PART VI CHAPTER II DIRECTORS

CONSTITUTION OF DIRECTORS

S.252 – MINIMUM NO OF DIRECTORS – PUBLIC CO (OTHER THAN S.43A CO'S) – 3

EVERY OTHER COMPANY – 2 – A company having paid up Cap of Rs. 5Cr. or more and 1000 or more small shareholders can have **Small Shareholders Director.**

S.253 – ONLY INDIVIDUALS TO BE DIRECTORS – No body corporate, association of firm

S.254 – SUBCRIBERS OF MEMORANDUM DEEMED TO BE DIRECTORS – Individual – Subsc of MOA – Deemed to be Directors of the Company until they are duly appointed U/s 255

S. 255 – APPOINTMENT OF DIRECTORS AND PROPORTION OF THOSE WHO ARE TO RETIRE BY ROTATION - Not less than 2/3rd 's period of office is liable to - determination by retirement - by rotation and will be appointed by the company in General Meeting (except expressly provided in Act)

S.256 – ASCERTAINMENT OF DIRECTORS RETIRING BY ROTATION AND FILLING OF VACANCIES – PUB CO. or a Pvt Co subsidiary of a Pub Co – out **of the 2/3rd above – 1/3rd is liable to retire by rotation** – Shall be the ones longest in the office since last appointment – 2 Directors on the same day – Agreement among themselves or determined by lot. Vacancy arising will be filled by the company by appointing retiring Director or any other person. If vacancy is not filled, meeting will be adjourned to same day next week – even in the adjourned meeting vacancy still not filled – Retiring Director shall be deemed to have been appointed unless – a) resolution for appointing the above said director was put in meeting which was lost b) retiring director has given a notice expressing his unwillingness c) disqualified for appointment d) a special or ordinary resolution is required for appointing him or e) appointment of directors is covered by S.263(2).

S. 257 – RIGHT OF PERSONS OTHER THAN RETIRING DIRECTORS TO STAND FOR DIRECTORSHIP – A person who is not a retiring Director can also stand for Directorship provided if he or a member has left at the office of the company 14 days b4 the meeting a notice in writing in hand signifying his candidature for the office of director – along with a deposit of Rs. 500. Company to inform the members within 7 days b4 the meeting – No need to inform if company has advertised it in at least 2 newspapers circulating at the place of Reg Office (1 English and 1 Regional Language of the area of Reg office)

S. 258 – RIGHT OF COMPANY TO INCREASE OR REDUCE NUMBER OF DIRECTORS – Ordinary Resolution – Within the limits fixed by the AOA

S. 259 – INCREASE IN NUMBER OF DIRECTORS TO REQUIRE GOVT SANCTION – Except Pvt Co – Increase in more than 12 – Req C/G approval

S. 260 – ADDITIONAL DIRECTORS – Appointed by BOD - To hold office up to date of next AGM

S. 262 – FILLING OF CASUAL VACCANCIES AMONG DIRECTORS – By the BOD at Board Meeting – Person so appointed to hold office till the date the director in whose place the appointment was made would have held had his office was not vacated

S. 263 – APPOINTMENT OF DIRECTORS TO BE VOTED ON INDIVIDUALLY - Normally directors to be appointed individually. However S.263 says that not less than 2 or more persons can be appointed via single resolution provided **first it has been agreed in a meeting without a single vote given against it.**

Sub Sec 2 says a resolution moved in contravention of above shall be void.

S. 263 A- S.263, 177 (Voting by show of hands), S.255 **(**APPOINTMENT OF DIRECTORS AND PROPORTION OF THOSE WHO ARE TO RETIRE BY ROTATION), S. 256 (ASCERTAINMENT OF DIRECTORS RETIRING BY ROTATION AND FILLING OF VACANCIES) not to apply to companies not carrying on business for profit

S. 264 – CONSENT OF CANDIDATE FOR DIRECTORSHIP TO BE FILED WITH THE COMPANY AND CONSENT TO ACT AS DIRECTOR TO BE FILED WITH ROC- Every person (except directors liable to retire by rotation or otherwise) who has left a candidature U/s 257 – FILE CONSENT WITH THE COMPANY

A person **other than** a) director re-appointed after retirement by rotation or immediately after his term b) Addl or **Alternate** (S.313) Director or a person filling vacancy U/s 262 c) person named in articles as directors – file consent with ROC- within 30 days of appointment

