

Minutes of the 23rd Meeting of the Co-ordination and Monitoring Committee (CMC) on Vanishing Companies held on 20.5.2011 at 4:00 p.m. in the Conference Hall at the Head Quarter, Ministry of Corporate Affairs, Shastri Bhawan, New Delhi.

The 23rd Meeting of the Co-ordination and Monitoring Committee (CMC) on Vanishing Companies was held on 20.5.2011 at 4:00 p.m. under the Chairmanship of Secretary, Ministry of Corporate Affairs, Shastri Bhawan, New Delhi. The Co- Chairman of the Committee, SEBI conveyed his inability to attend the meeting on this 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:

23.2 Confirmation of the minutes of the 22nd meeting held on 8.3.2010.

The minutes of the 22nd meeting of the CMC, were approved as proposed.

23.3 Review of Action taken on the decisions taken in the 22nd CMC meeting.

The Committee noted the action taken in the 22nd CMC meeting which is at Annexure II.

23.4 Review of the working of Regional Task Forces (RTF).

The committee reviewed the working of the Task Forces of all the regions and stated that the regulatory action initiated against all the vanishing companies and its directors must be completed expeditiously. Secretary, directed that all the watchlist companies should be regularly

monitored. Also, RDs were required to submit a report before the next meeting on those vanishing companies which have investors complaint and not redressed.

(Action by all RDs)

23.5 Addition/ deletion in the list of Vanishing Companies.

The committee deliberated on the issue of inclusion of new 07 companies in the list of vanishing companies and to transfer 02 companies from the watch list to the Vanishing List as proposed by RTF, ER. The committee decided that these companies should be included under Early Warning System created by this Ministry for proper monitoring and necessary action may be taken against these companies under the provisions of the Companies Act, 1956.

(Action by RD, ER)

23.6 Setting up of Regional Task Force (RTF) for North Western Region.

The committee decided to set up a Regional Task Force for North Western Region as it is newly created region comprising thereof the offices of RoC, Ahmedabad, RoC, Gwalior and RoC, Jaipur to monitor the progress of action taken against such 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, NWR)

23.7 Action taken for Speedy disposal of Court Cases/ FIRs.

The committee deliberated on the action that can be taken for speedy disposal of the Court Cases/ FIRs. Secretary, desired that priority should be given to those cases in which investor complaint (s) were received out of all 238 Vanishing Companies (as had been identified initially). Further, he desired that RDs should contact the complainants and verify if their complaint has been redressed by the concerned company and in case the investor grievances are not redressed, the same may be treated as evidence and placed before the Courts/ Police so that the cases can come to logical conclusion. In respect of cases where investors grievances have been redressed by the companies, the same may be reviewed for speeding up the prosecution cases. The concerned RDs are also required to report the Ministry regarding redressal of grievances.

Further, in this connection, Secretary also directed that the jurisdiction of the RDs may not be maintained while enquiring about the redressal of the complaints with the complainants. This task shall initially be undertaken for 17 vanishing companies against whom the complaints were received and subsequently the same exercise to be followed for 171 companies which are regular in filing the returns. Then, the list of 50 vanishing companies which are not regular in filing their statutory returns must be taken up for similar exercise.

RDs are to ensure that the complaints of the investors are available/ entered in the MCA Portal before taking up the matter with the complainant.

(Action by all RDs)

23.8 Engaging Private Agency to know the whereabouts of Directors/ Promoters of Vanishing Companies.

Secretary, has directed to make vigorous efforts to locate the directors of the Vanishing Companies in which complaints from the investors have been received so as to build confidence of the investors in the corporate world. He further proposed that the list of 5 vanishing Companies (Annexure III) which are not regular in filing their statutory returns, have complaints from the investors and where none of the directors are traceable be forwarded to the SFIO immediately for engaging private detective agency to locate these company directors on priority basis. SFIO was directed to complete the task before the next meeting. Subsequently, a list of another 12 Vanishing Companies should (Annexure IV) also be forwarded to SFIO for investigation in which investors have complaints and one or more director (s) have been located.

Director, SFIO desired that all RDs should furnish complete details of FIRs including FIR No. / section No. of IPC under which the complaint has been filed along with the names of Directors.

(Action by SFIO, all RDs and MCA)

23.9 Compounding of offences.

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. Action taken in this regard be reported in the next meeting.

