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**Corporate Laws**

**Appointment of Directors under  
The Companies Act, 2013**

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**Appointment of Directors under The Companies Act, 2013**

- Every company is now required to have at least 1 (one) director who has stayed in India for a total period of not less than 182 (one hundred eighty two) days in the previous calendar year in terms of the recently notified The Companies Act, 2013 ("CA13"). A company can have a maximum of 15 (fifteen) directors, and the limit may be increased by way of a special resolution, without needing the Central Government's approval.
  - CA13 has increased the number of directorships that a person can simultaneously hold, from 15 (fifteen) to 20 (twenty), out of which a person cannot be a director of more than 10 (ten) public companies. However, for purposes of computing the aforesaid limits:
    - (a) now all kinds of directorships, including alternate directorships, directorships in unlimited companies and directorships in erstwhile Section 25 companies (now Section 8 companies), shall be included in computing the total number of directorships of a person; and
    - (b) directorships in private companies which are either holding or subsidiary companies of public companies, shall also be included for calculating the maximum number of directorships in public companies.
- The transition period for complying with the limit on number of directorships that can be held as aforesaid, is 1 (one) year from the commencement of CA13.
- Every listed public company is required to appoint at least 1/3<sup>rd</sup> (one-third) of its total number of directors as independent directors and every public company having:
    - (a) paid-up share capital of Rs. 10,00,00,000/- (Rupees Ten Crore) or more; or

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(b) turnover of Rs. 100,00,00,000/- (Rupees One Hundred Crore) or more; or

(c) outstanding loans, borrowing, debentures or deposits, exceeding Rs. 50,00,00,000/- (Rupees Fifty Crore) in the aggregate,

is required to appoint at least 2 (two) directors as independent directors, provided that, if a company is required to appoint a higher number of directors due to the composition of its audit committee, such higher number will apply.

The period for complying with the appointment of independent directors is 1 (one) year from the commencement of CA13.

- An independent director and/or a non-executive director (not being a promoter or key managerial personnel) may be held liable only in respect of such acts of omission or commission by a company which (a) had occurred with his/her knowledge, (b) is attributable through Board processes and with his/her consent or connivance, or (c) where he/she had not acted diligently. There was no such limitation of liability for the directors under the Companies Act, 1956.

The meaning of an independent director and his roles and obligations will be discussed in our next Newsletter.

- Every listed public company and every public company having:

(a) paid-up share capital of Rs. 100,00,00,000/- (Rupees One Hundred Crore) or more; or

(b) turnover of Rs. 300,00,00,000/- (Rupees Three Hundred Crore) or more,

is required to appoint at least 1 (one) woman director.

**Feedback**

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