

CA – FINAL
CORPORATE & ALLIED LAW

LAST MINUTE REVISION NOTES
DIRECTOR [SEC. 149 TO 205]



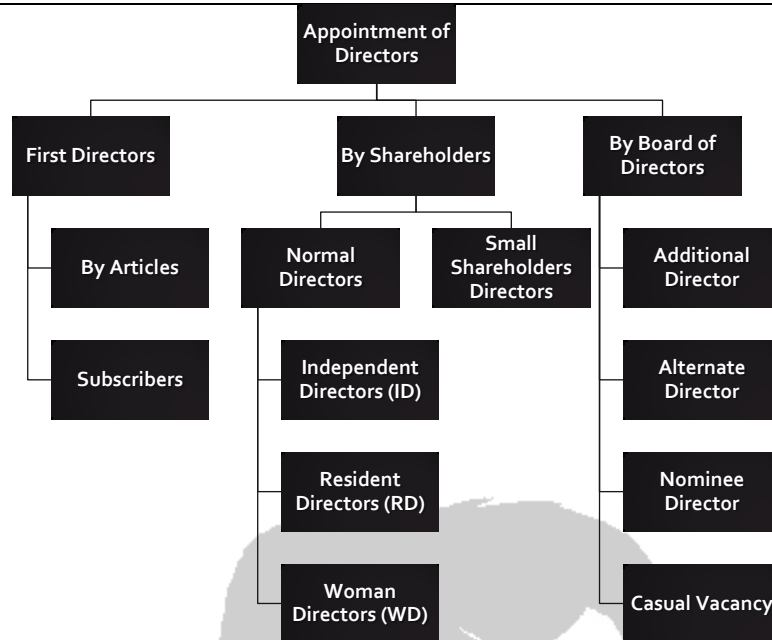
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EXAM WEIGHTAGE- 25-30 Marks

Sec.	Topic	Brief Description		
2(34)	Director	Director appointed to the board of a company		
2(10)	Board of Directors	Collective body of the directors of the company		
152 (1)	Who shall be the first director of the company	<ul style="list-style-type: none"> - Generally Article of the company - Named in INC1 - Promoter itself 		
149	Constitution of the Board	Only Individual can act as a director		
		<table border="1"> <thead> <tr> <th>Minimum Director</th> <th>Maximum</th> </tr> </thead> <tbody> <tr> <td>Public – 3 Private – 2 One person Company – 1</td> <td>15 director without SR, more than 15 director by passing SR</td> </tr> </tbody> </table>	Minimum Director	Maximum
Minimum Director	Maximum			
Public – 3 Private – 2 One person Company – 1	15 director without SR, more than 15 director by passing SR			
Type of Directors				
	Resident Director	Woman Director	Independent Director	
	every company shall have at least one director who has stayed in India for a total period of not less than 182 days in the previous calendar year such director is named as Resident director	<ul style="list-style-type: none"> • Every listed company • Unlisted Public Company having: <ul style="list-style-type: none"> • PSC 100cr or more or (last day of latest Audited FS) • Turnover of 300 Cr or more (Last day of Latest Audited FS) 	<ul style="list-style-type: none"> • Every listed public company shall have at least one-third of the total number of directors as independent directors • At least 2 directors shall be independent in following companies <ul style="list-style-type: none"> • Public companies having PSC of 10 cr. Rs. or more • Public co. having turnover of 100 cr. or more • Public co. Which has aggregate o/s Loans, debenture and deposits more than 50 cr. <p>Tenure of Independent Director :- Maximum Terms – 2, tenure 5 years</p>	
150	Manner of selection of ID	<ul style="list-style-type: none"> - An ID may be selected from a data bank , maintained by anybody, institute or association, as may be notified by CG - Appointment of ID shall be approved by OR and reappointment in next term by SR 		



151	Small Shareholder Director	<ul style="list-style-type: none"> • A listed company may have one director elected by such small shareholders. • “Small shareholders” means a shareholder holding shares of nominal value of not more than Rs.20000/- <p>A listed company, may upon notice of</p> <ol style="list-style-type: none"> not less than 1000 or 1/10th of the total number of small shareholders <p>Whichever is lower, have a small shareholders’ director elected by the small shareholders.</p> <p>Further a listed company may suo moto opt to have a director representing small shareholders</p> <p>Tenure of SSD:- shall not exceed a period of 3 consecutive years, He shall not hold the office of SSD in more than 2 companies.</p>
	Essential formalities to be completed before appointment of Director	<ul style="list-style-type: none"> • Firstly verify that whether the person has DIN • Every proposed Director in GM or otherwise shall furnish DIN and a declaration that he is not disqualified to become a Director • Proposed Director shall give his consent in Form DIR-2 to hold the office as director and such consent be filed with the Registrar in Form DIR-12 within 30 days of his appointment
153	Application for DIN	Every individual, who is to be appointed as director----> make an application electronically in Form DIR-3, to the CG for the allotment of a DIN along with such fees as prescribed.
154	Allotment of DIN	The CG shall, within 1 month from the receipt of the application U/S 153, Allot a DIN to the applicant in such manner as may be prescribed.
155	More than one DIN is not allowed.	No individual, who has already been allotted a DIN under section 154, shall apply for, obtain or possess another DIN.

