

# Directors and Their Powers

Source: <https://www.toppr.com/guides/business-law-cs/elements-of-company-law-ii/powers-board-directors>

- The board of directors is the highest authority in any company. According to Section 179, Companies Act 2013, the power of directors of a company – entitled to make any and all decisions, and thus exercise all the power, which the company has authority to enact.

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According to Section 179, CA 2013, the powers of the board of directors are as follows.

- Board of Directors can exercise all such powers for which the company is authorised.
- Board of Directors can take all actions on matters in which the company has authority.

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## **Power of Board subject to other Provisions'**

While using the power vested in the board of directors, the board must adhere to the rules and provisions of the following –

- The Companies Act
- The Memorandum of Association
- The Articles of Association
- Any Regulation, made by the company during general meetings.

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## **Power Exercised by Company in General Meeting**

- The board of directors are not allowed to exercise any power or take any decisions, which are specifically to be exercised or a decision to be taken in a General Meeting.

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## **New Regulations Do Not Invalidate Acts made by the Board**

- According to Section 179, Companies Act 2013, any resolutions that are passed in a General Meeting cannot invalidate any provisions that the board of directors made prior to the resolution.

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## **Power Exercised by Passing Resolution at Board Meetings**

- There are also certain powers of the board that those resolutions can only be passed by calling a board meeting. This is done as per Section 175, Companies Act 2013. Thus, the board of directors can exercise the following powers, only by passing a resolution in the meetings of the board:
- Make calls on shareholders
- Authorise the buyback of securities and shares
- Issue securities and shares
- Borrow monies
- Investing the funds
- Grant loans
- Approve the financial statement
- Approve amalgamation/merger
- Diversify the business
- Take over a company

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In addition to this, Rule 8 of Companies Rules 2014 has given certain more powers to the board. Namely, resolutions that can be passed at board meetings:

- Making political contributions
- Appointing or removing key managerial personnel.
- Appointing internal auditors and secretarial auditors.

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## **The Delegation of Powers of the Board**

- The Board of Directors may delegate powers such as investing monies, granting loans, giving guarantee or security by passing a resolution in the board meeting:
- Committee of Directors
- Managing Director
- Manager
- Any other principal officer of the company
- The principal officer of a branch office



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## **Restrictions of Powers of the Board**

- In accordance with provisions of Section 179, the company can impose restrictions and conditions on the power of the board of directors. Moreover, the shareholders are responsible for imposing restrictions and conditions of the power of the board. Thus, the shareholders pass an ordinary resolution at a general meeting to do this.