

**GOVERNMENT OF INDIA
COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:4185
ANSWERED ON:04.05.2007
1VANISHING COMPANIES
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Will the Minister of COMPANY AFFAIRS be pleased to state:

- (a) the estimated money of the public lost/held up due to vanishing companies upto March, 2007;
- (b) the number of cases u/s 62/63, 68 and 628 of the Companies Act, 1956 registered against the promoters of such companies and the action taken against them;
- (c) the estimated number of investors suffered due to the vanishing companies;
- (d) whether the Government has taken any steps to reduce such instances of vanishing companies; and
- (e) if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF COMPANY AFFAIRS (SHRI PREM CHAND GUPTA)

- (a) 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 102 companies and their Promoters/ Directors for the offences punishable under Sections 420, 406, 403, 415, 418 & 424 of the Indian Penal Code (IPC).
- (c) 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.
 - (d) & (e) 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 has implemented an e-Governance project under which the identity of authorised directors and professionals is established 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.