the motion (proposal) to appoint directors by single resolution has been approved / passed and none of the shareholders voted against .
- Any resolution passed in contravention of sec 162 shall be regarded as void whether or not there was any objection made by the SH's at the time of such appointment
- Sec 162 is not applicable on
 - Wholly owned Govt. Co and its subsidiary
 - Pvt. Co.
 - IFSC Public Co.



Sec 163 – Appointment of Directors by Proportional Representation

- This section protects the interest / right of the minority shareholders
- If Articles provide that at least $2/3^{\text{rd}}$ of the total directors shall be appointed by proportional representations then the co. has to appt the directors by PR of shareholders either by individual voting or cumulative voting .
- Max. tenure of the directors appointed by P/R is 3 years . However, directors appointed by P/R cannot be removed u/s 169. However, casual vacancy can be filled u/s 161(4)
- Not applicable to wholly owned Govt. co. and its subsidiary



E.g – A and B are two shareholders of a co. whose articles provide that all the directors shall be appointed by proportional representation(p/r). A is having 75% shares and B is having 25% . Total directors = 12. Find no. of directors appointed by A and B .

Ans –

A appoints $(12 * 75) / 100 = 9$ directors

B appoints $(12 * 25) / 100 = 3$ directors

MEPL
CLASSES



Sec 164 – Disqualification of Directors

164(1) – A person is dis-qualified from being appointed as a director if

- He is of unsound mind and stands so by the competent court
- He is an un-discharged insolvent
- He has applied to the court to be adjudicated as an insolvent and the application is pending
- He has been convicted of any offence whether involving moral turpitude or not and has been sentenced to imprisonment
 - Min. 6 months – shall be disqualified for 5 years from the expiry of the period of his sentence
 - Min 7 years – Life time disqualified to become the director



He has been disqualified under any order passed by Court or Tribunal or under any law in force

He has defaulted in payment due on call on shares and atleast 6 months have elapsed from the due date of payment

He fails to satisfy the conditions of related party transactions u/s 188 during the last preceding 5 years

He fails to satisfy 165(1)

- **Provided that if any person is disqualified under grounds mentioned in clause (d) , (e) , (g) then sec 164(1) shall be attracted even when such a person has filed an appeal against the order of the Court / Tribunal & the application is pending**



Sec 164(2) – No person who is or has been a director of a company which

- (a) Has not filed annual return or financial statements for continuous period of 3 FY
- (b) Failed to repay the deposits or interest due thereon or fails to redeem debentures or pay intt due thereon or failed to pay declared dividend and such failure continued for 1 year or more.

Shall be eligible to be re-appointed as director in that co. or appointed as director in that co. or appointed as director in any other co. for a period of 5 years from such default .

Provided that if any person is appointed as a director of a co. which has defaulted either clause (a) or clause (b) of sec 164(2) then the disqualification shall not attract for a period of first 6 months from the date of his appointment



E.g – X Ltd having director A, B, C failed to submit Annual Return to ROC for continuous 3 FY .

A is also a director of A Ltd .

B is a director of B Ltd.

C is a director of C Ltd.

Advice .

MEPL
CLASSES



Q1 – Whether A, B, C will vacate from X Ltd ?

Ans – No .

Q2 – Can they be re-appointed in X Ltd ?

Ans – No.



Q3 – Can a new co. D Ltd appoint A, B , C as director ?

Ans – NO.

Q4 – Will A, B,C have to vacate from A Ltd, B Ltd, C Ltd respectively ?

Ans – Yes (Sec – 167)

Sec 164(2) shall not apply to Govt. Co.



Sec 164(3) – Private Co. may provide additional grounds of disqualification of directors by mentioning in its articles

Qualification shares refers to the minimum no. of shares which a person should hold in order to be eligible to become the director of the company .