156	Director to intimate DIN	Every existing director shall, within 1 month of the receipt of DIN from the CG, intimate his DIN to the company or all companies wherein he is a director.
157	Company to inform DIN to ROC	Every company shall, within 15 days of the receipt of intimation, furnish the DIN of all its directors to the Registrar.
158	Obligation to indicate DIN.	Every person or company, while furnishing any return, information or particulars shall mention DIN
159	Punishment for contravention.	Contravenes - section 152, section 155 and section 156, Such person shall be punishable with imprisonment for a term which may extend to 6 months or with fine which may extend to Rs. 50000/ and where the contravention is a continuing one, with a further fine which may extend to Rs. 500/ for every day.
160	Right of person other than retiring directors to stand for directorship.	Notice to be appointed as director by any person at least 14 days before GM . Deposit-Rs. 100000 Resolution – OR Refund of Deposits-If he gets 25% of Vote
161	Additional Director 161(1)	The board may appoint any person, as an additional director any time, If authorized by the AOA, A person who fails to get appointed as a director in general meeting, cannot be appointed Tenure :- Additional director shall hold office :- <ul style="list-style-type: none"> • upto the date of next AGM or • upto the last date when the AGM was supposed to be held, whichever is earlier
	Alternate Director 161(2)	<ul style="list-style-type: none"> ➤ If so authorized by its articles or a resolution passed in GM, ➤ Appoint a person, to act as an alternate director for a director during his absence for a period of not less than 3 months from India: Tenure:- an alternate director shall not hold office for a period longer than that permissible to the director in whose place he has been appointed and shall vacate the office if and when the director in whose place he has been appointed returns to India.
	Nominee director 161(3)	Subject to the articles, the Board may appoint any person as a director nominated by <ul style="list-style-type: none"> • any institution <ul style="list-style-type: none"> ○ in pursuance of the provisions of any law for the time being in force or ○ of any agreement. • Or by the CG or the SG by virtue of its shareholding in a Government Company.
	Causal vacancy 161(4)	In case of a Public company , If any vacancy is caused by death or resignation of a director appointed by the shareholders in GM, before expiry of his term , subject to Provision of Articles, the BOD can appoint a director to fill up such vacancy. Tenure of director to fill up by a casual vacancy A person appointed as a director to fill up a casual vacancy would continue in office until the date when retirement of the original director in whose place the former is appointed would fall due in the usual course, irrespective of the date of next AGM following the date of filling of casual vacancy.
162	Appointment of	Appointment of 2 or more person as Directors of the Company by a single resolution is

	Directors to be voted Individually	prohibited, unless a resolution has first been agreed at meeting without any vote being cast against it.
163	Option to adopt Principle of proportional representation.	All companies only if authorized by AOA Appointment of at least 2/3rd of the directors by proportional representation, whether by single transferable vote or by a system of cumulative voting or otherwise, such appointment shall be made once in every 3 years .
152	Requirement of minimum number of Rotational director	<ul style="list-style-type: none"> The articles may provide for the retirement of all directors at every AGM, and If articles not provide, as above at least 2/3rd of the total number of directors of a public company shall be rotational directors appointed in GM.
	maximum number of Non-Rotational Directors	It is maximum 1/3rd of the total directors those directors who do not retire by rotation at AGM shall be non-rotational director, Note: "total number of directors" shall not include independent directors
	rotational directors are required to be retire by rotation	at least 1/3rd of Directors must retire in 1st AGM and every Subsequent AGM or if their number is neither three nor a multiple of three, then, the number nearest to one-third , shall retire from office.
164	Basic Disqualification	<p>A person shall not be eligible for appointment as a director of a company, if —</p> <p>(a) he is of unsound mind and stands so declared by a competent court;</p> <p>(b) he is an undischarged insolvent;</p> <p>(c) he has applied to be adjudicated as an insolvent and his application is pending;</p> <p>(d) he has been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence.</p> <p>Provided that If a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be appointed as a director in any company;</p> <p>(e) an order disqualifying him for appointment as a director has been passed by a court or Tribunal and the order is in force;</p> <p>(f) he has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others, and 6 months have elapsed from the last day fixed for the payment of the call;</p> <p>(g) he has been convicted of the offence dealing with related party transactions under section 188 at any time during the last preceding 5 years; or</p> <p>(h) he has not got the DIN.</p>
	Specific Disqualification	<p>Person who is or has been a director of a company (please note - applicable to all companies) which</p> <p>(a) has not filed</p> <ul style="list-style-type: none"> financial statements or annual returns <p>for any continuous period of 3 financial years; or</p> <p>(b) has failed to</p> <ul style="list-style-type: none"> repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due

