

De Jure
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Analysis of RoC ruling on Board and Annual General Meetings of Stanley OEM Sofas Limited



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Introduction

The Registrar of Companies, Karnataka ("ROC") conducted inquiry with respect to conduct of Board Meeting and Annual General Meeting of Stanley OEM Sofas Limited ("Company"). The Company is a wholly owned subsidiary of Stanley Lifestyles Limited, a listed entity.

The ROC's inquiry revealed that the Company held a Board of Directors meeting on December 29, 2020, *inter alia*, to approve the financial statements for the financial year 2019-2020, and on the same day, convened its Annual General Meeting ("AGM") to approve the same amongst other agendas. Also, the statutory auditor certified and submitted the Audit Report of the same date i.e. December 29, 2020. As part of the inquiry, the ROC required the Company to explain its position as to the compliances in terms of Section 101 of the Companies Act, 2013 ("Act"), which deals with the requirements pertaining to providing notice of general meetings of companies. With a view to verify the compliances, the ROC sought supporting documents such as notice sent to shareholders, directors, auditor as well as board minutes of Stanley Lifestyles Limited (being the holding company) for appointing its authorised representative to attend the AGM of the Company.

The Company furnished its response to the inquiry and based on such response, the investigating officer identified certain violations and based on the same, the ROC was directed to initiate necessary penal actions. Accordingly, the ROC passed an adjudication order on March 25, 2025 ("Order"), penalizing the Company and its directors for breach of the provisions of Section 101 of the Act.

Analysis of Regulatory Requirements

Section 101 basically provides the time period (*which is 21 clear days*) within which the notice of AGM shall be provided to the shareholders of a company among other requirements. Further, the said section also states that the AGM can be convened by providing a shorter notice subject to receipt of consent of not less than ninety-five percent of the members of a company entitled to vote.

Further, Secretarial Standard-2 (as issued by ICSI) prescribes the procedure to be followed when a company desires to convene a general meeting at a shorter notice, including sending requests for consent to the shorter notice along with the accompanying documents with the notice. The Standard further provides that the general meeting may be convened only if the requisite consents are received before the time fixed for the meeting.

On a plain reading, the said Order seems to indicate the concern of the ROC regarding conduct of the Board meeting and the AGM on the same day apart from the Audit Report being dated as the same date of these meetings. The Order does neither provide clarifications on the exact nature of default nor talk about the responses submitted by the Company in response to such inquiry.

Given this scenario, several doubts have aroused as to whether board meeting and AGM can be held on the same day. In this respect, it becomes essential to do deep dive into Section 101 and upon doing so it can be understood that Section 101 enables a company for calling of the AGM at a shorter notice.

It is being viewed that the Order that a board meeting and an AGM cannot be held on the same day.

Considering the limited facts as can be understood from the Order coupled with the fact that Section 101 enables holding of AGM at a shorter notice, the Order penalising the Company and its Directors doesn't appear to be for the reasons of holding of the board meeting and the AGM on the same day.

A review of Section 101 and the requirements of Secretarial Standard-2 indicates that there is no prohibition against convening an AGM on the same day as the Board meeting, provided all prescribed conditions are fully complied with.

In this case, it appears that the ROC did not find any conclusive evidence about the Company obtaining the consent of requisite majority of shareholders for had approved the convening of the AGM at a shorter notice prior. As such, this resulted in violations of Section 101 of the Act which formed the very basis for the ROC's action.

Conclusion

The Order provides another regulatory reminder stressing the importance of compliances apart from restoring the trust of the shareholders in conduct of the meetings thereby upholding primacy of shareholders rights – more so in this case since the Company is a wholly owned subsidiary of a listed entity having public shareholding of more than forty percent of total paid up share capital. This Order has highlighted that all the requisite compliances need to be complied with both letter and spirit for all the corporate actions and not merely viewed a matter of hurried (*and in the process missed out*) formalities. While the law permits convening of general meetings at short-notice meetings, it does also require obtaining necessary shareholder consent.

Having said so, the impression the Order seems to have created of impermissibility of convening a board meeting and the AGM on the same day appears to be misplaced since the Order is not a detailed one and there could be more than what meets the eye. And what probably misses the eye could be the failure of the Company to obtain the requisite consent of the shareholders for a shorter notice and not the fact of holding both these meetings on the very same day. The Order underscores and reinstates the faith in the regulatory ecosystem as it highlights ensuring compliance with procedural safeguards, failing which a company remains exposed to regulatory action apart from other ramifications affecting the management and other stakeholders of the concerned entity.

While there is no express prohibition against holding an AGM on the same day as the Board meeting in which its notice is approved, it is generally advisable to finalise the quantum of shorter period based on the agenda items and that the shareholders have ample opportunity to caste their vote after informed decision making and without curbing their democracy.

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