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Practical aspects – Number of directorships

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There has been extensive and far reaching changes in the provisions relating to number of directorships that a person can hold in accordance with the erstwhile Companies Act, 1956 and the provisions in the Companies Act, 2013 along with the recent amendment in the clause 49 of the Listing Agreement. The author has analysed these provisions with some practical examples to help the readers understand its impact.

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Introduction

1. The number of companies in which a person can be a director has always been a sensitive topic even in the erstwhile Companies Act, 1956 ('1956 Act'). The underlying principle is to put a cap on the number of companies in which a person can be director to enable that person to focus and give quality time to each of the companies. The provisions contained in the Companies Act, 2013 ('2013 Act') and the revised clause 49 of the Listing Agreement ensure that the time and effort of a director is not diluted over a large number of companies.

Provisions under the 1956 Act

2. In accordance with the provisions of section 275, a person can hold office as director in not more than 15 companies at the same time. Section 278, provides for the exclusion of the following companies in reckoning the number of these 15 directorships :

- ▶ Private company which is not a subsidiary of a public company
- ▶ Private company which is not a holding company of a public company
- ▶ Unlimited company
- ▶ Section 25 company
- ▶ Company in which such person is only an alternate director

Following are some case studies to understand these provisions :

Sl. No.	Case Study 1 Mr. A is director in :	Case Study 2 Mr. A is director in :	Case Study 3 Mr. A is director in :	Case Study 4 Mr. A is director in :
1.	10 public cos.	8 public cos.	7 public cos.	12 public cos.