		<p>thereon or</p> <ul style="list-style-type: none"> pay any dividend declared and <p>such failure to pay or redeem continues for one year or more, shall NOT be eligible to be re-appointed as a director of that company or appointed in other company for a period of five years from the date on which the said company fails to do so.</p>	
165	Number of directorships.	Max directorship All companies-20 out of them maximum public companies 10, company may by SR reduce the number.	
166	Duties of Directors.	Do's	Don'ts
		Act in accordance with the articles	direct or indirect interest that conflicts
		Act in good faith	achieve any undue gain or advantage
		Exercise independent judgment , care, skill and diligence	assign his office and any assignment
167	Vacation of office	<p>A director's office shall become vacant in case :-</p> <ul style="list-style-type: none"> He incurs any of the disqualifications specified in section 164; He absents himself from all BM held 12 months with or without seeking leave of absence of the Board; He acts in contravention of the provisions of section 184; He fails to disclose his interest in contravention of Section 184 He becomes disqualified by an order of a court or the Tribunal; He is convicted by a court of any offence, whether involving moral turpitude or otherwise and sentenced in respect thereof to imprisonment for not less than 6 months; He is removed He, have been appointed a director by virtue of his holding any office or other employment in the holding, subsidiary or associate company, ceases to hold such office or other employment in that company. 	
168	Resignation of Director	<ul style="list-style-type: none"> A director may resign from his office by giving notice in writing to the company The Board shall, on receipt of such notice within 30 days intimate the Registrar in Form DIR-12 and also place the fact of such resignation in the Directors' Report of subsequent general meeting of the company and post the information on its website. The director shall also forward a copy of resignation along with detailed reasons for the resignation to the Registrar in Form DIR-11 within 30 days from the date of resignation 	
169	Removal of Directors	<ul style="list-style-type: none"> A company may, remove a director (except the director appointed by National Company Law Tribunal u/s 242, and appointed by central government) before the expiry of the period of his office after giving him a reasonable opportunity of being heard after passing the ordinary resolution A special notice shall be required of any resolution, to remove a director under this section, or to appoint somebody in place of a director so removed, at the meeting at which he is removed. 	

170	Register of Directors and KMP and their shareholding	<p>(1) Every company shall keep at its registered office a register containing such particulars of its directors and key managerial personnel as may be prescribed, which shall include the details of securities held by each of them in the company or its holding, subsidiary, subsidiary of company's holding company or associate companies</p> <p>(2) A return containing such particulars and documents as may be prescribed, of the directors and the key managerial personnel shall be filed with the Registrar within thirty days from the appointment of every director and key managerial personnel, as the case may be, and within thirty days of any change taking place.</p>
171	Members' right to inspect	<ul style="list-style-type: none"> • shall be open for inspection during business hours and • the members shall have a right to take extracts therefrom
172	Punishment	If a company contravenes provisions of this Chapter and for which no specific punishment is provided therein, the company and every officer of the company who is in default shall be punishable with fine which shall not be less than Rs.50,000/- but which may extend to Rs.500000/-.
173	Meetings of Board	<ul style="list-style-type: none"> • First BM-Within 30 days of Incorporation • Minimum BM in a year- 4 • Max gap in 2 BM- 120 days • Participation- Physically or through video conferencing • Notice- at least 7 days' notice in writing to all the directors at their registered address (whether in India or outside India). The notice may be sent by hand delivery or by post or by electronic means. • BM on shorter Notice- Conditionally allowed • only one BM in each half year required for OPC, Small company and Dormant Company • Matters not to be dealt with in a meeting through video conferencing or other audio visual means as provided in the companies (Meetings of Board and its powers) Rules, 2014 are as under: <ul style="list-style-type: none"> ○ the approval of the annual financial statements; ○ the approval of the Board's report; ○ the approval of the prospectus; ○ the Audit Committee Meetings for consideration of financial statement including consolidated financial statement, if any, to be approved by the Board under sub-section (1) of section 134 of the Act; and ○ the approval of the matter relating to amalgamation, merger, demerger, acquisition and takeover.
174	Quorum for Board Meetings	<ul style="list-style-type: none"> • It shall be at least 1/3rd of its total strength or 2 directors, whichever is higher, • Participation by video conferencing shall also be counted quorum • Where at any time the number of interested directors exceeds or is equal to two thirds of the total strength of the Board of directors, the number of directors who are not interested directors and present at the meeting, being not less than two, shall be the quorum during such time.