(Action by all RDs)

23.10 Implementation of recommendations of Expert Group on utilization of IPO funds.

Out of 10 recommendations of Expert Group on utilization of IPO funds, 06 recommendations pertain to SEBI. As far as the

recommendations which fall for action by the Ministry for suitable amendments in the Companies Act, 1956, committee was informed that necessary proposals have been incorporated in the Companies (Amendment) Bill, 2009. Secretary, directed that necessary action should be taken immediately for amending CARO as recommended by Expert Group. The representative of Department of Economic Affairs informed that they are not having a copy of letter addressed to SEBI requesting them to take action on the recommendations pertaining to SEBI. The Secretary, directed to issue a copy of the letter addressed to SEBI immediately.

(Action by MCA)

23.11 Classes of vanishing Companies on the basis of complaints.

The Committee decided that the respective RTFs 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 condition for removal including redressal on grievances of investors. A statement containing details of vanishing companies is at Annexure V.

(Action by all RDs)

23.12 Any Other matter relating to vanishing companies with the permission of the Chair.

The Secretary directed that all the Company Secretaries, Chartered Accountants, of the Companies (including vanishing companies and watch list companies) in which the investors have complaints should 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.

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. Secretary also desired that CMC meeting should be held on quarterly basis.

(Action by all RDs)

The meeting concluded with the vote of thanks.

Annexure-I

List of officers who attended the 23rd meeting of the Coordination & Monitoring Committee (CMC) on Vanishing Companies held on 20.05.2011 at 4.00 p.m. in the Conference room, Ministry of Corporate Affairs, New Delhi.

1. Shri D. K Mittal , Secretary, MCA - chairman
2. Shri Sudhir Mittal, Additional Secretary, MCA
3. Shri Dhan Raj, DII, MCA
4. Shri Ramesh Krishnamurthi, Director (PM), M/o Finance
5. Shri Rohit Jain, General Manager, RBI
6. Shri Anuj Kumar Bishnoi , Director, SFIO
7. Shri U.C. Nahata, Regional Director,Ahmedabad, MCA
8. Shri B.K. Bansal, Regional Director, Noida, MCA
9. Shri S.M.A Millath, Regional Director, Mumbai, MCA
10. Dr. Navrang Saini, Regional Director, Kolkata, MCA
11. Shri P. Rajagopalan, Joint Director, Chennai, MCA
12. Shri N.K Bhola, Addl. Director, SFIO
12. Shri Naubhat Sing, Joint Director, MCA
14. Shri R.K. Meena, Joint Director, MCA

Annexure-II

Action Taken Report on the decisions of the 22nd CMC meeting.

Sl.No.	Extracts of Minutes	Action Taken
Introduction part (3rd para)	Secretary further stated that it is important that the pending regulatory actions of all such cases be reviewed by SEBI and the ROCs and all follow up actions be taken to complete this work on priority basis.	<p>A committee has been set up for coordination between SEBI & MCA on IPOs.</p> <p>A circular has been issued to all RDs to call and examine the information of companies that have come out with IPOs.</p>
22.4 (iv) :	(i) Regional Task Forces should expeditiously complete their reports with respect to companies which are found to be regular in filing their reports with ROC/Stock Exchanges.	<p>25 vanishing companies are regular in filing their returns.</p> <p>List of 5 companies which are not regular in filing their statutory returns in which none of the directors are traceable and having complaints have been sent to SFIO for engaging detective agency to trace out their directors.</p> <p>List of 57 vanishing companies which are not regular in filing their statutory returns and whose director(s) are traceable have been sent to RDs to examine and to suggest for deletion from the list of vanishing companies</p>
22.5	The Committee was informed that the	Expert Group has

	<p>comments on the draft Report have been received from SEBI in the last week only. These comments will be suitably incorporated in the report and the final report will be submitted in the coming week.</p>	<p>recommended 10 recommendations. Out of which 6 recommendations have been sent to SEBI as this pertain to amendment of listing agreement. With regard to recommendations pertaining to Ministry of Corporate Affaires suitable proposal have been made in the Companies (Amendment) Bill, 2009. One recommendation has already been implemented.</p>
22.6	<p>Secretary, MCA stated that possibility to establish a Special Court in Ahmedabad to deal with the cases of vanishing companies, may be explored as the maximum number of cases pertain to Ahmedabad</p>	<p>As per the instruction of Secretary, the matter was taken up with concerned RoCs and was informed that the trials are going on in all cases except where directors are not traceable. Hence, no action was taken.</p>
22.8	<p>On the subject of generation of alerts and action to be taken, for identification of Potential Defaulting Companies, it was decided that the SEBI will complete the consultative process expeditiously and report the action to the CMC. It was also decided that the in-principle approval for the framework for generating alerts for identification of Potential Defaulting Companies may be granted by the CMC</p>	<p>SEBI has informed the matter is being examined for necessary action regarding review of pending regulatory action regarding framework for generating alerts for identification of potential defaulting companies, it is informed that the exchanges have been advised to complete the process at the earliest and to apprise SEBI.</p>

