

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

LOK SABHA

UNSTARRED QUESTION NO. 2397

ANSWERED ON MONDAY, THE 8th JULY, 2019/ ASHADHA 17, 1941

(SAKA)

DE- REGISTERED SHELL COMPANIES

QUESTION

2397: SHRI N. K. PREMACHANDRAN

**Will the Minister of CORPORATE AFFAIRS
be pleased to state:**

कॉर्पोरेट कार्य मंत्री

- (a) the total number of shell companies de- registered during the last three years, State-wise;**
- (b) the details of the criteria adopted by the Government for the de-registration of the companies;**
- (c) whether the Government issued notices and complied with the principle of natural justice before initiating action for the de-registration;**
- (d) if so, the details of the procedure adopted by the Government;**
- (e) whether the Ministry of Corporate Affairs constituted a task force for identifying such companies;**
- (f) if so, the details of the target achieved by the task force;**
- (g) whether any functional companies also were de-registered during this process; and**
- (h) if so, the details thereof along with the action taken by the Government to cancel de-registration?**

ANSWER

THE MINISTER OF STATE FOR FINANCE

AND CORPORATE AFFAIRS

वित्त एवं कॉर्पोरेट कार्य मंत्रालय में राज्य मंत्री

(SHRI ANURAG SINGH THAKUR)

(श्री अनुराग सिंह ठाकुर)

(a) to (h): The term “Shell Companies” is not defined in the Companies Act, 2013. The Special Task Force set up to look into the issues of “Shell Companies has constituted the working group which has recommended inter-alia the use of red flag indicators as alerts for identification and strike off of “Shell companies” viz defaulting in filling

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of statutory returns, reported zero turnover, majority of share capital of company held by Private Limited Companies, high reserves and surpluses, share premium but insignificant turnover, investment in shares/ mutual funds is disproportionate to the business of the company and such investments constitutes majority of the portion of the asset side of the Financial Statement , high loans and advances but insignificant business or loans and advances constitute majority of current assets of the company, debtors disproportionate to the business activities of the company, disproportionate cash and cash equivalents, non-maintenance of registered office of the company, disproportionate unsecured loans/Inter Corporate deposits, companies having same registered office address, total income shown in Income Tax Returns of directors.

Accordingly, Government undertook Special Drive for identification and Strike off of such unlisted companies u/s 248(1) of the Companies Act, 2013 read with the Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016 (amended Rules 2019), which had not filed their Financial Statements and/or Annual Returns for a continuous period of two immediate preceding financial years.

During the financial year 2016-17, 2017-18 and 2018-19, Registrars of Companies have removed the names of 1986 companies, 2, 26,166 companies and 1,12,797 companies respectively from the Register of companies.

The ROCs followed the procedure as laid down under the relevant provisions of the Companies Act, 2013 read with the Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016 (amended Rules 2019).