S.265 – OPTION TO ADOPT PROPORTIONAL REPRESENTATION FOR THE APPOINTMENT OF DIRECTORS – Articles may provide – APPOINTMENT OF Not less than 2/3rd of TOTAL NUMBER OF DIRECTORS – BASED ON PRINCIPLE OF PROPORTIONAL REPRESENTATION WHETHER BY A SINGLE TRANSFERRABLE VOTE OR A SYSTEM OF CUMULATIVE VOTING OR OTHERWISE – APPOINTMENTS MADE ONCE IN EVERY 3 YEARS AND Interim Casual Vacancies filled in acc with S. 262. **(Note – S. 284 says that a Director appointed in acc with S.265 cannot be removed by an ordinary resolution)**

S.266 – RESTRICTIONS ON APPOINTMENT OR ADVT OF DIRECTOR – No appointment or advertisement in the prospectus unless he or his agent – a) signed and filed with ROC a consent in writing b) i) signed the Memorandum for shares not less than his qualification shares ii) taken his qualif. Shares and paid or agreed to pay for them iii) signed and filed with ROC undertaking to take his qualif. Shares iv) made an affidavit to ROC that shares not less than qualification shares are registered in his name.

S.266A – S.266 G – DIN

MANAGING DIRECTORS ETC

S.267 – CERTAIN PERSONS NOT TO BE APPOINTED M/D's – Following persons shall not be appointed as M/D s – undischarged insolvent, suspended payment to his creditors or anytime has been convicted by a Court of an offence involving moral turpitude.

S.268 – AMENDMENT OF PROVISION RELATING TO M/D OR NON ROTATIONAL DIRECTORS TO REQUUIRE GOVT APPROVAL

S.269 – APPOINTMENT OF M/D OR WTD OR MGR TO REQUIRE GOVT APPROVAL ONLY IN CERTAIN CASES – Only when Paid up Capital is more than Rs. 5 Cr. All appointments should be in accordance with Sch XIII Part I and II of the Act. Else C/G approval is required within 90 days of appointment. If the appointment is not approved by C/G, the person shall vacate his office on the date on which the decision is communicated to the company. ALL ACTS DONE BY A M/D OR WTD OR MGR whose appointment is found to be in contravention to Sch XIII shall be valid notwithstanding that later on it is found that requirements of Sch XIII is not met.

Appointment includes Re Appointment and WTD includes a Director in Whole time Employment of the Company.

SHARE QUALIFICATIONS

S.270- TIME WITHIN WHCH SHARE QUALIF. TO BE OBTAINED AND MAX AMOUNT THEREOF- TIME LIMIT WITHIN 2 MONTHS. MAX AMOUNT RS. 5000/- OR VALUE OF ONE SHARE NOT TO EXCEED RS.500/-

Bearer of Share Warrant shall not be deemed to be holder of shares specified in the warrant.

DISQUALIFICATIONS OF DIRECTORS

S.274 – DISQUALIFICATION OF DIRECTORS – a) Unsound Mind b) undischarged insolvent c) applied to be adjudicated as insolvent and application is pending d) convicted by a court of any offence involving moral turpitude e) has not paid calls in respect of shares for the last six months from due date of payment f) order disqualifying him passed by court U/s 203 (Note – S. 203 speaks about Power of the Tribunal or Court to prevent fraudulent persons from managing the companies)

g) such person is already a director of a company which has not filed the **ANNUAL ACCOUNTS AND ANNUAL RETURNS** (BOTH) for continuous 3 F.Y s OR has failed to repay matured deposits or interest or debentures or pay dividends and such failure continues for 1 year or more – Such Person shall not be eligible for appointment as Director of any other **PUBLIC CO.** for a period of 5 years from the date on which he becomes disqualified due to the 2 cases above.

