

Minutes of the 24th Meeting of the Co-coordination and Monitoring Committee (CMC) on Vanishing Companies held on 16.11.2011 at 12.00 noon in the Conference Hall at the Head Quarter, Ministry of Corporate Affairs, Shastri Bhawan, New Delhi.

The 24th Meeting of the Co-coordination and Monitoring Committee (CMC) on Vanishing Companies was held on 16.11.2011 under the Chairmanship of Secretary, Ministry of Corporate Affairs, Shastri Bhawan, New Delhi. The Chairman SEBI or his nominee (Co- Chairman of CMC) could not attend the meeting on that date. The list of officers who attended the meeting is given at **Annexure I**.

The Committee took up the Agenda items for deliberation and following decisions were taken:

(1) Confirmation of the minutes of the 23rd meeting held on 20.05.2011 - The minutes of the 23rd meeting of the CMC, were approved and confirmed.

(2) Review of Action taken on the decisions taken in the 23rd CMC meeting - The Committee took note of the action taken report (**Annexure II**) on the decisions of the 23rd CMC meeting. While discussing this action taken report, the Committee took following decisions

(a) Setting up of Regional Task Force (RTF) for North Western Region – RD (NWR) to expedite the process of setting up of the Regional Task Force (RTF) in the Region.

(Action by RD- NWR)

(b) Action taken for Speedy disposal of Court Cases/ FIRs – The Committee deliberated on the action that can be taken for speedy disposal of court cases filed u/s 63, 68 & 628 , etc of the Companies Act, 1956 & FIRs. For this, regular follow up of the pending prosecutions/ FIRs needs to be done. The Committee desired that priority should be given to those cases in which investor complaints were received. Further, the Committee desired that the RDs should make efforts to redress all the complaints received against the vanishing companies and take action for filing of prosecutions for non filing of Annual Returns, Balance-Sheets. RDs were advised to instruct all RoCs within their jurisdiction to monitor these cases for early disposal.

(Action by all RDs)

(c) Engaging Private Agency to know the whereabouts of Directors/ Promoters of Vanishing Companies – The Committee was informed that during the meeting of RDs held on 16.6.2011, a decision was

taken for tracing the whereabouts of untraceable directors in such cases only where action u/s 82/83 of CrPC is already taken. In this regard, the Committee desired that SFIO engage private detective Agency to trace the whereabouts of the missing directors irrespective of the fact whether the ROCs had furnished the report of action taken u/s 82/ 83 of CrPC or not.

(Action by SFIO and all RDs)

(d) Implementation of recommendations of Expert Group on utilization of IPO funds – The Committee was informed that out of 10 recommendations of the Expert Group on ‘utilization of IPO funds’, six recommendations pertained to SEBI, which were forwarded to them for necessary action. SEBI informed that, to give effect to the six recommendation of the Expert Group, amendments in SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and/or the Equity Listing Agreement of the Stock Exchanges is required. SEBI is taking necessary action in the matter. As far as recommendations which fall for action under this Ministry, amendments in the Rules and the Companies Act, 1956 have been incorporated in the proposed Companies Bill. Committee desired that the recommendation should be implemented as early as possible.

(Action by SEBI/ DEA/ MCA)

(3) Review of the working of Regional Task Forces (RTF) - The Committee after reviewing the working of the Task Forces of all the Regions desired that all RDs immediately issue directions to ROCs concerned to take timely action against the companies which were defaulting in filing their Statutory Returns so as to stop the vanishing acts of such defaulting companies in future. For this purpose, ROCs should not wait for three continuous years to check statutory filing by such companies. Further, the regulatory action initiated against vanishing companies (including the companies under watch list) and its directors must be completed expeditiously. For such action necessary request/ approvals, if any, required from the Ministry, be also submitted expeditiously.

(Action by all RDs/ ROCs)

(4) Addition/deletion in the list of Vanishing Companies. The committee deliberated on the issue of deletion of names of 08 companies (recommendation of which was received from RD, NWR) from the list of vanishing companies. The Committee decided that before any proposal for deletion of name is made, the RTFs set up in the RDs should satisfy themselves that (a) funds collected through IPOs have been utilized as per the objects mentioned in the prospectus; (b) the registered office of the company is in existence and working and; (c) grievances of investors, if any, against such vanishing company (ies) have been redressed. The Committee further directed that the proposal (s), if any, for addition/deletion of name of company(ies) in the list of Vanishing companies,

must be recommended by the RTF before the same are put up to the CMC. Since the names of 08 companies have not been approved by the concerned RTF for deletion from the list of vanishing companies, the proposal was returned to RD (NWR) for seeking recommendation of the RTF and also compliance of condition mentioned above.

(Action by all RDs/ ROCs/Stock Exchange(s))

(5) Setting up of Regional Task Force (RTF) for South Eastern Region -

The Committee was apprised that a new office of RD (SER) Region has since been established comprising thereof the Offices of Registrar of Companies and Official Liquidators of the state of Andhra Pradesh, Kerala and Karnataka. The Committee directed that RTF should be constituted immediately for the new regions to monitor the progress of action taken against vanishing companies falling under its jurisdiction and also to take such decisions as are done by other Task Forces on vanishing companies.

(Action by RD - SER)

(6) Compounding of offences – It was brought to the notice of the Committee that compounding applications for composition of offences have been filed by some Vanishing Companies. After discussing the matter, the Committee directed that only after due diligence, the cases may be compounded with the permission of the Court, only for those companies which have non made good all the reported violations wherever feasible, and the decision for allowing compounding be done on merit of the case.

(Action by all RDs)

(7) Any other matter relating to vanishing companies with the permission of the Chair - No other issue was brought before the Committee.

