

STANDING COMMITTEE ON FINANCE

(2007-08)

FOURTEENTH LOK SABHA

Ministry of Corporate Affairs

**Demands for Grants
(2008-09)**

SEVENTY-FIRST REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 2008/-----Chaitra, 1930 (Saka)

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STANDING COMMITTEE ON FINANCE
(2007-2008)
(FOURTEENTH LOK SABHA)

Ministry of Corporate Affairs

Demands for Grants
(2008-09)

Presented to Lok Sabha on 16 April, 2008
Laid in Rajya Sabha on 15 April, 2008



LOK SABHA SECRETARIAT
NEW DELHI

April, 2008/---Chaitra,1930 (Saka)

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COMPOSITION OF STANDING COMMITTEE ON FINANCE – 2007-2008

Shri Ananth Kumar - Chairman

MEMBERS

LOK SABHA

2. Shri Jaswant Singh Bishnoi
3. Shri Gurudas Dasgupta
4. Shri Shyama Charan Gupta
5. Shri Vijoy Krishna
6. Shri A. Krishnaswamy
7. Dr. Rajesh Kumar Mishra
8. Shri Bhartruhari Mahtab
9. Shri Madhusudan Mistry
10. Shri Rupchand Pal
11. Shri P.S. Gadhavi
12. Shri R. Prabhu
13. Shri K.S. Rao
14. Shri Magunta Sreenivasulu Reddy
15. Shri Lakshman Seth
16. Shri A.R. Shaheen
17. Shri G.M. Siddeshwara
18. Shri M.A. Kharabela Swain
19. Shri Suresh Prabhakar Prabhu#
20. Vacant
21. Vacant

RAJYA SABHA

22. Shri Raashid Alvi
23. Shri M. Venkaiah Naidu
24. Shri S.S. Ahluwalia*
25. Shri Mahendra Mohan
26. Shri C. Ramachandraiah
27. Shri Vijay J. Darda
28. Shri S. Anbalagan
29. Shri Moinul Hassan
30. Vacant
31. Vacant

SECRETARIAT

1. Dr. (Smt) P.K. Sandhu - Additional Secretary
2. Shri A. Louis Martin - Joint Secretary
3. Shri A.K. Singh - Director
4. Shri T.G. Chandrasekhar - Deputy Secretary
5. Shri Kh. Ginalal Chung - Senior Executive Assistant

* Nominated to this Committee w.e.f. 06.09.2007 vice Shri Yaswant Sinha

Nominated to this Committee w.e.f. 24.03.2008

INTRODUCTION

I, the Chairman, Standing Committee on Finance (2007-08), having been authorised by the Committee to present the Report on their behalf, present this Seventy-First Report of the Standing Committee on Finance (2007-08) on the 'Demands for Grants (2008-09) of the Ministry of Corporate Affairs.

2. The Committee took oral evidence of the representatives of the Ministry of Corporate Affairs on 27th March, 2008.

3. The Committee considered and adopted the Report at their sitting held on 10th April, 2008. Minutes of the related sittings are given in appendix to the Report.

4. The Committee wish to express their thanks to the representatives of the Ministry of Corporate Affairs for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the Demands for Grants (2008-09).

NEW DELHI;
11 April, 2008
22 Chaitra, 1930 (Saka)

ANANTH KUMAR
Chairman,
Standing Committee on Finance

CHAPTER I

IMPLEMENTATION OF THE COMMITTEE'S RECOMMENDATIONS

The 55th Report of the Standing Committee on Finance on 'Demands for Grants – 2008-09' of the Ministry of Corporate Affairs was presented to Lok Sabha on 28th April, 2007 and laid in Rajya Sabha on 3rd May, 2007. The Report contained 8 recommendation/observations.

1.1 In compliance of the Direction 73-A of the Directions by the Speaker, the Minister of Corporate Affairs made a statement in the House on 30th November, 2007 giving the status of implementation of various recommendations/observations made by the Committee in their 55th Report. An analysis of the Minister's statement showed that out of 8 recommendations contained in the 55th report seven recommendations have been accepted (1 partially accepted) by the Government. Out of these, 5 recommendations were found implemented by the Government; and the remaining 2 recommendations are under process for implementation

1.2 On the basis of Action Taken Replies received from the Ministry of Corporate Affairs on the above mentioned Report, the Committee presented their 63rd Report (Action Taken Report) to the Parliament on 4th December, 2007. The Committee in their 63rd Report have commented on the action taken replies furnished by the Ministry in respect of recommendations contained in the 55th Report at Sl. Nos. 1 & 2. Final replies thereon are awaited from the Ministry.

CHAPTER II

2.1 The name of the Ministry has been changed from 'Ministry of Company Affairs' to the 'Ministry of Corporate Affairs' vide Presidential Notification dated May 9, 2007 keeping in view its emerging role, the wide scope and activities, and the new business models being adopted in the country in the current economic environment.

2.2 The Ministry of Corporate Affairs (MCA) administers several statutes relating to the corporate sector including 'The Companies Act, 1956'. Besides, it also administers the following Acts:

- i) The Chartered Accountants Act, 1949
- ii) The Cost and Works Accountants Act, 1959
- iii) The Company Secretaries Act, 1980
- iv) The Partnership Act, 1932
- v) The Societies Registration Act, 1860
- vi) The Companies (Donation to National Fund) Act, 1951
- vii) The Monopolies and Restrictive Trade Practices (MRTP) Act, 1969
- viii) The Competition Act, 2002

2.3 The total Budget Demand for the year 2008-2009 amounts to Rs.203.00 crore out of which 158.00 crore is under the Revenue Expenditure and Rs.45.00 crore under the Capital Expenditure. Details of budgetary provisions for various appropriation units are given in the following table:-

(Rs. in crore)

| Section | S.No. | Office | Budget 2008-09 | |
|-----------------------|-------|---|----------------|--------------------|
| | | | Plan | Estimates Non Plan |
| Plan/Non-Plan Revenue | | | | |
| | 1 | Headquarters | | 15.84 |
| | 2. | Regional Directors | | 6.72 |
| | 3. | Registrar of Companies | | 24.11 |
| | 4. | Official Liquidators | | 10.34 |
| | 5. | Monopolies & Restrictive Trade Practices Commission | | 3.41 |
| | 6. | Director General of Investigation and Registration | | 1.15 |
| | 7. | Company Law Board | | 2.04 |
| | 8. | Grants-in-aid to Recreation Club | | .0057 |
| | 9. | Grants in Aid (Competition Commission of India) | | 10.00 |

| Section | S.No. | Office | Budget Estimates 2008-09 | |
|-----------------------|-------|--|--------------------------|----------|
| | | | Plan | Non Plan |
| Plan/Non-Plan Revenue | | | | |
| | 10. | Contributions | | .01 |
| | 11. | Investors Education and Protection Fund | | 5.00 |
| | 12. | Modernization, Computerization and Networking of Ministry of Corporate Affairs and its field offices | | 72.31 |
| | 13 | Serious Fraud Investigation Office | | 3.57 |
| | 14. | National Company Law Tribunal | | .43 |
| | 15. | Indian Institute of Corporate Affairs (IICA) | 3.00 | .00 |
| Capital | 16. | Purchase of Land/building/construction of office premises/Residential accommodation for staff | 30.00 | 15.00 |
| Total: | | | 33.00 | 170.00 |

2.4 The object head-wise details are as under:-

| Section | S. No. | Sub-Head | Budget Estimates 2008-2009 (in crore of Rupees) | |
|-----------------------|--------|--|---|----------|
| | | | Plan | Non Plan |
| Plan/Non-Plan Revenue | | | | |
| | 1 | Salaries | | 44.79 |
| | 2. | Wages | | .09 |
| | 3 | Overtime Allowance | | .13 |
| | 4 | Medical Treatment | | .97 |
| | 5. | Domestic Travel Expenses | | 1.44 |
| | 6. | Foreign Travel Expenses | | .35 |
| | 7. | Office Expenses | | 12.40 |
| | 8. | Rent, Rates & Taxes | | 4.34 |
| | 9 | Publication | | .07 |
| | 10. | Other Administrative Expenses | | .23 |
| | 11. | Advertising & Publicity | | 1.19 |
| | 12. | Payments for Professional and Special Service | | 1.61 |
| | 13. | Grants-in-aid | | .007 |
| | 14. | Contributions | | .01 |
| | 15. | Investors Education & Protection Fund | | 5.00 |
| | 16. | Grants-in-Aid (Competition Commission of India) | | 10.00 |
| | 17. | Modernisation, Computerisation and Networking of Department of Company Affairs and its field offices | | 72.31 |
| | 18. | Secret Service Expenditure | | .04 |
| | 19. | Indian Institute of Corporate Affairs (IICA) | 3.00 | .00 |
| Capital | 20. | Purchase of land/building/construction of | 30.00 | 15.00 |

| Section | S. No. | Sub-Head | Budget Estimates 2008-2009 (in crore of Rupees) | |
|-----------------------|--------|---|---|----------|
| | | | Plan | Non Plan |
| Plan/Non-Plan Revenue | | | | |
| | | office premises/residential accommodation for staff | | |
| Total | | | 33.00 | 170.00 |

Revenue Section

Plan

2.5 Planning Commission has sanctioned Rs.7 crores to Indian Institute of Corporate Affairs (IICA) under Revenue Section and Rs.40 crore for 2007-08 under Eleventh Five year Plan to establish the Indian Institute of Corporate Affairs (IICA) to provide policy research and knowledge support to the Ministry on an on-going basis and serve as a think tank and implementation arm for the initiatives of the Ministry. The IICA would develop a strong institutional network with national and international institutions besides providing support for capacity building on the officials of the Ministry. Planning Commission has sanctioned an amount of Rs.3 crore under Revenue Section and Rs.30 crore under Capital Section for IICA for the financial year 2008-09.

Non-Plan

2.6 The budget of the Ministry is largely establishment – oriented. As may be seen from the figures stated above, out of the Non-Plan Budget about 28.89% of the budget is for salaries, 46.65% for Computerisation (MCA 21), 8% for office expenses, 2.8% for rents, 3.22% is for Investor Education and Protection Fund, 6.45% for Grants-in-aid (CCI), 0.92% for Travel Expenses, 1.03% for Professional Services, 0.76% for Advertising & Publicity and the balance 1.28% is for Serious Fraud Investigation Office, National Company Law Tribunal and small sub-heads like OTA, publication, and hospitality, etc.

Capital Section

2.7 For the purpose of purchase of land/building/construction of office premises/residential accommodation for staff, a sum of Rs.15.00 crore has been provided as BE 2008-09 under Non-Plan. An amount of Rs.30 crore has been provided as BE 2008-09 in Capital Section to this Ministry under Plan Scheme Indian Institute of Corporate Affairs.

