Brief Notes- Limit on Directorship and Membership/ Chairpersonship

Applicability: Listed and Unlisted Entity

Compliances Covered: Companies Act, 2013 & SEBI LODR, 2015

Financial Year: 2023-24

Note: Where limit/restriction has not been specified for Independent Directorship/ Membership/ Chairpersonship, it is presumed that a director is allowed to hold such position as Independent Director/Member/Chairperson to the extent permitted by provision of Section 165 of Companies Act, 2013.

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Maximum Limit on Directorship and Membership/ Chairpersonship in Statutory Committees

Maximum Limit on Directorship and Membership/ Chairpersonship on Board & Statutory Committees at any point of time by a Director

Type of Company	**Max. No. of Directorship**	**Max. No. of Independent Directorship**	**Max. No. of Membership in Committees**	**Max. No. of Chairmanship in Committees**	**Applicable Provision**
Equity Listed Entities	7	7	10	5	Reg. 17A read with 26(1) of SEBI (LODR) Reg., 2015
High Value Debt Public Listed Entities	10	10	10	10	Section 165(1) read with Reg. 26(1) of SEBI (LODR) Reg., 2015
High Value Debt Private Listed Entities	20	20	20	20	Section 165(1) of Companies Act, 2013
Debt Listed Public Entities	10	10	10	10	Section 165(1) of Companies Act, 2013
Debt Listed Private Entities	20	20	20	20	Section 165(1) of Companies Act, 2013
Unlisted Public Company	10	10	10	10	Section 165(1) of Companies Act, 2013
Subsidiary of Unlisted Public / Private Company	10	10	10	10	Section 165(1) of Companies Act, 2013
Unlisted Private Company	20	20	20	20	Section 165(1) of Companies Act, 2013

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For the purpose of regulation 17A, the count for the number of listed entities on which a person is a director / independent director shall be only those whose equity shares are listed on a stock exchange.

(Ref: Explanation to reg. 17A of SEBI (LODR) Reg., 2015)

A person shall not be a director in more than seven listed entities with effect from April 1, 2020, and an Independent director in more than 7 listed entities.

However, if he is Managing Director or Whole Time Director in any listed Company, then he cannot become Independent Director in more than 3 listed Companies, and directorships, includes holding position as an alternate director with effect from 01.04.2020.

[Ref: Reg. 17A of SEBI (LODR) Reg., 2015**]**

- A person shall not hold office as a director, including any alternate Directorship, in more than twenty companies at the same time and maximum number of public companies shall not exceed ten.

  [Ref: Sec. 165(1) of Companies Act, 2013**]**

- For reckoning the limit of public companies in which a person can be appointed as director, Directorship in private companies that are either holding or subsidiary company of a public company shall be included.

  [Ref: Explanation I to Section 165**]**

- Dormant Companies will not be counted in limit of 20 Companies.

  [Ref: Explanation II to Section 165**]**

- Limits on number of Directorship [Sec. 165(1)] shall not apply on Section 8 Companies.

  [Ref: Notification dated 05.06.2015**]**

Reg. 15(1A): The provisions of regulation 16 to regulation 27, shall apply to a High Value Debt Listed Entity.

High Value Debt Listed Entity: A listed entity which has listed its non-convertible debt securities and has an outstanding value of listed non-convertible debt securities of Rupees Five Hundred Crore and above.

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For the purpose of determination of limit on chairpersonship and membership of the audit committee and the Stakeholders' Relationship Committee alone shall be considered.
[Ref: Reg. 26(1) (a) of SEBI (LODR) Reg., 2015**]**

Subsidiary Company of a public / private company shall be deemed to be a public company even though it remains private company in its Articles of Association (AoA).
[Ref: **Section 2 (71)]**

Unlisted Private Company is not mandatorily required to appoint Independent Director and constitute all other committees. However, there is no restrictions to appoint it voluntarily under CA, 2013.

Appointment of Independent Directors

Provisions under CA, 2013: Section 149 (4) Rule 4 of the Companies (Appointment and Qualifications of Directors) Rules, 2014

Provisions under SEBI LODR, 2015: Reg. 16 read with reg. 17 and reg. 17A

The following class or classes of companies shall appoint independent directors-

(i) Every Listed Company

(ii) Public Companies having paid up share capital of ten crore rupees or more; or

(iii) Public Companies having turnover of one hundred crore rupees or more; or

(iv) Public Companies which have, in aggregate, outstanding loans, debentures and deposits, exceeding fifty crore rupees:

* **However following classes of unlisted public company shall not be covered under rule-4:**

(a) Joint venture;

(b) Wholly owned subsidiary; and

(c) Dormant company as defined under section 455 of the Act.

Constitution of Audit and Nomination & Remuneration Committee

Provisions under CA, 2013: Sec. 177 and 178 of CA, 2013 read with Rule 6 of the Companies (Meeting of Board and its Power) Rules, 2014

Provisions applicable under SEBI LODR, 2015: Reg. 18 and Reg.19

The following class or classes of companies shall appoint independent directors-

(i) Every Listed Company

(ii) Public Companies having paid up share capital of ten crore rupees or more; or

(iii) Public Companies having turnover of one hundred crore rupees or more; or

(iv) Public Companies which have, in aggregate, outstanding loans, debentures and deposits, exceeding fifty crore rupees:

* **However following classes of unlisted public company shall not be covered under rule-4:**
  - (a) Joint venture;
  - (b) Wholly owned subsidiary; and
  - (c) Dormant company as defined under section 455 of the Act.

Constitution of Stakeholders Relationship Committee: Section 178(5) of Companies Act, 2013

The Board of Directors of a company which consists of more than one thousand shareholders, debenture-holders, deposit-holders and any other security holders at any time during a financial year shall constitute a Stakeholders Relationship Committee consisting of a chairperson who shall be a non-executive director and such other members as may be decided by the Board.

Thank you so much for your support & best wishes for future

Shree Radhe Krishna

Sharing is Caring always…

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