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HIMADRI CHEMICALS & INDUSTRIES LIMITED

(NSE: HCIL, BSE: 500184)

Familiarization Programme among Independent

February 12, 2016

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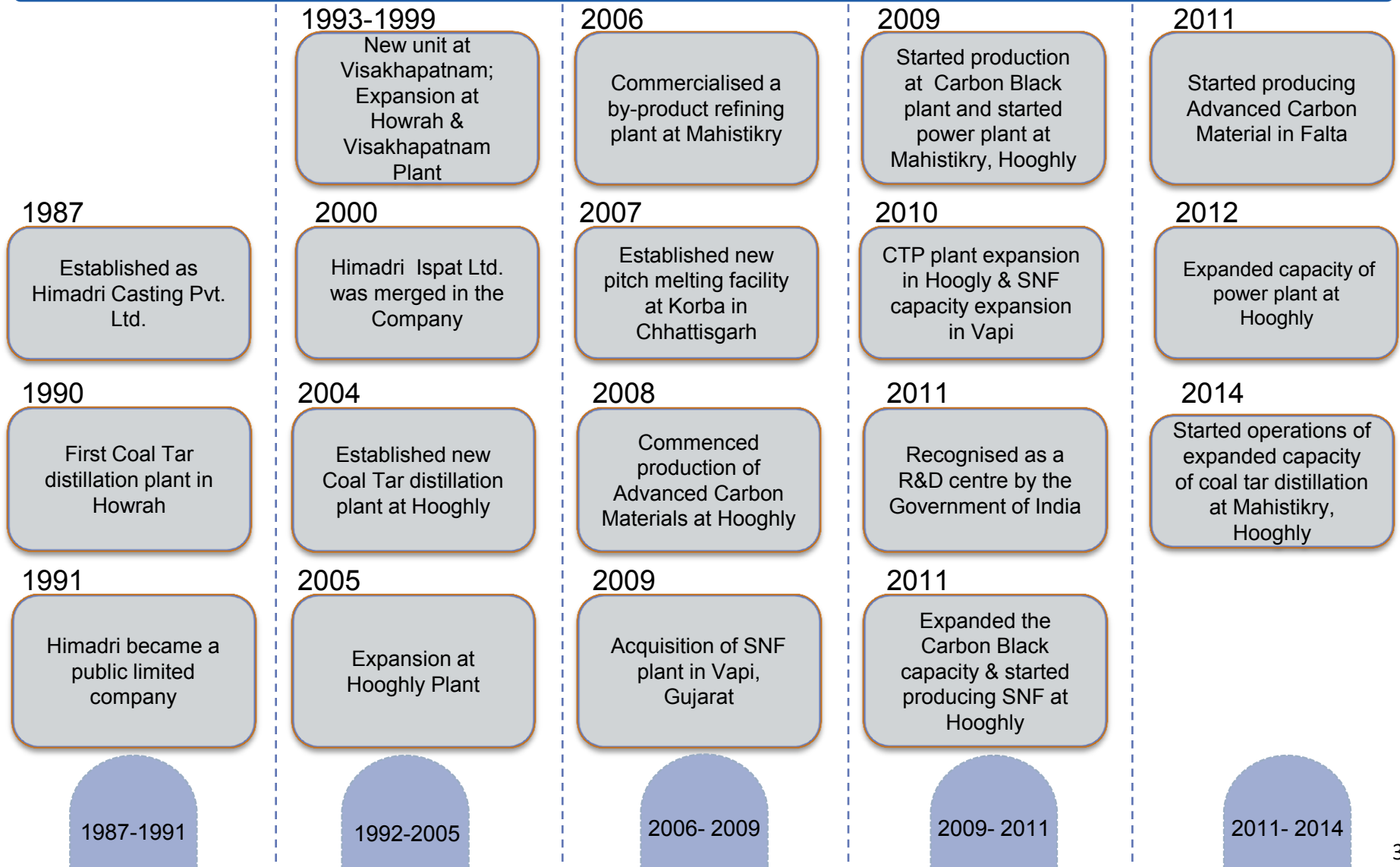


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Business Overview



Track Record of Growth and Development



Business Overview



Diversified Product Portfolio with Presence across the Carbon Value Chain







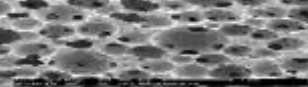




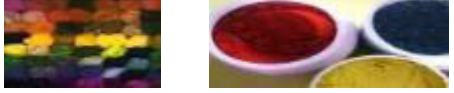






Products	Description	FY2015 Revenue Breakup
Coal Tar Pitch	<ul style="list-style-type: none"> A complex chemical with 22 chemical and physical properties obtained through coal tar distillation 	<p>Domestic 92%</p> <p>International 8%</p>
Carbon Black	<ul style="list-style-type: none"> One of the most important industrial chemicals in the world Applications include rubber, plastics, coating, inks and batteries 	
Advanced Carbon	<ul style="list-style-type: none"> Only company outside Japan to possess the technology to manufacture high quality advanced carbon material Used in the manufacture of lithium ion batteries 	
SNF	<ul style="list-style-type: none"> Value-added product derived from Naphthalene Used in ready mix concrete 	
Power	<ul style="list-style-type: none"> Commissioned its captive power plant running on carbon black off-gas and connected to the grid 	

- Exports also act as a natural hedge against currency movements for raw material imports
- Revenue from Domestic operations contributed ~92% of the total revenue for FY2015

Business Overview



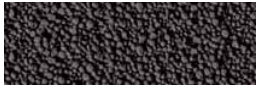




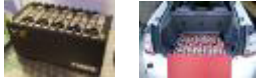

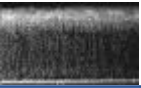








A Wide Array of High-Demand Products

Category	Products		Applicability/developments	
Coal Tar Distillation	Aluminium grade pitch		Aluminium production	
	Graphite grade binder pitch		Graphite electrode manufacture	
	Graphite grade zero QI coal tar impregnating pitch		Graphite electrode, nipple impregnation and UHP grade electrode manufacture	
	Mesophase pitch		Anode material for Li-ion batteries, carbon/carbon composites	
	Special pitches		Refractories, carbon paste, paints/ultramarine blue and water proofing, among others	
	Naphthalene		Dyes and dyestuff intermediates, tanning agents, super plasticiser manufacture, pharmaceuticals, disinfectants	
	Light creosote oils		Paints and asphalt liquefying, manufacture of phenolic disinfectants	
	Wood preservative oil		Benzole extraction from the coke oven gas and as a wood preservative	
	Anthracene oil/Carbon black oil		Carbon black manufacture as a feedstock and in coal tar enamel manufacture	