REVENUE RECEIPTS

2.8 Under the Companies Act, 1956, statutory fees are prescribed for various types of services such as for registration of companies, for filing of returns/documents by companies and for making applications etc. There are also receipts by way of costs awarded by courts in prosecution cases under the Companies Act. Further, fees are also realized by way of remissions to the Investor Education and Protection Fund (IEPF) under Section 205 (C) of the Companies Act, 1956. The total revenue receipts of the Ministry during the last four years are as follows:

| Rs. in crore | | | |
|--------------|---------|---------|--------------------------------|
| 2004-05 | 2005-06 | 2006-07 | 2007-08 (upto February, 08) |
| 474.31 | 728.22 | 1037.98 | 1123.89 |

2.9 A statement indicating the Budget Estimates, Revised Estimates and Actuals for 2005-2006, 2006–2007 and 2007-2008 in respect of the demands is as given below:

| Ministry of Corporate Affairs | | | | | | | | | | | | |
|-------------------------------|---------|-------|-------|---------|-------|-------|---------|----------|------|----------|------------------|----------|
| (Rs. in crore) | | | | | | | | | | | | |
| Sub-Heads | 2005-06 | | | 2006-07 | | | 2007-08 | | | | | |
| | BE | RE | AE | BE | RE | AE | BE | | RE | | AE (upto Dec'07) | |
| | | | | | | | Plan | Non-Plan | Plan | Non-Plan | Plan | Non-Plan |
| Salaries | 30.68 | 31.18 | 31.31 | 33.50 | 37.54 | 32.40 | 0.00 | 41.30 | 0.00 | 40.00 | 0.00 | 28.16 |
| Wages | 0.00 | 0.12 | 0.05 | 0.12 | 0.09 | 0.05 | 0.00 | 0.09 | 0.00 | 0.09 | 0.00 | 0.04 |
| OTA | 0.08 | 0.11 | 0.11 | 0.10 | 0.11 | 0.11 | 0.00 | 0.11 | 0.00 | 0.13 | 0.00 | 0.08 |
| Medical Treatment | 0.90 | 0.40 | 0.45 | 0.50 | 0.70 | 0.66 | 0.00 | 0.80 | 0.00 | 0.88 | 0.00 | 0.40 |
| Travel Expenses (Domestic) | 1.23 | 1.50 | 1.27 | 1.40 | 1.37 | 1.14 | 0.00 | 1.50 | 0.00 | 1.40 | 0.00 | 0.63 |
| Travel Exp. (Forgien) | 0.29 | 0.20 | 0.11 | 0.25 | 0.25 | 0.21 | 0.00 | 0.25 | 0.00 | 0.25 | 0.00 | 0.12 |
| Office Expenses | 7.96 | 9.50 | 9.35 | 13.00 | 13.00 | 10.71 | 0.00 | 13.00 | 0.00 | 12.36 | 0.00 | 5.29 |

| | | | | | | | | | | | | |
|------------------------------|---------------|--------------|--------------|---------------|---------------|---------------|--------------|---------------|--------------|---------------|-------------|--------------|
| Rents Rates & Taxes | 4.63 | 4.28 | 6.03 | 5.00 | 6.65 | 5.00 | 0.00 | 5.69 | 0.00 | 4.35 | 0.00 | 2.22 |
| Publication | 0.04 | 0.10 | 0.02 | 0.06 | 0.06 | 0.06 | 0.00 | 0.07 | 0.00 | 0.07 | 0.00 | 0.02 |
| Banking Cash Transaction Tax | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Administrative Exp. | 0.06 | 0.10 | 0.07 | 0.10 | 0.10 | 0.09 | 0.00 | 0.10 | 0.00 | 0.23 | 0.00 | 0.09 |
| Advertising & Publicity | 0.00 | 1.50 | 0.09 | 1.00 | 0.50 | 0.17 | 0.00 | 1.00 | 0.00 | 1.10 | 0.00 | 0.04 |
| Professional Services | 1.00 | 0.59 | 0.64 | 0.57 | 0.63 | 0.51 | 0.00 | 0.75 | 0.00 | 1.51 | 0.00 | 0.23 |
| Grants in Aid | 0.00 | 1.25 | 0.00 | 0.50 | 0.01 | 0.03 | 0.00 | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 |
| Contribution | 1.26 | 0.01 | 0.00 | 0.02 | 0.01 | 0.01 | 0.00 | 0.01 | 0.00 | 0.02 | 0.00 | 0.00 |
| IEPF | 2.50 | 3.00 | 1.92 | 5.00 | 5.00 | 2.55 | 0.00 | 5.00 | 0.00 | 5.00 | 0.00 | 1.22 |
| Grants in Aid (CCD) | 2.70 | 1.50 | 1.33 | 3.00 | 3.00 | 2.40 | 0.00 | 5.00 | 0.00 | 5.00 | 0.00 | 1.59 |
| Modernisation & CN | 60.00 | 28.13 | 16.70 | 70.84 | 39.15 | 29.26 | 0.00 | 64.28 | 0.00 | 55.57 | 0.00 | 34.62 |
| Secret Service Exp. | 0.04 | 0.03 | 0.03 | 0.04 | 0.03 | 0.03 | 0.00 | 0.04 | 0.00 | 0.04 | 0.00 | 0.01 |
| IICA | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 7.00 | 0.00 | 1.00 | 0.00 | 0.00 | 0.00 |
| Capital (IICA) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 40.00 | 0.00 | 46.00 | 0.00 | 0.00 | 0.00 |
| Capital (Non-Plan) | 2.90 | 6.50 | 5.70 | 10.00 | 36.80 | 36.80 | 0.00 | 15.00 | 0.00 | 10.00 | 0.00 | 0.26 |
| | | | | | | | | | | | | |
| Total | 116.27 | 90.00 | 75.18 | 145.00 | 145.00 | 122.19 | 47.00 | 154.00 | 47.00 | 138.00 | 0.00 | 75.02 |

2.10 By way of giving an overview account of the budget proposals, the Secretary, Ministry of Corporate Affairs, while tendering evidence, stated *inter-alia*:

“Though this Ministry is primarily a service delivery Ministry, but because of the increased economic activity and better compliance, the revenues have increased from Rs. 474.31 crore in 2004-05 to Rs. 1,037.98 crore in 2006-07. In the current financial year up to February 2008, the revenue has been Rs. 1,170.28 crore.

Coming to budgetary allocation proposed, I would submit that out of total budget of Rs. 203 crore, Rs. 170 crore is on the Non-Plan side and Rs. 33 crore is on the Plan side. On the Non-Plan side, Rs. 72.31 crore is proposed for the e-governance project MCA-21 which has been widely acclaimed; Rs. 5 crore have been proposed for Investors’ Education and Protection Fund for various activities relating to protection of interest of the small investors; for Competition Commission of India, Rs. 10 crore have been kept at this stage; and for various capital works, Rs. 15 crore have been kept.”

III. MRTPC- Salary expenditure

3.1 The Budget Estimates, Revised Estimates and Actuals for the years 2004-05 to 2007-08 and Budget Estimates for 2008-09 on meeting the **salary** related expenditure of the Chairman, Members and the staff of the MRTPC are as follows:

| Year | Non-Plan(Rs in crore.) | | |
|-----------|------------------------|-------------------|---------|
| | Budget Estimates | Revised Estimates | Actuals |
| 2004-2005 | 1.57 | 1.50 | 1.32 |
| 2005-2006 | 1.57 | 1.35 | 1.28 |
| 2006-2007 | 1.55 | 2.06 | 1.30 |
| 2007-2008 | 2.27 | 2.29 | 1.42 |
| 2008-2009 | 2.52 | | |

3.2 When asked to account for substantially enhancing the outlay under the head of account at the stage of Revised Estimates in 2006-07 and 2007-08, despite the actual expenditure being lower, the Ministry have, in reply stated:

“Consequent upon enactment of the Competition Act, 2002, the MRTPC was envisaged to be wound up. However, pursuant to the amendments to the Competition Act in 2007, the MRTPC is to continue in parallel for a period of two years in order to dispose of the cases filed before it. Keeping in view that the MRTPC is to be wound up, action on filling up the vacant posts in the MRTPC was stalled. As a result, the MRTPC has a number of vacant posts for which budget provisions were made but the funds could not be utilised. During the financial year 2006-07, a large number of posts in the Commission continued to remain vacant. However, the estimated budget provision under the object head salaries in respect of the vacant posts had to be made. This resulted in the RE 2006-07 at a higher level than the BE. However, the actual expenditure in 2006-07 was based on actual expenditure on the filled up post and was less than the RE 2006-07. Similarly, during the financial year 2007-08, 45 posts remained vacant out of 123 sanctioned posts at the time of submission of RE 2007-08. But the Budget provision for the vacant posts was still made. At present also, 44 posts are still vacant in different grades. In view of the fact that the MRTPC is now required to continue for a period of two years after constitution of the Competition Commission, action has been initiated to fill up some of the essential posts as MRTPC is facing problems on account of non-availability of staff in these essential categories.”

IV. Indian Institute of Corporate Affairs

4.1 The Budget outlays for meeting the Capital Expenditure requirements for the proposed **Indian Institute of Corporate Affairs** for the years 2007-08 and 2008-09 are as follows:

| Year | BE | | RE | | Actuals | |
|-----------|-------|----------|-------|----------|---------|----------|
| | Plan | Non-plan | Plan | Non-plan | Plan | Non-plan |
| 2004-2005 | | | | | | |
| 2005-2006 | | | | | | |
| 2006-2007 | | | | | | |
| 2007-2008 | 40.00 | | 46.00 | | | |
| 2008-2009 | 30.00 | | | | | |

4.2 The submission of the Ministry in regard to the expenditure under this Head of account in 2007-08 reads as follow:

“No expenditure has been incurred under this Object Head till date as the requisite approval of the CCEA is still awaited. However, a major part of the expenditure would be incurred on procurement of land for the IICA for which a 10 acre plot has already been identified at IMT, Manesar. Subject to timely approval of the CCEA, it would be possible to release an amount of about Rs. 25.00 crore towards the cost of the land to the Haryana State Industrial Infrastructure Development Corporation (HSIIDC). There is no likelihood of any other expenditure being incurred under this Object Head during the current financial year.”

4.3 On the reasons for proposing an outlay of Rs. 30 crore under this Head in the current fiscal 2008-09, which is lower than the BE in 2007-08, the Ministry submitted the following:

“The provision for an amount of Rs. 30.00 crore has been made under this Object Head for the FY 2008-09 keeping in view the estimated expenditure during the next Financial Year. Subject to approval of the project by the CCEA, it is likely to take 5-6 months time in preparation of lay-out and building plans and engagement of the executing agency for the construction of buildings for the proposed Institute before actual construction could start. It is keeping in

view the best estimates for expenditure that the provision has been kept at this level.”

V. Streamlining Prosecution Mechanism

A. Cases pending in Courts.

5.1 An Expert Group was constituted, vide Government of India Order No. 3/39/2005/CLII dated 4th May, 2005 to examine issues relating to streamlining the prosecution mechanism under the Companies Act, 1956 to make it more effective and to advise on the following:

- i) Identification of broad categories of offences for which cases filed for violations of the Companies Act, 1956 are pending and the period of pendency thereof;
- ii) Investigating reasons for excessive pendency, where relevant;
- iii) Review of steps taken in the past to expedite disposal of these cases, their outcome and limitations;
- iv) Suggesting ways and means of expeditious disposal of these cases;
- v) Outlining a workable mechanism for expeditious disposal of cases of purely technical nature within a reasonable time frame.”

5.2 On the issue of pending prosecution cases, the Expert Group on streamlining the prosecution mechanism under the Companies Act, 1956 has observed:

“There are no designated Courts for dealing with complaints filed under the Act. The trial Courts are already over burdened with all kinds of complaints against economic offences. The daily list of cases coming up before the Courts and the number of adjournments are mind-boggling. On being adjourned, the next date normally is not fixed before 4-6 months, because the calendar of the Court is overcrowded. The Court procedures are too formal and rigid, viz., relating to examination of witnesses, recording of evidence, etc... No priority is accorded to adjudication of offences of serious nature.”

