

M.COM. – FIRST YEAR

(II SEMESTER)

Paper: Corporate Laws and Governance

UNIT -III : The Company Act, 2013

Topic: Types of directors in a company/ qualification and disqualification of director

Lecture: 9

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Types of Directors, Qualifications and Disqualifications of Directors

Types of Directors

Following are the categories of directors who constitute 'Board' of a Company:

1. Ordinary directors: Ordinary directors are also referred to as simple director who attend board meeting of a company and participate in the matters put before the board. These directors are neither whole time directors nor managing directors.

2. Managing Director: According to Sec.2 (54) of the Indian Companies Act "managing director" means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.

3. Whole-time directors: A whole-time executive director includes a director in the whole-time employment of the company.

4. Alternate director: The Board Meeting may be held at a time when a director is, absent for a period of more than three months from the state and in such a situation, an 'alternate director' is appointed. The Board of Directors can appoint the additional director in the absence of a director if so authorized by articles or by a resolution passed by the company in general meeting. The alternate director shall work until the original director return or up to the period permitted to the original director.

5. Professional Directors: Any director possessing professional qualifications and do not have any pecuniary interest in the company are called as "professional directors".

6. Independent directors: Sec. 2(47) defines independent directors to mean an independent director referred to in Sec. 149(5).

7. Nominee Directors: The banks and financial institutions which grants loans to a company generally impose a condition as to appointment of their representative on the board of the concerned company. These nominated persons are called as nominee directors.

Qualifications of a Director:

As regards to the qualification of directors, there is no direct provision in the Companies Act, 2013. But, according to the different provisions relating to the directors; the following qualifications may be mentioned:

1. A director must be a person of sound mind.
2. A director must hold share qualification, if the article of association provides such.
3. A director must be an individual.
4. A director should be a solvent person.
5. A director should not be convicted by the Court for any offence, etc.

Disqualifications of a director:

Section 164 of Companies Act, 2013, has mentioned the disqualification as mentioned below:

1) A person shall not be capable of being appointed director of a company, if the director is

(a) Of unsound mind by a court of competent jurisdiction and the finding is in force;

(b) An undischarged insolvent;

(c) Has applied to be adjudicated as an insolvent and his application is pending;

(d) Has been convicted by a court of any offence involving moral turpitude 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;

(e) Has not paid any call in respect of shares of the company held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call; or

(f) An order disqualifying him for appointment as director has been passed by a court in pursuance of section 203 and is in force, unless the leave of the court has been obtained for his appointment in pursuance of that section;

2) Such person is already a director of a public company which:

(a) Has not filed the annual accounts and annual returns for any continuous three financial years commencing on and after the first day of April, 1999; or

(b) Has failed to repay its deposits or interest thereon on due date or redeem its debentures on due date or pay dividend and such failure continues for one year or more:

Provided that such person shall not be eligible to be appointed as a director of any other public company for a period of five years from the date on which such public company, in which he is a director, failed to file annual accounts and annual returns under sub-clause (A) or has failed to repay its deposit or interest or redeem its debentures on due date or paid dividend referred to in clause (B).