

Shareholders meetings

Members of a company have the right to participate in the fundamental corporate decision making and appoint their representatives to run the company on their behalf. These rights are ensured by the meetings of members of the company.

Meetings of the members of a company, called general meetings are required to be held from time to time.

Kinds of General Meetings

Annual General Meeting (AGM)

Extraordinary General Meeting (EGM)

Annual General Meeting (AGM)

1. Meaning and Purpose

An annual general meeting (AGM) is a mandatory yearly gathering of a company's interested shareholders. At an AGM, the directors of the company present an annual report containing information for shareholders about the company's performance and strategy. The purpose of calling the meetings is to transact the ordinary business of the company. The ordinary business consists of:

- a) Consideration of financial statements and reports of the Board of Directors and auditors
- b) Declaration of dividends
- c) Appointment of directors in place of those who are retiring
- d) Appointment and fixing of the remuneration of auditors of the company.

2. Statutory requirements

Every company other than a One Person Company shall in each year hold in addition to any other meetings, a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it, and not more than fifteen months shall elapse between the date of one annual general meeting of a company and that of the next:

Provided that in case of the first annual general meeting, it shall be held within a period of nine months from the date of closing of the first financial year of the company and in any other case, within a period of six months, from the date of closing of the financial year:

Provided further that if a company holds its first annual general meeting as aforesaid, it shall not be necessary for the company to hold any annual general meeting in the year of its incorporation:

Provided also that the Registrar may, for any special reason extend the time within which any annual general meeting, other than the first annual general meeting, shall be held, by a period not exceeding three months.

3. Authority to convene the AGM

The power to convene the AGM vests with the Board of Director. Secretary can not issue any notice for the AGM with out the authority of board.

4. Time and place of meeting

Company must call the AGM either at registered office of the company or at some other place within the city in which the registered office of the company is situated.

Every annual general meeting shall be called during business hours, that is, between 9 a.m. and 6 p.m. on any day that is not a National Holiday and shall be held either at the registered office of the company or at some other place within the city, town or village in which the registered office of the company is situate:

Provided that the Central Government may exempt any company from the provisions of this sub-section subject to such conditions as it may impose.

Explanation.—For the purposes of this sub-section, “National Holiday” means and includes a day declared as National Holiday by the Central Government.

5. Notice requirement

Company must give at least 2` days` written notice or through electronic mode to call an AGM of the shareholders. AGM may be held with a shorter notice if consent is given by not less than 95% of the members entitled to vote at the meeting.

6. Default in holding the AGM

Furthermore, where such company fails to act according to the mandate of Section 96 i.e., to hold its AGM within the prescribed time period or even where an order for holding of AGM is passed by a tribunal under section 97 and the company fails to comply with the order of the tribunal then the company and every other officer of the company acting on its behalf and are in default will be punishable with fine which may extend to INR One Lakh and in case of continuing default with a further fine which may extend to INR 5000/- per day during the continuance of such default.

Extraordinary General Meeting (EGM)

Meaning

All general meetings other than the AGMs are known as EGMs. An EGM is also called a special general meeting or emergency general meeting.

Concept of EGM

In most cases, the only time shareholders and executives meet is during a company's annual general meeting, which usually occurs at a fixed date and time.

However, certain events may require shareholders to come together on short notice to deal with an urgent matter, often concerning company management. The extraordinary general meeting is used as a way to meet and deal with urgent matters that arise in between the annual shareholders' meetings.

An EGM might be called to deal with any of the following:

- The removal of an executive
- A legal matter
- Any matter that can't wait until the next shareholders meeting

Another difference between an annual general meeting and an extraordinary general meeting is that an annual general meeting can only be held during business hours and not on a national holiday, while an EGM can be carried out on any day including holidays. Also, while a company's board can only call an AGM, an EGM can also be called by the board on the requisition of shareholders, requisitionist, or tribunal.

An Example of an Extraordinary General Meeting

Extraordinary general meetings occur for a variety of reasons, but the meeting is usually called to discuss the potential removal of an executive. In December 2017, the London Stock Exchange (LSE) held an extraordinary general meeting, regarding claims that its chairman, Donald Brydon, pushed out former chief executive Xavier Rolet. Rolet stepped down early in November 2017.

WHEN AND BY WHOM EGM MAY BE CALLED

1. By the board- when the directors have to transact some immediate and emergent business for which they can not wait till the next AGM.

2. By the Board on the requisition- The Board shall, at the requisition made by,—

(a) in the case of a company having a share capital, such number of members

who hold, on the date of the receipt of the requisition, not less than one-tenth of such of the paid-up share capital of the company as on that date carries the right of voting;

(b) in the case of a company not having a share capital, such number of members who have, on the date of receipt of the requisition, not less than one-tenth of the total voting power of all the members having on the said date a right to vote, call an extraordinary general meeting of the company within the period specified in subsection (4).