RESTRICTIONS ON NUMBER OF DIRECTORSHIPS

S. 275 – NO PERSON TO BE DIRECTORS OF MORE THAN 15 COMPANIES

S. 277 – CHOICE BY PERSON BECOMING DIRECTOR OF MORE THAN 15 COMPANIES AFTER COMMENCEMENT OF THE ACT – Within 15 days of 2 consecutive appointments – he has to choose the companies which he wishes to be the directors – max number being 15

S. 278 – EXCLUSION OF CERTAIN DIRECTORSHIPS FOR THE PURPOSE OF S.275, 277- A) pvt company which is neither a subsidiary or a holding company of a public co. b) unlimited company c) an association which does not carry business for profit or which prohibits payment of dividend d) a company in which he is only an Alternate Director

VACATION OF OFFICE BY DIRECTORS

S.283 – VACATION OF OFFICE BY DIRECTORS – a) Fails to obtain qualification shares within the specified time limit b) found to be of unsound mind by a competent court c) he applies to be adjudicated as insolvent d) he is adjudged as insolvent e) convicted of an offence by a Court involving moral turpitude and sentence for imprisonment for not less than **6 months** f) fails to pay calls within 6months from due date g) he fails to attend 3 consecutive Board Meetings or from all meetings of Board for a continuous period of 3 months whichever is longer without obtaining permission of the Board h)whether himself or through a firm in which he is a partner obtains a loan in contravention of S. 295 (S.295 speaks about Loans to Directors) i) fails to disclose his interest in respect of contracts in which he is interested – S.299 j) Disqualified by a court order U/s 203 k) removed in pursuance of S. 284 l) having been appointed as Director by virtue of holding any office or other employment in the company , ceases to hold such office or employment.

A Pvt Co may provide additional grounds on which Director's Office shall be vacated other than above.

S. 284 – REMOVAL OF DIRECTORS – ORDINARY RESOLUTION needed (Except Director appointed U/s 408 by the C/G). Special Resolution is not needed. A Director **holding office for life** after 1/4/1952 cannot be removed whether or not he is subject to retirement under an age limit or not. This section shall also not apply where Directors are appointed by the means of Proportional Representation U/s 265. **Special Notice** (and not a Special Resolution) is required to appoint somebody else in place of the Director removed.

On receipt of notice to remove a director, company shall send the notice to the Director concerned. The Director can make representations (of a reasonable length) and can request it to be read out at the meeting. This requirement can be waived if C/G is satisfied that the above matters are done to secure needless publicity of defamatory matter.

A Director so appointed shall hold office till the date his predecessor would have held had he not been removed. If vacancy is not filed, it may be filed as a casual vacancy U/s 262. A Director removed from the office shall not be re- appointed by the BOD.

MEETINGS OF BOARD

S. 285 – BOARD TO MEET AT LEAST ONCE IN EVERY 3 CALENDAR MONTHS – C/G can waive the requirement by notification in the Official gazette.

S. 286 – NOTICE OF MEETINGS – In writing – Every Director – In India – and at his usual address in India in case Directors are abroad

<u>S. 287 – QUOROM FOR MEETINGS</u> – 1/3rd of its Total Strength or 2 Directors – Whichever is High (Total Strength excludes number of directors whose places are vacant for the time being and also Interested Directors U/s 300). Where the number of Interested Directors is more than 2/3rd then the remaining Directors (i.e. who are not interested) shall be the quorum – provided such number is not less than 2.

S. 288 – PROCEDURE WHERE MEETING ADJOURNED FOR WANT OF QUOROM – No quorum – Adjourned to same day next week. Provisions of non holding of meeting (S.285) shall not apply merely because quorum was not present.

<u>S. 289 – PASSING OF RESOLUTION BY CIRCULATION</u> – Where all Directors are not present, certain resolutions needs to be passed which requires sanction of the Directors. In such case Resolution can be passed by Circulation. Requirements are – Resolution to be circulated in draft together with all necessary papers – to all Directors THEN IN INDIA (not being less than the quorum fixed for Board meeting) and to other directors who are not in India to their usual address in India – to be approved by SUCH OF THE DIRECTORS IN INDIA or BY A MAJORITY OF THEM ENTITLED TO VOTE ON THE RESOLUTION

S.290 - VALIDITY OF ACTS OF DIRECTORS – Acts will be valid notwithstanding that later on it was found that his appointment was invalid by reason of any defect or disqualification. However it will not apply to a case where it is shown to company that the appointment itself was invalid or terminated

<u>BOARD'S POWERS AND RESTRICTIONS THEREON</u>

S.291 – GENERAL POWERS OF THE BOARD – Can exercise all such powers authorized by the company. Cannot exercise powers which are to be exercised by the company in General Meeting.

