

**GOVERNMENT OF INDIA
COMPANY AFFAIRS
LOK SABHA**

STARRED QUESTION NO:154

ANSWERED ON:10.12.2004

VANISHED COMPANIES

Boianapalli Shri Vinod Kumar;Pathak Shri Brajesh

Will the Minister of COMPANY AFFAIRS be pleased to state:

- (a) whether the Government is aware that several companies have vanished after raising funds from public through public issues during the last one year ;
- (b) if so, the details of such companies, State-wise;
- (c) whether the Government has constituted any vigilance committee to keep vigil on the companies who have disappeared this year;
- (d) if so, the details thereof and the time by which the committee would submit its report;
- (e) whether the Government has taken any action against such defaulting companies and protect the interests of investors; and
- (f) if so, the details thereof?

Answer

MINISTER OF COMPANY AFFAIRS (SHRI PREM CHAND GUPTA)

(a) to (f) A statement is placed on the Table of the House.

Statement referred to in answer to Lok Sabha Starred Question No. 154 for 10.12.2004 regarding vanishing companies.

(a) & (b): The criteria adopted for identification of Vanishing Companies are the following:

- (i) Companies, which have not complied with listing requirements/filing requirements of Stock Exchange/Registrar of Companies respectively for a period of 2 years;
- (ii) No correspondence has been received by the Exchange from the company for a long time;
- (iii) No office of the company is located at the mentioned registered office address at the time of Stock Exchange inspection.

It is a requirement that all the three criteria have to be met for treating a company as vanished. On the basis of the existing criteria, no company has vanished after raising funds from the public through public issues during the last one year.

(c) & (d): A Coordination and Monitoring Committee, co-chaired by Secretary, Ministry of Company Affairs and Chairman, Securities and Exchange Board of India (SEBI), is already in existence to look into issues relating to delinquent/vanishing companies and their promoters and for monitoring the progress of action against them. The work of this Committee is continuous in nature. The Ministry of Company Affairs has also set up in August, 2004 a Monitoring Committee for closely monitoring all cases of prosecutions launched under the Companies Act, 1956 and FIRs filed/registered under the Indian Penal Code against vanishing companies and their Directors. This Committee is co-chaired by Secretary, Ministry of Company Affairs and Chairman, SEBI and includes senior officials of various State Governments and the Commissioner of Police, Delhi or his representative.

(e) & (f): Action against companies found to have vanished as per criteria at (a) & (b) above is taken by the Government under the relevant provisions of the Companies Act, 1956 and under the Indian Penal Code. In the past, such action included, inter alia, the following:

- (i) Prosecutions under Sections 62/63,68 and 628 of the Companies Act, 1956

against vanishing companies.

(ii) Prosecutions under the Companies Act, 1956 for non-filing of statutory returns;

(iii) FIRs under the Indian Penal Code against the promoters/Directors.