22.9	<p>Compounding of offences.</p> <p>The issue will be taken up separately by the MCA.</p>	<p>Secretary has directed DII (DR) to issue a letter to all RDs in connection with compounding of offences.</p>
22.10	<p>On the issue of revising the criteria of identifying vanishing companies, the Committee was informed that the list of vanishing companies identified so far has been on the basis of the criteria prior to 4.3.2008. The Committee felt that this criterion should be maintained. The committee also observed whether any company is categorized as vanishing company or not, all the complaints made by the investors against companies depending on their seriousness must be dealt with strictly within the legal framework by SEBI and MCA expeditiously.</p>	<p>Complaints against such companies which had come out with IPOs are initially to be include under the Early Warning System.</p>
22.11	<p>It was also decided that in case the companies or their promoters/directors approach SEBI for consent proceeding, the details of their whereabouts must be immediately provided to MCA/RD/ROCs so that the regulatory action can be taken up against them.</p>	<p>Regarding extending the concept of consent proceeding to the cases of vanishing companies pending before SEBI, it is informed by SEBI, no company have so far approached them for consent.</p>

Annexure-III

List to five Vanishing Companies/which are not regular, having complaints and none of the directors are traceable.

- 1. M/s Ambuja zinc Ltd, Kolkata.**
- 2. M/s Aashi Industries Ltd. (Formerly known as Aashi Pharmachem Limited).**
- 3. M/s Marine Cargo Company Ltd, Gujarat.**
- 4. M/s Nagarjuna Jiyo Industires Ltd, Chennai.**
- 5. M/s Sai Graha Finance & Engineering Ltd, Hyderabad.**

Annexure-IV

List of 12 Companies where some of the directors are traceable and substantial public interest is involved.

Sl. No.	Name of the Company.	Name of RoC	Filing Position with RoCs
1.	Care well Hygiene Products Ltd (VC)	Chandigarh	Not Regular
2.	Hallmark Drugs & Chemicals Ltd. (formerly known as Lifeline drugs Limited) (VC)	Chandigarh	Not Regular
3.	Rizvi Exports Ltd (VC)	Kanpur	Regular
4.	Sukhchain cements Ltd (formerly known as Ganapati Cements Pvt. Limited) (VC)	Chandigarh	Not Regular
5.	Vidiani Agrotech Industries Ltd (VC)	Kanpur	Regular
6.	Deccan Petroleum Ltd (VC)	AP	Not Regular
7.	Orpine Systems Limited (VC)	AP	Regular
8.	Raam Tyres Ltd (formerly known as Chhakri Tyres & Tubes Ltd OR Rhino Tyres Ltd) (VC)	AP	Not Regular
9.	Sibar Software Services (India) Limited (VC)	AP	Regular
10.	Visie Cyber Tech Limited (VC)	AP	Regular
11.	Flora Wall Coverings Ltd	Karnataka	Not regular
12.	Ocean Knits Ltd	Karnataka	Not regular

Annexure V

Total no. of Companies declared as vanishing companies initially **238**

S.No.	Particulars	No. of Companies
1	No. of companies shifted to watch list they are regular n filing their statutory returns	119
2	No. of Companies deleted as they are under liquidation	32
3	No. of vanishing companies as on date	87
	(a) Out of 87 VCs, no. of companies regular in filing statutory returns and not having complaints	(20)
	(b) Out of 87 VCs, no. of companies regular in filing statutory returns and having complaints.	(5)
	(c) Out of 87 VCs, no. of companies not regular in filing statutory returns and having complaints and none of the directors are traceable and sent to SFIO for engaging private detective Agency.	(5)
	(d) Out of 87 VCs, no. of companies not regular in filing statutory returns and having complaints and one or more of the directors are traceable.	(7)
	(e) Out of 87 VCs, no. of companies not regular in filing statutory returns and not having complaints and one or more directors are traceable.	(50)
4	For speeding up the Court Cases, In the order of priority No. of Companies to be taken up with the RDs for a report regarding mentioned in redressal of investors grievances 3 (b, c, d) above. 17 No. of Companies to be taken up with the RDs for a report Regarding redressal of investors grievances. 171(238- 17 - 50)	

	No. of Companies to be taken up with the RDs for a report regarding redressal of investors grievances regarding 50 (238-17-171)	
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