Business Overview



A Wide Array of High-Demand Products

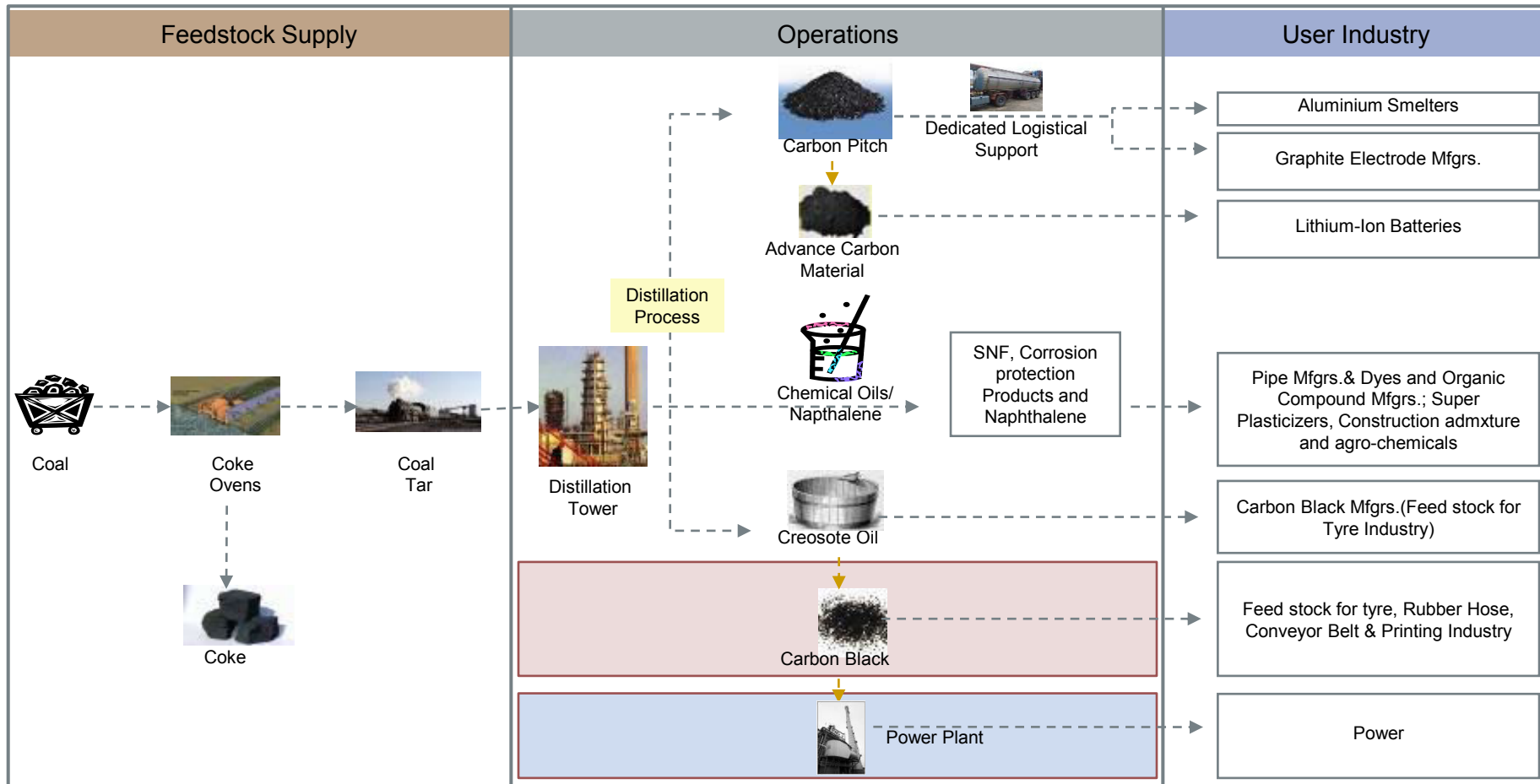
Category	Products		Applicability/developments	
Carbon Black	Carbon black		Reinforcing agent for rubber, abrasion-resistant, tear-resistant, improving fracture behavior with improved dynamic mechanical properties	
Advanced carbon material	SSG (Standard synthetic graphite)		Li-ion batteries for mobile devices, laptops and other electronic appliances	
	HPG (High power graphite)		Li-ion batteries for automobiles, power tools, EV and HEV	
	Carbonised pitch		Intermediate product graphitised for final use as anode material	
Corrosion protection	Himcoat enamel		Anti-corrosion protection to underground and off-shore pipelines	
	Himcoat Primer-B		Oil & gas, water and sewage pipelines, tanks, underground structures and fittings	
	Himtape		Oil & gas, tanks, underground structures and fittings	
	Himwrap		Protection to underground pipelines by protecting the enamel against soil stress, pipe shift, moisture, bacteria and root growth	
SNF	Beton SP-011—liquid and powder form		Used in Admixture, Dyes and Pigments, Agrochemicals, Leather and Rubber	
Power	Power		Commissioned 12 MW and 8 MW power plants under IPP and CPP modes respectively	

Business Overview



Synchronised and Forward-Integrated Process of Production

- Coal Tar is a by-product generated through the processing of Coal into Coke in Steel manufacturing
- Coal Tar is then distilled to derive a variety of intermediate chemical products such as Coal Tar Pitch (~54%), Creosote Oils (~26%) and Chemical Oils (~12%)
- Forward integration by using byproducts to manufacture Carbon Black and SNF



