

Board Meetings under Sections 173 to 175 of the Companies Act, 2013: Number, Notice, Quorum and Resolution by Circulation

Description

Last updated: 09 October 2026 · Written and reviewed by CA Meet Dhrangadhariya, CSM & Co LLP

Quick summary

- Every company holds its first Board meeting within 30 days of incorporation and at least four Board meetings every year, with a gap of not more than 120 days between two meetings.
- A One Person Company, small company and dormant company are treated as compliant with one meeting in each half of the calendar year, at least 90 days apart.
- Notice is at least seven days in writing to every director (shorter notice is allowed for urgent business if an independent director is present). Quorum is one-third of the total strength or two directors, whichever is higher.
- A resolution by circulation needs approval by a majority of the directors entitled to vote, and must be decided at a meeting if one-third of the directors ask for that.

The Board of Directors is where a company's day-to-day governance happens, so the Companies Act, 2013 sets a minimum rhythm of meetings, a notice period, a quorum and a way to pass urgent resolutions without meeting. These are sections 173 to 175 in Chapter XII.

How often (section 173(1))

- The **first Board meeting** within **30 days** of the date of incorporation.
- After that, a minimum of **four meetings every year**, with not more than **120 days** between two consecutive meetings.
- The Central Government can by notification exempt a class of companies or apply the rule with modifications.

One Person Company, small company and dormant company (section 173(5))

These are treated as having complied if **at least one meeting** is held in **each half of a calendar year** and the

gap between the two meetings is **not less than 90 days**. Sections 173 and 174 do not apply at all to a One Person Company that has only one director.

Attending by video conferencing (section 173(2))

Directors may participate in person or through video conferencing or other audio visual means, as prescribed, which can record and recognise their participation and record and store the proceedings with date and time. The Central Government can specify matters that cannot be dealt with this way; even for those matters, if there is a quorum through physical presence, another director may join by video conferencing.

Notice (section 173(3) and (4))

- **At least seven days'** written notice to every director at the address registered with the company, sent by hand delivery, post or electronic means.
- **Shorter notice** is allowed to transact urgent business, provided at least one independent director (if the company has one) is present. If no independent director attends, the decisions are circulated to all directors and become final only when **ratified by at least one independent director**.
- An officer whose duty it is to give notice and who fails to do so is liable to a **penalty of Rs 25,000**.

Quorum (section 174)

- **One-third of the total strength** of the Board or **two directors, whichever is higher**. A director attending by video conferencing counts. A fraction is rounded up to one, and vacant seats are not part of the "total strength".
- **Vacancies:** continuing directors can act, but if their number falls below the quorum they can act only to increase the number of directors to the quorum, or to call a general meeting.
- **Interested directors:** if the number of interested directors is two-thirds or more of the total strength, the directors who are not interested and present, being not less than two, form the quorum.
- **No quorum:** unless the articles provide otherwise, the meeting automatically stands adjourned to the same day, time and place in the next week, or, if that day is a national holiday, to the next day that is not a national holiday.

Resolution by circulation (section 175)

- The resolution is circulated **in draft, with the necessary papers**, to all directors (or committee members) at their addresses registered with the company in India, by hand, post, courier or the prescribed electronic means.
- It is passed if **approved by a majority** of the directors or members entitled to vote.
- If **not less than one-third** of the total number of directors require that the resolution be decided at a meeting, the chairperson must put it to a meeting of the Board.
- The resolution is **noted at the next Board meeting** and made part of its minutes.

Defects in appointment (section 176)

An act done by a person as a director is not invalid merely because it is later noticed that his appointment was defective, disqualified or had terminated. This protection does not cover acts done after the company has noticed the defect.

What if a company does not hold the meetings?

Section 173 itself provides a specific penalty only for failing to give notice (Rs 25,000). For other contraventions of the Act for which no penalty is provided elsewhere, section 450 provides a penalty of Rs 10,000 and a further Rs 1,000 for each day of continuing contravention, up to Rs 2 lakh for a company and Rs 50,000 for an officer in default. Confirm with your professional adviser which provision applies to your case.

A simple annual plan

Task	Suggested timing
First meeting after incorporation	within 30 days
Meetings through the year	four or more, never more than 120 days apart
Notice	at least seven days before, with agenda and papers
Circular resolution	when a meeting is not practical; keep the signed approvals and note it at the next meeting
Minutes	recorded and signed as the Act and the secretarial standards require

Points to check

- This post follows the Companies Act as published on India Code, including its amendments up to the footnotes in that edition. The Secretarial Standard on Board Meetings (SS-1) adds procedural rules on notice, agenda, minutes and attendance that this post does not reproduce.
- Listed companies and certain classes must also have committees and independent directors under sections 177, 178 and 149 and SEBI’s listing rules.

Frequently asked questions

How many Board meetings must a company hold in a year?

At least four, and not more than 120 days can pass between two consecutive meetings. The first meeting must be held within 30 days of incorporation.

Are there relaxations for small companies?

A One Person Company, small company and dormant company are deemed to comply if at least one Board meeting is held in each half of a calendar year with a gap of not less than 90 days between the two.

Sections 173 and 174 do not apply to a One Person Company with only one director.

What notice is needed for a Board meeting?

Not less than seven days in writing to every director at the address registered with the company, by hand, post or electronic means. Shorter notice is allowed for urgent business if at least one independent director (if any) is present; if no independent director attends, the decisions are final only on ratification by at least one independent director.

Can directors attend by video conferencing?

Yes. Participation in person or by video conferencing or other audio visual means as prescribed is allowed, and such participation counts for quorum. The Central Government can specify matters that cannot be dealt with by video conferencing.

What is the quorum?

One-third of the total strength of the Board, or two directors, whichever is higher. Any fraction is rounded up to one, and vacant seats are not counted in total strength.

What if there is no quorum?

Unless the articles provide otherwise, the meeting stands adjourned to the same day, time and place in the next week, or if that is a national holiday, to the next day that is not a national holiday.

How does a resolution by circulation work?

The draft, with the necessary papers, is circulated to all directors at their registered addresses in India. It is passed if approved by a majority of the directors entitled to vote. If one-third or more of the directors require that it be decided at a meeting, the chairperson must put it to a meeting. It is noted at the next Board meeting and made part of the minutes.

Official sources

- India Code: The Companies Act, 2013 (sections 173 to 175, 450)
- Ministry of Corporate Affairs

Related reading

- Duties of Directors, Directorship Limit and Vacation of Office: Sections 165 to 168 of the Companies Act, 2013
- AGM and EGM under the Companies Act, 2013: Time Limits, Notice, Place, Requisition and Penalty for Default

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Author
meetsoni