<u>S. 292 – CERTAIN POWERS TO BE EXERCISED BY BAORD ONLY AT MEETING</u> – Following powers to be exercised by the Board only by means of resolutions passed at the Board Meeting –

a) power to make calls on shareholders
b) power to authorize buy back
c) power to borrow money otherwise than on debentures
d) power to invest funds of the company
e) power to make loans

Provided Board may by a resolution delegate to any committee of Directors, the M/D, the Manager or any other principal officer – powers mentioned in c,d,e - should specify to the extent (i.e amount) it can be exercised

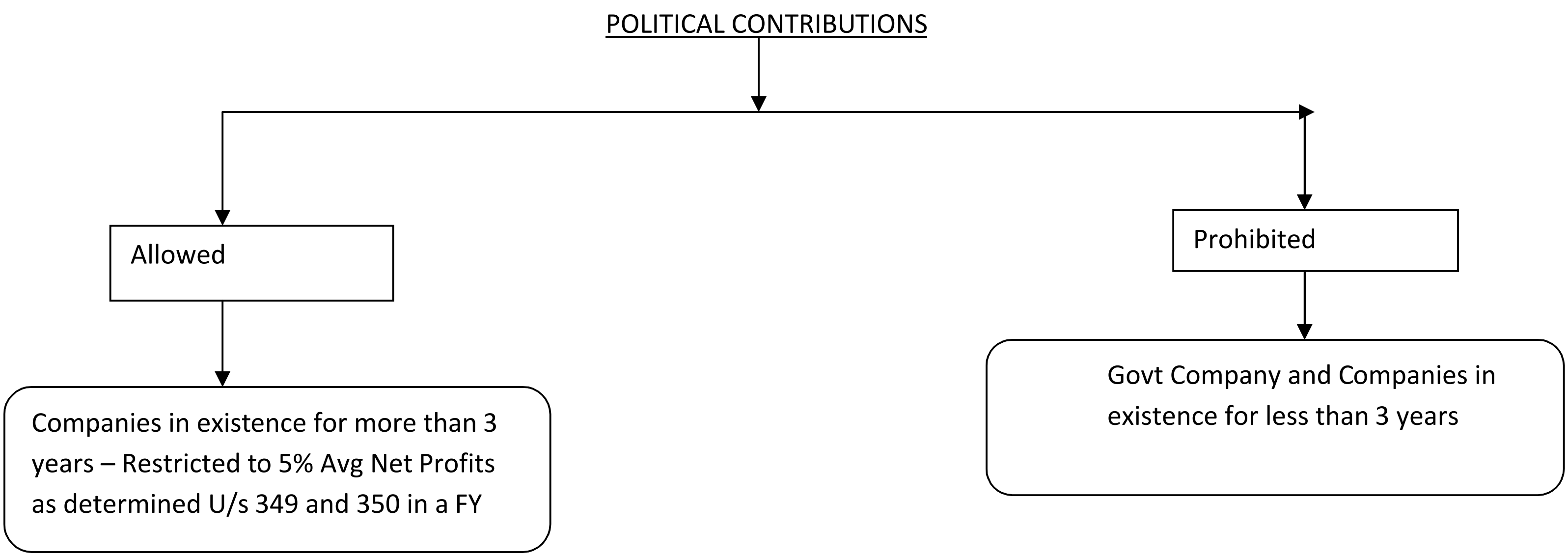
S. 292A- AUDIT COMMITTEE –Compulsory for companies having paid up capital of more than Rs. 5 Cr. Number of members **–** Not less than 3 directors and such other number of directors as determined by Board - of which 2/3rd of total members shall be directors other than M/D or WTD

<u>S. 293 – RESTRICTIONS ON POWERS OF BOARD</u> – BOD of a Public company or a pvt co which is a subs of pub co shall not except – with the consent of such company – IN GENERAL MEETING –

a) **Sell, lease or dispose whole or substantially whole of the undertaking**
b) **Remit – or give time to remit for the repayment of any debt – DUE BY A DIRECTOR –**
c) **Invest – otherwise than in trust securities – the amount of compensation received on compulsory acquisition of undertaking as referred to a)**
d) **BORROW MONEYS AFTER THE COMMENCEMENT OF THE ACT, WHERE THE AMOUNT BORROWED TOGETHER WITH AMOUNT ALREADY BORROWED (APART FROM TEMPRORARY LOANS OBTAINED FROM COMPANY'S BANKERS IN ORDINARY COURSE OF BUSINESS) WILL EXCEED – SUM OF PAID UP CAPITAL AND FREE RESERVES (RESERVES NOT SET APART FOR ANY SPECIFIC PURPOSE** meaning free reserves)
e) **DONATIONS – TO FUNDS NOT <u>DIRECTLY</u> RELATED TO THE BUSINESS OF THE COMPANY OR THE WELFARE OF ITS EMPLOYEES – IN ANY F.Y – EXCEEDING RS.50000 OR 5% OF AVG NET PROFITS AS DETERMINED U/s 349 AND 350 WHICHEVE IS GREATER (**Note – Company can donate to funds related to welfare of employees and to funds related to the business of the company without having the restriction of Rs. 50000 or 5%)