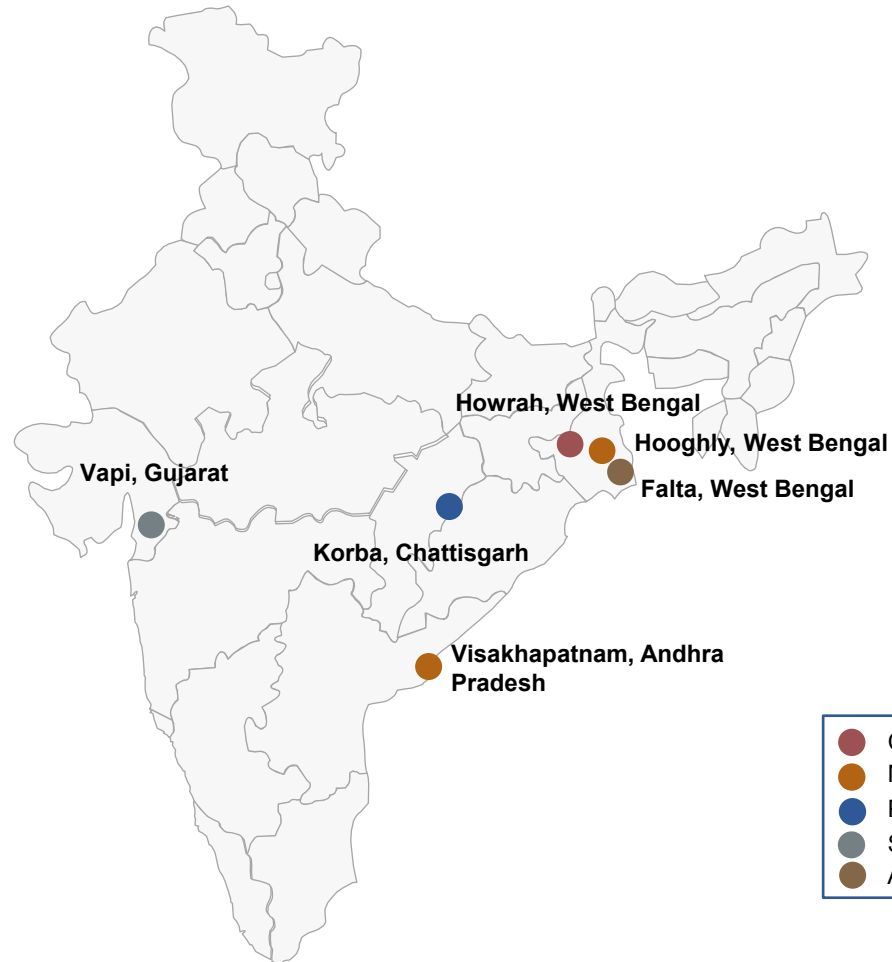
Business Overview



Strategically Located Manufacturing Locations – Seven in India



Manufacturing Facility in India



- Coal Tar Distillation (CTP) (2)
- Multiple Products (2)
- Pitch Processing (1)
- SNF (1)
- Advanced Carbon Material (1)

Business Overview



Strong and Long-term Customer Relationships

Coal Tar Pitch



Mahan Aluminium



Carbon Black



SNF



Business Overview



Strategic and Technological Advantages in Several Areas



Product

- One of the few companies globally which manufacture Zero QI Impregnating Coal Tar Pitch



Storage & Distribution

- Plants well-connected through various transportation modes (like railways and roads)
- Raw material storage capacity of around 70,000 MT (~3.5 months)
- Liquid Pitch Capability:
 - Largest dedicated fleet of specially-designed 118 tankers in India to transport liquid pitch
 - Only company in India to export Liquid Pitch and having Liquid Pitch terminal for exports



Procurement

- The largest purchaser of Coal Tar in India
- Highest share of Coal Tar from nearly all domestic steel plants
- Capability to source Coal Tar globally to take advantage of global price movements



R&D

- Experienced R&D team with international experts in the field



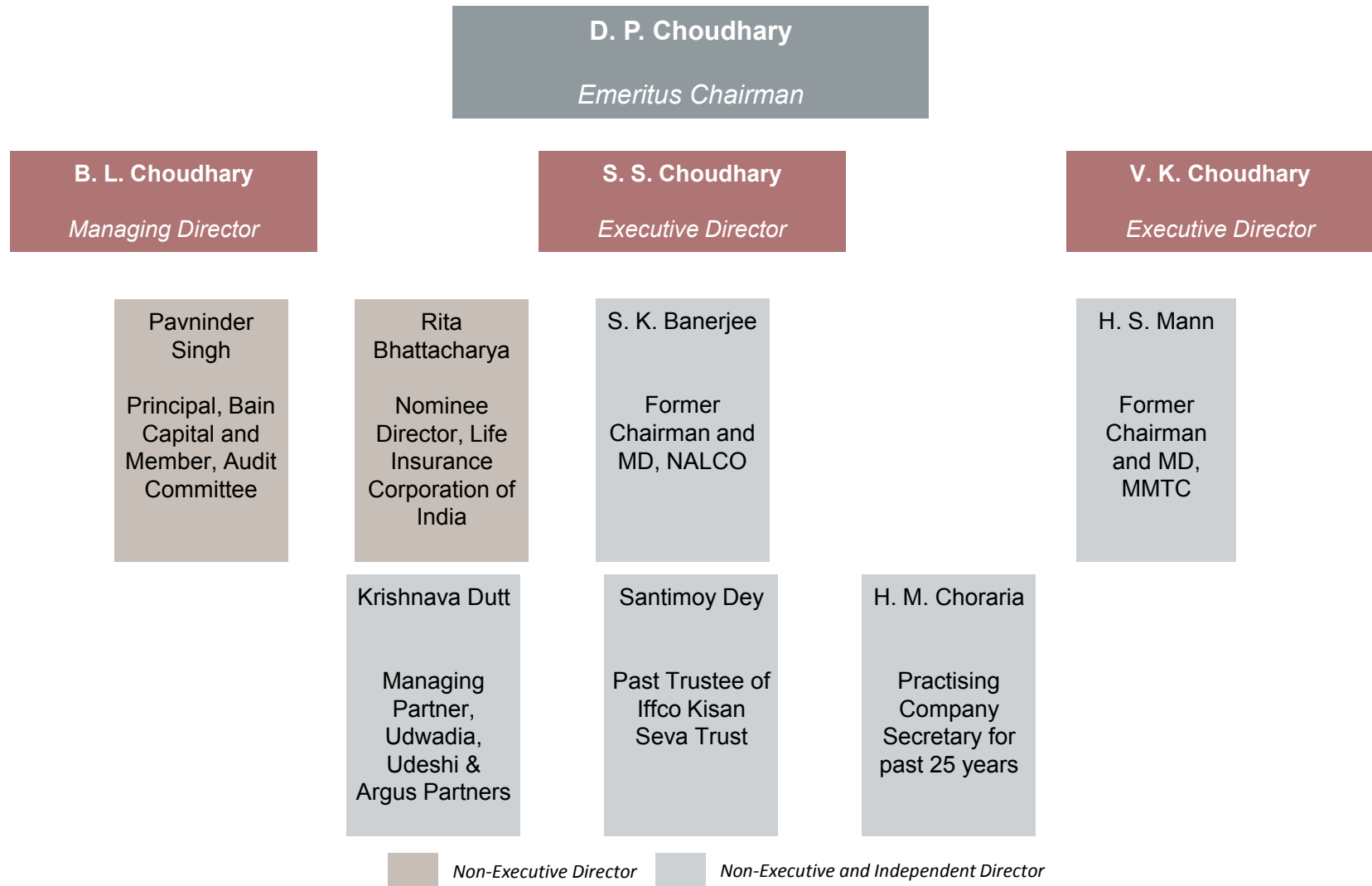
Facilities

- Plants certified with ISO 9001:2008 and ISO 14001:2004
 - Equipped with statistical process control equipment for quality consistency
- Flexible manufacturing plants capable of switching between any type and quality of raw material