175	Passing of resolution by Circulation	<ul style="list-style-type: none"> the resolution has been circulated in draft, to all the directors, Has been approved by a majority of the directors or members, who are entitled to vote on the resolution. Where not less than 1/3rd of directors require that any resolution under circulation must be decided at a meeting, the chairperson shall put the resolution to be decided at a meeting of the Board
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Companies act 2013 envisages 4 (four) types of committees to be constituted by the board



Point	Audit committee's Sec 177	Vigil Mechanism	Nomination & Relationship committee's Sec 178	STAKEHOLDERS RELATIONSHIP COMMITTEE
Applicability	Every listed Companies; or The following class of companies –(last date of audited f/s) (i) all public companies with a paid up capital of 10 crore rupees or more; (ii) all public companies having turnover of 100 crore rupees or more; (iii) all public companies, having in aggregate, outstanding loans or borrowings or debentures or deposits exceeding 50 crore rupees.	Every listed company and The companies which accept deposits from the public; or Which have borrowed money from banks and public financial institutions in excess of 50 crore rupees.	Every listed Companies; or The following class of companies –(last date of audited f/s) (i) all public companies with a paid up capital of 10 crore rupees or more; (ii) all public companies having turnover of 100 crore rupees or more; (iii) All public companies, having in aggregate, outstanding loans or borrowings or	The Board of Directors of a company which consists of more than 1000 shareholders , debenture-holders, deposit-holders and any other security holders at any time during a financial year

			debentures or deposits exceeding 50 crore rupees or more.	
Constitution /Compositions	The Committee shall comprise of minimum 3 directors with majority of the directors being Independent Directors.		consisting of 3 or more non-executive directors out of which not less than 1/2 shall be independent directors	consisting of a chairperson who shall be a non-executive director and such other members as may be decided by the Board

179	Powers of Board	<p>(a) to make calls on shareholders in respect of money unpaid on their shares;</p> <p>(b) to authorize buy-back of securities under section 68;</p> <p>(c) to issue securities, including debentures, whether in or outside India;</p> <p>(d) to borrow monies;</p> <p>(e) to invest the funds of the company;</p> <p>(f) to grant loans or give guarantee or provide security in respect of loans;</p> <p>(g) to approve financial statement and the Board's report;</p> <p>(h) to diversify the business of the company;</p> <p>(i) to approve amalgamation, merger or reconstruction;</p> <p>(j) to take over a company or acquire a controlling or substantial stake in another company;</p> <p>(k) any other matter which may be prescribed [Rule 8]</p> <p>a) to make political contributions;</p> <p>b) to appoint or remove key managerial personnel (KMP);</p> <p>c) to take note of appointment(s) or removal(s) of one level below the KMP;</p> <p>d) to appoint internal auditors and secretarial auditor;</p> <p>e) to take note of the disclosure of director's interest and shareholding;</p> <p>f) to buy, sell investments held by the company (other than trade investments), constituting 5% or more of the paid-up share capital and free reserves of the investee company;</p> <p>g) to invite or accept or renew public deposits and related matters;</p> <p>h) to review or change the terms and conditions of public deposit;</p> <p>i) To approve quarterly, half yearly and annual financial statements or financial results as the case may be.</p>
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SECTION 180: Restrictions on powers of Board.

Sale /lease/disposals of undertaking [Sec 180(1)(a)]	To sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company or where the company owns more than one undertaking, of the whole or substantially the whole of any of such undertakings
Investment of merger &	to invest otherwise in trust securities the amount of compensation received by it