<u>POLITICAL CONTRIBUTIONS</u>

<u>S.293A – PROHIBITONS REGARDING POLITICAL CONTRIBUTIONS</u> –



S.293B – POWER OF BOARD AND OTHER PERSONS TO MAKE CONTRIBUTIONS TO THE NATIONAL DEFENCE FUND

APPOINTMENT OF SSA

S.294 – APPOINTMENT OF SSA TO REQUIRE APPROVAL OF COMPANY AT GENERAL MEETING – SSA not to be appointed for more than 5 years – Appointment to be approved by the First General Meeting after the appointment – Disapproved means appointment ceases to be invalid

S. 294A PROHIBITION OF PAYMENT OF COMPENSATION TO SSA FOR LOSS OF OFFICE IN CERTAIN CASES – Company not liable to pay compensation in case of loss of office of SSA due to – a) appointment of SSA is not approved by the general meeting as above b) SSA resigns his office in view of amalgamation or reconst of company and is appointed as SSA of the new company c) SSA resigns his office otherwise than on reconst or amalgamation d) where SSA is guilty of fraud or breach of trust e) where SSA has instigated or taken part directly in bringing the termination of Sole Selling Agency

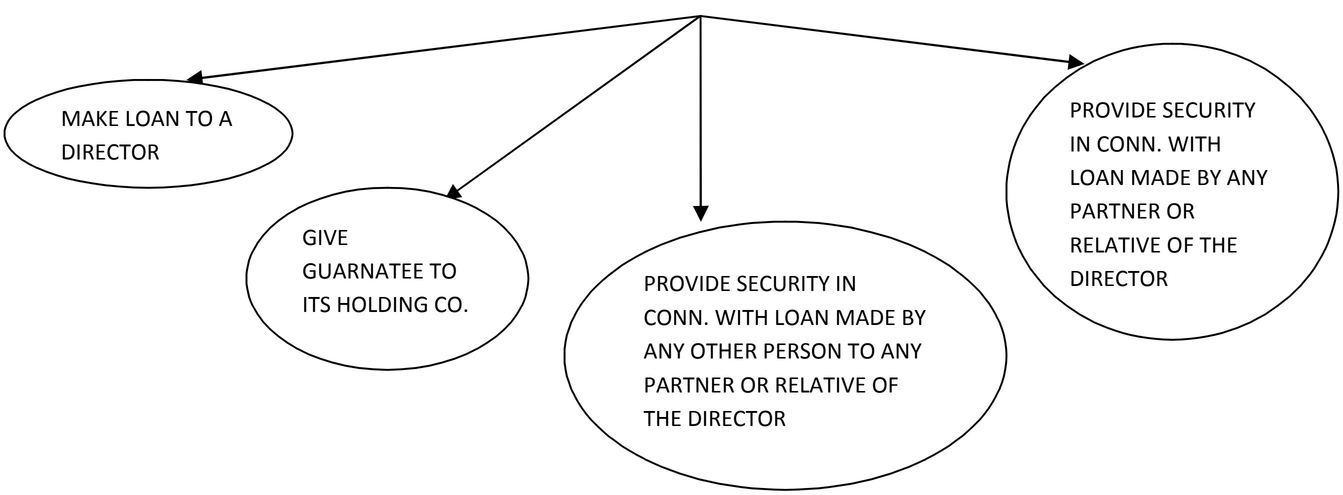
Compensation which may be paid shall not exceed the remuneration that he would have earned(had he been in office) for the unexpired period or 3 years (shorter of both) – calculated on the basis of Avg Remuneration earned by him for- last 3 years or lesser period of 3 years –remuneration earned during such period

