



## **FACULTY OF JURIDICAL SCIENCES**

**Course : B.A.LL.B./BBALL.B IInd Semester**

**SUBJECT: COMPANY LAW**  
**SUBJECT CODE: BAL 406/BBL 406**

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**FACULTY OF JURIDICAL SCIENCES**



## ***LECTURE-20***

# **APPOINTMENT AND QUALIFICATIONS OF DIRECTORS:**

### **1. INTRODUCTION:**

The supreme executive authority controlling the management and affairs of a company vests in the team of directors of the company, collectively known as its Board of Directors. At the core of the corporate governance practice is the Board of Directors which oversees how the management serves and protects the long term interests of all the stakeholders of the

Company. The institution of board of directors was based on the premise that a group of trustworthy and respectable people should look after the interests of the large number of shareholders who are not directly involved in the management of the company. The position of board of directors is that of trust as the board is entrusted with the responsibility to act in the best interests of the company.

Although the Board comprises individual directors, yet the actions and deeds of directors individually functioning cannot bind the company, unless a particular director has been specifically authorised by a Board resolution to discharge certain responsibilities on behalf of the company.

The Companies Act, 2013 does not contain an exhaustive definition of the term "director". Section 2 (34) of the Act prescribed that "director" means a director appointed to the Board of a company.

A director is a person appointed to perform the duties and functions of director of a company in accordance with the provisions of the Companies Act, 2013.

## **2. BOARD OF DIRECTORS**

an artificial person, existing only in contemplation of law. It has no physical existence. It has neither soul nor body of its own. As such, it cannot act in its own person. It can do so only through some human agency. The persons who are in charge of the management of the affairs of a company are termed as directors. They are collectively known as Board of Directors or the Board.

The directors are the brain of a company. They occupy a pivotal position in the structure of the company. Directors take the decision regarding the management of a company collectively in their meetings known as Board Meetings or at the

meetings of their committees constituted for certain specific purposes. Section 2 (10) of the Companies Act, 2013 defined that “Board of Directors” or “Board” , in relation to a company, means the collective body of the directors of the company.

### **3. MINIMUM/MAXIMUM NUMBER OF DIRECTORS IN A COMPANY- SECTION 149(1)**

Section 149(1) of the Companies Act, 2013 requires that every company shall have a minimum number of 3 directors in the case of a public company, two directors in the case of a private company, and one director in the case of a One Person Company. A company can appoint maximum 15 fifteen directors. A company may appoint more than fifteen directors after passing a special resolution in general meeting and approval of Central Government is not required.

A period of one year has been provided to enable the companies to comply with this requirement.

#### **4. NUMBER OF DIRECTORSHIPS- SECTION 165**

Maximum number of directorships, including any alternate directorship a person can hold is 20. It has come with a rider that number of directorships in public companies/ private companies that are either holding or subsidiary company of a public company shall be limited to 10. Further the members of a company may restrict abovementioned limit by passing a special resolution.

Any person holding office as director in more than 20 or 10 companies as the case may be before the commencement of this Act shall, within a period of one year from such commencement, have to choose companies where he wishes to continue/resign as director. There after he shall intimate about his choice to concerned companies as well as concerned Registrar.

Such person shall not act as director in more than the

specified number of companies after despatching the resignation or after the expiry of one year from the commencement of this Act, whichever is earlier.

If a person accepts an appointment as a director in contravention of above mentioned provisions, he shall be punishable with fine which shall not be less than Rs. 5,000 but which may extend to Rs. 25,000 for every day after the first day during which the contravention continues.

*(To be continued)*

### MCQs

1. The persons who are in charge of the management of the affairs of a company are termed as directors. They are collectively known as Board of Directors or the Board.
  - i. True
  - ii. False
  - iii. Can not say
  - iv. None of the above

2. Section 149(1) of the Companies Act, 2013 requires that every company shall have a minimum number of 2 directors in the case of a public company

- i. True
- ii. False
- iii. Can not say
- iv. None of the above

3. Section 2 (34) of the Act prescribed that “director” means a director appointed to the Board of a company

- i. True
- ii. False
- iii. Can not say
- iv. None of the above

4. A director is a person appointed to perform the duties and functions of director of a company in accordance with the provisions of the Companies Act, 2013.

- i. True
- ii. False
- iii. Can not say
- iv. None of the above



5. Board of Directors: an artificial person, existing only in contemplation of law. It has no physical existence. It has neither soul nor body of its own.

- i. True
- ii. False
- iii. Can not say
- iv. None of the above