5.3 The Expert Group had also studied the recommendations of Dr. J.J. Irani Committee and was in agreement that an in-house structure should be created under MCA for dealing with cases, which are not punishable with imprisonment under the provisions of the Act.

5.4 The Group also suggested introducing a Company Law Simplified Settlement Scheme, 2005 by recommending as follows:

“MCA had also introduced a scheme in past known as Company Law Settlement Scheme 2000 (“CLSS-2000”). The scheme has received encouraging response and approx. 50% of the defaulting companies at that time had availed of this scheme. Moreover, the Government was able to collect more than Rs.136-crores by way of filing fees. The Group is of the view that the Government should again introduce a new scheme on the similar lines because a period of 5 years has elapsed since then. Therefore, the Group strongly recommends introduction of a similar scheme called Company Law Simplified Settlement Scheme 2005.”

5.5 When asked to detail the steps taken by the Government/Ministry of Corporate Affairs on the Expert group’s observations/recommendations, the Ministry submitted in their written reply as below:

“This Ministry has since examined the recommendations of the Committee and instructions have been conveyed to Registrars of Companies for taking action against defaulting companies and against whom cases have been filed in the Hon’ble Courts. The matter is also followed up by the Ministry with field offices from time to time.”

5.6 While taking evidence of the representatives of the Ministry of Corporate Affairs, the Committee, *inter-alia* pointed out that the specific nature of instructions issued to the Registrar of Companies for taking follow up action on the cases filed in the courts were not furnished by the Ministry. The Committee also desired to know whether any proposals for amendments/modifications in the Companies Act were under examination for streamlining the prosecution process. In this regard, the Ministry of Corporate Affairs, in their post-evidence reply informed *inter-alia*:

Keeping in view the legal implications with regard to prosecutions taken up under the law, the Ministry has issued instructions to the Registrars of Companies to take action for follow up of the cases filed in the Courts as follows:

- (i) Follow up of pending cases
 - (a) To update the list of cases falling in Category A as identified by the Vaish Committee.
 - (b) To seek orders from the respective courts for substituted service of summons for the companies identified as per (a) above.
 - (c) Initiate action under Section 560 against the companies identified as defunct.

- (d) To file petitions in the courts in respect of defunct companies so identified and struck off for withdrawing prosecution,
 - (e) Prosecution is to be followed up vigorously in cases of companies not found to be defunct.
 - (f) In respect of other companies, where cases are in progress or are categorized as current cases, the Registrars of Companies have been instructed to file applications in the respective courts for urgent hearings.
 - (g) Compoundable cases with substantial public interest and non-compoundable cases to be followed up and monitored closely.
- (ii) Action has been initiated against a large number of defunct companies for striking off their names from the Register of Companies. .
 - (iii) In order to streamline the statutory process no proposals for amendment/modification of the relevant provisions of the Companies Act are under examination. Proposals in this regard have also been made following the comprehensive review of the Companies Act on the basis of which a Companies Bill has been prepared and is under examination/ vetting by Law Ministry. The Companies Bill, once finalized would be introduced for the consideration of the Parliament with requisite approvals.
 - (iv) With a view to ensuring that the compliance of the provisions of the Companies Act is not diluted, it has been felt necessary that the suitable framework for effective and speedy prosecution of cases be established.
 - (v) At present, a scheme in the manner of the Company Law Settlement Scheme, 2000 is not envisaged.”

5.7 On being asked to furnish the data on the cases/prosecution’s pending with the Ministry of Corporate Affairs for the last five years, the Ministry, *inter-alia* submitted as below:

” The prosecutions filed during the last five years, as mentioned in the Annual Report, are as under:

| Sr. No. | Subject | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 |
|---------|---|---------|---------|---------|---------|---------|
| 1 | Number of companies prosecuted during the year | 1964 | 2133 | 1954 | 2560 | 1265 |
| 2 | Number of prosecutions started during the year | 8334 | 9154 | 6552 | 8129 | 5128 |
| 3 | Number of prosecutions pending at the beginning of the year | 37223 | 39899 | 45763 | 45562 | 49061 |

| Sr. No. | Subject | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 |
|---------|--|---------|---------|---------|---------|---------|
| 4 | Number of prosecutions disposed during the year | 5658 | 5467 | 4563 | 4630 | 8484 |
| 5 | Convictions | 2430 | 2804 | 2665 | 3099 | 2686 |
| 6 | Number of prosecutions ending in acquittals | 356 | 441 | 370 | 164 | 185 |
| 7 | Number of prosecutions withdrawn or otherwise disposed of (including condonations) | 1629 | 866 | 990 | 890 | 1763 |
| 8 | Number of prosecutions pending at the end of the year | 39899 | 43580 | 45562 | 49061 | 45705 |
| 9 | Total fine imposed (in rupees) | 4267676 | 5953475 | 5988662 | 5229401 | 7159012 |

5.8 In reply to a question posed by the Committee whether the fact that the number of prosecution cases pending was not indicative of the fact that the initiatives taken for speedy disposal of cases have not been effective, the Ministry, in a written reply stated:

“The rise in number of pending prosecution cases is primarily due to the reason that disposal of pending cases of prosecution depends upon the legal process pursued in accordance with the Companies Act, 1956 in various courts of law. The Government is concerned at the time taken in prosecution of offenders for offences under the Companies Act, 1956. Proposals with regard to prosecution of offences are also under examination as a part of the comprehensive review of the Companies Act taken up by the Ministry. A Draft Companies Bill to replace the Companies Act, 1956 is under examination/ vetting of the Law Ministry, to be introduced in the Parliament after requisite approvals.”

B. Cases pending with Company Law Board (CLB)

5.9 On being asked to specify the cases pending with the Company Law Board (CLB) as on date, and to specify whether any timeframe has been set for clearing cases pending with the CLB, the Ministry of Corporate Affairs *inter-alia* stated as under in reply:

“The details of the number of cases pending in various Benches of the Company Law Board as on 31.12.2007 and the years from which the same are pending are given in the following statement:-

| Year | Regional Benches | Principal | Addl. | Total |
|------|------------------|-----------|-------|-------|
|------|------------------|-----------|-------|-------|

| | (NR, ER, WR, SR) | Bench, New Delhi | Principal Bench, Chennai | |
|--------------|------------------|---------------------|--------------------------------|-------------|
| 1992-93 | 0 | 1 | 0 | 1 |
| 1993-94 | 0 | 1 | 0 | 1 |
| 1994-95 | 0 | 1 | 3 | 4 |
| 1995-96 | 0 | 1 | 0 | 1 |
| 1996-97 | 1 | 4 | 3 | 8 |
| 1997-98 | 1 | 5 | 1 | 7 |
| 1998-99 | 0 | 3 | 0 | 3 |
| 1999-2000 | 1 | 7 | 1 | 9 |
| 2000-01 | 2 | 7 | 0 | 9 |
| 2001-02 | 24 | 10 | 1 | 35 |
| 2002-03 | 81 | 14 | 9 | 104 |
| 2003-04 | 39 | 19 | 5 | 63 |
| 2004-05 | 264 | 33 | 13 | 310 |
| 2005-06 | 138 | 35 | 32 | 205 |
| 2006-07 | 186 | 73 | 40 | 299 |
| 2007-08 | 460 | 171 | 100 | 731 |
| Total | 1197 | 385 | 208 | 1790 |

5.10 The Committee, in their 55th report on Demands for Grants (2007-08) of the Ministry observed and recommended as follows on the issue of vacancies in the CLB:

“.....despite of the increasing pendency of applications/petitions referred to Company Law Board and despite being aware of the fact that non-availability of Members in the Company Law Board is hampering its efficiency, the Government have initiated steps to fill up only two of the five vacant posts on the Board. The Committee do not agree with the approach of the Government in trying to maintain a minimum functional arrangement which is not in the interest of speedy disposal of petitions/applications. The Committee are of the view that the transitory period to the setting up of the NCLT/NCLAT which has been delayed owing to legal challenges should not be treated in a cursory manner by the Government, as it would only result in piling up of petitions/applications as is evident from the data made available to the Committee. For instance, the percentage of pending petitions/applications before the Benches rose from 28.8% during the period 01.04.2005 to 31.03.2006 to 36.53% during the period, 01.4.2006 to 31.12.2006. recommend that all the vacant posts in the Company Law Board be filled up in order to facilitate speedy disposal of pending cases.”

5.11 The Ministry in their reply on the action taken on the above recommendation had stated as follows:

“On the basis of recruitment process undertaken for filling up of one post of each of Member(Judicial) and Member (Technical), Selection Committee met on 03.5.2007 and has recommended candidates for these posts. The

proposal has been set to the Department of Personnel & Training (DOPT) for obtaining approval of the Appointment Committee of the Cabinet (ACC).”

5.12 In response to a specific query posed by the Committee in the course of examination of Demands for Grants of the Ministry of Corporate Affairs for the current year, 2008-09 on whether the CLB has been functioning with its full strength or not, the Ministry, in a written reply stated as under:

“Out of sanctioned strength of 09 Members (including Chairman and Vice-Chairman) Chairman, Vice-Chairman and three Members are in position at present. The CLB has been functioning only with a strength of 05-06 members since its establishment. However, in view of the uncertainty of time regarding the establishment of the NCLT/ NCLAT, a decision has now been taken to fill up 04 vacant posts also. Requisite action in this connection is being taken. “

5.13 The Committee had also, in their 55th report on Demands for Grants of the Ministry for the previous year, 2007-08 recommended taking appropriate legal measures for having the stay on setting up of NCLT/NCLAT vacated at the earliest. In their final action taken statement furnished in this regard, the Ministry had stated as under:-

“The SLP filed by the Central Government before the Supreme Court in the matter of setting up of NCLT/NCLAT has since been heard. The Hon’ble Supreme Court has referred the matter to the constitutional Bench, which is yet to be constituted.”

5.14 On the latest position on the legal challenge to the setting up NCLT/NCLAT in this regard, the Ministry informed the Committee as follows:-

“The position with regard to the legal challenge to the setting up of NCLT/NCLAT is that, consequent to the order of the Hon’ble Supreme Court dated 18.5.2007 wherein the matter was referred to the Constitutional Bench, the said Constitutional Bench is yet to be constituted by the Apex Court.”

VI. Vanishing Companies

a) Identification of Vanishing Companies

6.1 The Committee had in their 55th Report on Demands for Grants (2007-08) of the Ministry of Corporate Affairs *inter-alia* recommended for streamlining the criteria for identification of vanishing companies. The Ministry in their final action taken statement furnished to the Committee, stated that in recognition of the need for revising the criteria in accordance with the recommendations of the Committee, the CMC had constituted a 'Small Group' (consisting of officials from the MCA, Ministry of Finance and SEBI) to examine this issue carefully keeping in view the legal provisions. It was informed that the report of the Small Group has been received and is being examined in the Ministry.