S.294AA – POWER OF C/G TO PROHIBIT THE APPOINTMENT OF SSA IN CERTAIN CASES – Where C/G is of the opinion that demand for goods is high – C/G to notify that SSA not to be appointed for such period

No Company to appoint any Individual, Firm, Body Corporate – which has substantial interest in the company – unless approved by C/G

Co's having paid up share capital =/> Rs. 50 lakhs – to appoint SSA- Special Resolution – Approval of C/G

S.295 – LOANS TO DIRECTORS – NO COMPANY WITHOUT PREVIOUS APPROVAL OF C/G- Clause a)



Similarly the above restrictions apply (i.e. directly or indirectly) company gives loan to a b) any firm in which any such director or relative is a partner c) any PVT Company in which such Director is a DIRECTOR OR MEMBER d) any body corporate at a General Meeting In which – not less than 25% of voting power may be EXERCISED or CONTROLLED by ANY SUCH DIRECTOR or 2 or more SUCH

DIRECTORS TOGETHER and e) any body corporate, the BOD, M/D or MGR is accustomed to act in accordance with Directions of the Board or any Director of the Lending Company.

These restrictions shall not apply where i) any loan or security or guarantee is provided by a private company unless it is a subsidiary company (Note- **With respect to clause (c)** - The above mentioning of pvt company need not be confused. Restrictions are only when Public Company lends to a PVT Company. Pvt Company can lend to Public Companies. Also there is no restrictions regarding transactions between 2 Public Co's)

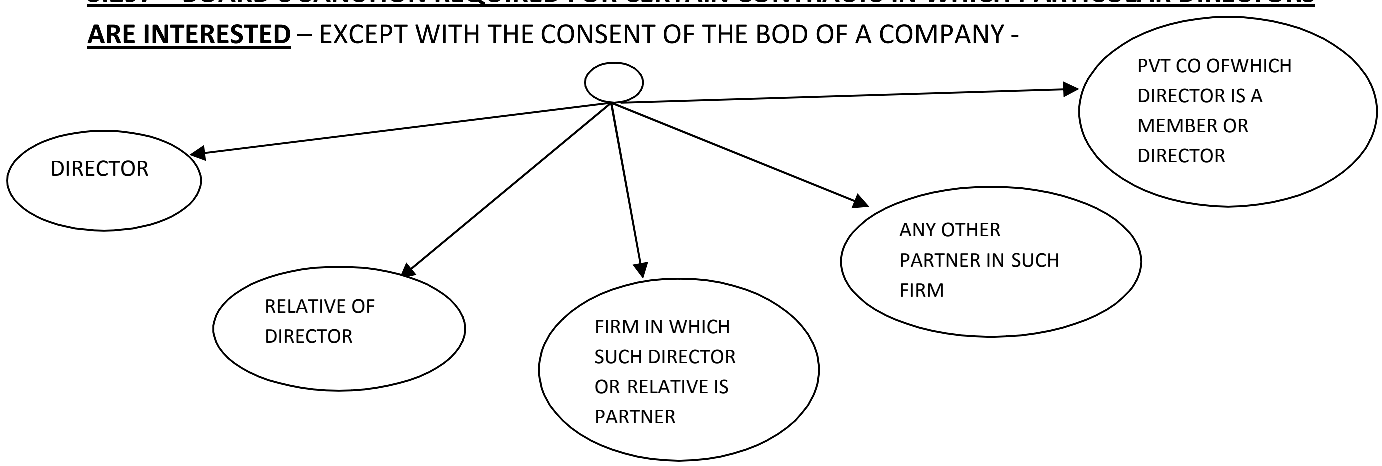
ii) any loan made by Holding Company to its Subsidiary Company

iii) any guarantee given or security provided by a Holding Co to its Subsidiary Company in respect of loan made to its subsidiary company (Restriction is applicable only when SUBSIDIARY CO. PROVIDES GUARANTEE TO ITS HOLDING CO and not vice versa)

If Loans are given in contravention to the above – Get approval of C/G within time specified – or enforce repayment of loan or security or guarantee

Note – S.372A exempts loans by a Holding Company to its WHOLLY Owned Subsidiary

S.297 – BOARD'S SANCTION REQUIRED FOR CERTAIN CONTRACTS IN WHICH PARTICULAR DIRECTORS ARE INTERESTED – EXCEPT WITH THE CONSENT OF THE BOD OF A COMPANY -