The meeting ended with the vote of thanks to the Chair.

Annexure-I

List of officers who attended the 24th meeting of the Coordination & Monitoring Committee (CMC) on Vanishing Companies held on 16.11.2011 at 12 noon in the Conference room, Ministry of Corporate Affairs, New Delhi.

1	Shri Naved Masood, Secretary - in chair
2	Shri Sudhir Mital, Additional Secretary
3	Shri Dhan Raj, DII
4	Shri B K Bansal, RD(NR)
5	Shri SMA Millath, RD(WR)
6	Shri E Selvaraj, RD(SER)
7	Dr. Navrang Saini, RD (ER)
8	Shri K.L. Kamboj, RD (NWR)
9	Shri Mahesh Kuvadia, RD (SR)
	SFIO
1	Sh. Rajesh Sharma, Addl. Director, SFIO
2	Sh. N.K. Bholra, Addl. Director, SFIO
	Ministry of Finance
1	Shri Ramesh Krishnamurthy, Director, M/o Finance
	Reserve Bank of India
1	Sh. S.K. Pable, Deputy General Manager, RBI
	Other officers of the Ministry.
1	Shri U C Nahata, DII (Policy)
2	Shri B.K. L. Shrivastava, JD (L)
3	Shri L.R. Meena, JD
4	Shri R.K. Meena, JD
5	Sh. M.S. Pachouri, DD

Annexure II

Action Taken Report on the decisions of the 23rd CMC meeting:

S. No.	Extracts of Minutes	Action to be taken by	Action Taken
23.4	The Regional Task Force (s) to expeditiously regulate the action initiated against all the vanishing companies and its directors. All watchlist companies to be regularly monitored. All RDs to submit a report before the next meeting on those vanishing companies which have investors complaint and not readdressed.	By All RDs	Report awaited
23.5	To include the names of the 09 (07 new companies & 02 watchlist Companies) companies under Early Warning System for proper monitoring and necessary action.	By RD, ER/ MCA	The names of 09 companies which were proposed to be included in the Vanishing List have been included in the Early Warning system for proper monitoring, and necessary direction have been issued by the MCA.
23.6	To set up a Regional Task Force for North Western Region comprising thereof the offices of RoC, Ahmedabad, RoC, Gwalior and RoC, Jaipur to monitor the progress of action taken against vanishing companies falling under its jurisdiction.	By RD, NWR	RD, NWR vide letter dated 11.10.2011 informed that the RTF on vanishing companies for North Western Region is under the process of constitution.
23.7	For speedy disposal of Court Cases/ FIRs, priority should be given to those cases in which investor complaint (s)	By All RDs	Report awaited. A letter for details like

	<p>were received. The RDs should contact the complainants and verify if their complaint has been redressed by the concerned company and in case the investors grievances are not redressed, the same be treated as evidence and placed before the Courts/ Police so that the cases can come to logical conclusion. In case where investors grievances have been redressed by the companies, the same may be reviewed for speeding up the prosecution cases. This task shall initially be taken for 17 vanishing companies against whom the complaints were received. All RDs to ensure that the complaints of the investors are available/ entered in the MCA Portal before taking up the matter with the complainant.</p>		<p>Name of the Vanishing Company (s) against which complaint have been received, Name of the Complainant, Date of complaint, Brief of complaint have been e-mailed on 14.11.2011. The reply thereof is awaited.</p>
23.8	<p>SFIO to engage a Private Agency to know the whereabouts of Directors/ Promoters of vanishing companies which are not regular in filing their statutory returns, have complaint from investors and where none non of the directors are traceable. There are 5 such companies.</p> <p>Subsequently, a list of another 12 vanishing companies should also be forward to SFIO for investigation in which investors have complaints an one or more director (s) have been located.</p> <p>All RDs to furnish the complete details of FIRs including FIR No. / Section No. of IPC under which the complaint has been filed along with the names of Directors.</p>	By SFIO, All RDs, MCA	<p>Report of SFIO at Annexure I</p> <p>MCA vide its letter dated 1.6.2011 has requested SFIO to send action taken report and vide letter dated 12.09.2011 has requested all concern RoCs to intimate the requisite information as called by the SFIO on urgent basis.</p> <p>Necessar y directions for 12 VC could not be issued as for issuing investigation, report of Section</p>

			<p>234 (6) of the Act is required.</p> <p>Report of all RDs for complete details of FIRs including FIR No. / Section No. of IPC under which the complaint has been filed along with the names of Directors is awaited.</p>
23.9	The committee decided that for such vanishing companies in which the investors have no complaint, offences be compounded with the permission of the Court wherever feasible.	By all RDs	Report awaited
23.10	Implementation of recommendation of Expert Group utilization of IPO funds.	By MCA	The MCA vide letter dated 1.6.2011 has forwarded the minutes to DEA/SEBI and has requested for action taken on implementation of recommendation of Expert Group utilization of IPO funds
23.11	The Regional Task Force (s) to suggest for deletion of names of such vanishing companies which are regular in filing their statutory returns atleast for a minimum period of 3 years keeping in view other conditions for removal including redressal on grievances of investors.	By all RDs	Report awaited
23.12 (Any	The Company Secretaries, Chartered Accountants of the companies	By all RDs	Report awaited

other item)	<p>(including vanishing companies and watch list companies) in which the investors have complaints be issued notice by the concerned RoCs for not reporting the true and fair state of affairs of the companies. Further, on examination, if these professionals are found to be in default, to publish their name on the MCA Portal.</p> <p>The names of such vanishing companies along with their particulars available with the RoCs, where there are no complaints and are also not regular in filing their statutory returns should be forwarded to Income-Tax Department after examining the status of business for appropriate action.</p>		
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