Board of Directors



Strong Corporate Governance with Balanced Board Composition

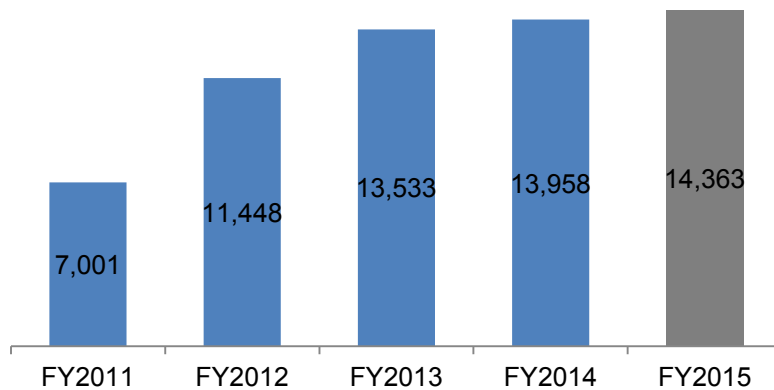


Financial Performance

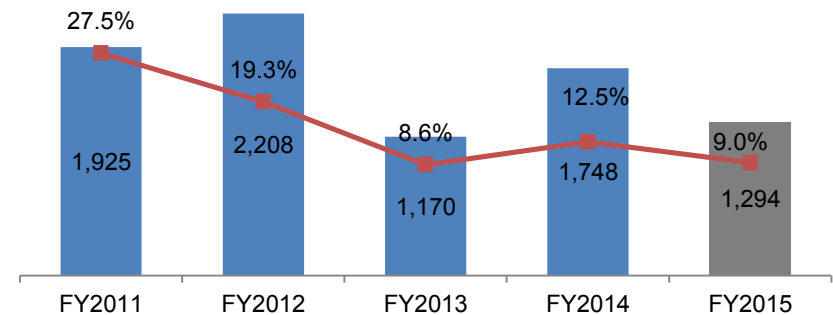


Consolidated Financial Performance

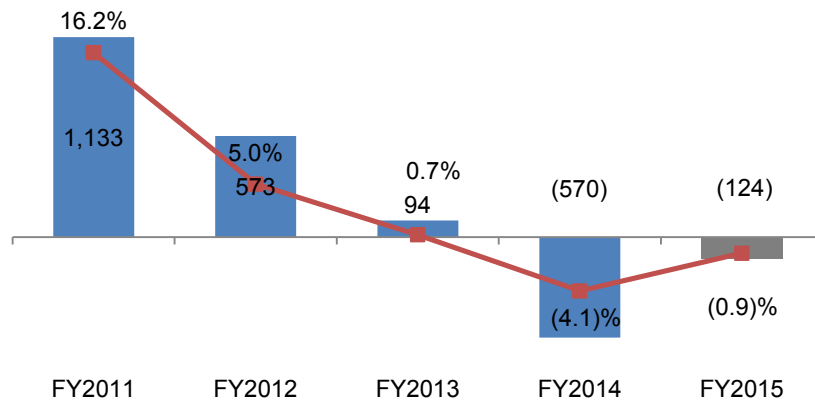
Revenue (Rs. mn)



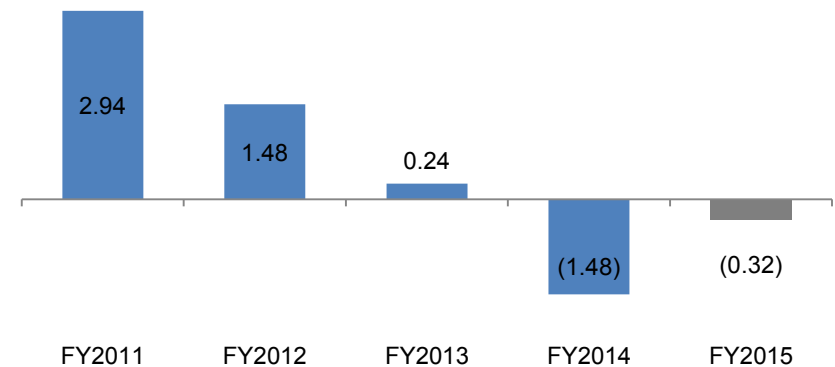
EBITDA (Rs. mn) and Margin (%)



Net Profit (Rs. mn) and Margin (%)



Basic EPS (Rs.)

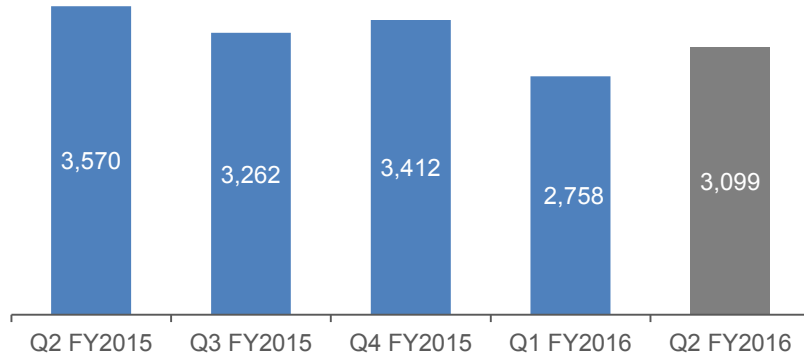


Note: EBITDA is calculated by excluding the effect of foreign exchange fluctuation loss/gain, provision for doubtful debts/advances/contingencies and other income

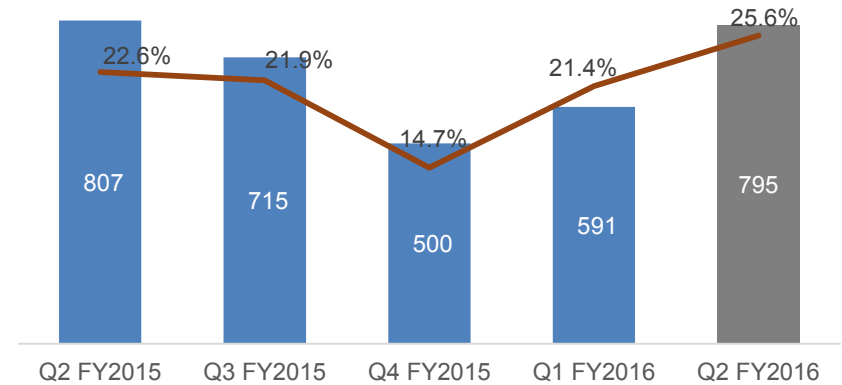


Performance Overview

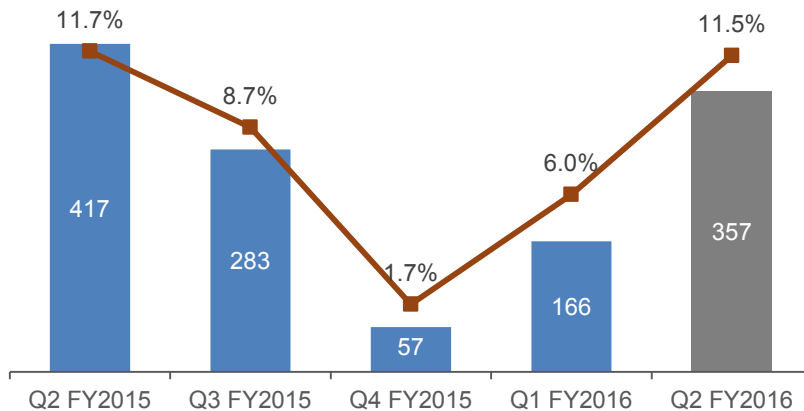
Revenue (Rs. Million)



