

**GOVERNMENT OF INDIA  
CORPORATE AFFAIRS  
LOK SABHA**

UNSTARRED QUESTION NO:855  
ANSWERED ON:17.08.2007  
VIOLATION OF COMPANIES ACT  
Baxla Shri Joachim

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

- (a) whether almost 50 per cent of the companies do not comply with Companies Act provisions resulting in hurting the interest of investors;
- (b) if so, the details thereof and the reasons therefor;
- (c) the action taken by the Government against these companies; and
- (d) the measures taken by the Government to simplify the settlement for companies found violating the Companies Act?

**Answer**

MINISTER OF CORPORATE AFFAIRS (SHRI PREM CHAND GUPTA)

(a) & (b) The provisions of the Companies Act, 1956 regulate a large number of corporate processes. The statutory obligations of a company include filing of annual returns and various other event based filings. The interests of investors are primarily associated with the listed public companies where the compliance rate, including in filing of annual returns and balance sheets etc. is found to be considerably higher than 50%.

(c) Prosecutions are filed against the non-compliant companies, when detected on the basis of inspections/investigations etc., in the courts of competent jurisdiction.

(d) Under the provisions of section 621A of the Companies Act, 1956, any offence punishable under this Act (whether committed by a company or any officer thereof), not being an offence punishable with imprisonment only, or with imprisonment and also with fine, may either before or after the institution of any prosecution, be compounded by the Central Government on payment or credit, by the company or the officer, as the case be. In case the option of compounding of offence is not resorted to, the petitions are filed before the Competent Court of Law.