6.2 By way of furnishing the latest status of the revising the criteria for identification of vanishing companies in the course of examination of Demands for Grants of the current year, 2008-09, the Ministry *inter-alia* submitted the following information to the Committee:

"The report submitted by the Small Group has since been examined and considered by the Coordination and Monitoring Committee (CMC) constituted to address the issue of vanishing companies in its meeting held on 04. 03. 2008. As per the decision taken by the CMC, the criteria for identification of vanishing companies has been revised as indicated in the statement given in the following table:

| Sr. No. | Existing Criteria | Revised Criteria |
|---|---|---|
| a) | Company has not complied with filing requirements/ listing requirements of Registrar of Companies (ROC/ Stock Exchange (SE) respectively for a period of 2 years. | Failure to file returns with RoC for a period of two years; |
| b) | No correspondence has been received by the Stock Exchange from the company for a long time. | Failure to file returns with Stock Exchanges for a period of two years (if it continues to be a listed company)* |
| c) | No office of the company is located at the mentioned registered office address at the time of physical inspection. | No office of the company is located at the notified registered office address at the time of physical inspection; and |
| d) | | None of the Directors are traceable. |
| Notes: i) * De-listed companies complying with (a), (c) & (d) above will be considered for including in the list of Vanishing Companies. | | |

ii) As for the listed companies, all the conditions laid down have to be met for treating a company as vanishing and companies satisfying one or more but not all conditions are not to be considered as vanishing.

Keeping in view that the listed companies are required to file quarterly/ half-yearly returns with the Stock Exchange as against 'Annual Returns' required to be filed with the ROCs and that a period of two years of default may be too long a period for the default to be allowed to continue, SEBI may explore the possibilities of initiating proceedings against the companies in default of filing two quarterly/ half-yearly returns in consultation with the Stock Exchange so that timely action is initiated against the potential vanishing companies. SEBI has assured to examine the proposal in view of the legal provisions.”

6.3 As per the Annual Report (2006-07) of the Ministry of Corporate Affairs, the total number of companies which came out with IPOs, 114 companies during 1992-98 and 9 companies 1998-2001 were found vanishing. All these 9 companies are based in Andhra Pradesh in the southern region. On the total amount raised from the public by these companies through IPOs, the Ministry stated as follows:

“The total number of Companies identified as vanishing companies for the period 1992-98, now stand at 113 as one company has been traced back out of the earlier reported number of 114. The total amount raised from the public by these 113 companies through IPOs is approximately Rs. 793.31 crore. Further, for the period 1998-2001, 09 companies have been identified as vanishing companies. These 09 companies have raised an amount of approximately Rs. 28.40 crore through the IPOs.”

6.4 When asked about the penal action initiated against the 114 and 9 vanishing companies identified during 1992-98 and 1998-2001 respectively, the Ministry inter-alia furnished the following reply:

“A statement showing Region-wise details of action taken against 113 vanishing companies, which came out with IPOs during 1992-98 under the Companies Act, 1956 and Indian Penal Code is given below:

| Subject/ Particulars | Northern Region | Western Region | Easterr Region | Southern Region | Total |
|--|-----------------|----------------|----------------|-----------------|-------|
| Number of vanishing companies | 17 | 49 | 13 | 34 | 113 |
| Number of companies against which prosecutions filed under Sections 62/63, 68 & 628 of | 17 | 48 | 13 | 31 | 109 |

| | | | | | |
|---|----|----|----|----|-----|
| the Companies Act, 1956 | | | | | |
| Number of companies against which prosecutions filed for non-filing of statutory returns. | 16 | 47 | 11 | 17 | 91 |
| Number of companies in respect of which FIRs have been filed under Indian Penal Code. | 16 | 45 | 13 | 30 | 104 |
| Number of companies in respect of which the FIRs have been registered under IPC. | 15 | 45 | 13 | 27 | 100 |

As far as 09 companies identified as vanishing companies, which came out with IPOs during 1998-2001, RoC, Hyderabad has launched prosecutions against 4 companies for non-filing of statutory returns and Show Cause Notices (SCNs) have been issued to 08 companies under Sections 63, 68 & 628 of the Companies Act. Filing of FIRs is under progress.”

6.5 The Committee, in the course of taking evidence of the representatives of Ministry of Corporate Affairs desired to know whether there was any specific reason for the 9 vanishing companies identified in the period, 1998-2001 being based in one region, viz. Hyderabad. The Ministry, in their post evidence reply furnished in this regard stated as follows:

“Initially, a total of 09 companies out of those that went in for public issues during the period 1998-2001 were identified as vanishing. Subsequently, it has been found that one of these 09 companies, namely, Baron Infotech Ltd. is regular in filing the statutory documents and its name has been deleted from the list of vanishing companies by the CMC. As for the remaining 08 companies, it has been reported by the ROC, Hyderabad that all of these companies were in the business of computers software and hardware. The specific reasons as to why these companies have failed are being further examined as preliminary analysis has not revealed any plausible reason linking the fact of vanishing of all these companies with a single location.”

6.6 The Committee further desired to know the current status of action being taken/ prosecution proceedings against 113 companies that raised approx. Rs. 793.31 crore during the period, 1992-1998 and have been identified as ‘vanishing’. In this regard, the Ministry, in their post evidence *reply inter-alia* stated:-

“Prosecution proceedings are being followed up in the Courts of competent jurisdiction. The Regional Task Forces for vanishing companies have been directed to review the status of each of the cases during their regular monitoring and review committee meetings and detailed information will be compiled on this basis thereafter. Meanwhile, based on the information currently available, it may be stated that in regard to the status on the proceedings against the vanishing companies, it has been observed that:

A. In respect of prosecutions filed under the provisions of the Companies Act:

The prosecution cases are before the Courts. Fines have been imposed in certain cases while in many others, it has not been found possible to effect the service of summons.

B. In respect of FIRs registered under the provisions of the Indian Penal Code:

The investigations are in progress. A total of 34 promoters and directors were arrested by the police in the State of Gujarat alone. However, these individuals have been released on bail by the competent Courts of jurisdiction.

Action against vanishing companies is taken under the overall supervision of the Coordination and Monitoring Committee (CMC) on Vanishing Companies, supported by the Regional Task Forces. Necessary investigations are carried out within this framework.”

6.7 When asked to furnish details of the current status of the exercise for identification of vanishing companies during the period, 2001-2005, the Ministry, in their post-evidence reply informed:-

“The exercise for identification of vanishing companies in respect of the companies that came out with IPOs during 2001-05 has been completed in all the Regions. It has been found that 102 companies that came out with the IPOs during this period and all of them are regular in filing their returns with the ROCs and none has been found vanishing.”

b) Utilisation of IPO proceeds

6.8 In response to a question on instances, if any, where the IPO proceeds of the company may have been utilized for purposes other than the ones stated in the prospectus of the company and to furnish such details, the Ministry, in a written reply stated:

“As per the decision taken by the CMC, the Ministry has ordered for the technical scrutiny of the balance sheets of those companies which had come out with the IPOs during 2001-2005. The results of this exercise in terms of any mis-utilization of IPO proceeds would be submitted in due course. The Ministry is contemplating technical scrutiny of the balance sheets of companies which have come out with IPOs for the period subsequent to this as well. It is submitted that the Ministry is conscious of the fact that mis-utilization of IPO proceeds in the first few years is an early warning towards a potential vanishing companies.”

6.9 When asked to specify the guidelines applicable for companies in regard to utilization of funds raised by companies through IPOs, and the prevailing mechanism, if any, for ensuring transparent post IPO practice by companies, in the interests of small investors, the Ministry have, in a written reply, stated inter-alia

“Under the provisions of the Companies Act, 1956 action is taken against such companies and its Promoters/Directors for misstatement in prospectus/ fraudulently inducing persons to invest money/ false statement made in the offer documents etc. The company is also required to disclose in its Balance Sheets unutilised monies out of issue as per the Schedule-VI of the Act. Further, as per Companies (Auditor’s Report) Order, 2003 (CARO) the Auditor has to report whether the management of the company has disclosed on the end use of the money raised by public issue and the same has been verified.

Further, SEBI has introduced Clause 49 of the Listing Agreement, which requires any listed company to disclose to the Audit Committee, the uses/ applications of funds raised through public/ rights or preferential basis, on a quarterly basis as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and place it before the audit committee. Such disclosure is required to be made till such time that the full money raised through the issue has been fully spent. This statement shall be certified by the statutory auditors of the company. The audit committee is required to make appropriate recommendations to the Board to take up steps in this matter.”

6.10 In the course of taking evidence of the representatives of Ministry of Corporate Affairs, the Committee inter-alia raised issues relating to the role of Ministry of

Corporate Affairs vis-à-vis SEBI in monitoring of IPO proceeds raised by companies. In this regard, the Ministry, in their post evidence reply, stated:

“Under an amendment carried out in 2000, Section 55A was introduced in the Companies Act, 1956 through which the powers related to various issues related to the IPOs were vested in SEBI. Under the present legal position, a company wanting to raise money from the market has to file a prospectus with SEBI and after the same is approved, the Registrar of Companies registers the prospectus. Under the SEBI Regulations, all the companies that have come out with IPOs are required to file a quarterly return on utilization of IPOs proceeds to the respective Stock Exchange. In a recent meeting of the CMC, a specific point was made with respect to the responsibilities of SEBI to monitor of utilization of these funds. The views expressed by the Members of the Committee were agreed by the whole time Member of SEBI who attended the meeting on behalf of Chairman.

It was observed during the meeting that the default period of two years in filing the statutory returns was a very long period for a company likely to indulge in any mischief or fraudulent activities. However, the Registrar of Companies had no means to identify a company that could indicate signs of any fraud or its disappearance from the market keeping in view the time frame prescribed in the Act for filing returns with the ROC. On the other hand, the listed companies were required to file quarterly returns with Stock Exchanges. Hence, SEBI was in a better position, through its governance relationship with the Stock Exchanges, to identify the potential of any fraud at an earlier stage. Accordingly, it was decided that SEBI may examine the action to be taken by them against such companies in the event of non-filing of two successive quarterly returns. Requisite action, as permissible under the SEBI regulation may be taken against such defaulting companies for which a clear approach/guidelines be formulated by SEBI after in-depth examination of this issue.

Regarding the issue for monitoring the utilization of funds raised through IPOs and the possible legal actions for disgorgement of assets of promoters/directors, the Committee stated that the administrative powers of MCA relating to issue and transfer of securities and non-payment of dividend etc. under the Companies Act, 1956 were delegated to SEBI through Section 55A of the Act. Therefore, Committee felt that SEBI should examine and report on the options available under their regulations for monitoring the utilization of funds and the course of action to be under taken. Dr. T. C. Nair, Member, SEBI agreed for the same.”

VII. Investor Education and Protection Fund - IEPF

7.1 In regard to the Investor Education and Protection Fund (IEPF), the Chairman, SEBI had, while deposing before the Committee submitted:

“The Committee is aware that the JPC had recommended that Investor Education and Protection Fund which is with the Ministry of Corporate Affairs should be placed at SEBI’s disposal. Notwithstanding the JPCs recommendations, that money is till not with SEBI. Therefore, we set up a few months ago, our own investors Protection and Education Fund with our own money.”

7.2 The Committee sought to know as to why the IEPF has not been transferred to SEBI, as recommended by the JPC. In this regard, the Ministry, in a written reply stated:-

“The Investor Education and Protection Fund (IEPF) has been provided for under Section 205C of the Companies Act, 1956 by way of Companies (Amendment) Act, 1999. The sources of monies that may accrue to the Fund have been detailed in the statute itself. The Fund is meant to be utilized for promotion of investors’ awareness and protection of their interests through education about the nature of capital market operations and their rights as participants/stakeholders. At present, the Ministry of Finance has not permitted the operation of IEPF as a separate Fund and the amounts which are deposited under the provisions of Section 205C are getting credited to the Consolidated Fund of India only. Therefore, it has not been possible to establish the actual separate fund as envisaged under the statute. Every year the Ministry seeks a budgetary grant for undertaking the activities related to investor education and awareness. The Ministry has been pursuing the establishment of the Fund with MoF.