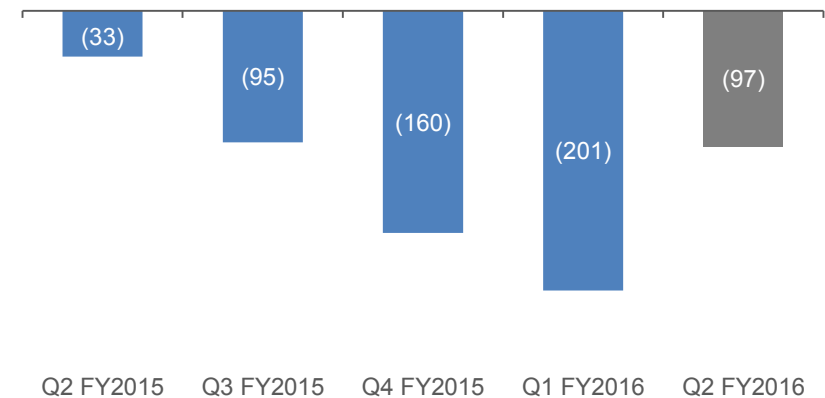
Gross Profit (Rs. Million) and Margin(%)



EBITDA (Rs. Million) and Margin (%)



PAT (Rs. Million) and Margin (%)



Financial Performance

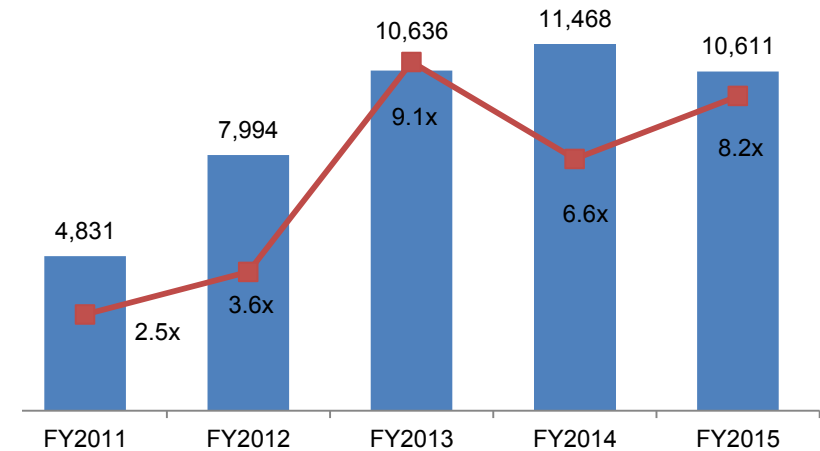


Controlled Leverage Profile with Investment-grade Ratings

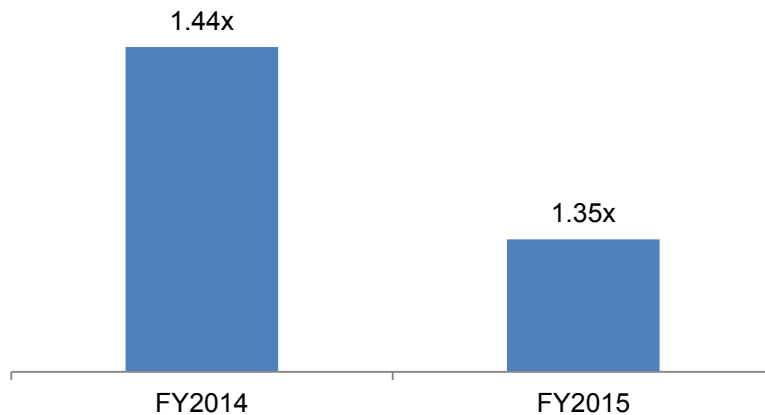
Leverage Position

(Rs. Mn)	FY2015	FY2014
Total Debt	11,244	13,620
Less: Cash & Cash Equivalents	(633)	(2,152)
Net Debt / (Net Cash)	10,611	11,468
Net Worth	7,885	7,958

Net Debt (Rs. Mn) and Net Debt / EBITDA (x)



Net Debt / Equity (x)



Note: Consolidated data for Leverage Position and charts



Clearly-defined Group Strategy

Key Growth Drivers

Maintaining domestic leadership in Coal Tar Pitch and capacity expansion of Coal Tar distillation

Leverage significant demand for Carbon Black in International market

Continued focus on export markets for SNF

Prudent selection of products and focus on end-user industry

Enhancing International sales

Growth to be supported by greenfield and brownfield aluminium smelter by customers

Strategic Objectives

- Improve operational efficiencies, strengthening order book and win businesses from existing and new clients
- Newly added capacities to provide the flexibility and opportunity to capture expected demand
- Be among the top three producers of Coal Tar products globally
- Attain total capacity of 1 MTPA
- Set up world's largest manufacturing base for Advanced Carbon Material
- Become the lowest cost producer of Coal Tar products in the world
- Become the preferred supplier of Coal Tar products globally
- Setting up of a specially-integrated carbon complex

Safety, Health and Environment (SHE)



High Sensitivity to SHE Aspects

Safety Policy:

- To ensure a safe working environment for employees and act as a socially responsible citizen by adopting safe practices and providing engineering solutions to avoid hazard occurrences
- Accidents and risk to health are preventable through continual improvement in working environment and involvement of all employees creating thereby an accident-free work place

Health Policy:

- Treat health & safety of employees as of utmost importance

Environmental Policy:

- Conserve natural resources like water, fuel, energy and build environmental awareness among employees and other parties
- Maintain strict compliance with relevant environmental legislations and regulations





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Independent Directors

- Role & Responsibilities

Himadri Chemicals & Industries Limited

12th February 2016

Definitions

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Definitions	Companies Act, 2013
Director Sec 2(34)	“director” means a director appointed to the Board of a company.
Independent Director-Sec 149(5)	“Independent Director” means an independent director refer to in sub-section(5) of section 149 as defined in section 2(47)
Interested Director Sec 2(49)	“interested director” means a director who is in any way, whether by himself or through any of his relatives or firm, body corporate or other association of individuals in which he or any of his relatives is a partner, director or a member, interested in a contract or arrangement, or proposed contract or arrangement, entered into or to be entered into by or on behalf of a company.

