

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
UN-STARRED QUESTION NO. 2430
ANSWERED ON MONDAY, 18th DECEMBER 2023
Agrahayana 27, 1945 (Saka)**

INVESTIGATIONS IN CORPORATE GOVERNANCE

QUESTION

2430. SHRI DAYANIDHI MARAN:

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

कारपोरेट कार्य मंत्री

- (a) the details on any ongoing investigations into corporate governance issues and details of the total number of cases underway;**
- (b) whether the Government is ensuring transparency and accountability in its investigations into corporate entities, particularly in response to allegations by international agencies and reports;**
- (c) the steps taken/being taken or is planned to be taken by the Government to prevent siphoning of funds and financial irregularities in companies operating in critical sectors;**
- (d) whether the Government is coordinating with other regulatory bodies, such as SEBI, to ensure a comprehensive and effective crackdown on corporate misconduct and financial irregularities; and**
- (e) details of the measure taken by Government to intensify the crackdown and ensure compliance in the case of non-functional (shell) companies?**

ANSWER

Minister of State (Independent Charge) of the Ministry of Statistics and Programme Implementation; Minister of State (Independent Charge) of the Ministry of Planning and Minister of State in the Ministry of Corporate Affairs.

सांख्यिकी और कार्यक्रम कार्यान्वयन मंत्रालय के राज्य मंत्री (स्वतंत्र प्रभार); योजना मंत्रालय के राज्य मंत्री (स्वतंत्र प्रभार) और कॉर्पोरेट मामलों के मंत्रालय में राज्य मंत्री।

(Rao Inderjit Singh)

(राव इंद्रजीत सिंह)

(a): Investigations are ordered into the affairs of Companies by the Ministry to examine, *inter alia*, compliance of provisions of the Act, which include issues pertaining to Corporate Governance. Presently investigations of 65 cases are ongoing with various Regional Directors of the Ministry and 78 cases with SFIO.

The Securities and Exchange Board of India (SEBI) has also informed that investigations, inter-alia, are carried out by them in cases of fund diversion and/or material misstatement in financial statements, etc. of listed companies and governance issues arising out of such cases. As on November 30, 2023, Investigating Authority has been appointed in 33 such cases.

(b): Yes, Sir. References received from any source are examined by the Ministry under the provisions of the Companies Act, 2013. There is a system of examining the investigation reports through various levels which ensure transparency and accountability. Investigations are carried out as per the provisions of the Act as well. Investigation reports are processed at different levels of the Ministry, which ensures transparency and accountability in the process.

(c): The Companies Act, 2013 has a strong mechanism to prevent financial irregularities and has different sections to handle non-compliances of the Act. From time to time, Government has been taking steps to amend the Rules to introduce greater transparency such as making it mandatory for every existing or prospective Director to obtain Director Identification Number (DIN), introduction of KYC for Directors as well as for companies, making it mandatory for professionals to verify details of the change of address, including through physical verification, etc. MCA also undertakes Investor awareness and sensitization drives in association with the 3 Professional Institutes, i.e. Institute of Chartered Accountants of India (ICAI), Institute of Cost Accountants of India (ICoAI) and Institute of Companies Secretaries of India (ICSI).

As intimated by SEBI, it has advised Stock Exchanges to set up a surveillance mechanism to monitor the periodic filings and disclosures made by listed companies to find out probable financial reporting irregularities & non-disclosures and generate early warning signals on possible misrepresentations in financial statements.

(d): Yes Sir. The MCA coordinates with other regulatory and enforcement agencies i.e. SEBI, FIU, CBI, ED etc, as and when required.

(e): The term “Shell company” is not defined under the Companies Act, 2013. However, in terms of Section 248 (1) of the Companies Act, 2013 read with the Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016, the Registrar of Companies may remove the name of a company if it fails to commence its business within one year of its incorporation; or it is not carrying on any business or operation for a period of two immediately preceding financial years and has not made any application within such period for obtaining the status of a dormant company. The Registrar of Companies removes name after following the due procedure given in the Rules.

Accordingly, 1,55,217 companies have been struck off under section 248 (1) of the Companies Act, 2013 from 1.4.2021 to 28.11.2023 on the ground that they have failed to commence business within one year of incorporation or are not carrying on any business or operation for a period of two immediately preceding financial years without making any application within such period for obtaining the status of a dormant company.