- **Public Co – there is no such requirement of qualification shares**
- **Private Co – can make this provision of qualification share by providing it under a ground of disqualification in its articles u/s 164(3)**



Sec 167 – Vacation of Office of Director

167(1) - The director shall vacate the office if any of the following grounds of disqualification gets attracted –

- (a) If he incurs any of the disqualifications specified u/s 164. Provided that if he attracts any of the disqualifications u/s 164(2) then he shall vacate the office in all the companies except the defaulting co.
- (b) If he remains absent himself from all the BM for the continuous period of 12 months with or without leave of absence
- (c) Contravened provisions of sec 184 in which he is directly or indirectly interested (u/s 184)
- (d) If he failed to disclose his interest in the contract in which he is directly or indirectly interested (u/s 184)
- (e) If he is dis-qualified by any order of Court / Tribunal .
- (f) If he has been convicted of any offence whether involving moral turpitude or not and sentenced to imprisonment for at least 6 months



(g) If he has been removed in pursuance of the provisions of this Act .

(h) Ceases to hold the office / employment in H/S/A by virtue of which he was appointed as a director in the co.

Provided that vacation of office shall not be attracted for clauses (e) & (d) if 1st appeal is filed within 30 days of conviction then still convicted then again 2nd appeal has been filed within 7 days from the disposal of the 1st appeal , he shall not vacate the office , until the disposal of the 2nd appeal .



167(2)

- If a person continues to act as a director even when his office has got vacated because of any dis-qualifications u/s 167(1) he shall be liable to a fine of
 - Min. ₹1 lacs
 - Max. ₹5 lacs

167(3)

- If all the directors have vacated the office , then the appointment of new directors shall be made by promoters , in absence of promoter shall be done by CG (R.O.C)

167(4)

- Private co. may provide additional grounds of vacation by mentioning in its articles



Sec 165 – No. of directorship .

- (1) No person shall become the director including alternate director in more than 20 companies
- (2) Provided that out of those 20 companies maximum 10 companies can be public co. or a pvt co. which is a holding or subsidiary of such public co.
- (3) In computing the above ceiling limit of 20, directorship in dormant co. & sec 8 co. shall be excluded
- (4) Members by passing SR in GM may reduce the maximum no. of directorships which the director of its co. can hold
- (5) If any of the above provisions are contravened , then penalty of ₹2000/ day till the default continues but subject to max of ₹2 lacs



Sec 168 – Resignation of Director

- (1) Director may resign anytime by giving a written notice of his resignation
- (2) Resignation shall be effective from the date of receipt of resignation by the co. or any other specific date mentioned in the notice , whichever is later
- (3) Co. on receipt of resignation , within 30 days of receipt shall inform to ROC by filing DIR 12 and also publish in website if any . Also , shall be contained in the Board Report
- (4) Co shall take a note of it on receiving the resignation but cannot refuse it .
- (5) Director may inform to ROC about the detailed reasons of resignation by submitting DIR – 11
- (6) The Director even after their resignation shall continue to remain laible for offences committed during his tenure of directorship .
- (7) If all the directors resign together on a same day , then the vacancy shall be filled up by the promoter & in their absence then by CG (ROC) until directors are appointed in the GM



Sec 169 - Removal of Director

- (1) Co. may remove the director at any time by passing OR in GM other than
 - Directors appointed by NCLT u/s 242
 - Director appointed by the proportional representation u/s 163.
- Provided that in case of independent director who has been appointed for a 2nd term, his removal can only be done by passing SR in GM (not OR in GM)
- (2) Co. shall give a reasonable opportunity of being heard before removing the director.



(3) Concept of Special Notice u/s 115 given by the member for removal of director

- Any member(s) holding atleast 1% VP or PUSC , upto ₹5 lacs
- May give special notice u/s 115 to the co. atleast 14 days before the GM but max. 3 months before the GM proposing to remove the director in GM
- Co. on receipt of such notice shall send to the remaining members individually or advertise in 2 NP atleast 7 days before the GM
- Co. shall inform about the special notice to the director who is proposed to be removed .
- Director may send a written representation to the co. to circulate it to the members
- Co. may circulate it to the members or if it feels that it is not possible to circulate then it will read at the GM.
- However , if co. feels that the representation is defamatory or for seeking unwanted publicity then co. after taking NCLT's approval shall neither read or send the representation to the members .