Definitions

3

Definitions	Companies Act, 2013
Officer Sec 2(59)	“officer” includes any director, manager or key managerial personnel or any person in accordance with whose directions or instructions the Board of Directors or any one or more of the directors is or are accustomed to act.
Officer in Default Sec 2(60)	“officer who is in default”, for the purpose of any provision in this Act which enacts that an officer of the company who is in default shall be liable to any penalty or punishment by way of imprisonment, fine or otherwise, means any of the following officers of a company, namely:— (i) whole-time director; (ii) key managerial personnel; (iii) where there is no key managerial personnel, such director or directors as specified by the Board in this behalf and who has or have given his or their consent in writing to the Board to such specification, or all the directors, if no director is so specified;Contd.

Definitions

4

Definitions	Companies Act, 2013
Officer in Default Sec 2(60)	<p>(iv) any person who, under the immediate authority of the Board or any key managerial personnel, is charged with any responsibility including maintenance, filing or distribution of accounts or records, authorises, actively participates in, knowingly permits, or knowingly fails to take active steps to prevent, any default;</p> <p>(v) any person in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act, other than a person who gives advice to the Board in a professional capacity;</p> <p>Contd...</p>

Definitions

5

Definitions	Companies Act, 2013
Officer in Default Sec 2(60)	<p>(vi) every director, in respect of a contravention of any of the provisions of this Act, who is aware of such contravention by virtue of the receipt by him of any proceedings of the Board or participation in such proceedings without objecting to the same, or where such contravention had taken place with his consent or connivance;</p> <p>(vii) in respect of the issue or transfer of any shares of a company, the share transfer agents, registrars and merchant bankers to the issue or transfer</p>

Requirement- Independent Directors (S. 149)

6

- Following Companies to have Independent Directors
- Every listed public company
- Class of companies – Public Companies satisfying any one of the following criteria as per last audited balance sheet
 - Paid-up share capital of Rs. 10 Crore or more; or
 - Turnover of Rs. 100 Crores or more; or
 - In aggregate outstanding loans, debentures and deposits, exceeding Rs 50 Crores

Requirement- Independent Directors (S. 149)

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- At least one-third of the total number of directors must be independent directors in case of public listed companies and for other eligible public companies at least two directors;
- One year transition period granted to comply with these provision
- Casual vacancy to be filled in not later immediate next Board meeting or 3 months of vacancy, whichever is earlier. But as per Schedule IV this period is provided for 180 days, this is the anomaly between the Act and rules
- If a company ceases to fulfill any of the criteria in Rule 4 for 3 consecutive years it shall be exempted from complying with these provisions until such time as it meets such conditions

Requirement- Independent Directors (S. 149)

8

- Disclosure of Independence—First Board Meeting & thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he meets the criteria of independence [Section 149(6)]
- Nominee Director appointed by banks/ financial institutions/ government/or any other persons shall not be treated as Independent Directors
- Not entitled to any stock option and may receive remuneration by way of fee provided under sub-section (5) of section 197,
- Reimbursement of expenses for participation in the Board and other meetings and profit related commission as may be approved by the members.

Independent Directors (S. 149)

9

Tenure of Office

- ❖ For five consecutive years;
- ❖ Shall be eligible for re-appointment on passing of a special resolution by the company and disclosure of such appointment in the Board's report.

Maximum of two Consecutive terms

- ❖ Two consecutive terms
- ❖ shall be eligible for appointment after the expiration of three years of ceasing to become an independent director ;

Independent Directors (S. 149)

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- ❖ shall not during the said period of three years, be appointed in or be associated with the company in any other capacity, either directly or indirectly

Existing tenure:

Any existing tenure of an independent director on the date of commencement of this Act shall not be counted as a term of Independent Director

Defence towards Liability(Sec 149(12))

11

Defence towards Liability(Se 149(12))

A Director shall be held liable, only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently.

- The ruling of Apex Court in the case of **S.M.S Pharmaceuticals Ltd v. Neeta Bhalla and Another, is very relevant and it was questioned before** the Supreme Court whether liability under section 138 and 141 of the N.I. Act, arise on account of holding office by the director as such. The Court held that the conditions contained in Section 141 are intended to ensure that a person who is sought to be made vicariously liable for an offence of which the principal accused is the Company, had a role to play in relation to the incriminating act and further that such a person should know what is attributed to him to make him liable.
- In conclusion, that the liability arises on account of conduct, act or omission on the part of a person and not merely on account of holding an office or a position in a Company.

Defence towards Liability(Sec 149(12))

12

- Various High Courts have also ruled on similar lines.
- Further Section 149(12) of the Companies Act, 2013 provide exclusion of act, omission and commission which were taken without knowledge and consent of the NED / ID(s) ... the text of the said section read as follows:

(12) Notwithstanding anything contained in this Act-

- ***i)An independent director;***
- ***ii)An non-executive director not being promoter or key managerial personnel,***
- Shall be held liable, **only in respect of such acts of omission or commission** by a company which had ***occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently,***

INDEPENDENT DIRECTORS

13

❖ Independent are not liable to retire by rotation and shall not be counted for total strength to compute no of directors to retire by rotation Section 152(6)

❖ Section 173(3)

- ❖ Presence of atleast one Independent Director is necessary in case Board meeting is called at shorter notice.
- ❖ in case of absence of independent directors from such a meeting of the Board, decisions taken at such a meeting shall be circulated to all the directors and shall be final only on ratification thereof by at least one independent director, if any.

