

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:20
ANSWERED ON:10.08.2007
DUPING THROUGH SHARE MARKET DEALINGS
Patil Smt. Rupatai Diliprao Nilangekar

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government have any information in regard to the number of companies which have duped the common man through share market dealings since the year 2001;
- (b) if so, the details thereof; and
- (c) the details of action taken by the Government for recovery of dues of the people from these companies?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P. CHIDAMBARAM)

(a) to (c): A statement is laid on the Table of the House.

Statement referred to in reply to Lok Sabha Starred Question No. 20 regarding "DUPING THROUGH SHARE MARKET DEALINGS" raised by Shrimati Rupatai Diliprao Nilangakar Patil for answer on 10th August, 2007

(a) and (b): Government does not maintain any such database. As and when any such instance is noticed, Ministry of Corporate Affairs and SEBI take appropriate action under the Companies Act and the securities laws. However, the question presumably refers to the companies which raised funds from public through IPOs and subsequently failed, inter- alia, to comply with the listing/filing requirements of Registrar of Companies and the Stock Exchanges for a period of two years and were not found at their registered office address at the time of inspection done by Stock Exchange. These companies are known as 'vanishing companies' as per the categorization adopted by Coordination and Monitoring Committee, a joint mechanism between the SEBI and the Ministry of Corporate Affairs. These companies are being identified in phases. So far such companies who made IPOs till 2001 have been identified. As on date, there are 122 companies identified as 'vanishing companies'.

(c): SEBI has issued orders against 100 vanishing companies and 378 directors / promoters prohibiting them from associating in any way with the capital market activities and accessing the capital market for a period of five years. The actions taken by Ministry of Corporate Affairs in respect of vanishing companies include:

- i. Prosecutions have been filed under Sections 62/63, 68 and 628 of the Companies Act, 1956 against 109 vanishing companies and their promoters/directors for misstatement in prospectus/fraudulently inducing persons to invest money/false statement made in the offer documents etc.
- ii. Prosecutions have been filed under the Companies Act, 1956 for non-filing of statutory returns.
- iii. FIRs have been filed/ registered under the Indian Penal Code against 101/95 vanishing companies and their promoters/directors.
- iv. Petitions have also been filed with the Company Law Board (CLB) under Sections 397/398/402/408 read with Section 406 of the Companies Act, 1956 in respect of two vanishing companies to disgorge the properties/monies from the promoters/directors of these two vanishing companies. The CLB has dismissed one of the Petitions against which the Ministry has filed an appeal before the Gujarat High Court. The other case is pending for adjudication by the CLB.