

GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
RAJYA SABHA
UNSTARRED QUESTION NO. 357
ANSWERED ON MONDAY, THE 26th NOVEMBER, 2012

VANISHING COMPANIES

QUESTION

357. DR.V. MAITREYAN:

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether Government proposes to make stringent provisions against those vanishing companies which were incorporated before the passing of Companies Bill, 2011 and are spread throughout the country, cheating the small investors by promising extremely high returns under various schemes;
- (b) if so, the details thereof and the steps taken by Government to punish such erring companies;
- (c) whether any study for getting feedback has been conducted and subsequently any committee is proposed to be constituted in this regard; and
- (d) if so, the details thereof?

ANSWER

THE MINISTER OF STATE
(INDEPENDENT CHARGE)
IN THE MINISTRY OF CORPORATE AFFAIRS

(SHRI SACHIN PILOT)

(a) to (d):- Provisions in laws and Rules have been made to ensure that companies function/raise money in a manner which is transparent, accountable and is in accordance with the provisions of the Companies Act and other enactments like SEBI Act and the Prize Chits & Money Circulation (Banning) Act etc.

The Government has also been taking action against companies (and their directors), which disappear after raising money from public. A Central Coordination and Monitoring Committee (CMC), co-chaired by Secretary, Ministry of Corporate Affairs and Chairman, Securities and Exchange Board of India (SEBI) monitors efforts to identify 'vanishing companies' and take stock of action taken against them.

The Committee identified 238 companies as 'vanishing companies'; 151 such companies have been traced (including 32 under liquidation). As on 31.3.2012 there were 87 companies which remained untraced after having raised funds through IPOs.

Action against such companies has been initiated for violation of the provisions of the Companies Act, 1956 by filing complaints u/s 159/220 of the Companies Act, 1956 apart from filing of prosecutions u/s 63/68 and 628 of the Companies Act, 1956 besides seeking assistance of police authorities and filing FIRs. The Committee also receives feedback from all the stakeholders and makes suitable procedural adjustments on a continuing basis and carries out.