<p>amalgamations[Sec 180(1)(b)]</p>	<p>as a result of any merger or amalgamation;</p>	
<p>Borrowing above 100% of PSC + Free reserve [sec 180(1)(c)]</p>	<p>to borrow money, where the money to be borrowed, together with the money already borrowed by the company will exceed aggregate of its paid-up share capital and free reserves, apart from temporary loans obtained from the company’s bankers in the ordinary course of business;</p> <p>“Temporary Loans” means loans repayable on demand or within six months from the date of the loan such as short-term cash credit arrangements, the discounting of bills and the issue of other short-term loans of a seasonal character, but does not include loans raised for the purpose of financial expenditure of a capital nature;</p> <p>Special Resolution – Borrowing</p> <p>The special resolution relating to borrowing money exceeding paid up capital and free reserves specify the total amount up to which the money may be borrowed by Board</p>	
<p>Directors debt [sec 180(1)(d)]</p>	<p>To remit, or give time for the repayment of, any debt due from a director.</p>	
<p>181</p>	<p>Contribution to bona fide and charitable funds.</p>	<p>the BOD of a company may contribute to ‘bona fide’ charitable and other funds provided that prior permission of the company in GM is required if such contribution exceeds 5% of its average net profits for the 3 immediately preceding previous years</p>
<p>182</p>	<p>Prohibitions and restrictions regarding political contributions.</p>	<ul style="list-style-type: none"> • companies Prohibited-- Government company, a company which has been in existence for less than 3 F/Y • Max· 7.5% of its average Net Profit during the 3 immediately preceding financial years • Resolution Required—BR in BM • Disclosure in P & L- amount contributed, name of the Political party
<p>183</p>	<p>Contributions to National Defense Fund, etc.</p>	<p>The Board is authorized to contribute such amount as it thinks fit to the National Defense Fund or any other fund approved by the Government for the purpose of national defense. The company is required to disclose in its profit and loss account the total amount or amounts contributed by it during the financial year.</p>
<p>184</p>	<p>Disclosure of interest by director.</p>	<p>every director</p> <ul style="list-style-type: none"> • 1st BM after appointment • 1st BM of every FY • If interest is changed than 1st BM after such change. <p>Shall disclose his concern or interest (by way of form no MBP-1) in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding. every director of a company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into"</p> <ul style="list-style-type: none"> • with a body corporate

		<ul style="list-style-type: none"> in which such director or such director in association with any other director, holds more than 2 % shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or with a firm or other entity in which, such director is a <ul style="list-style-type: none"> partner, owner or member, <p>Shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting.</p>
185	Loan to directors, etc.	<p>No company shall</p> <ul style="list-style-type: none"> directly or indirectly advance any loan, including any loan represented by a book debt, to <ul style="list-style-type: none"> any of its directors or to any other person in whom director is interested give any guarantee or provide any security in connection with any loan taken by him or such other person <p>following will be exempt from section 185</p> <p>(a) the giving of any loan to a managing or whole-time director"</p> <p>(i) as a part of the conditions of service extended by the company to all its employees; or</p> <p>(ii) pursuant to any scheme approved by the members by a special resolution; or</p> <p>(b) a company which in the ordinary course of its business provides loans or gives guarantees or securities for the due repayment of any loan and in respect of such loans an interest is charged at a rate not less than the bank rate declared by the Reserve Bank of India.</p> <p>Further Rule 10 Provides that following transaction are exempted from the provision of section 185-</p> <ul style="list-style-type: none"> any loan made by a holding company to its wholly owned subsidiary company or any guarantee given or security provided by a holding company in respect of any loan made to its wholly owned subsidiary company any guarantee given or security provided by a holding company in respect of loan made by any bank or financial institution to its subsidiary company <p>The exemption in rule 10 is subject to the conditions such loans made as above are utilized by the subsidiary company for its principle business activities.</p>
188	Related Party Transactions	<p>Except with the consent of the BOD given by a resolution at a BM and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party with respect to"</p> <p>(a) sale, purchase or supply of any goods or materials;</p> <p>(b) selling or otherwise disposing of, or buying, property of any kind;</p> <p>(c) leasing of property of any kind;</p> <p>(d) availing or rendering of any services;</p> <p>(e) appointment of any agent for purchase or sale of goods, materials, services or property;</p>

		(f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and (g) underwriting the subscription of any securities or derivatives thereof, of the company: Nature of the transaction and criterion for which prior approval through special resolution by the company in general meeting needed
	Nature of Transaction	Criteria
	188(1)(a) and 188(1)(e) sale, purchase or supply of any goods or materials directly or through appointment of agents	<ul style="list-style-type: none"> Exceeding 10% of the annual turnover or Rs.100 cr. Whichever is lower
	188(1)(b) and 188(1)(e) selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents	<ul style="list-style-type: none"> Exceeding 10% of net worth or Rs. 100 cr. Whichever is lower
	188(1)(c) leasing of property of any kind;	<ul style="list-style-type: none"> Exceeding 10% of the net worth or Exceeding 10% of turnover or Rs. 100 cr. Whichever is lower
	188(1)(d) and 188(1)(e) availling or rendering of any services directly or through appointment of agents	<ul style="list-style-type: none"> Exceeding 10% of the net worth or Rs. 50 cr. Whichever is lower
186	restrictions on loan and investment by a company	<ul style="list-style-type: none"> a company shall unless otherwise prescribed, make investment through not more than 2 layers of investment companies. 'layer' in relation to a holding Company means its subsidiary or subsidiaries and 'investment Company' means a Company whose principal business is the acquisition of shares, debentures or other securities"
	Restrictions on giving loans	A company can't <ol style="list-style-type: none"> directly or indirectly give any loan to <ul style="list-style-type: none"> any person or other body corporate; give any guarantee or provide security in connection with a loan <ul style="list-style-type: none"> to any other body corporate or person; acquire by way of subscription, purchase or otherwise, the securities of <ul style="list-style-type: none"> any other body corporate, exceeding <ul style="list-style-type: none"> 60% of its paid-up share capital + free reserves + securities premium

