

**GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:415

ANSWERED ON:11.07.2014

DUBIOUS COMPANIES

Nimmala Shri Kristappa

Will the Minister of CORPORATE AFFAIRS be pleased to state:

:

(a) whether the Government has any record of the number of dubious companies including fly-by-night companies that have duped investors and number of investors who have been cheated into making investments in these companies;

(b) if so, the details thereof along with the estimated amount involved therein and the action taken against such companies during the last three years and the current year State/ UT-wise;

(c) whether the Government proposes to develop a fraud prediction model that will forewarn law enforcement agencies about any suspicious movement of money in the market and strengthen its market research and analysis unit;

(d) if so, the details thereof; and

(e) the other concrete measures taken/ being taken by the Government to sensitise the people about investment scenario in the country and to address the problem?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF CORPORATE AFFAIRS (SMT. NIRMALA SITHARAMAN)

(a) A total of 238 companies which had raised funds through Public issues were initially identified as 'vanishing companies' as they had stopped filing

documents/ balance sheets with the regulators and were untraceable. Out of these, 128 companies were removed from this category and placed under a 'watch list', as these companies had started filing their documents/ balance sheets, etc. In addition, 32 companies are presently under liquidation. Thus, as on date, there are 78 companies which remain in the list of 'vanishing companies'.

(b) The total amount of Public Issues made by these 78 companies was Rs 310.21 crore (approx.). FIRs have been lodged against all these companies and their promoters/ Directors. Prosecutions have also been filed against such companies and their Directors under Sections 162 and 220 of the Companies Act, 1956 for non-filing of annual returns and balance sheets, respectively, and also under Sections 62/ 63, 68 and 628 of the Companies Act, 1956 for mis-statement in prospectus/ fraudulently inducing persons to invest money/ false statements made in the offer documents, etc.

(c) & (d) The Ministry is in the process of developing an early warning system aimed at generating alerts for detecting cases of potential fraud and malfeasance. A pilot testing was carried out during the year 2013-14. The Ministry has also set up a forensic lab in its Serious Fraud Investigation Office (SFIO) for revamping its Market Research and Analysis Unit (MRAU) through induction of appropriate technology and skilled technical manpower.

(e) The Ministry organizes investor awareness programmes regularly in association with the three professional institutes – Institute of Chartered Accountants of India (ICAI), Institute of Cost Accountants of India (ICAI) and Institute of Company Secretaries of India (ICSI) in various cities under the aegis of Investor Education and Protection Fund (IEPF). The programmes are held for creating awareness and empowerment amongst investors. Since 2012-13, MCA has also started organizing such programmes in rural areas through CSC e-Governance Services India Ltd., an entity under Department of Electronics and Information Technology. 2897 such programmes were conducted during the year 2013-14, under the IEPF.