SHALL NOT ENTER INTO ANY CONTRACT WITH THE COMPANY - **FOR SALE, PURCHASE AND SUPPLY OF ANY GOODS, MATERIALS OR SERVICES OR FOR UNDERWRITING THE SUBSCRITPION OF SHARES OR DEBENTURES OF THE CO.**

In case of a company having paid up capital of Rs. 1 Cr, no such contract shall be entered without approval of C/G

The above restrictions shall not apply – a) The purchase of goods and materials – for cash at prevailing market prices b) contracts as aforesaid consisting of parties mentioned above- part of regular trade or business- provided value of goods < Rs. 5000 c) In case of Banking or Insurance Company – Transaction in ordinary course of business. In case consent is not obtained, it can be obtained within 3 months from the date of entering of contract

Note – S.297 specifies the contracts to which restriction applies. Contract for appointment of a person in which a Director is interested is not a part of S.297 because position of a Director may be conferred on the person by any method other than contract. S. 297 specifies contracts of the nature of goods, materials etc. The check is to ensure that persons interested in the contract do not make personal profiteering)

S. 299 – DISCLOSURE OF INTEREST BY DIRECTOR - Every Director of the company who is in any way – DIRECTLY OR INDIRECTLY – CONCERNED OR INTERESTED IN A – CONTRACT OR ARRANGEMENT – (proposed or present) - shall disclose the nature of interest or concern – at meeting of BOD –

In case of Proposed Contract or Agreement- Interest can be disclosed at the first meeting after he becomes interested. For this purpose, a general notice given to the Board would suffice. However nothing in this section shall prevent any director from having any concern or interest in any contract or arrangement with the company. This section shall not apply where the – Director of the 1 company – or 2 or more of them hold – NOT MORE THAN 2% PAID UP CAP of the other company (less than 2%, no req to disclose). Here the word Arrangement Is used. Contract of appointment of Director can be termed as Arrangement rather than contract. So contracts appointing Directors in which any Director is interested directly or indirectly will require disclosure as per S.299

S.300 – INTERESTED DIRECTOR NOT TO PARTICIPATE OR VOTE IN BOARD'S PROCEEDINGS

S.301 – REGISTER OF CONTRACTS, COMPANIES AND FIRMS IN WHICH DIRECTORS ARE INTERESTED –

S. 302 – DISCLOSURE TO MEMBERS OF DIRECTORS INTEREST IN CONTRACT APPOINTING MANGER, M/D – Where a Company a) enters into a contract for the appointment of a manager of the company – in which any director of the company is in any way – directly or indirectly - concerned or interested

b) varies any such contract already in existence – and in which a director is interested or concerned, then the company shall – within 21 days from the date of entering into/varying the contract – send to every member - an abstract of terms and nature of concern/ interest

REGISTER OF DIRECTORS ETC.

S. 303 –REGISTER OF DIRECTORS

S.304 – INSPECTION OF THE REGISTER – MEMBER free of charge

S. 305 – DUTY OF DIRECTORS ETC, TO MAKE DISCLOSURE –

S.306 – REGISTER TO BE KEPT BY REGISTRAR AND INSPECTION THEREOF

REGISTER OF DIRECTORS' SHAREHOLDING

S.307 – REGISTER OF DIRECTOR'S SHAREHOLDING -

S. 308 – DUTY OF DIRECTORS AND PERSONS DEEMED TO BE DIRECTORS TO MAKE DISCLOSURE OF SHAREHOLDING

REMUNERATION OF DIRECTORS

S. 309 – REMUNERATION OF DIRECTORS – Remuneration payable to all Directors including M/D or WTD – Subject to S. 198 – passed by the company in general meeting – shall also include remuneration for services rendered in any other capacity – The phrase any other capacity shall not include if – THE SERVICES ARE OF A PROFESSIONAL NATURE and in the opinion of C/G, the director possesses the requisite qualifications. Director may receive remuneration by way of fee for each meeting of the Board

DIRECTOR

WHOLE TIME EMPLOYMENT OR AN M/D – Paid Remuneration – MONTHLY or at a Specified % of profits – Such % not to exceed in case of 1 Director – 5 and more than 1 Director – 10 without approval of C/G

NOT IN WHOLE TIME EMPLOYMENT NOR A M/D – Paid Remuneration – MONTHLY/QUARTERLY/ANNUAL with approval of C/G or by way of comm. Authorized by a special resolution – Such remuneration not to exceed in case of Co has a M/D or WTD – 1% and in any other case – 3%- with approval of C/G can pay at a higher rate