While SEBI is required to play the role of an impartial regulator in the capital market, given the present stage of development of the capital market and the level of awareness among the existing and potential small investors, investor education is recognized as an important activity for the Government to pursue. However, to ensure that SEBI is fully engaged in investor education and protection activities as far as listed companies are concerned, and adequate funds are available for this purpose, the SEBI Board has approved creation of the ‘Investor Protection and Education Fund (IPEF)’. There is no constraint in availability of funds with SEBI to take up all possible action and initiatives towards achievement of this objective.”

“It is submitted that SEBI deals only with the listed companies whose number is roughly 10,000 only as compared to more than 8.50 lakh companies registered under the Companies Act, 1956. Out of these 10,000 companies, not more than 2000 companies’ shares are actively traded in the stock markets. The Investor Education and Protection Fund (IEPF) created under Section 205C of the Companies Act, 1956 caters to the interest of all categories of investors including the depositors. Therefore, the mandate of IEPF goes much beyond the interest of the shareholders of the listed companies which represent the jurisdiction of SEBI. The Ministry feels that in case the Fund is put at the disposal of SEBI, they will not be able to address the issues related to investors beyond those of the listed companies regulated by it. Accordingly it was felt that this Fund should stay with the Ministry only.”

7.3 As per information furnished by the Ministry of Corporate Affairs, as on 15.2.2008, there were 69 associations/organizations registered/tying up with the Investors Education and Protection Fund for the purpose of investor education and awareness campaigns.

7.4 When asked to furnish/specify the number of investors in each State/Territory and the number of organizations/associations in each State/UT undertaking investor education and awareness campaigns, the Ministry submitted the following reply:

“The Ministry does not have the data in respect of number of investors in each of the States and Union Territories. However, number of organisations/associations registered under IEPF in each States is as follows:

| State | No. of NGOs registered |
|----------------|------------------------|
| Maharashtra | 4 |
| Gujarat | 3 |
| New Delhi | 9 |
| Orissa | 9 |
| Tamilnadu | 15 |
| Rajasthan | 4 |
| Andhra Pradesh | 4 |
| Assam. | 2 |
| West Bengal | 4 |
| Uttar Pradesh | 6 |
| Uttarakhand | 1 |
| Madhya Pradesh | 2 |
| Karnataka | 4 |
| Kerala | 1 |
| Pondicherry | 1 |
| Total | 69 |

7.5 When asked whether any co-relation or synergy was ensured in regard to the number of organizations/associations providing assistance for carrying out investor education campaigns and the number of investors in each State, the Ministry in a written reply stated:

“The system of providing assistance to organization under the IEPF is dependent on the number of organizations which approach the Ministry. The Ministry has been releasing advertisements in print media from time to time asking the NGOs/VOs engaged in investor education activities to take the advantage of the capacity building and financial assistance being provided under the IEPF. As explained above, the assistance is provided on case to case basis strictly on the basis of the laid down criteria. Under the circumstances, there may not be a direct correlation between the investments made in the IPOs and the money spent under the IEPF.

Further, the extent of representation of different states in the list of the organizations to which the assistance had been provided would depend on the initiative taken by the organizations located in the concerned states.”

7.6 The Committee also *inter-alia* sought to know details of the procedure followed in determining the quantum of funds provided to the associations/organizations for undertaking investor protection activities; and particulars of organizations provided financial assistance of Rs. 20 lakh or above under IEPF.

7.7 The position in respect to procedure followed, as furnished by the Ministry is shown in Appendix I; and organizations/NGOs provided financial assistance under IEPF, is shown in Appendix II.

7.8 Details of the Budget outlays and actuals of expenditure under the Head of Account for Investors Education and Protection Fund for the years 2004-05 to 2007-08 and the Budget estimates for 2008-09 are as under:

| Non-Plan(Rs in crore.) | | | |
|------------------------|------------------|-------------------|---------|
| Year | Budget Estimates | Revised Estimates | Actuals |
| 2004-2005 | 3.00 | 3.00 | 1.69 |
| 2005-2006 | 2.50 | 3.00 | 1.92 |
| 2006-2007 | 5.00 | 5.00 | 2.54 |
| 2007-2008 | 5.00 | 5.00 | 3.42 |
| 2008-2009 | 5.00 | | |

7.9 When asked to furnish the reasons for the continued shortfall in meeting the budgeted expenditure for IEPF, the Ministry, in reply stated *inter-alia*:

“The activities for education of the investors under IEPF were planned to be given a major thrust during 2005-06 by resorting to extensive use of electronic media besides print media. In the wake of proposed programmes, the budget was increased from Rs.2.5 crore to Rs.3 crore at RE stage.”

7.10 When asked further to specify whether identical/similar reasons were attributable to the shortfall noticed in 2004-05, 2005-06, 2006-07 and 2007-08, the Ministry *inter-alia* submitted the following in reply:

“The less utilization of funds is partly on account of inadequate receipt of quality proposals from genuine organizations notwithstanding the Ministry’s repeated advertisements through the print media inviting proposals for

financing under the IEPF. Further, the Ministry has been working on development of two major programmes on financial literacy campaigns. As per the plan, it is proposed to:

- i) Develop the content, script and television programmes for telecasting 13-26 episodes on investor education covering various aspects of investments in capital and securities market to be telecast through major business channels, and
- ii) Preparation and development of a 52 episode financial literacy quiz programme on capital market related issues (on the pattern of Bournvita Quiz contest) to be telecast through a popular TV channel.

Since the Ministry does not have in-house resources and capacity available for development of content, scripts and preparation of the media, it has sought involvement of the two professional Institutes to assist the Ministry in implementation of these two initiatives. The Institutes have already completed the preliminary work and it is expected that it should be possible to implement these programmes during 2008-09. Assuming that these programmes materialize as planned, the requirement of funds may be significantly in excess of the budget provisions.”

PART - II
Recommendations/Observations of the Committee

1. The budget outlays and expenditure of the Ministry of Corporate Affairs reveal substantial variations in the budget estimates(BE) and actual expenditure (AE) year. While the budget outlay of the Ministry at the stage of BE in 2005-06 was Rs. 116.27 crore the actual expenditure was Rs. 75.18 crore. Likewise, for the year 2006-07 as against the originally budgeted expenditure of Rs. 145 crore, the actual expenditure (AE) was only Rs. 122.19 crore, and the budgeted expenditure of Rs. 75 crore incurred upto December, 2007, for the year 2007-08 is less than 50% of the total outlay for the year. Under utilisation of the budgeted outlays of the Ministry of Corporate Affairs has been more pronounced in regard to the programme of modernization and computerization and for the Indian Institute of Corporate Affairs(IICA). The Ministry of Corporate Affairs also generated revenue to the tune of Rs. 728.22 crore, Rs. 1037.98 crore and Rs. 1123.89 crore through statutory fees during the years 2005-06, 2006-07 and 2007-08(upto February, 2008). Specific issues concerning the Ministry of Corporate Affairs are discussed in the subsequent sections of this report.

MRTPC- Salary expenditure

2. The Committee note that MRTP Commission is proposed to be wound up in 2009-10. Consequently no action has been taken to fill up the vacant posts. The Committee are, therefore, surprised that budget outlays are continued to be made even for vacant posts, resulting in substantial mismatch between the Budget Estimates, Revised Estimates and Actual Expenditure. The Committee are not happy with this fiscal imprudence and desire the Ministry of Corporate Affairs to ensure the allocation of funds only for the anticipated requirement relating to the posts being operated upon.

Indian Institute of Corporate Affairs

3. Indian Institute of Corporate Affairs(IICA) is proposed to be set up during the Eleventh Plan period to provide policy research and knowledge support to the Ministry of Corporate Affairs on an on-going basis and serve as think tank and implementation arm for the initiatives of the Ministry. The Committee are surprised to note that that, though CCEA approval was still awaited, an outlay of Rs. 40 crore was made in 2007-08 which was subsequently revised for inexplicable reasons to Rs. 46 crore at RE stage. For the year 2008-09, the Ministry has understandably scaled down the outlay to Rs. 30 crore, as there was no likelihood of any other expenditure except the release of funds towards the cost of land amounting to Rs. 25 crore. The Committee would like the Ministry of Corporate Affairs to pursue the matter vigorously with CCEA for early clearance of the proposal and ensure that IICA is set up expeditiously.

Streamlining prosecution mechanism

4. It has been observed that the cases of prosecution against the companies has risen from 39,899 at the end of 2001-02 to 45,705 at the end of 2005-06. Considering that relevant data for subsequent years are not readily available, the Committee are inclined to believe that there is lack of seriousness and efforts on the part of the Ministry of Corporate Affairs for streamlining the prosecution process. The Committee are in agreement with the views of the Vaish Committee, 2005 for the desirability of a suitable framework/in-house structure to speed up the process of prosecution and introduction of a “Company Law simplified Settlement Scheme” on the lines of a similar scheme launched in 2000, which evoked encouraging response. The Committee hope that required proposals in this regard will be initiated without further delay.

Company Law Board(CLB)

5. The Committee had, in their report on the Demands for Grants of the Ministry of Corporate Affairs for the previous year(2007-08) expressed the need for filling up the vacant positions in the Company Law Board so as to address the problem of increasing number of cases before the Board. According to the

Ministry of Corporate Affairs, presently four of the nine posts in the Company Law Board are vacant, while the number of cases pending has risen from 205 in 2005-06 to 731 in 2007-08. The Committee expect that, as assured by the Ministry, necessary action will be taken in a time bound manner within three months for filling up the vacant posts in the Company Law Board. The Committee also wish to be apprised of the progress in this regard.

Identification of Vanishing Companies

6. The Committee appreciate the fact that as recommended in their report on the Demands for Grants of the Ministry for the previous year, 2007-08, the criteria for identification of vanishing companies have been reviewed and streamlined. The revised criteria for identification of vanishing companies include the additional aspects of failure on the part of listed companies to file returns with the stock exchanges, and non-traceability of Directors of companies. As per the revised criteria for identification of vanishing companies, in case of listed companies failing to file returns with the stock exchanges, the SEBI is expected to explore the possibility of initiating proceedings against the companies in default in consultation with the Stock Exchanges. As the matter has a bearing on identifying potentially vanishing companies, which would help in securing the interests of the investors, the Committee wish to be apprised of the initiatives taken in this direction and their effectiveness in identifying and initiating action against errant companies.

Prosecution of Vanishing Companies

7. The Committee had, in their report on Demands for Grants(2007-08) of the Ministry of Corporate Affairs, *inter-alia*, emphasized on taking appropriate initiatives in ensuring early prosecution of the companies, which raised approximately Rs. 793.31 crore through IPOs during the period, 1992-1998 and have been identified to have vanished. While precious little seems to have been done in prosecuting the companies, the Ministry have informed that detailed information on the status of the prosecution action will be compiled on the basis of the review of each of the cases by the Regional Task Forces on vanishing companies. The Committee desire that the review process be completed

expeditiously and appropriate initiatives be taken for early conclusion of the prosecution process against the companies involved. The Committee also wish to be apprised of the progress and outcome of the prosecution action against vanishing companies identified during the period 2001-05. The Committee further desire that a detailed investigation should be carried out to identify the reasons for the companies registered at Hyderabad during 1998-2007 getting vanished.

