



## **FACULTY OF JURIDICAL SCIENCES**

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

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

**NAME OF FACULTY: Ms. Anjali Dixit**  
**Assistant Professor**

**FACULTY OF JURIDICAL SCIENCES**



## ***LECTURE-23***

### **APPOINTMENT AND QUALIFICATIONS OF DIRECTORS:**

*(continued)*

#### **Definition of an Independent Director –**

Section 149 (6) An independent director means a director other than a managing director or a whole-time director or a nominee director who does not have any material or pecuniary relationship with the company/ directors. Section 149(6) of the Act prescribes the criteria for independent directors

which are as follows:

(a) Who in the opinion of the Board, is a person of integrity and possesses relevant industrial expertise and experience;

(b) Such individual shall not be a promoter or related to promoter of the company or its holding, subsidiary or associate company;

(c) Such individuals must not have any material or pecuniary relationship during the two immediately preceding financial years or during the current financial year with the company or its promoters/directors/holding/subsidiary/ associate company;

(d) The relatives of such person should not have had any pecuniary relationship with the company or its subsidiaries, amounting to 2% or more of its gross turnover or total income or Rs. 50 lacs or such higher amount as may be prescribed, whichever is less, during the two immediately preceding financial years or in the current financial year;

(e) He must not either directly or any of his relatives

(i) hold or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed.

(ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—

(A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

(B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;

(iii) holds together with his relatives two per cent

or more of the total voting power of the company; or

(iv) is a Chief Executive or director, by whatever name called, of any non-profit organisation that receives 25% or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds 2% or more of the total voting power of the company, then also he is not eligible for office of independent director; or

(f) who possesses such other qualifications as prescribed in Rule 5 as an independent director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company' s business.

## **Declaration by an Independent Director-Section 149 (7)**

Section 149 (7) of the Act, prescribed that every independent director shall give a declaration that he meets the criteria of independence when:

(a) he attends the first meeting of the Board as a director;

(b) thereafter at the first meeting of the Board in every financial year and

(c) whenever there is any change in the circumstances which may affect his status as an independent director.

Further “nominee director” means a director nominated by any financial institution in pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any Government, or any other person to represent its interests.

***(To be continued)***

## MCQs

1. "Nominee director" means a director nominated by any financial institution in pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any Government, or any other person to represent its interests.

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

2. Section 149 (7) of the Act, prescribed that every independent director shall give a declaration that he meets the criteria of independence when he attends the first meeting of the Board as a director;

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

3. Section 149 (6) An independent director means a director other than a managing director or a whole-time director who does have any material or pecuniary relationship with the company/ directors.

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

4. Section 149 (7) An independent director means a director other than a managing director or a whole-time director or a nominee director who does not have any material or pecuniary relationship with the company/ directors.

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

5. Section 149(7) of the Act prescribes the criteria for independent directors.

- i. True



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