(4) The vacancy caused can be filled up

- **Either by appointing the new director in the same GM provided that special, notice has proposed the name of director already**
- **Or otherwise , the vacancy shall be filled up as per the provisions of Sec 161(4)**

(5) Director removed u/s 169 cannot be appointed by BOD

(6) Director so removed if entitled to any compensation for pre-mature termination of his contract , then has to be compensated

(7) Nothing in this section shall prevent the provisions contained in any other section to remove the director .



Sec 170 – Register of Director / KMP

Every co. shall maintain the Register of Director and KMP containing such details as may be prescribed

Details

- DIN (optional for KMP)
- Present full name including surname
- Former full name including surname
- Date of Birth
- Nationality
- Present permanent address of Director , KMP
- Details of securities held by Dir. , KMP, in the co. its H/S/A /Fellow Subsidiary
- PAN
- Date of joining & Date of cessation of office of Director / KMP
- Every co. needs to file DIR 12 with ROC within 30 days of any appointment of Dir, KMP, or any change in the register



**Provided that sec 170 is not applicable on Govt. Co.
whose 100% shares are held by CG / SG**

**In case of IFSC , the above time limit of 30 days shall
be replaced by 60 days**

CLASSES



Sec 171 – Inspection of Register of Director / KMP

Every member is entitled to inspect the register of Directors/ KMP during business hours , free of cost . He may also demand the extract of copies of such register

Co. must furnish the copy to the member within 30 days of furnishing of such request by the member

If co. fails to furnish the copy within 30 days of members req. , then ROC may instruct the co. on an application made top it to furnish the same



Sec 172

Penalty for contravention of any provisions under this chapter for which no separate punishment has been provided

- Co. - ₹50,000 + ₹500/ day up to a max of 3 lacs
- OID - ₹50,000 + ₹500/ day up to a max of 1 lac .



Sec 166 – Duties of Directors

(1) Subject to the provisions of this Act, director shall ensure that everything is being done in accordance with articles of the co.

(2) He shall act in good faith and promote the interests of co, members, employees, community & public at large, environment

(3) He shall exercise due skill and care i.. Reasonableness

(4) He shall not try to gain any undue advantage for himself / relatives / partners / associates

(5) He shall not assign his office

(6) He shall not get involved in matters of conflict of interest whether directly or indirectly



Sec 150 – Manner of selection of Independent Director and Maintenance of Data Bank of Independent Director

(1) An ID may be selected from a data bank containing

- **Name**
- **Address**
- **Qualification of the person who are eligible and willing to be appointed as an ID of the co.**
- **Such databank is maintained by the Body / Institute / Association notified by CG . IICA (Indian Institute of Corporate Affairs) has been presently notified by CG**
- **Provided that the responsibility to exercise due diligence before selecting / appointing the ID lies on the co.**

(2) ID's appointment shall be approved by passing a resolution in the GM & the explanatory statement shall be annexed containing the justification for such appointment.

(3)CG may prescribe Rules (Rule 6) relating to databank of ID .



Rule 6 of The Companies (Appointment & Qualification of Director) Rules 2014,

- **(1) Every individual who is willing to become an Id in any co. after 1.12.2019 shall apply online to IICA to get his name included in data bank for 1 year or 5 years or lifetime . Provided that an individual not having DIN may also apply .**
- **(2) On expiry of the enrolled period of 1 year or 5 years for which he is enrolled he has to apply for renewal within 30 days from the expiry of the above period for 1 yr or 5 yr or lifetime . Provided no renewal is required if enrolled for lifetime**



(3) Every person whose name is mentioned in the database of ID shall pass an online proficiency self assessment test within 2 years from the date of his enrollment failing which his name shall be removed.

