

"Key Responsibilities of Directors: Navigating Legal Duties and Case Law Insights"

As per Section 166 (1) Subject to the provisions of this Act, a Director of a Company shall act in accordance with the articles of the company.

As per Section 166 (2) a Director of a Company shall act in good faith to promote the objects of the Company for the benefit of its members as a whole, and in the best interests of the Company, its employees, the shareholders, the community and for the protection of environment.

As per Section 166 (3) a Director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.

As per Section 166 (4) 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.

As per Section 166 (5) 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 and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.

As per Section 166 (6) A director of a company shall not assign his office and any assignment so made shall be **void**.

As per Section 166 (7) If a director of the company contravenes the provisions of this section such director shall be punishable with fine which **shall not be less than one lakh rupees, but which may extend to five lakh rupees**.

RELEVANT CASE LAW

In **Tata Consultancy Services Limited v. Cyrus Investments Pvt. Ltd. (2021)**, the Supreme Court of India dismissed allegations of oppression and prejudice by the Mistry group against the Tata group, ruling in favor of Tata.

1. Affirmative Voting Rights (AVRs): The Court upheld the AVRs granted to nominee directors of Tata Trusts in Tata Sons' Articles of Association, focusing on Tata Sons being a private, investment holding company.

2. Directors' Duties (Section 166): The Court ruled that the existence of AVRs does not violate directors' duties under Section 166. It emphasized that while directors must act in good faith and exercise independent judgment, the nature of the company and the nominator (Tata Trusts, a charitable entity) justified the AVRs.

3. Nominee Directors and “Dual Agency” Problem: The Court acknowledged the complex position of nominee directors who owe duties to both the nominator and the company, allowing them to prioritize the public interest duties of the Tata Trusts.

4. Independent vs. Non-Independent Directors (Sections 149 & 166): The ruling suggested a lower standard for non-independent directors, contrasting with the stringent requirements for independent directors under Section 149(4), raising concerns about corporate governance.

The decision leaves open questions about whether the Court's views on directors' duties binding precedent or obiter dicta are.

