



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-26

APPOINTMENT AND QUALIFICATIONS OF DIRECTORS:

(continued)

Director elected by Small Shareholders- Section 151

According to section 151 of the Act every listed company may have one director elected by such small shareholders. For the purpose of this section, "small shareholder" means a shareholder holding shares of nominal value of not more than twenty

thousand rupees or such other sum as may be prescribed.

Terms & Conditions for Small Shareholders' Director

Rule 7 laid down the following terms and conditions for appointment of small shareholder' s director, which are as under:

i. A listed company, may upon notice of not less than 1000 or one-tenth of the total number of small shareholders, whichever is lower, have a small shareholders' director elected by the small shareholders. A listed company may suo moto opt to have a director representing small shareholders.

ii. The small shareholders intending to propose a person as a candidate for the post of small shareholder' s director shall leave a signed notice of their intention with the company at least 14 days

before the meeting specifying the their details and proposed director' s details. The details include name, address, shares held and folio number etc. If the proposer does not hold any shares in the company, the details of shares held and folio number need not be specified in the notice.

iii. The notice shall be accompanied by a statement signed by the proposed director for the post of small shareholders' director stating

- a. his Director Identification Number;
- b. that he is not disqualified to become a director under the Act; and
- c. his consent to act as a director of the company.

iv. If proposed director is qualified u/s 149 (6) for appointment as an independent director and has given declaration for his independence u/s 149 (7) then such director shall be considered as an independent director.

v. The director's tenure as small shareholders' director shall not exceed a period of 3 consecutive years and he shall not be liable to retire by rotation. Further he shall not be eligible for re-appointment after the expiry of his tenure.

vi. If the person is not eligible for appointment according to section 164, then he can't be appointed as small shareholder's director.

vii. Small shareholders' director shall vacate the office if –

a. he ceases to be a small shareholder, on and from the date of cessation;

b. he incurs any of the disqualifications specified in section 164;

c. the office of the director becomes vacant in pursuance of section 167;

d. he ceases to meet the criteria of independence as provided section 149 (6).

viii. Simultaneously he shall not hold the office of small shareholders' director in more than two companies. If second company is in competitive business or is in conflict with business of the first company the he shall not be appointed in second company.

ix. He shall directly or indirectly not be appointed or associated in any other capacity with the company for a period of 3 years from the date of cessation as a small shareholder' s director

(To be continued)

MCQs

1.The director' s tenure as small shareholders' director shall not exceed a period of 3 consecutive years and he shall not be liable to retire by rotation.

- i. True
- ii. False

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

2. The director's tenure as small shareholders' director shall not exceed a period of 3 consecutive years and he shall not be liable to retire by rotation. Further he shall not be eligible for re-appointment after the expiry of his tenure.

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

3. Small shareholders' director shall vacate the office if – a. he ceases to be a small shareholder, on and from the date of cessation;

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

4. “small shareholder” means a shareholder holding shares of nominal value of not more than twenty thousand rupees or such other sum as may be prescribed.

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

5. According to section 151 of the Act every listed company may have two director elected by such small shareholders.

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