Independent Directors – Companies Act 2013

- **Independent Director defined Sec 149(6)**



Integrity & Experience

In the opinion of the Board, an Independent director should be, a person of integrity and possesses relevant experience and expertise

Disqualifications

An ID shall not be a promoter of the company, its' holding, subsidiary or associate companies

An ID shall not be related to promoters or directors of the company, holding, subsidiary or associate companies

An ID shall not have any pecuniary relationship:

- ❖ Company, holding, subsidiary or associate company
- ❖ Promoters or directors of such companies
- ❖ During 2 immediately preceding financial years or during current financial year

None of the relatives of any ID has or had pecuniary relationship or transaction with

- ❖ Company, holding, subsidiary or associate company
- ❖ Promoters or directors of such companies
- ❖ Transaction should not be more than 2 % or more of its gross turnover or total income or Rs. 50 lakhs or such higher amount as may be prescribed, whichever is lower, during 2 preceding financial years or during the current FY Neither himself nor any of his relatives

Independent Directors – Companies Act 2013

Disqualifications



- **(e) who, neither himself nor any of his relatives**

- (i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

- (ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of

- (A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

- (B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;

- (iii) holds together with his relatives two per cent. or more of the total voting power of the company; or

- (iv) is a Chief Executive or director, by whatever name called, of any nonprofit organisation that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or

- **(f) who possesses such other qualifications as may be prescribed.**

Independent Directors – Companies Act 2013



- **Qualifications**

- Possess appropriate balance of skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to company's business
- Declaration by Independent Director at first meeting after appointment and first meeting every FY or whenever there is change in status
- Company and Independent Director to abide by Schedule IV

- **Remuneration**

- † No stock options
- † Sitting Fee: Maximum as provided under the companies act, 2013
- † Reimbursement of expenses for attending board or other meeting
- † Profit related commission, as approved by members

Schedule IV -

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❖ As per Schedule IV- Code for Independent Directors

- I. Guidelines of professional conduct
- II. Role and functions
- III. Duties
- IV. Manner of appointment
- V. Re-appointment
- VI. Resignation or removal
- VII. Separate meetings
- VIII. Evaluation mechanism

Schedule IV - Guidelines of professional conduct

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An independent director shall:

- i) uphold ethical standards of integrity and probity;
- ii) act objectively and constructively while exercising his duties;
- iii) exercise his responsibilities in a *bona fide* manner in the interest of the company;
- iv) devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- v) not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;

SCHEDULE IV - GUIDELINES OF PROFESSIONAL CONDUCT

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- vi) not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- vii) refrain from any action that would lead to loss of his independence;
- viii) where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
- ix) assist the company in implementing the best corporate governance practices.

Schedule IV - Role & Functions

The independent directors shall:

- (1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- (2) bring an objective view in the evaluation of the performance of board and management;
- (3) scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- (4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- (5) safeguard the interests of all stakeholders, particularly the minority shareholders;
- (6) balance the conflicting interest of the stakeholders;
- (7) determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management;
- (8) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

Schedule IV-Duties

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Duties :-

The independent directors shall—

- 1.undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- 2.seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
- 3.strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- 4.participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- 5.He shall strive to attend the general meetings of the company;

Schedule IV-Duties

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6. where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;

7. keep themselves well informed about the company and the external environment in which it operates;

8. not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;

9. pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company

Schedule IV-Duties

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10. He shall ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;

11. He shall report concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy;

12. He shall be acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;

13. He shall not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law

Schedule IV - Manner of Appointment

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1. Appointment process of Independent Directors shall be independent of the company management; while selecting independent directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.
2. The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.
3. The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the independent director proposed to be appointed fulfils the conditions specified in the Act and the rules made thereunder and that the proposed director is independent of the management.

SCHEDULE IV - MANNER OF APPOINTMENT

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4. The appointment shall be formalised through a letter of appointment, which shall set out :

(a) the term of appointment;

(b) expectation of the Board from the appointed director; Board-level committee(s) in which the director is expected to serve and its tasks;

(c) the fiduciary duties that come with such an appointment along with accompanying liabilities;

(d) provision for Directors and Officers (D and O) insurance, if any;

(e) the Code of Business Ethics that the company expects its directors and employees to follow;

(f) the list of actions that a director should not do while functioning as such in the company; and

(g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.

Schedule IV

Manner of Appointment & Re-Appointment

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5. The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the company by any member during normal business hours.

6. The terms and conditions of appointment of independent directors shall also be posted on the company's website

Re-appointment: The re-appointment of independent director shall be on the basis of report of performance evaluation.

Schedule IV

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Resignation & Removal

- (1) Shall be in the same manner as is provided in sections 168 and 169 of the Act;
- (2) Shall be replaced by a new independent director within a period of not more than one hundred and eighty days from the date of such resignation or removal;
- (3) Where the company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply;

Schedule IV

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Separate Meetings:

- (1) At least one meeting in a year, without the attendance of non-independent directors and members of management;
- (2) All the independent directors of the company shall strive to be present at such meeting;
- (3) The meeting shall review the performance of :
 - (a) non-independent directors and the Board as a whole;
 - (b) the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
 - (c) And shall assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

Schedule IV

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Evaluation Mechanism:

(1) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

(2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

Directors (S. 165)



Maximum number of directorship (S.165)

- † Overall 20 including private companies
- † Directorship in Public Companies cannot exceed 10
- † Private Companies, which are subsidiary or holding of a public company, will be counted in the figure of 10 meant for public companies
- † Includes Alternate Directorship also
- † Director to choose companies within one year if he holds directorships in more companies
- † Intimate Company and Registrar of his resignation due to Section 165

Directors (S. 164)



○ **Disqualification**

- † If he is of undischarged insolvent
- † He has applied to be adjudicated as an insolvent
- † 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 5 years has not elapsed
- † If a person is convicted and sentenced for seven years or more, then he cannot become a director in any company
- † Order disqualifying him for appointment has been passed by Court or Tribunal
- † Has not paid for qualification shares & 6 months have elapsed

Directors (S. 164)



- † If a person is convicted of offence dealing with related party transactions under section 188 a continuous period of 3 financial years at any time during the last preceding 5 years
- † Has not taken DIN No
- † Is a director of a Company which has :
 - † Not filed financial statements or annual returns for any continuous period of 3 financial years
 - † Failed to repay deposits accepted or interests thereon

Directors(S. 164)

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Disqualification provisions under Rules

- ❖ Every Director shall inform to the Company about his disqualification in form DIR-8 before appointment or re-appointment
- ❖ If Company fails to file the financial statements or annual return or repay its deposits or redeem its debentures it shall intimate ROC in Form DIR-9
- ❖ If Company fails to file DIR-9 within 30 days officers of the Company u/s 2(60) shall be officers in default
- ❖ Application for removal of disqualification be made in Form DIR-10

Directors (S. 167)

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Vacation of Office by a Director

- (a) If disqualified under section 164;
- (b) he absents himself from all the meetings of the Board of Directors held during a period of twelve months with or without seeking leave of absence of the Board;
- (c) he acts in contravention of the provisions of section 184 relating to entering into contracts or arrangements in which he is directly or indirectly interested;
- (d) he fails to disclose his interest in any contract or arrangement in which he is directly or indirectly interested, in contravention of the provisions of section 184;
- (e) he becomes disqualified by an order of a court or the Tribunal;

Directors (S. 167)

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(f) 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 six months:

Provided that the office shall be vacated by the director even if he has filed an appeal against the order of such court;

(g) he is removed in pursuance of the provisions of this Act;

(h) he, having 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.