Utilisation of IPO proceeds

8. The Committee concur with the view of the Ministry of Corporate Affairs, that 'mis-utilisation of IPO proceeds in the first few years is an early warning towards a potential vanishing company'. Considering the fact that identifying instances of mis-utilisation of IPO proceeds by companies help in securing the interests of investors and initiating appropriate action against errant or potentially errant companies, the Committee recommend that the exercise of technical scrutiny of balance sheets of companies that came out with IPOs from 2001 onwards be completed expeditiously. The Committee also desire that an expert group in consultation with SEBI be set up to evolve a detailed mechanism to effectively evaluate and monitor the utilisation of IPO proceeds as to identify and take remedial steps against the fraudulent companies.

IEPF

9. The Committee are not convinced as the reasons advanced by the Ministry for not transferring the IEPF to SEBI, as had been recommended by the JPC on Securities Scam. The Committee, therefore, desire that the matter should be looked into afresh. The Committee also regret to observe the under utilization of budget outlays in respect of Investor Education and Protection Fund, which ranged from 36 percent to 49 percent during the years 2004-05 to 2007-08 The Committee are not convinced by the reasons adduced therefor and desire the Ministry of Corporate Affairs to chalk out a strategy to ensure full utilisation of funds to give impetus to efforts for education and protection of small investors.

10. The Committee are also anguished that the financial assistance provided under IEPF has remained mostly confined to Northern region with Rs. 3.24 crore allocated as on 15.2.2008 to NGOs based at New Delhi. There appears to be concentration of investors' fora only in some places. For instance, out of 69

registered NGOs/Vos, 9 are from Delhi, 4 from Madurai and only one from Mumbai. The Committee, therefore, recommend that a departmental enquiry be conducted regarding the funds allocation to NGOs/VOs for undertaking investor education activities. The Committee wish to be apprised of the outcome of the enquiry within three months. The Committee also desire that efforts be made to promote establishment of investor fora in all places and intensify efforts for protection and welfare of investors, by appropriate awareness campaigns and assistance to various organizations.

NEW DELHI;
11 April, 2008
22 Chaitra, 1930 (Saka)

ANANTH KUMAR
Chairman,
Standing Committee on Finance

Procedure followed in determining the quantum of funds provided to each of the organisations/associations and as well as the modalities followed for transferring funds organizations undertaking investor awareness programme under IEPF.

Appendix-I
(Vide para no. 7.7 of the report)

a) Position with respect to the procedure is indicated below:

i) The Ministry has evolved a well-defined procedure for registration of NGOs/ VOs and provision of financial assistance under the IEPF. Any voluntary organization or association undertaking projects for investor education including research activities, proposing to take up investors' welfare programmes, organizing seminars, symposia, etc. can apply for registration under the IEPF. They are required to file an application in the prescribed Form No. 3 of IEPF Rules. The application for financial assistance under IEPF is required to be filed in Form No. 4 of IEPF Rules. The prescribed forms are also available on the portal of the website www.iepf.gov.in.

ii) The registration/ financial assistance under IEPF is provided to an association/organization only after a pre-sanction scrutiny of its proposals. Indian Institute of Capital Markets (IICM), Mumbai has been engaged by this Ministry to conduct Pre-Sanction scrutiny. The proposal, once received in the Ministry, is sent to IICM for pre-sanction scrutiny. IICM carries out due diligence, including visits to the places where such applicants are carrying on their operations and examine the proposal of the organization/ association with a view to assessing the genuineness of the organization and reasonableness of the proposal. Thereafter, IICM submits its recommendation in respect of registration as well as financial assistance under IEPF and sends the same to this Ministry for consideration. The recommendations of the IICM are then placed before the Sub-Committee/ Committee on IEPF for an appropriate decision. Once the sub-committee finds justification for registration of the organization, the representatives of the organization/ association are invited to the IICM for conducting "Training the Trainers" programmes under the Capacity Building exercise.

iii) Financial assistance under IEPF is provided to the extent of 100% to the organizations implementing specific projects sponsored by the Ministry. The assistance includes the cost of physical infrastructure in terms of hardware etc and involves long term support to the organization. For the NGOs/Vos engaged in investor education, financial assistance is provided to the extent of 80% of the amount found justified in the individual proposals and the remaining 20% is required to be borne by the organization itself. It does not take into account any costs for establishment or infrastructure for which the expenses have to be met by the applicant NGO/ VO. Upon approval of financial assistance to any organization, 80% of the sanctioned amount (i.e. 80% of the proposal) is released to the organization upfront. The organization is required to submit the Utilization Certificate and audited statement of accounts in respect of the grant provided under IEPF for the release of balance 20% amount. These documents are then scrutinized by the IICM as a part of the process of post-scrutiny and the recommendations of IICM are communicated to the Ministry for final settlement of the accounts.

iv). The procedure and criteria to be followed by the IICM in carrying out its obligations has also been clearly laid down so as to maintain objectivity and transparency for the purpose of vetting/ evaluating the applications for registration under IEPF. The applications received in the prescribed Form 3 should conform to the following criteria/guidelines:

- Any entity that has a viable project proposal on investor education and protection shall be eligible for registration;
- The entities already engaged in activities relating to investor awareness, education and protection and proposing to take up investors programmes, organizing seminars, symposia etc. shall undertake projects for investor protection including research activities;
- The entities shall be registered under the Societies Registration Act or formed as Trusts or incorporated companies;
- Entities shall, unless specific exemption has been made in this regard by the IEPF Committee, be in existence for a minimum period of 2 years prior to its date of application for registration;
- Entities shall have a minimum of 20 members and a proven record of at least 2 years;
- Entities shall have rules, regulations and/ or by-laws for its governance and management. These rules, regulations and or by-laws shall be in conformity with the conditions of registration;
- The entity shall be managed by a governing board/management committee;
- No profit-making entity shall be eligible for registration for the purposes of financial assistance from the fund. Notwithstanding the above, the IEPF Committee can give a project to any organization;
- The amount of grant assistance given from IEPF shall be subject to an audit by the Ministry of Corporate Affairs to ensure its proper utilization;
- While considering proposals, the IEPF Committee shall take into account the audited accounts and the annual reports of the last three years of the entity seeking assistance from IEPF.

Organizations which have been provided financial assistance of Rs 20 lakh or above under IEPF

- a) There are two broad categories of organizations which have been provided financial assistance under the IEPF. The first category consists of two organizations, namely, PIPAL and Midas Touch who have been selected by the Ministry for development and management operations of the two web sites i.e. www.watchoutinvestors.com and www.investorhelpline.in. PIPAL has also developed another website viz. www.iepf.gov.in on a pro bono basis (without any fees) on a trial basis as a complementary effort. In addition, the Ministry also involves the two Institutes i.e. the Institute of Company Secretaries of India and the Institute of Chartered Accountants of India to organize special initiatives, as in the case of organization of special investor awareness camps organized in the month of September through out the country.
- b) The second category consists of those NGOs/ VOs that apply for registration and financial assistance for taking up and organizing occasional programmes for creating awareness and education for the investors.

The details about the first category of organizations, who have been provided financial assistance to the tune of Rs. 20.00 lakh and above are given in the following paragraphs:-

i) Prime Investor Protection and Association League (PIPAL)

PIPAL is a Section 25 (not for profit) company incorporated on December 2, 2003 with the main objective of implementing the project involving creation of a website for investor education and protection under the name www.watchoutinvestors.com. Its registered office is at C-43A, Gangotri Enclave, Alaknanda, New Delhi – 19. It is managed by Shri Prithvi Haldea of the Prime Database.

Project under IEPF: Watchoutinvestors.com

www.watchoutinvestors.com is a website created by PIPAL with an initial project cost of Rs 110 lakh covering a period of three years. The website was launched on November 9, 2004. The Committee has agreed to suitably compensate PIPAL on account of enhanced costs based on audited statement of accounts. The website contains database of all such companies/ promoters/ directors who have been indicted by various regulators for committing economic offences for the benefit of investors so that they are in a position to access this registry and are enabled to take informed investment decisions. At present, the website contains information about 60,000 companies and 27,000 individual persons.

ii) MIDAS Touch Investors Association (MIDAS)

Midas Touch Investors Association is a society registered under The Societies Act (Registration No. 1101 dated 31-01-1997) with registered office at Pearey Lal Bhavan, 2, Bahadurshah Zafar Marg, New Delhi. Its management is through an Executive Committee with following members:

- a) Sh. Shriprakash Jaiswal, MP(Lok Sabha) – President
- b) Sh. Virendra Jain – Hon. Secretary
- c) S.M. Sharma
- d) S.K. Vasal
- e) D.K. Pathak
- f) Rashmi Chawla
- g) Dr. A.C. Shukla
- h) S.P. Gupta

It is registered, as an investor protection group, with the Investor Education & Protection Fund, Ministry of Corporate Affairs, Government of India, and Securities and Exchange Board of India (SEBI). Its activities include:

- Create awareness and impart education to investors through distribution of literature, holding seminars and investors' meet, etc.;
- Take up individual grievances or complaints or problems with their respective companies/mutual funds/ regulators/ authorities;
- To make representations to the Government/ Parliamentary Committee/ Regulators for strengthening the system/ laws/ regulations;
- Draw attention of the Parliament and Government, on important issues, through Questiontions which are raised by MPs in both the Houses;
- Keep in touch and interact with other investor protection groups, individuals and NGOs engaged in various causes relating to interest of the public;
- Taking recourse to legal action including moving Public Interest Litigation in the High Court/ Supreme Court;

Project under IEPF – www.investorhelpline.in :

Investor Helpline Project has been implemented by MIDAS with a total project cost of Rs. 99,04,000/-, provided under Investor Education & Protection Fund. The helpline was launched on September 8, 2006 by the Hon'ble Minister for Corporate Affairs.

It provides a forum where investors can lodge their grievance(s), free of charge, through the internet, for assistance in redressal thereof.

Objectives of Investor Helpline

- To fill the existing structural gaps in grievance redressal mechanism by acting as an intermediary between:
 - Investor and companies.
 - Investor and intermediaries.
 - Investor and stock exchanges.
 - Investor and authorities.
- Focused attention, unlike others, who may have low priority for grievance redressal.

- To impart thrust to investor grievances and make the companies respond promptly.
- To educate investors about his lawful rights under various acts and the procedure to get these rights enforced.

