
LEGAL VALIDITY AND CHANGES IN SHAREHOLDER MEETINGS AND VOTING MECHANISMS AFTER RECENT AMENDMENTS

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ABSTRACT

There is a drastic change in the corporate governance in India on how shareholders meetings are held and votes cast. The COVID-19 epidemic increased the pace of change since regulators were forced to transition to virtual and electronic modes to maintain continuity. This indicates that despite the fact that these innovations are more engaging and efficient, there must be a legal basis but it must be a statutory one in order to be legal in the long term. The paper assesses the legality of virtual meetings, the changes and circulars which facilitate it, and its effect on the rights of the shareholders. To sum up, the legislation must extend beyond short-term administrative fixes and make digital engagement a part of a lawful and responsible legal framework.

Introduction

The shareholder meetings are important to corporate governance in order to provide the investors with the capacity to vote, hold the management accountable, debate. These meetings would require face-to-face meetings and personal presence. Once the epidemic made the virtual and hybrid meetings unfeasible, the Securities and Exchange Board of India (SEBI) and the Ministry of Corporate Affairs (MCA) intervened to switch to virtual and hybrid meetings as quickly as possible. What began as an emergency fix, soon spread all across the society.

Nevertheless, such change raises significant questions: Are virtual meetings as legally binding as personal meetings? Do the interests of shareholders under a virtual environment enjoy the same protection? The paper assumes a normative approach that the virtual and hybrid meetings need to be accorded specific statutory validity. They strengthen shareholder democracy and require a strong legal framework and protection to make them fair, accessible and accountable.

Pre-Amendment Law Legal Framework

According to the Companies Act, 2013, the shareholder meetings structure the following:

Section 96 required Annual General Meeting (AGMs).

Section 100 gave the Board the mandate to hold Extraordinary General Meetings (EGMs).

E-voting was implemented with section 108 and the Companies (Management and Administration) Rules, 2014, to allow a shareholder to vote remotely.

Until 2020, these provisions presupposed the meeting physically. Another device was e-voting and not a replacement of the physical participation. The Listing Obligations and Disclosure Requirements (LODR) Regulations of 2015, which became e-voting mandatory for listed companies, left the assumption of physical meetings.

The legislation was therefore enlightened but not complete; it did not imagine the

possibility of having a digitally conducted whole meeting.

A Pandemic as a Turning Point

Physical meetings were not possible with the outbreak of COVID-19. In April 2020, the MCA published circulars to allow AGMs and EGMs by use of Video Conferencing (VC) or Other Audio-Visual Means (OAVM). These permitted digital notices, online quorum and virtual attendance. SEBI gave out complementary circulars to assure that listed businesses had the opportunity of voting remotely by electronics. These relaxations were formally confirmed through the MCA clarification issued on September 19, 2024, which officially recognized virtual and hybrid meetings as valid formats — a practice that had been gradually extended from 2021 to 2023. Although these measures have worked well to ensure continuity of government, they were based on the executive, as opposed to legislative discretion. Normatively, this reliance has the potential to jeopardize the long-term legal certainty and call upon the need to enact legislation that will codify online meetings.

Reform of Voting Mechanisms

The shareholder involvement radically altered with the transition to electronic systems or forms:

- a) previously the option of electronic voting did not have to be exercised, but nowadays it is frequently and regularly done. The shareholders can conduct the voting process during the meeting or preferably prior to the meeting through online method. This kind of change must probably continue and, in the long run, can be deemed as a mandatory component of the established corporate strategy.
- b) Electronic postal ballots: Firms are adopting postal ballots in making decisions that do not involve deliberation. This is efficient; however, it restricts interactive discussion; therefore, the lawmakers ought to require the disclosure of questions and management responses to maintain accountability.
- c) Hybrid meeting models: The hybrid formats combining physical and online involvement have been embraced by many companies. The procedural protections of SEBI support

equality of rights of all the attendees, however, they also require a statutory incorporation to provide similarity across the companies.

Assessing Legal Validity

The existing law basis of virtual meeting is a combination of statutory provisions, delegated rules and administrative circulars. Circulars are, however, not law, but temporary administrative directions which may not be capable of making permanent changes in statutory requirements.

Therefore, virtual meetings are valid in principle but until Parliament changes the Companies Act to expressly allow it, they are not legally valid. The courts and regulators have been content with the fact that given due notice, quorum and transparency, the content of the law is satisfied. However, a system that is motivated by executive circulars cannot be democratically legitimate.

The normative stance, thus, is straight forward: the Parliament has to intervene to make virtual and hybrid meetings codified so that they could not rely on the discretion of the regulations but on the statute.

Governance Problems and Shareholder Rights

Even though technology has made access possible, it has also brought about new governance issues:

-Digital inequality: Not every shareholder has an equal access to technology. Virtual platforms might be problematic to older or rural investors. Companies should be mandated in the law to offer alternative participation and technical assistance to avoid rejection.

-Reduction in discussion: Virtual AGMs tend to weaken the depth of discussions and often restrict speaking opportunities or live questioning. To ensure transparency, the statutory requirements should ensure that the management is obligated to publicly address any questions by the shareholders.

-Cybersecurity and Liability: NSDL and CDSL depositories deal with sensitive shareholder

data, hence making them critical to e-voting. In order to protect this information, there should be mandatory security audits and clear accountability systems established.

-Managerial Control: Virtual meetings provide a greater amount of control to the management of the communication settings. This control might repress the dissent of shareholders without adequate procedural safeguards. Consequently, the laws are supposed to mandate the presence of available audit trails and neutral moderators.

Recommendations for Reform

Statutory Recognition: Change the Companies Act to specifically stipulate and acknowledge virtual and hybrid meetings as legitimate substitutes to the physical meetings.

Digital Parity: Be inclusive by providing accessibility tools, special help desks and low bandwidth selections to allow all shareholders to participate.

Cybersecurity and Accountability: Require e-voting service providers to conduct regular security audits and take responsibility for any data breaches or system failures.

Procedural Safeguards: Ensure shareholder participation through measures like live Q&A sessions, transparent disclosures, and impartial moderation.

Co-ordinated Regulation: Favour organised co-operation between the MCA, SEBI and the stock exchanges to ensure harmony in all corporate governance structures.

Conclusion

Virtual and hybrid shareholder meetings will be introduced in India, and it is a major move towards digital corporate governance, which improves accessibility, cost-efficiency, and participation. However, it is not firmly based in the law as it is not based on statutory law but on administrative circulars.

In this paper, it is argued that the existing framework can be said to be functionally effective, yet it is not theoretically adequate. Parliament should include virtual and hybrid meetings in the Companies Act giving them the same status as physical meetings in order to maintain shareholder democracy and corporate accountability.

The governance of corporate should be based on long term legislative certainty, as opposed to administrative flexibility. The future of shareholder democracy depends on a framework that combines technological efficiency with legal certainty, ensuring that digital participation enhances and not diminishes the influence of all shareholders.

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