		<p>account or</p> <ul style="list-style-type: none"> ○ 100% of its free reserves + securities premium account, <p>Whichever is more</p> <p>If exceeds the above limits, prior approval by means of a SR passed at a GM shall be necessary</p>
187	Investments by company	<p>all investment made or held by a company must be made and held by it in its own name whether made</p> <ul style="list-style-type: none"> • in a property, or • in security or • in other asset <p>it has been provided that company may hold any shares in its subsidiary company in the name of any nominee or nominees of the company, if it is necessary to do so, to ensure that the number of members of the subsidiary company is not reduced below the statutory limit (usually this is required if a company want to have a 100% subsidiary hence need more than two members with a single control point hence appoint nominee).</p> <p>Following are the circumstances when a company may not have investment in its own name.</p> <ol style="list-style-type: none"> a) A company may deposit with a bank, being the bankers of the company, any shares or securities for the collection of any dividend or interest payable thereon; or b) A company may deposit with, or transferring to, or holding in the name of, the State Bank of India or a scheduled bank, being the bankers of the company, shares or securities, in order to facilitate the transfer thereof, but required to again hold the shares or securities in its own name within a period of six months; c) A company may deposit with, or transferring to, any person any shares or securities, by way of security for the repayment of any loan advanced to the company or the performance of any obligation undertaken by it; d) A company may hold investments in the name of a depository when such investments are in the form of securities held by the company as a beneficial owner.
192	Restrictions on Non-Cash Transactions	<p>a company can't enter into an agreement by which –</p> <ul style="list-style-type: none"> • A director of the company or • its holding company, or • its subsidiary or • its associate company or • a person connected with such director <p>Acquires or is to acquire assets for consideration other than cash, from the company; or the company acquires or is to acquire assets for consideration other than cash, from such director or person so connected.</p> <p>Exception on restriction</p> <ul style="list-style-type: none"> • A company can enter into an arrangement only with the prior approval for such arrangement is accorded by a resolution of the company in general meeting and • if the director or connected person is a director of its holding company, approval shall also be required to be obtained by passing a resolution in

		general meeting of the holding company.
193	Transaction by OPC	Where OPC limited by shares or by guarantee enters into a contract except in its ordinary course of business with the sole member of the company who is also the director of the company, the company shall ensure that the contract is in writing. If the contract is not in writing, it ensure that the terms of the contract or offer are contained in a memorandum or are recorded in the minutes of the first meeting of the Board of Directors of the company held next after entering into contract.
194	Forward Dealing	directors and KMP are prohibited from buying in the company, or in its holding, subsidiary or associate company – <ul style="list-style-type: none"> • a right to call for delivery or • a right to make delivery at a specified price and within a specified time, of a specified number of relevant shares or a specified amount of relevant debentures; or • a right, as he may elect, to call for delivery or • to make delivery at a specified price and within a specified time, of a specified number of relevant shares or a specified amount of relevant debentures.
195	Insider trading	Insider trading is totally prohibited in the Act , including any trading by director or KMP. Any communication required in the ordinary course of business or profession or employment or under any law is not amounting to insider trading. If any person contravenes the provisions of this section, he shall be punishable with imprisonment for a term which may extend to five years or with fine which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of insider trading, whichever is higher, or with both.
196	Appointment of MD or WTD or Manager	no company shall appoint or continue the employment of any person as its MD, WTD or manager who— <ol style="list-style-type: none"> (a) is below the age of 21 years or has attained the age of 70 years; (b) is an undischarged insolvent or has at any time been adjudged as an insolvent; (c) has at any time suspended payment to his creditors, or makes, or has at any time made, a composition with them; or (d) has at any time been, convicted by a court of an offence and sentenced for a period of more than six months. <ul style="list-style-type: none"> • This Section is Applicable on Both Public and Private Company. • A company can appoint Either Managing Director or Manager not both. • Appointment of MD, WTD or Manager shall not for a term exceeding 5 years at a time.
Part I of Schedule V to the companies act 2013, contains five conditions which must be satisfied by a person to be eligible for appointment as MD, WTD or manager without the approval of the Central Government . These conditions are as below:		
Condition 1 he had not been sentenced to imprisonment for any period, or to a fine exceeding one thousand rupees, for the conviction of an offence under any of the following Acts, namely:-		
<ol style="list-style-type: none"> (i) the Indian Stamp Act, 1899, (ii) the Central Excise Act, 1944, (iii) the Industries (Development and Regulation) Act, 1951, (iv) the Prevention of Food Adulteration Act, 1954 , (v) the Essential Commodities Act, 1955, (vi) the Companies Act, 2013, 		

