

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UNSTARRED QUESTION NO. 4644
TO BE ANSWERED ON FRIDAY, 23RD MARCH, 2018/CHAITRA 2, 1940 (SAKA)

FUNCTIONING OF CORPORATE COMPANIES

QUESTION

4644. PROF. SAUGATA ROY:

Will the Minister of Finance be pleased to state:

- (a): whether the Government has any mechanism to monitor/review the functioning of corporate companies of the country;
- (b): if so, the details thereof;
- (c): whether the Securities and Exchange Board of India and other Government Agencies have taken action against the companies involved in the recent scam in Punjab National Bank; and
- (d): if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI SHIV PRATAP SHUKLA)

(a) & (b): Securities & Exchange Board of India (SEBI) has informed that SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 inter-alia provide for monitoring of listed entities and penalty for contravention, which includes, imposition of fines, suspension of trading, freezing of promoter/promoter group holding of designated securities, etc. as per the laid out Standard Operating Procedures (SOPs). Under the listing regulations, monitoring follows a four-stage approach: (i) monitoring of compliance at the board level of the companies, (ii) external supervisory review such as certifications from practicing company secretaries, (iii) monitoring of compliance by stock exchanges and (iv) regulatory oversight by SEBI.

Ministry of Corporate Affairs (MCA) has informed that corporate entities are administered under the Companies Act, 2013 and Limited Liability Partnership (LLP) Act, 2008. Under the provisions of the aforesaid Acts, MCA through its subordinate offices initiate actions including carrying out inquiry/inspection/investigation against the corporate entities, considering the gravity of violations.

(c) & (d): The Central Bureau of Investigation (CBI) has registered cases relating to unauthorised transactions at PNB, and several persons have been arrested.

Directorate of Enforcement (ED) has informed that it has filed two cases against Shri Nirav Modi and Shri Mehul Chowksi under the provisions of Prevention of Money Laundering Act (PMLA), 2002 and conducted 247 searches at various locations all over India. Total assets amounting to Rs 7638 crore approximately have been seized / attached till 28.02.2018. ED has also obtained Non Bailable Warrants (NBWs) against Nirav Modi & Mehul Chowksi.

As per the information provided by Central Board of Direct Taxes, the Income Tax (IT) Department has taken the following actions:

Nirav Modi Group: The IT Department has attached as many as 32 immovable properties in the names of Nirav Modi, his wife Ami Modi and various group concerns, 141 bank accounts/Fixed Deposits with cumulative credit balance of Rs 145.74 crores and 173 paintings and artworks. Further, prosecution proceedings have been initiated under the relevant provisions of Income Tax Act, 1961 in the case of Sh. Nirav Modi and summons have been issued by the competent court.

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Mehul Chowksi Group: The IT Department has attached seven immovable properties in Mumbai belonging to Gitanjali Group under section 281B of Income Tax Act, land, building, and fixed assets valued at Rs. 1278 crores of a group subsidiary and about 244 bank accounts/Fixed Deposits having a total credit balance of Rs 101.78 crores.

Ministry of Corporate Affairs (MCA) has informed that it has ordered investigation on 17.02.2018 under section 212 (1) (c) of the Companies Act, 2013 and section 43(3) (c) (i) of the Limited Liability Partnership (LLP) Act, 2008 into the affairs of 107 companies and 7 LLPs belonging to Shri Nirav Modi (Firestar Diamond Group) and Shri Mehul Chowksi (Gitanjali Group) involved in the scam in Punjab National Bank, to be carried out by Serious Fraud Investigation Office (SFIO). Further, Hon'ble National Company Law Tribunal (NCLT), Mumbai Bench, vide ad-interim order dated 23.02.2018, has granted the permission under section 221, 241, 246 and 339 of the Companies Act, 2013 for restraint order against alienation, creation of third party rights, lien or transfer or alienation in any other manner of all movable or immovable properties including securities, freezing of bank accounts, sealing of lockers etc. of all the companies and persons named in the FIR filed by PNB including Gitanjali Gems Ltd.

As per the information provided by SEBI pursuant to its Order dated March 10, 2017, SEBI is conducting investigation in the matter of trading by certain entities in the scrip of Gitanjali Gems Ltd. in the cash and derivatives segment. Further, SEBI is also currently examining issues pertaining to disclosures and other violations of listing regulations related to the Punjab National Bank (PNB) matter.
