

**GOVERNMENT OF INDIA  
COMPANY AFFAIRS  
LOK SABHA**

UNSTARRED QUESTION NO:65

ANSWERED ON:17.02.2006

VANISHED COMPANIES

Gandhi Smt. Maneka;Khaire Shri Chandrakant Bhaurao;Meghwal Shri Kailash;Shaheen Shri Abdul Rashid

**Will the Minister of COMPANY AFFAIRS be pleased to state:**

- (a) the total money of the public lost/held up due to vanishing companies upto December,2005;
- (b) the number of cases registered against the promoters of vanishing companies;
- (c) the number of convictions awarded so far;
- (d) the number of investors who have suffered due to the vanishing companies;
- (e) whether the Government has taken any steps to reduce such instances of vanishing companies; and
- (f) if so, the details thereof?

**Answer**

MINISTER OF COMPANY AFFAIRS ( SHRI PREM CHAND GUPTA)

(a) Upto December, 2005, 114 companies stand identified as vanishing companies with issue size of approximately Rs. 799.31 crores.

(b) Prosecutions have been filed against 107 companies and their promoters/directors u/s 62/63, 68 and 628 of the Companies Act, 1956 and against 94 such companies for non-filing of statutory returns.

In addition, FIRs have also been filed against 100 companies and their Promoters/ Directors for the offences punishable under Sections 420,406, 403, 415, 418 & 424 of the Indian Penal Code.

(c) So far in 25 cases accused directors/ promoters of vanishing companies have been convicted. Other cases are pending in the Courts. However, 21 directors were arrested in the State of Gujarat by the Police.

(d) A large number of investors have suffered due to the vanishing companies. The exact number of these investors is not ascertainable in view of frequent change by way of transfer of shares etc.

(e) & (f) A Central Coordination and Monitoring Committee, co-chaired by Secretary, Ministry of Company Affairs and Chairman, SEBI has been set up to look into issues relating to vanishing companies and their promoters and to monitor the progress of action against them. Besides taking action against these companies and their promoters/directors under the Companies Act and the Indian Penal code, the Ministry is implementing an e-Governance project under which the identity of authorised directors and professionals is ensured in a secure manner. Securities and Exchange Board of India (SEBI) has also amended the SEBI (Disclosure and Investor Protection) Guidelines to enforce higher disclosure requirements pertaining to promoters of companies, besides taking punitive action in a number of cases. SEBI has also debarred 100 companies and 378 directors u/s 11B of the SEBI Act from raising money from the Capital Market in any form, for a period of five years. SEBI has amended the existing Clause 49 of the Listing Agreement, which seeks to strengthen the disclosure requirement in particular pertaining to promoters and also providing for monitoring of utilisation of funds raised from the public.