The track record of performance under this project has been found to be very encouraging. About 40% of the grievances/ complaints registered with them and found eligible have been redressed with confirmation from the complainants to that effect.

iii) Institutes of the Company Secretaries of India (ICSI) and the Institute of Chartered Accountants of India (ICAI)

Both the Institutes have been established under the statutes created by the Parliament. These are governed by elected Councils and have their registered offices located in Delhi. The Institutes are primarily involved in imparting education in their respective domains and have been proactively involved with the Ministry in extending their support in organizing various initiatives. Their support has also been enlisted in the initiatives pertaining to investor education and awareness. Apart from projects entrusted to them from time to time, the Institutes played a very pro-active role in organizing one day investor awareness programmes at 61 locations through out the country during the month of September, 2007 which was observed as the 'Investor Awareness Month'. These Institutes have been paid only the bare cost involved in organizing these programmes and no funds have been paid towards the cost of manpower resources/ efforts put in by them. It would be evident from a perusal of the list given below that these programmes have been organized in a number of non-metro towns. The details of the programmes along with the locations organized through the two Institutes are given below:

| Sr. No. | Branch / Place | Date of programme | Organised By |
|----------------|---------------------------|--------------------------------|---------------------|
| 1. | Ghaziabad, UP | 1 st September, 07 | ICAI |
| 2. | Shimla, HP | 2 nd September, 07 | ICAI |
| 3. | Faridabad, Haryana | 7 th September, 07 | ICAI |
| 4. | Goa | 8 th September, 07 | ICAI |
| 5. | Agra, UP | 8 th September 07 | ICAI |
| 6. | Pune, Maharashtra | 8 th September 07 | ICAI |
| 7. | Ludhiana, Punjab | 8 th September 07 | ICAI |
| 8. | Amritsar, Punjab | 9 th September, 07 | ICAI |
| 9. | Hyderabad, Andhra Pradesh | 13 th September 07 | ICAI |
| 10 | Guntur, Andhra Pradesh | 14 th September, 07 | ICAI |
| 11 | Vijaywada, Andhra Pradesh | 14 th September, 07 | ICAI |
| 12 | Gorakhpur, Uttar Pradesh | 15 th September, 07 | ICAI |
| 13 | Jaipur, Rajasthan | 15 th September, 07 | ICAI |
| 14 | Allahabad, Uttar Pradesh | 16 th September, 07 | ICAI |
| 15 | Kolkata, West Bengal | 20 th September, 07 | ICAI |

| Sr. No. | Branch / Place | Date of programme | Organised By |
|----------------|--------------------------------|---------------------------------|---------------------|
| 16 | Ahmedabad, Gujarat | 22 nd September, 07 | ICAI |
| 17 | Tirupur | 22 nd September, 07 | ICAI |
| 18 | Kakinada, Andhra Pradesh | 22 nd September, 07 | ICAI |
| 19 | SIRC, Tamilnadu | 22 nd September, 07 | ICAI |
| 20 | Bhubaneswar, Orissa | 22 nd September 07 | ICAI |
| 21 | Guwahati, Assam | 22 nd September 07 | ICAI |
| 22 | Surat, Gujarat | 23 rd September, 07 | ICAI |
| 23 | Bhilai, Madhya Pradesh | 23 rd September, 07 | ICAI |
| 24 | Nagpur, Madhya Pradesh | 23 rd September, 07 | ICAI |
| 25 | Tiruchirapalli, Tamilnadu | 25 th September, 07 | ICAI |
| 26 | Bangalore, Karnataka | 25 th September, 07 | ICAI |
| 27 | Chandigarh | 28 th September, 07 | ICAI |
| 28 | Udaipur, Rajasthan | 28 th September, 07 | ICAI |
| 29 | Coimbatore, Tamilnadu | 29 th September, 07 | ICAI |
| 30 | Ambala, Haryana | 29 th September, 07 | ICAI |
| 31 | Aurangabad, Maharashtra | 29 th September, 07 | ICAI |
| 32 | Karnal, Haryana | 29 th September, 07 | ICAI |
| 33 | Nashik, Maharashtra | 29 th September, 07 | ICAI |
| 34 | Rajkot, Gujarat | 29 th September, 07 | ICAI |
| 35 | Jalgaon, Maharashtra | 30 th September, 07 | ICAI |
| 36 | Siliguri, West Bengal | 6 th September, 07 | ICAI |
| 37 | Chilakaluripet, Andhra Pradesh | 28 th September, 07 | ICSI |
| 38 | Ongole | 28 th September, 07 | ICSI |
| 39 | Kothagudem, Andhra Pradesh | 1 st September, 07 | ICSI |
| 40 | Patna, Bihar | 2 nd September, 2007 | ICSI |
| 41 | Hasan, Karnataka | 6 th September, 07 | ICSI |
| 42 | Mysore, Karnataka | 8 th September, 07 | ICSI |
| 43 | Muzafarpur, Bihar | 8 th September, 2007 | ICSI |
| 44 | Pune, Maharashtra | 8 th September, 07 | ICSI |
| 45 | Mysore Dist. Karnataka | 8 th September, 07 | ICSI |
| 46 | Mangalore, Karnataka | 8 th September, 07 | ICSI |
| 47 | Bhilwara, Rajasthan | 8 th September, 2007 | ICSI |
| 48 | Thiruvannamalai, Tamilnadu | 9 th September, 2007 | ICSI |
| 49 | Madurai, Tamilnadu | 14 th September, 07 | ICSI |
| 50 | Anand, Gujarat | 15 th September, 07 | ICSI |
| 51 | Vadodara, Gujarat | 15 th September, 07 | ICSI |
| 52 | Modinagar, Uttar Pradesh | 16 th September, 07 | ICSI |
| 53 | Bhopal, Madhya Pradesh | 17 th September, 07 | ICSI |
| 54 | Ludhiana, Punjab | 17 th September, 07 | ICSI |

| Sr. No. | Branch / Place | Date of programme | Organised By |
|----------------|----------------------------|--------------------------------|---------------------|
| 55 | Kota, Rajasthan | 23 rd September, 07 | ICSI |
| 56 | Chapra Bihar | 29 th September, 07 | ICSI |
| 57 | Chandigarh | 29 th September, 07 | ICSI |
| 58 | Amritsar, Punjab | 29 th September, 07 | ICSI |
| 59 | Pollachi | 29 th September, 07 | ICSI |
| 60 | Sangli, Maharashtra | 29 th September, 07 | ICSI |
| 61 | Thiruvananthapuram, Kerala | 29 th September, 07 | ICSI |

It may be noted from a perusal of this list that 05 such programmes have been organized in the State of Gujarat at Ahmedabad, Surat, Anand, Vadodara, and Rajkot.

iv) Investors' Grievance Forum

Investors Grievance Forum (IGF) is a society registered under Societies Registration Act, 1980 – 474/1994 GBBSD, Mumbai, on 05.05.1994. The registered office of IGF is at 9/C, Neelam Nagar, Mulund (E), Mumbai. The objective of the society is “Protection and safeguarding the rights of small investors in capital/ financial market through continued education and awareness and redressal of their grievances through regulatory or government bodies.” The management of the said forum is as under: -

- | | | | |
|--------|--------------------------------|---|-------------------|
| (i) | Shri Kirit Jayantilal Somaiya | - | President |
| (ii) | Shri Shailash Ramji Ghedia | - | Vice President |
| (iii) | Shri Bharat Vallabhdas Kotecha | - | Vice President |
| (iv) | Shri Himesh Ramesh Doshi | - | Vice President |
| (v) | Shri Anand Kamalnayan Pandit | - | Vice President |
| (vi) | Shri Vipul Jayantilal Modi | - | Vice President |
| (vii) | Shri Satyanarayan Vedula | - | General Secretary |
| (viii) | Shri Nitin Prabhudas Singala | - | Treasurar |
| (ix) | Shri Sandeep Shah | - | Jt. Treasurar |

Projects sponsored under IEPF

- (i) conducting Investor Melas in 9 cities (2005-06)
- (ii) monthly news bulletin, website design etc. (2004-05)

v) Society For Capital Market Research And Development

Society for Capital Market Research and Development is a society registered under Societies Registration Act, 1860, Delhi (Registration No. S/20422 dated 04.10.1989). The registered office of the society is at 10D, Bigjos Tower, Subhash Palace, Pitampura, New Delhi. The society was established with the aim of conducting research on capital market related problems and through such research, helping in the development of capital market and strengthening the protection of investors. The management of the society is as under: -

- | | | | |
|-------|-------------------------|---|-----------------------------|
| (i) | Dr. Abid Hussain | - | Chairman |
| (ii) | Dr. L.C. Gupta | - | Member-Secretary & Director |
| (iii) | Dr. D.H. Pai Panandiker | - | Treasurer |

Projects sponsored under IEPF

- (i) Research Project on Indian Household Investors
- (ii) Research Project – Empirical examination of problems faced by shareholders of delisted companies.

The second category consists of the NGOs/ VOs which have been registered under the IEPF and provided assistance against their applications for specific programmes taken up by them. The complete list of these organisations (State-wise) along with the financial assistance extended to them is given below:

| Sr. No. | State | Organisation | Amount (Rs.) |
|---------|-------------|--|-------------------|
| 1 | Maharashtra | Kolhapur Investors' Association | 1,41,875 |
| 2 | Maharashtra | Investor Education & Welfare Association | Registration only |
| 3 | Maharashtra | Investors' Grievances Forum | 23,05,750 |
| 4 | Maharashtra | Harihar Bahuddeshiya Sanstha | 87,670 |
| 5 | Gujarat | Rajkot Saher Jilla Grahak Suraksha Mandal | 7,95,660 |
| 6 | Gujarat | Consumer Education & Research Society | Registration only |
| 7 | Gujarat | Gujrat Investors and Shareholders Association | Registration only |
| 8 | New Delhi | The Institute of Company Secretaries of India | 59,35,602 |
| 9 | Delhi | TRY | 15,520 |
| 10 | New Delhi | Voluntary Organization in Interest of Consumer Education | 8,93,020 |
| 11 | New Delhi | Prime Investors Protection Association and League | 1,67,09,000 |
| 12 | New Delhi | Association of Financial Planners | Registration only |
| 13 | New Delhi | Society for Capital Market Research & Development | 26,62,856 |
| 14 | New Delhi | Society for Rehabilitation & Development for Rural workers(SHRUTI) | 1,20,000 |
| 15 | New Delhi | Action of Students and Youth for Awareness & Development | Registration only |
| 16 | New Delhi | Midas Touch Investors Association | 53,52,000 |
| 17 | New Delhi | Society for Consumer's & Investors Protection | 8,03,000 |

| Sr. No. | State | Organisation | Amount (Rs.) |
|----------------|--------------|--|---------------------|
| 18 | Orissa | ODD Foundation | 27,280 |
| 19 | Orissa | Citizens Association for Rural Development (CARD) | 14,190 |
| 20 | Orissa | Yuga Murti Seva Ashram | 14,190 |
| 21 | Orissa | Centre for Community Development | 14,740 |
| 22 | Orissa | Gania Unnayan Committee | 14,960 |
| 23 | Orissa | Basti Area Development Council | 20,020 |
| 24 | Orissa | Arun Institute of Rural Affairs | 14,190 |
| 25 | Orissa | My-Heart | 29,700 |
| 26 | Orissa | Centre for Alternative Training Evaluation and Research(CATER) | 20,000 |
| 27 | Tamilnadu | Tamilnadu Investors Association | 6,15,700 |
| 28 | Tamilnadu | Integrated Women Development Institute | Registration only |
| 29 | Tamilnadu | Society for Education Action & Development | Registration only |
| 30 | Tamilnadu | VOC Rural Development Centre | 8,250 |
| 31 | Tamilnadu | SNEKITHI Trust | Registration only |
| 32 | Tamilnadu | Annai Kasthuriba Maglir Munnetra Sangam | Registration only |
| 33 | Tamilnadu | Literate Welfare Association | Registration only |
| 34 | Tamilnadu | Chettana Vikas | Registration only |
| 35 | Tamilnadu. | Society for Emancipating Neo Social Education | 22,000 |
| 36 | Tamilnadu | Centre for Social Education and Development | 50,250 |
| 37 | Tamilnadu | Education, Communication and Development Trust (EDUCATOR) | 34,200 |
| 38 | Tamilnadu | Organization for Rural Development | 21,450 |
| 39 | Tamilnadu | Development Education and Welfare Institute | 13,200 |
| 40 | Tamilnadu | Rural Development Trust | 25,795 |
| 41 | Tamilnadu | Federation of Consumer Organizations - Tamilnadu & Pondicherry | 1,44,000 |