3. By the requisitionists- on default of directors to call the meeting within 45 days of deposit of the requisition, the meeting may be

called by the requisitionists themselves within 3 months from the date of deposit of the requisition. A meeting under sub-section (4) by the requisitionists shall be called and held in the same manner in which the meeting is called and held by the Board. Any reasonable expenses incurred by the requisitionists in calling a meeting under sub-section (4) shall be reimbursed to the requisitionists by the company and the sums so paid shall be deducted from any fee or other remuneration under section 197 payable to such of the directors who were in default in calling the meeting.

4. By the tribunal - If for any reason it is impracticable to call a meeting of a company, other than an annual general meeting, in any manner in which meetings of the company may be called,

or to hold or conduct the meeting of the company in the manner prescribed by this Act or the articles of the company, the Tribunal may, either *suo motu* or on the application of any director or member of the company who would be entitled to vote at the meeting,—

(a) order a meeting of the company to be called, held and conducted in such

manner as the Tribunal thinks fit; and

(b) give such ancillary or consequential directions as the Tribunal thinks

expedient, including directions modifying or supplementing in relation to the calling, holding and conducting of the meeting, the operation of the provisions of this Act or articles of the company:

Provided that such directions may include a direction that one member of the company present in person or by proxy shall be deemed to constitute a meeting.

Procedures and Requisites of a valid General Meeting

1. Proper Authority

A meeting must be convened or called by a proper authority. Otherwise it will not be a valid meeting. The proper authority to convene general meetings of a company is the Board of Directors. The decision to convene a general meeting and issue notice for the same must be taken by a resolution passed at a validly held board meeting.

2. Notice of Meetings:

A meeting in order to be valid must be convened by a proper notice issued by the proper authority. It means that the notice convening the meeting be properly drafted according to the Act and the rules, and must be served on all members who are entitled to attend and vote at the meeting. For general meeting of any kind at least 21 days notice must be given to members. A shorter notice for Annual General Meeting will be valid, if all members entitled to vote give their consent. The number of days in each case shall be clear days, i.e. the days must be calculated excluding the day on which the notice is issued, a day or so for postal transit, and the day on which the meeting is to be held. Every notice of meeting of a company must specify the place and the day and hour of the meeting, and shall contain a statement of the business to be transacted thereat.

Service of notice- company may serve notice on the members either personally or by prepaid post or by advertisement in the newspaper. It must be properly addressed. When the meeting is adjourned for 30 days or more and the new business is to be transacted at the adjourned meeting, a fresh notice has to be given.

Contents of notice- the notice must contain the following particulars:

- i) Name of the meeting, place, day and hour of the meeting.
- ii) nature of the business to be conducted at the meeting. The companies puts business into two categories:

General business- in case of AGM, all business relating to: i) consideration of annual accounts; ii) declaration of dividend iii) appointment of directors in place of those retiring iv) appointment of, and fixing of remuneration of the auditors, are considered as general business.

Special business- any other business at an annual general meeting and all businesses in case of any other meeting are regarded as special business.

Agenda- Agenda gives guidance and information as to business to be discussed and transacted in the meeting. It sets out the chronological sequence in which the various items of business shall be taken up in the meeting for discussion.

Agenda must be prepared by the Secretary in consultation with the Chairman or the managing Director. Agenda must be clear and complete. A company may be restrained that business which is not mentioned in the agenda.

3.Place of meeting

AGM- The venue of the **Annual General Meeting** is considered to be the **place** of an **AGM**. According to the law, the **place** of an **AGM** should be at the registered office or any other **place** in the city town or village where the Registered Office is situated. A private company can hold its AGM at any other place if:

- i) it has fixed the place of meeting by the Articles; or
- ii) it has fixed the place of meeting by a resolution agreed by all the members.

Other General Meetings

There is no such provision in the Companies Act which requires that the general meetings of the company other than the AGM must be held at some particular place. It, therefore follows that the other general meetings can be held, subject to any specific provision in the articles at any other place.

4.Quorum

(1) Unless the articles of the company provide for a larger number,—

(a) in case of a public company,—

(i) five members personally present if the number of members as on the date of meeting is not more than one thousand;

(ii) fifteen members personally present if the number of members as on the date of meeting is more than one thousand but up to five thousand;

(iii) thirty members personally present if the number of members as on the date of the meeting exceeds five thousand;

(b) in the case of a private company, two members personally present, shall be the quorum for a meeting of the company.

(2) If the quorum is not present within half-an-hour from the time appointed for holding a meeting of the company—

(a) the meeting shall stand adjourned to the same day in the next week at the same time and place, or to such other date and such other time and place as the Board may determine; or

(b) the meeting, if called by requisitionists under [section 100](#), shall stand cancelled:

Provided that in case of an adjourned meeting or of a change of day, time or place of meeting under clause (a), the company shall give not less than three days notice to the members either individually or by publishing an advertisement in the newspapers (one in English and one in vernacular language) which is in circulation at the place where the registered office of the company is situated.

(3) If at the adjourned meeting also, a quorum is not present within half-an-hour from the time appointed for holding meeting, the members present shall be the quorum.