

PROTECTION OF MINORITY SHAREHOLDERS INTEREST

(Last Reviewed on 26/07/2019)

The Companies Act 2013 provides for some measures to protect the interest of minority Shareholders. It includes the following:

- Where a company, which has raised money from public through prospectus and still has any unutilized amount out of the money so raised and which proposes to change its objects, then the Promoter and Shareholders having control of a Company are required to provide an exit to the dissenting shareholders in accordance with regulations to be specified by SEBI.
- Where any benefit accrues to Promoter, Director, Manager, KMP, or their relatives, either directly or indirectly as a result of non-disclosure or insufficient disclosure in the explanatory statement annexed to the notice of General Meeting then such persons shall hold such benefit in trust for the Company and shall be liable to compensate the Company to the extent of the benefit received by him.

Listed Companies also have to provide e-voting facility along with ballot forms to all the Shareholders for casting their votes for passing of all resolutions in General Meeting.

- **Class Action Suit:** New concept of Class Action Suit has been introduced. In case of oppression / mismanagement, specified numbers of Members or Depositors are entitled to file Class Action Suit before National Company Law Tribunal (NCLT) for seeking prescribed reliefs. They may also claim damages / compensation for fraudulent / unlawful / wrongful acts from or against the Company / Directors / Auditors / Experts / Advisors etc.

Some of the actions that can be taken are as under:

- Restrain company from any act which is ultra vires the Articles of Association (AOA)/ Memorandum of Association (MOA).
- Restrain company for breach of provisions of MOA / AOA, Act or any other law.
- Restrain company from taking action contrary to any resolution passed by Shareholders.
- Claim damages or compensation or demand any other suitable action.
- Seek other remedies as Tribunal may deem fit.