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Addressing the Concerns with AGMs

What is the issue?

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Annual General Meetings (AGMs) of Indian companies were frustrating affairs for those keen to see shareholder democracy in action.

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What is AGM?

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- An annual general meeting (AGM) is a mandatory yearly gathering of a company's interested shareholders.

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- At the AGM, the directors of the company present an annual report containing information for shareholders about the company's performance and strategy.

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- AGMs offer the only opportunity for individual investors to interact with the management.

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- Shareholders with voting rights vote on current issues, such as appointments to the company's board of directors, executive compensation, dividend payments and selection of auditors.

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What is the AGMs framework of India?

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- Voting patterns at Indian AGMs show clear signs of retail investors taking a more active role in corporate affairs.

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- Ever since the Companies Act 2013 made it mandatory for widely-held companies (more than a 1,000 shareholders) to offer electronic voting facilities as an alternative to postal ballots, retail investors have actively used these votes to make their voice heard at AGMs.
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- Unfortunately, even as retail shareholders are showing a lively interest in corporate governance, the outdated format for the conduct of AGMs in India is actively impeding their efforts at securing justice
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What are the concerns with Indian AGMs?

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- Most Indian companies use only a physical format for conducting AGMs.
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- The in-person meeting format suffers from obvious shortcomings such as, while individual shareholders are free to raise uncomfortable questions at the AGM, company officials are wont to ignore them or even to evict 'trouble-making' shareholders.
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- Therefore, shareholders who aren't physically present at the meeting have no means of knowing what transpired.
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- Smart companies deploy other weapons to thin out AGM attendance too.
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- They hold AGMs in god-forsaken locations, choose inconvenient times during a working day, or bunch up meetings at the nth hour so that shareholders are forced to skip them.
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What measures are needed in this regard?

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- SEBI and the Ministry of Corporate Affairs work overtime on new laws to give public shareholders a greater say in governance issues, they also need to seriously relook the archaic physical format for conducting meetings.
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- Prompted by the thinning attendance at AGMs and a globally dispersed

shareholding, regulators in developed markets have been permitting companies to host virtual AGMs in the last few years.

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- Virtual or electronic AGMs usually entail a combination of a webcast where the management makes a business presentation, and an open-house session where shareholders call in with their questions.

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- Given the limited digital penetration and bandwidth problems in India, shifting to electronic-only AGMs may not be desirable.

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- But companies can certainly be asked to host hybrid AGMs, so that shareholders who cannot travel to the physical location can go online to view the meeting and pose questions.

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Source: Business Line

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