If any Director draws or receives excess remuneration – without prior approval of C/G – refund sum sums to the Company – Co. not permitted to waive the recovery unless permitted by C/G

No Director – in receipt of any COMMISSION from the company – and who is either in Whole time employment of a M/D – Shall be entitled to receive any COMMISSION or other REMUNERATION from any subsidiary of such company

S. 310 – PROVISION OF INCREASE IN REMUNERATION TO REQUIRE APPROVAL OF GOVERNMENT – In Case where Sch. XIII is applicable unless such increase is in accordance with that Schedule and in other cases , unless it is approved – Require C/G approval. No approval necessary for increasing the sitting fee in case of a) Companies with Paid up capital and free reserves of Rs. 10 Cr

And above or turnover of Rs. 50 Cr and above	- <Rs. 20000
b) Other Companies	- <Rs. 10000

MISCELLANEOUS PROVISIONS

S. 312 – PROHIBITION OF ASSIGNMENT OF OFFICE BY DIRECTOR –

S. 313 – APPOINTMENT AND TERM OF OFFICE OF ALTERNATE DIRECTOR – BOD if authorized by its articles or by a resolution passed at Gen Meeting – Appoint ALTERNATE DIRECTOR – where the Director is whose place he is appointed (Original Director) is absent from the **STATE** in which Board Meetings are held – for a period of 3 months

An Alternate Director so appointed – not to hold office longer than permissible period of Original Director – and shall vacate his office when the Original Director returns to the state in which Board

Meetings are held. Any provision for automatic reappointment of Original Director before his return to the state shall apply to the ORIGINAL and not to the Alternate Director.

S. 314 – DIRECTOR ETC. NOT TO HOLD OFFICE OR PLACE OF PROFIT – EXCEPT WITH THE CONSENT OF THE COMPANY – ACCORDED BY A SPECIAL RESOLUTION – No Director or
No relative – or relative of such director is a partner – no pvt company of which such director is a director or member – no director or manager of such pvt company – shall hold an OPP carrying a remuneration exceeding 10000 (Except that of M/D or MGR) – under the company or any subsidiary of the company – unless such remuneration is paid over to the company or to its holding company.

Provided the special resolution according the approval can be obtained in the general meeting held first after the holding of such OPP. Also provided that if relative of such director is appointed without knowledge of the Director – consent to be obtained in the general meeting or 3months within from date of appointment – whichever is later. Nothing shall apply where such relative is appointed to the OPP of the company or subsidiary before such DIRECTOR becomes director of the company.

C/G approval required where the monthly remuneration exceeds Rs. 20000

OPP means – In case held by a Director – Director holding it obtains by way of remuneration over and above remuneration he is entitled as such director – as salary, fees, commission, perquisites, right to occupy free of rent any premises as a place of residence or otherwise

This section shall not be applicable being the holder of OPP – Appointed by C/G U/s 408.

RESTRICITON ON APPOINTMENT OF M/Ds

S. 316 – NUMBER OF COMPANIES OF WHICH ONE PERSON MAYBE APPOINTED AS M/D – Not more than 2 Companies. IF C/G satisfied that for common functioning, companies to have a common director – more than 2 companies is possible

S.317 – M/D NOT TO BE APPOINTED FOR MORE THAN 5 YEARS AT A TIME –

COMPENSATION FOR LOSS OF OFFICE

S. 318 – COMPENSATION OF LOSS OF OFFICE NOT PERMISSIBLE EXCEPT TO M/D OR WTD OR TO DIRECTORS WHO ARE MANAGERS

S. 319 – PAYMENT TO DIRECTOR ETC. FOR LOSS OF OFFICE ETC. IN CONNECTION WITH TRANSFER OF UNDERTAKING OR PROPERTY

S. 320 – PAYMENT TO DIRECTOR FOR LOSS OF OFFICE ETC. IN CONNECTION WITH TRANSFER OF SHARES

DIRECTORS WITH UNLIMITED LIABILITY

S. 322 – DIRECTORS ETC. WITH UNLIMITED LIABLITIY IN LIMITED COMPANY

S. 323 – SPECIAL RESOLUTION OF LIMITED COMPANY MAKING LIABILITY OF DIRECTORS ETC. UNLIMITED