- (vii) the Securities Contracts (Regulation) Act, 1956,
- (viii) the Wealth-tax Act, 1957,
- (ix) the Income-tax Act, 1961,
- (x) the Customs Act, 1962,
- (xi) the Competition Act, 2002,
- (xii) the Foreign Exchange Management Act, 1999,
- (xiii) the Sick Industrial Companies (Special Provisions) Act, 1985,
- (xiv) the Securities and Exchange Board of India Act, 1992,
- (xv) the Foreign Trade (Development and Regulation) Act, 1992;
- (xvi) the Prevention of Money Laundering Act, 2002;

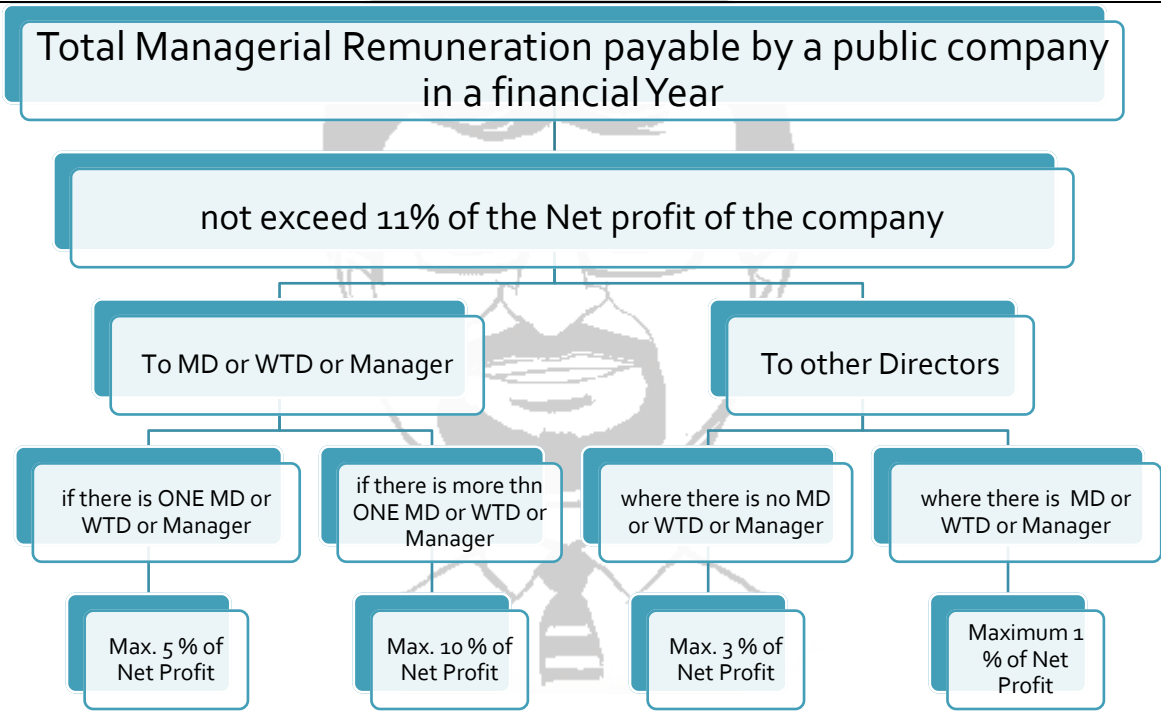
Condition -2 he had not been detained for any period under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974;

Condition -3 he has completed the age of 21 years and has not attained the age of 70 years:

Condition -4 Where he is a managerial person in more than one company, he draws remuneration from one or more companies subject to the ceiling provided in section V of Part II;

Condition -5 he is resident in India.

