

**GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA**

STARRED QUESTION NO:94

ANSWERED ON:28.11.2014

VANISHING COMPANIES

Kambhampati Dr. Hari Babu;Patle Smt. Kamla Devi

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) the name of Vanishing companies reported in various parts of the country State-wise;
- (b) whether the cases of fraud of vanishing companies have come to the notice of the Government during the current year and if so, the details thereof along with the number of investors cheated by such companies and the amount involved therein during the said period, State/UT-wise;
- (c) the name of such companies listed on various Stock Exchanges in the country, company-wise;
- (d) the details of guidelines laid down by the Government to save investors from such frauds;
- (e) whether the Government has constituted any Committee to look into the issue of such corporate frauds and if so, the details thereof along with the action taken/being taken by the Government against such vanishing companies; and
- (f) the other steps taken/proposed to be taken by the Government to protect the investors from such corporate frauds along with achievements thereof?

Answer

THE MINISTER OF CORPORATE AFFAIRS (SHRI ARUN JAITLEY)

(a) to (f) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN ANSWER TO PARTS (a) To (f) OF LOK SABHA STARRED QUESTION NO. 94 FOR 28.11.2014 REGARDING VANISHING COMPANIES

(a) to (c) No fresh cases involving "Vanishing Companies" have come to the notice of the Government during the current year. However, a state-wise list of vanishing companies identified till date as such is annexed to this statement.

(d) A number of steps have been taken by the Government to save investors from frauds including frauds by vanishing companies. Attention is, in particular, invited to the following:

i) In 2006, the Ministry amended the Companies Act, 1956 by inserting Sections 266A to 266G which makes it mandatory for every existing or prospective directors to obtain a "Director Identification Number" (DIN). This process requires detailed verification of particulars of a person along with a photograph, identity proof, residence proof etc so that traceability of the directors is ensured. Requirement of DIN, therefore, makes it difficult for individuals promoting dubious companies to defraud investors by hiding or misrepresenting their identity.

ii) In case of incorporation of a new company or change of address of an existing company, the Ministry has made it mandatory for professionals to verify details of the company and to personally visit their premises and certify that the premises are at the disposal of the company. In such cases, proof of registered address has also been made mandatory to be furnished at the time of incorporation or change of registered office address;

iii) Instructions have also been issued to the Registrar of Companies to scrutinize the Balance Sheet and other records of the company who raise money through public issue and monitor the utilization of such funds.

(e) There is a Coordination and Monitoring Committee in the Ministry of Corporate Affairs with representatives from the agencies concerned to take stock of measures taken to detect and deal with vanishing companies. Some of the important action taken under the directions of committee is as under:

(1) FIR's have been lodged against 78 such companies and their Directors and to trace their whereabouts as well as to file cases against them under provision of the Indian Penal Code (IPC).

(2) Prosecution have been filed against these companies and their Promoters/ Directors under section 162 and 220 of the Companies Act, 1956 for non filing of Statutory Returns and under section 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.

(f) The Ministry has also undertaken preemptive measures aimed at sensitizing people through investors awareness programmes. These programmes are organized regularly in association with the three professional institutes-Institutes of Chartered Accountants of India (ICAI), Institute of Cost Accountants of India (ICAI) and Institute of Company Secretaries of India (ICSI) in various cities. Since 2012-2013, 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 2013-2014.