

Minutes of the 19th Meeting of the Co-ordination and Monitoring Committee (CMC) on Vanishing Companies held on 27.11.2006 at 3:00 P.M. in the Chamber of Secretary, Ministry of Company Affairs, Shastri Bhawan, New Delhi.

The 19th Meeting of the Co-ordination and Monitoring Committee (CMC) on Vanishing Companies was held on 27.11.2006 at 3.00 P.M. under the Chairmanship of Secretary, Ministry of Company Affairs, Shastri Bhawan, New Delhi and Dr. T. C. Nair, Whole Time Member, SEBI attended the meeting on behalf of Chairman, SEBI, who is the Co-Chairman of the Committee. The list of officers who attended the meeting is given at **Annexure I**.

Secretary, MCA welcomed the participants to the meeting of the CMC. Agenda items were taken up for discussion and decisions taken are as follows.

19.1 Confirmation of the minutes of the 18th Meeting held on 26.07.2006:

1. Minutes of the 18th meeting of Co-ordination and Monitoring Committee (CMC) on Vanishing Companies held on 26. 07.2006 at 3.00 P.M. were confirmed.

19.2 Review of Action Taken:

Follow-up action was reviewed item-wise. The details are as under:

2.1 Regarding M/s Sparkle Foods Ltd, RD (WR) informed that no communication had been received by his office from the Police Authorities in respect of contempt of Court order by Shri Bhavesh Jhaveri, Managing Director of the company, who had agreed to deposit Rs 2 crores to avoid investigation proceedings against the directors before the Court, Mumbai. RD (WR) was asked to follow up on this matter and send a comprehensive report for taking up this issue with the Law Ministry.

2.2 Regarding exploring the terms of reference for creating a system of developing linkages with the database of other economic agencies on directors who have been charged of having committed any economic offence, the Working

Group stated that a final report will be submitted shortly for circulation among all the members.

19.3: Review of the Working of Task Forces.

Regarding functioning of the Regional Task Forces, it was decided that Small Group would consider this issue in its meeting scheduled to be held on 11th December 2006 and submit its report.

19.4 Identification of Vanishing Companies in respect of the IPOs during the period 1998-2001:

I. Review of status of 201 companies (IPOs during the period 1998-2001):

- RD (SR) informed that they had recommended 9 companies under their jurisdiction to the Small Group for addition to the list of vanishing companies.
- RD (NR) and RD (ER) informed that none of companies falling under their jurisdiction was covered within the criteria of vanishing companies, and
- RD (WR) informed that the status of the companies falling under their jurisdiction was still under examination.

II. Review of status of 604 companies (Z category shares forwarded by Bombay Stock Exchange):

- RD (SR) informed that they had recommended 38 companies under their jurisdiction to the Small Group for addition to the list of vanishing companies.
- RD (ER) informed that 02 companies falling under their jurisdiction are not regular in filing statutory returns with RoCs and their status is yet to be verified by the Stock Exchanges.
- RD (NR) informed that 10 companies falling under their jurisdiction are not regular in filing statutory returns with RoCs and their status is yet to be verified by the Stock Exchanges.

- RD(WR) informed that the companies falling under their jurisdiction are still under examination

III. Review of status of 148 companies (forwarded by MIDAS):

- RD (SR) informed that they had recommended 3 companies under their jurisdiction to the Small Group for addition to the list of vanishing companies.
- RD (ER) informed that 01 company is not regular in filing statutory returns with ROC and their status is yet to be verified by the Stock Exchange
- RD (NR) informed that 6 companies are not regular in filing statutory returns with ROCs and their status is yet to be verified by the Stock Exchanges
- RD (WR) informed that the companies falling under their jurisdiction are still under examination.

The Committee after discussion decided that immediate action needs to be taken by all the Task Forces for completing the exercise of identifying companies which have vanished after raising funds from the public after 1998. It was decided that Regional Task Force (WR) would meet on 6th December, 2006 to complete this exercise and forward their recommendations to the Small Group for its verification.

19.5 Review of working of Small Group:

The committee discussed on the draft report prepared by the Small Group on the following term of references:

- (a) To examine the recommendation of Task Forces for addition/deletion in the list of vanishing companies, for submission to CMC.
- (b) To make the working of the Task Forces effective
- (c) To prepare guidelines for the companies kept under watch list
- (d) To work on the procedure for taking these companies out of the watch list

While discussing the report of the Small Group, it was felt that the problem of vanishing companies need to be addressed systemically as well as operationally. The monitoring mechanism needs to be such that the early warning systems are build up and effective deterrent action to be ensured against the promoters/Directors of defaulting companies. Accordingly, it was decided that Small Group may also examine the following additional issues while finalizing their report:

- (i) Developing a system of strong internal arrangements (MCA and SEBI) for getting early alerts to facilitate quicker action for identifying vanishing companies.
- (ii) To bring about systems and procedures in place so that listing of process can filter out possible undesirable issuers of capital.
- (iii) Review of the status of Companies in liquidation. Whether to treat these companies as vanishing companies or not, in the light of judgment of Andhra Pradesh High Court in the case of M/s Electro Flame Limited.
- (iv) Desirability of taking up effective follow up action by the Task Forces. The process of disgorgement proceedings, remedy of restitution, monitoring of companies on watch list etc need to be considered.
- (v) The desirability of passing a speaking order for deletion of a Company from the list of vanishing companies.
- (vi) System related issues for example Amendment in the laws & procedures.

Further, it was decided to induct Shri M. S. Sahoo, Director, DEA, M/o Finance in the Small Group.

The meeting ended with votes of thank to the Chair.

Annexure I

List of officers who attended the 19th meeting of the Coordination & Monitoring Committee (CMC) on Vanishing Companies held on 27.11.2006 at 3.00 P.M. in the Chamber of Secretary, Ministry of Company Affairs (MCA), New Delhi.

Ministry of Company Affairs

1. Shri Anurag Goel, Secretary
2. Shri Jitesh Khosla, Joint Secretary
3. Shri Y. S. Malik, Joint Secretary
4. Shri V.S. Rao, RD, Western Region
5. Shri R. Vasudevan, RD, Southern Region
6. Shri Rakesh Chandra, RD, Northern Region
7. Shri U.C. Nahta, RD, Eastern Region
8. Shri Pawan K Kumar, Director
9. Shri M.S. Sahoo, Director(SM), M/o Finance
10. Shri B.M. Anand, DII
11. Shri Diwan Chand JD (I)
12. Shri Alok Samantarai, JD (L)

SEBI

1. Dr. T. C. Nair, Whole Time Member, SEBI
2. Shri Amarjeet Singh, Regional Manager, NRO, SEBI.
3. Ms. Neelam Bhardwaj, Dy. General Manager
4. Ms. Jyoti Jungar, Dy. General Manager