| Sr. No. | State | Organisation | Amount (Rs.) |
|----------------|----------------|--|---------------------|
| 42 | Rajasthan | Consumer Unity and Trust Society | 5,45,150 |
| 43 | Rajasthan | S.K. Public School Samiti | 97,460 |
| 44 | Rajasthan | Sardar Patel Sansthan | 25,000 |
| 45 | Rajasthan | Pragati Evam Prerena Sanstha | Registration only |
| 46 | Andhra Pradesh | Eetaram Youth Association | 1,52,500 |
| 47 | Andhra Pradesh | Cheyuta Foundation | 80,000 |
| 48 | Andhra Pradesh | Investor Grievance Forum (A.P) | Registration only |
| 49 | Andhra Pradesh | Health Care & Social Welfare Society | Registration only |
| 50 | Assam | Gramya Unnayan Santha | Registration only |
| 51 | Assam | Gram Vikas Parishad | 26,500 |
| 52 | West Bengal | Karimpur Social Welfare Society | 1,25,556 |
| 53 | West Bengal | The Investors and Marketing Member's Welfare Society | Registration only |
| 54 | West Bengal | Centre for Human Rights Research Studies | Registration only |
| 55 | West Bengal | Dompukar Human Development Society | Registration only |
| 56 | Uttar Pradesh | Neelkanth Sarvaseva Sansthan | 18,248 |
| 57 | Uttar Pradesh | Bhartiya Mahila Kalyan Samiti | 15,768 |
| 58 | Uttar Pradesh | Avadh Gramin Vikas Sansthan | 2,45,280 |
| 59 | Uttar Pradesh | Kartik Shikshan Sansthan | 27,280 |
| 60 | Uttar Pradesh | Kisan Bal Avam Mahila Kalyan Samiti | 66,250 |
| 61 | Uttarakhand | Seemant Gramin Mahila Vikas Samiti | 9,600 |
| 62 | Madhya Pradesh | Sharda Shiksha Samiti | Registration only |
| 63 | Madhya Pradesh | Mahadev Vikas Samiti | 70,000 |
| 64 | Karnataka | Surya Rural Development Society | 27,960 |
| 65 | Karnataka | Environmental Research Institute and Human Care | Registration only |

| Sr. No. | State | Organisation | Amount (Rs.) |
|----------------|--------------|--|---------------------|
| 66 | Karnataka | Sree Jnanodaya Grameena Vidya Trust | 23,870 |
| 67 | Karnataka | Grama Vikas Society | 1,50,000 |
| 68 | Kerala | Kerala Investor Protection & Education Society | 3,45,000 |
| 69 | Pondicherry | Consumer Association of Pondicherry | 13,950 |

Minutes of the Twenty-third sitting of Standing Committee on Finance

The Committee sat on Thursday, the 27th March, 2008 from 1100 hours to 1700 hours in Committee Room 'E', Parliament House Annexe, New Delhi

PRESENT

Shri Ananth Kumar - Chairman

MEMBERS

LOK SABHA

2. Shri Vijoy Krishna
3. Shri Bhartruhari Mahtab
4. Shri Madhusudan Mistry
5. Shri P.S. Gadhavi
6. Shri K.S. Rao
7. Shri Jyotiraditya Madhavrao Scindia
8. Shri M.A. Kharabela Swain

RAJYA SABHA

9. Shri Santosh Bagrodia
10. Shri Raashid Alvi
11. Shri S.S. Ahluwalia
12. Shri Mangani Lal Mandal
13. Shri S. Anbalagan
14. Shri Moinul Hassan

SECRETARIAT

1. Shri A. Louis Martin - Joint Secretary
2. Shri A.K. Singh - Director
3. Shri T.G. Chandrasekhar - Deputy Secretary
4. Shri Srinivasulu Gunda - Deputy Secretary-II

Pre-Lunch Session **(1100 To 1300 Hours)**

WITNESSES

Ministry of Corporate Affairs

1. Shri Anurag Goel, Secretary
2. Shri D.R.S. Chaudhary, Additional Secretary & Financial Adviser
3. Shri Jitesh Khosla, Joint Secretary
4. Shri Y.S. Malik, Joint Secretary (Parl)
5. Dr. Joseph Abraham, Economic Adviser
6. Shri S.D. Singh, Secretary, MRTPC
7. Shri A.N. Bakshi, Chief Controller of Accounts
8. Shri Ajay Nath, Director, SFIO

9. Shri B.B. Goyal, Adviser, Cost
10. Shri S.L. Bunker, Secretary, CCI
11. Shri Diwan Chand, Director (Inspn. & Investigation)
12. Shri B.K. Bansal, Director (Inspn. & Investigation)

2. At the outset, the Chairman welcomed the representatives of the Ministry of Corporate Affairs to the sitting of the Committee and invited their attention to the provisions contained in Direction 55 of the Directions by the Speaker.

3. The Committee then took oral evidence of representatives of the Ministry of Corporate Affairs on Demands for Grants (2008-09) and other related matters. The points discussed during the meeting broadly related to nature/detail of expenses incurred under the Head Secret Service Expenditure of the Serious Fraud Investigation Office (SFIO), functions of Registrar of Companies, Investor Education Protection Fund, selection procedure for availing funds by Associations/organisations to expedite Investor Education and Protection Campaign, criteria for determining the amounts of funds to be allocated for each of the organisations, criteria for determining vanishing companies, corporate governance as well as corporate social responsibility, enforcement of better financial disclosure standards by corporate entities in tandem with international standards in financial reporting/accounting, shortage of manpower resources in the Ministry of Corporate Affairs etc.

4. Thereafter, the Chairman directed the representatives of Ministry of Corporate Affairs to furnish written replies/notes on points raised by the Members during the discussion within two days.

5. A verbatim record of proceedings has been kept.

The witnesses then withdrew

Post-Lunch Session
(1430 To 1700 Hours)

| | | | | | |
|-------|----|----|----|----|-----|
| 6. XX | XX | XX | XX | XX | XX |
| 7. XX | XX | XX | XX | XX | XX. |
| 8. XX | XX | XX | XX | XX | XX |
| 9. XX | XX | XX | XX | XX | XX. |

10. A verbatim record of proceedings has been kept.

The witnesses then withdrew

The Committee then adjourned

Minutes of the Twenty-fifth sitting of the Standing Committee on Finance

The Committee sat on Thursday, the 10th April, 2008 from 1100 hrs. to 1215 hrs.

PRESENT

Shri Ananth Kumar- Chairman

MEMBERS

LOK SABHA

2. Shri Gurudas Dasgupta
3. Shri Rupchand Pal
4. Shri P.S. Gadhavi
5. Shri M.A. Kharabela Swain
6. Shri Suresh Prabhakar Prabhu

RAJYA SABHA

7. Shri Raashid Alvi
8. Shri M. Venkaiah Naidu
9. Shri S.S. Ahluwalia
10. Shri Mahendra Mohan
11. Shri Vijay J. Darda

SECRETARIAT

- | | | | |
|----|-------------------------|---|---------------------|
| 1. | Shri A. Louis Martin | - | Joint Secretary |
| 2. | Shri A.K. Singh | - | Director |
| 3. | Shri T.G. Chandrasekhar | - | Deputy Secretary |
| 4. | Shri G. Srinivasulu | - | Deputy Secretary-II |

2. At the outset, the Chairman welcomed the Members to the sitting of the Committee.

3. The Committee, then took up the following draft Reports for consideration:-

- (i) Draft Report on Demands for Grants (2008-09) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment);
- (ii) Draft Report on Demands for Grants (2008-09) of the Ministry of Finance (Department of Revenue).

- (iii) Draft Report on Demands for Grants (2008-09) of the Ministry of Planning.
- (iv) Draft Report on Demands for Grants (2008-09) of the Ministry of Statistics and Programme Implementation.
- (v) Draft Report on Demands for Grants (2008-09) of the Ministry of Corporate Affairs.

4. The Committee adopted the above reports with modifications as shown in Annexures (i) to (v) respectively.

5. The Committee then authorized the Chairman to finalise the Reports in the light of the modifications made and present the same to Parliament.

6. The Committee also decided to take up for examination the issues of Omnibus Regulator for the Financial Sector and Adequacy of the current price indices in measuring prices.

The Committee then adjourned.

- (a) Modifications/amendments made in the draft report on the 67th Report on Demands for Grants (2008-09) of Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment).

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- (b) Modifications/amendments made in the draft report on the 68th Report on Demands for Grants (2008-09) of Ministry of Finance (Department of Revenue).

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- (c) Modifications/amendments made in the draft report on the 69th Report on Demands for Grants (2008-09) of Ministry of Planning.

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- (d) Modifications/amendments made in the draft report on the 70th Report on Demands for Grants (2008-09) of Ministry of Statistics and Programme Implementation

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- (e) **Modifications/amendments made in the draft report on the 71st Report on Demands for Grants (2008-09) of Ministry of Corporate Affairs.**

| Page Nos. | Para Nos. | Line | Amendments/Modifications |
|-----------|-----------|------|--|
| 31 | 5 | 7 | <p><i>For</i></p> <p>The Committee expect that, as assured by the Ministry, requisite action will be taken urgently for filling up the vacant posts in the Company Law Board.</p> <p><i>Read</i></p> |

| | | | |
|----|----|---|---|
| | | | <p>The Committee expect that, as assured by the Ministry, necessary action will be taken in a time bound manner within three months for filling up the vacant posts in the Company Law Board. The Committee also wish to be apprised of the progress in this regard.</p> |
| 33 | 9 | 1 | <p>For</p> <p>The Committee are unhappy to observe the under utilization of budget outlays in respect of Investor Education and Protection Fund ranged from 36 percent to 49 percent during the years 2004-05 to 2007-08.</p> <p>Read</p> <p>The Committee are not convinced as the reasons advanced by the Ministry for not transferring the IEPF to SEBI, as had been recommended by the JPC on Securities Scam. The Committee, therefore, desire that the matter should be looked into afresh. The Committee also regret to observe the under utilization of budget outlays in respect of Investor Education and Protection Fund, which ranged from 36 percent to 49 percent during the years 2004-05 to 2007-08</p> |
| 34 | 10 | 6 | <p>For</p> <p>The Committee desire that efforts be made to promote establishment of investor fora in all places and intensify efforts for protection and welfare of investors, by appropriate awareness campaigns and assistance to various organizations.</p> <p>Read</p> <p>The Committee, therefore, recommend that a departmental enquiry be conducted regarding the funds allocation to</p> |

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|--|--|--|---|
| | | | <p>NGOs/VOs for undertaking investor education activities. The Committee wish to be apprised of the outcome of the enquiry within three months. The Committee also desire that efforts be made to promote establishment of investor fora in all places and intensify efforts for protection and welfare of investors, by appropriate awareness campaigns and assistance to various organizations.</p> |
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