197 Managerial remuneration



The limit can be increased by the approval of the company in general meeting , Sitting fees paid to directors is not considered while computing the above limit

Sitting fees

Sitting fees amount may be decided by the **BOD** or the Remuneration Committee

- Which shall not exceed the **sum of rupees 1 lakh per meeting** of the Board or committee thereof.
- The Board may decide different sitting fee payable to independent and non-independent directors **other than WTD.**

Schedule V is a schedule to the act which provides guidelines to determine the remuneration of managerial persons in different situations. Its overview is as follows:-

Section I of part II of A company having profits in a financial year may pay remuneration to its managerial

<p>schedule V</p>	<p>persons in accordance with Section 197</p>										
<p>section II to part II of the schedule V (company has no profits or its profits are inadequate)</p>	<p>without Central Government approval, pay remuneration to the managerial person not exceeding the higher of the limits under (A) and (B) below:</p> <p>(A) Based on effective capital</p> <table border="1" data-bbox="511 363 1395 1018"> <thead> <tr> <th>Where the effective capital is</th> <th>Remuneration payable Per annum shall not exceed (Rs)</th> </tr> </thead> <tbody> <tr> <td>Negative or less than 5 Crore</td> <td>30 Lakhs</td> </tr> <tr> <td>5 Crore and above but less than 100 Crore</td> <td>42 Lakhs</td> </tr> <tr> <td>100 Crore and above but less than 250 Crore</td> <td>60 Lakhs</td> </tr> <tr> <td>250 Crore and above</td> <td>60 Lakhs + 0.01% of the effective capital in excess of Rs. 250 Crore</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • If a special resolution is passed by the shareholders, the above limits shall be doubled. • It is hereby clarified that for a period less than one year, the limits shall be pro-rated. <p>(B) Based on current relevant profits:</p> <p>In the case of a managerial person who was not a security holder holding securities of the company of nominal value of rupees five lakh or more or an employee or a director of the company or not related to any director or promoter at any time during the two years prior to his appointment as a managerial person, " 2.5% of the current relevant profit: If a special resolution is passed by the shareholders, this limit shall be doubled. i.e 5%</p>	Where the effective capital is	Remuneration payable Per annum shall not exceed (Rs)	Negative or less than 5 Crore	30 Lakhs	5 Crore and above but less than 100 Crore	42 Lakhs	100 Crore and above but less than 250 Crore	60 Lakhs	250 Crore and above	60 Lakhs + 0.01% of the effective capital in excess of Rs. 250 Crore
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<p>Section III of Part II of Schedule V</p>	<p>➤ Where the company-</p> <ul style="list-style-type: none"> • is a newly incorporated company, for a period of 7 years from the date of its incorporation, or • is a sick company, for a period of 5 years from the date of sanction of scheme of revival, <p>Without the Central Government approval, may pay remuneration up to 2 times the amount permissible under Section II</p> <p>➤ A company in a Special Economic Zone which has not</p> <ul style="list-style-type: none"> • raised any money by public issue of shares or debentures in India, and • made any default in India in repayment of any of its debts (including public deposits) or debentures or 										

		<ul style="list-style-type: none"> interest payable thereon for a continuous period of 30 days in any financial year, <p>May pay remuneration up to Rs. 240 lakh per annum. Central Government approval not required</p>
202	Compensation to its director for Loss of Office	<p>a company may make payment to MD or WTD or manager, but not to any other director,</p> <ul style="list-style-type: none"> by way of compensation for loss of office, or as consideration for retirement from office or in connection with such loss or retirement. <ul style="list-style-type: none"> Any payment made to a MD OR WTD or manager shall not exceed the remuneration which he would have earned if he had been in office for the remainder of his term or for 3 years, whichever is shorter The amount shall be calculated on the basis of the average remuneration actually earned by him during a period of 3 years immediately preceding the date on which he ceased to hold office, or where he held the office for a lesser period than 3 years, during such period. no such payment shall be made to the director in the event of the commencement of the winding up of the company,
203	Appointment of Key Managerial Personnel	<ul style="list-style-type: none"> listed company and every other public company having a paid-up share capital of Rs. 10 crores or more, <p>to appoint following whole-time key managerial personnel:</p> <ol style="list-style-type: none"> MD, or CEO or manager and in their absence, a WTD; CS; and CFO: appointed by means of a resolution of the Board <p>KMP shall not hold office in more than 1 company except in its subsidiary company at the same time , If the office of any whole-time KMP is vacated, the resulting vacancy shall be filled-up by the Board at BM within a period of 6 months from the date of such vacancy</p>
204	Secretarial audit Report	<p>Every listed company or every public company having PSC of Rs. 50 cr. or more or every public company having s turnover of Rs. 250 cr. or more shall annex with its Board's report, a secretarial audit report given by a company secretary in practice, in form MR-3</p>
205	Functions of the company secretary	<ul style="list-style-type: none"> to report to BOD about compliance with Act, the rules and applicable laws to ensure that the company complies with secretarial standards to discharge such other duties as may be prescribed

ALL THE BEST.....