(4) Following persons are not required / i.e exempted from giving the online test

(1) Person having experience as Director / KMP for atleast 3 years in

- **Listed co.**
- **Unlisted co. having atleast 100 cr.**
- **Body corporate listed in RSE or country which is a member of FATF in Money Laundering and its securities regulator is a member of IOSC.**
- **Body corp incorp outside India having PUSC min. 2 million**
- **Statutory corporations created under Special Act of Parliament/ State Legislature carrying any commercial activity**



(2) He is in the pay scale of director of above in

- MCA
- MOF
- MINISTRY OF COMMERCE AND INDUSTRY
- MINISTRY OF INDUSTRY AND PUBLIC ENTERPRISE

He is in the pay scale of Chief General Manager or above

- RBI
- SEBI
- IRDAI
- PFRDA



Sec 151 – Small Shareholders Director – SSD

Applicable only for Listed Co.

(1) Small shareholder means a person who holds share of FV upto ₹20,000/- (share = eq + pref)

Rule 7 :

A listed co. may appoint SSD (small shareholders director)

- Suo-moto
- Or, on application made by atleast 1000 small shareholders or 1/10th of total small shareholders whichever is lower .

Such a notice proposing the appointment of the SSD shall be given atleast 14 days before the GM along with signature and following details

- Name
- Address
- No. of shares held by them in the co.
- Folio No.



Of the person proposed to be appointed as a SSD and also of the persons who are proposing his candidature .

Provided that if a person whose name is proposed as SSD does not hold shares in the co. , then his details of no. of shares held and folio no. is not required to be given .

Such application shall also contain :

- **DIN**
- **His consent to be appointed as SSD**
- **A declaration that he is not disqualified in the co , in DIR 2**

Tenure – Max. 3 years.



Re-appointment – He can be re-appointed after cooling period of 3 years . Provided that during his cooling period of 3 years , he was not associated with the co. , directly or indirectly in any post.

Vacation of Office – Yes, if sec 164 or 167 gets attached .

Is he liable to retire by rotation ? – No.

Max. no.of companies where he can become SSD – 2 only if the 2nd co. in which he wants to become a SSD is not in competition or conflict with the co.

Whether counted as ID ? – Yes, if he satisfies Sec 149(6) and gives his declaration of independence u/s 149(7)



Sec 153 – Application for DIN

No person shall become the director of the co. unless he has obtained DIN

Application for obtaining DIN –

- In case of co. at the time of its incorporation
 - Web Form – SPICE + INC 32 .
- Existing co.
 - DIR – 3.

If the applicant does not have sur-name , then he shall submit DIR 3A stating the surname of his father / grand-father

Provided that CG may prescribe a identification number to be treated as DIN and if the individual is already having identification number , he need not obtain DIN



PART B

- Form DIR has to be submitted to CG through MCA Portal with the following attachments
 - Photograph
 - ID Proof
 - Address Proof
 - Specimen Signature
 - Copy of Board Resolution passed by the existing co. proposing him to become the director of the co.



Form DIR 3 shall be rectified electronically by Dir/ MD/ CS/ CEO of the co. proposing him to appoint as a Director and submitted by using his DSC .

Cancellation of DIN is done by CG in the following cases

- **If DIN was obtained fraudulently**
- **If the person died**
- **If the person has been declared of unsound mind**
- **If he has been declared insolvent**
- **If the person obtained duplicate DIN**
- **If he surrendered the DIN by submitting DIR 5 along with the declaration that he ash never been appointed as a Director**
- **If any details mentioned in DIR 3 changes , the person shall inform within 30 days of such change in DIR 6**



Sec 154 – Allotment of DIN

CG (RD) shall allot DIN within 1 month of the receipt of application u/s 153 if application obtained is complete

CLASSES



Sec 155 – Prohibition to obtain Duplicate DIN

No person who has already obtained DIN shall again apply or obtain or possess another DIN

CLASSES