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Why Same-Day Board and AGM Meetings Invite Regulatory Scrutiny

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The Registrar of Companies, Karnataka (“RoC”) passed an Adjudication Order^[1] Section 454 of Companies Act, 2013 (“CA 2013”) imposing penalties on [Stanley OEM Sofas Limited](#), a public limited company and wholly owned subsidiary of Stanley Lifestyles Limited (hereinafter referred to as the “Company”) and its directors for violation of Section 101(1) of CA 2013 which governs statutory notice period for holding general meetings. This Order reflects a strict regulatory stance on procedural non-compliance, particularly in matters relating to the convening of general meetings and adherence to minimum notice requirements.

Background and Facts:

Pursuant to an inquiry initiated under Section 206(4) read with Section 208 of CA 2013, it was observed that the statutory auditor of the Company signed and submitted the audit report on December 29, 2020. On the very same date, the Company convened a meeting of its Board of Directors as well as the Annual General Meeting (“AGM”) of the shareholders for approval and adoption of audited annual financial statement for the financial year 2019-20.

The RoC thereafter issued a notice calling upon the Company to explain compliance with Section 101 of CA 2013 and the rules framed thereunder, and to furnish supporting documents, including copies of the notice issued to shareholders, directors, auditors of the Company and the board resolution of Stanley Lifestyles Limited authorizing its representative to attend the AGM held on December 29, 2020.

The Company and its directors were afforded a reasonable opportunity of being heard and to submit their replies. Upon examination of the responses, the Adjudicating Officer concluded that the Company has violated the provisions of Section 101 of CA 2013 as the Company had failed to provide a clear 21 days’ notice for the AGM and had also failed to produce documentary evidence establishing that consent of members, as required under Section 101(1), had been obtained for convening the AGM at shorter notice. The Company admitted to such non-compliance.

The RoC further observed that the sequence of events from holding board meeting to approve the financial statements, board of directors signing the financial statements, forwarding such financial statements to auditors for their signing and issuance of audit report, auditors signing the financial statements and issuing their report and calling annual general meeting to adopt such annual financial statements, all in one day raises serious concerns regarding the genuineness of the corporate processes, often associated with ‘paper meetings’ reflecting a mere formality rather than a bona fide exercise of statutory functions.

Overview of Legal Provisions:

- **Section 101(1) of CA 2013:**

A general meeting of a company may be called by giving not less than clear twenty-one days’ notice either in writing or through electronic mode in such a manner as may be prescribed:

Provided that a general meeting may be called after giving shorter notice than that specified in this sub-section if consent, in writing or by electronic mode, is accorded thereto—

1. *in the case of an annual general meeting, by not less than ninety-five per cent. of the members entitled to vote thereat; and*
2. *in the case of any other general meeting, by members of the company—*

- *holding, if the company has a share capital, majority in number of members entitled to vote and who represent not less than ninety-five per cent. of such part of the paid-up share capital of the company as gives a right to vote at the meeting; or*
- *having, if the company has no share capital, not less than ninety-five per cent. of the total voting power exercisable at that meeting:*

Provided further that where any member of a company is entitled to vote only on some resolution or resolutions to be moved at a meeting and not on the others, those members shall be taken into account for the purposes of this sub-section in respect of the former resolution or resolutions and not in respect of the latter.

- **Secretarial Standards (“SS”):**

As per Section 118(10) of the CA 2013, every company shall observe SS with respect to convening and holding Board meetings and shareholders meeting specified by the Institute of Company Secretaries of India constituted under section 3 of the Company Secretaries Act, 1980, and approved as such by the Central Government.

Requirement laid down by the SS-2 which deals with convening and holding general meetings, requires that the notice of every meeting shall be given to every member of the company, such notice shall also be given to the directors, auditors, secretarial auditor, debenture trustees, if any, and, wherever applicable or so requires, to other specified person. Notice and accompanying documents shall be given at least twenty-one clear days in advance of the meeting. Notice and accompanying documents may be given at a shorter period of time if the requisite consent of Members in writing is accorded thereto, by physical or electronic means.

In case of AGM, consent of at least 95% of members who are entitled to vote should be sought to hold the meeting at shorter notice.

- **Exemptions available to Private Companies**

The Ministry of Corporate Affairs vide its notification dated June 05 2015 exempted private companies from the compliances of Section 101 of CA 2013 if the articles of association provides otherwise which means if the articles of association of private company stipulate a notice period shorter/longer than 21 days for calling the shareholders meeting, it takes precedence over Section 101 of the CA 2013. However, in the absence of specific provisions in the articles of association of private company, Section 101 of the CA 2013 mandates a clear 21-days' notice period for closely held private companies as well.

Adjudication Order and levy of penalties:

The RoC, after hearing the Company's authorised representative and upon examination of the documents submitted, determined that, the Company and its directors had violated the provisions of Section 101(1) of CA 2013 for failing to send the notice of general meeting at least clear 21 days in advance and failing to secure the consent of members to hold meeting at such short notice.

Accordingly, a penalty of INR 40,000 was imposed on the Company and on each of its directors.

Analysis:

This adjudication order sends a clear message that notice requirements under Section 101 are strictly enforceable and not just procedural formalities. By penalising the Company for failing to provide 21 clear days' notice and for lacking proof of 95% shareholder consent for shorter notice, the RoC has reinforced that shareholder participation rights cannot be diluted for convenience or timeline pressure.

Notably, the RoC flagged the same-day issuance of audit reports and conduct of the annual general meeting as a governance red flag, signalling heightened scrutiny of practices that suggest "paper meetings" or post-facto compliance. Shareholders should be given meaningful time and opportunity to review financial disclosures, assess resolutions, and participate effectively in corporate decision-making.

The order also underscores personal accountability of directors, reflecting an evolving enforcement trend where governance lapses attract individual regulatory consequences, not just corporate penalties. For companies, the takeaway is clear: meeting governance must be treated as a compliance-critical function, backed by documentary evidence, realistic timelines and no compromise on shareholder participation rights.

Conclusion

This adjudication order exemplifies the RoC's growing commitment to enforcing procedural corporate governance with substantive rigor. The order reinforces that compliance with statutory meeting notice requirements under the provisions of CA 2013 is a legal mandate, not a mere procedural formality, and that deviations can attract regulatory sanction regardless of material prejudice.

As regulatory oversight continues to intensify, companies must recalibrate their governance frameworks to ensure strict and demonstrable adherence to statutory meeting processes. Inadequate compliance may expose entities and their directors not only to monetary penalties, but also to reputational risk, enhanced regulatory scrutiny, and erosion of stakeholder confidence.

[1] F.NO.ROCB/ADJ.454-101/Stanley Oem Sofas/Co.No.084973/2025 dated 25.03.2025