Duties of Directors Section 166



- ❖ Subject to the provisions of this Act, a director of a company shall act in accordance with the company's articles.
- ❖ A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interest of the company.
- ❖ A director of a company shall exercise his duties with due and reasonable care, skill and diligence.
- ❖ A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.

Duties of Directors Section 166



- ❖ A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates.
- ❖ A director of a company shall not assign his office and any assignment so made shall be void.
- ❖ Any director who contravenes the provisions of this section shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

Resignation (S. 168)



- † Acceptance of Resignation by the Board is not mandatory
- † Director resigning to intimate the Registrar within 30 days of his resignation
- † Resignation takes effect from the date on which notice is received by the company or the date specified by the director, whichever is later

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- **Definition: as per Regulation 16(b)**
- **"independent director" means a non-executive director, other than a nominee director of the listed entity:**
 - (i) who, in the opinion of the board of directors, is a person of integrity and possesses relevant expertise and experience;
 - (ii) who is or was not a promoter of the listed entity or its holding, subsidiary or associate company;
 - (iii) who is not related to promoters or directors in the listed entity, its holding, subsidiary or associate company;
 - (iv) who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, 16 subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

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- ✘ (v) none of whose relatives has or had pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed from time to time, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- ✘ (vi) who, neither himself, nor whose relative(s) —
- ✘ (A) holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
- ✘ (B) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of —
- ✘ (1) a firm of auditors or company secretaries in practice or cost auditors of the listed entity or its holding, subsidiary or associate company; or

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- (2) any legal or a consulting firm that has or had any transaction with the listed entity, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
- (C) holds together with his relatives two per cent or more of the total voting power of the listed entity; or
- (D) is a chief executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts or corpus from the listed entity, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the listed entity;
- (E) is a material supplier, service provider or customer or a lessor or lessee of the listed entity;
- (vii) who is not less than 21 years of age.

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REGULATION 25-

Obligations with respect to independent directors.

- (1) A person shall not serve as an independent director in more than seven listed entities: Provided that any person who is serving as a whole time director in any listed entity shall serve as an independent director in not more than three listed entities.
- (2) The maximum tenure of independent directors shall be in accordance with the Companies Act, 2013 and rules made thereunder, in this regard, from time to time.
- (3) The independent directors of the listed entity shall hold at least one meeting in a year, without the presence of non-independent directors and members of the management and all the independent directors shall strive to be present at such meeting.

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REGULATION 25-

Obligations with respect to independent directors.

- (4) The independent directors in the meeting referred in sub-regulation (3) shall, inter alia-
- (a) review the performance of non-independent directors and the board of directors as a whole;
 - (b) review the performance of the chairperson of the listed entity, taking into account the views of executive directors and non-executive directors;
 - (c) assess the quality, quantity and timeliness of flow of information between the management of the listed entity and the board of directors that is necessary for the board of directors to effectively and reasonably perform their duties.
- (5) **An independent director shall be held liable, only in respect of such acts of omission or commission by the listed entity which had occurred with his knowledge, attributable through processes** of board of directors, and with his consent or connivance or where he had not acted diligently with respect to the provisions contained in these regulations.

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REGULATION 25-



Obligations with respect to independent directors.

(6) An independent director who resigns or is removed from the board of directors of the listed entity shall be replaced by a new independent director by listed entity at the earliest but not later than the immediate next meeting of the board of directors or three months from the date of such vacancy, whichever is later: Provided that where the listed entity fulfils the requirement of independent directors in its board of directors without filling the vacancy created by such resignation or removal, the requirement of replacement by a new independent director shall not apply.

(7) The listed entity shall familiarize the independent directors through various programmes about the listed entity, including the following: 24

- (a) nature of the industry in which the listed entity operates;
- (b) business model of the listed entity;
- (c) roles, rights, responsibilities of independent directors; and
- (d) any other relevant information.

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REGULATION 4(2) : f) Responsibilities of the board of directors:

The board of directors of the listed entity shall have the following responsibilities:

(i) Disclosure of information :

1. Members of board of directors and key managerial personnel shall disclose to the board of directors whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the listed entity.
2. The board of directors and senior management shall conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.

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(ii) Key functions of the board of directors-

- (1) Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestments.
- (2) Monitoring the effectiveness of the listed entity's governance practices and making changes as needed.
- (3) Selecting, compensating, monitoring and, when necessary, replacing key managerial personnel and overseeing succession planning. (4) Aligning key managerial personnel and remuneration of board of directors with the longer term interests of the listed entity and its shareholders

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REGULATION 4(2)

- (5) Ensuring a transparent nomination process to the board of directors with the diversity of thought, experience, knowledge, perspective and gender in the board of directors.
- (6) Monitoring and managing potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions.
- (7) Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
- (8) Overseeing the process of disclosure and communications.
- (9) Monitoring and reviewing board of director's evaluation framework.

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REGULATION 4(2)

(iii) Other responsibilities:

- (1) The board of directors shall provide strategic guidance to the listed entity, ensure effective monitoring of the management and shall be accountable to the listed entity and the shareholders.
- (2) The board of directors shall set a corporate culture and the values by which executives throughout a group shall behave.
- (3) Members of the board of directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the listed entity and the shareholders.
- (4) The board of directors shall encourage continuing directors training to ensure that the members of board of directors are kept up to date.
- (5) Where decisions of the board of directors may affect different shareholder groups differently, the board of directors shall treat all shareholders fairly.

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REGULATION 4(2)

- 6) The board of directors shall maintain high ethical standards and shall take into account the interests of stakeholders.
- (7) The board of directors shall exercise objective independent judgement on corporate affairs.
- (8) The board of directors shall consider assigning a sufficient number of non-executive members of the board of directors capable of exercising independent judgement to tasks where there is a potential for conflict of interest.
- (9) The board of directors shall ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognised or exposes the listed entity to excessive risk.
- (10) The board of directors shall have ability to 'step back' to assist executive management by challenging the assumptions underlying: strategy, strategic initiatives (such as acquisitions), risk appetite, exposures and the key areas of the listed entity's focus.

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REGULATION 4(2)

- (11) When committees of the board of directors are established, their mandate, composition and working procedures shall be well defined and disclosed by the board of directors.
- (12) Members of the board of directors shall be able to commit themselves effectively to their responsibilities.
- (13) In order to fulfil their responsibilities, members of the board of directors shall have access to accurate, relevant and timely information.
- (14) The board of directors and senior management shall facilitate the independent directors to perform their role effectively as a member of the board of directors and also a member of a committee of board of directors.

REGULATIONS 4 (3)

In case of any ambiguity or incongruity between the principles and relevant regulations, the principles specified in this Chapter shall prevail



THANK YOU