

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3189
ANSWERED ON:19.08.2011
HIGH TURNOVER COMPANIES
Guddu Shri Premchandra

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government keeps a watch on companies which show suspiciously high growth in turnover and profits;
- (b) if so, the details thereof; and
- (c) if not, whether the Government plan to set up a mechanism to monitor such companies?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) Yes, Sir.

(b) There are systems that have been evolved to watch suspiciously high growth in turnover and profits. Mechanisms exist for a system generated 'Early Warning System' which can be run on data available with the Government. This system is based on certain risk parameters like abnormal change in profitability compared to earlier years, to help detect possible fraud at an early date.

SEBI also carries out investigations on the basis of inputs received from various sources including information on companies which show suspiciously high growth in turnover and profits.

Further, Exchanges, as part of their surveillance function, monitor trading activities of companies as also any substantial variation in their turnover or profits.

(c) Not applicable in view of reply to (a) above.