

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 3729
ANSWERED ON MONDAY, 24thMarch 2025**

Crackdown on Non-Functional Companies and Shell Companies

3729. Dr. Prashant Yadaoraopadole:

Will the Minister of Corporate Affairs be pleased to state:

- (a) Whether the Government is planning to introduce a formal definition of shell Companies under the Companies Act, 2013 to improve clarity and enforcement;**
- (b) the status of the latest action taken on non-functional companies including the number of entities identified and struck off under section 248 of Companies Act, 2013 in the year 2024;**
- (c) the steps being taken to strengthen the monitoring and compliance mechanism to prevent misuse of non-functional firms for illegal financial activities; and**
- (d) the number of shell companies identified and the action taken against them under section 248 of the Companies Act, 2013 in Saharanpur district?**

ANSWER

THE MINISTER OF STATE OF THE MINISTRY OF CORPORATE AFFAIRS AND MINISTRY OF ROAD TRANSPORT AND HIGHWAYS.

(HARSH MALHOTRA)

(a) to (b) : There is no proposal before the Central Government to define Shell Company. However, 'Dormant Company' is defined under Section 455 of the Companies Act, 2013 (the Act) as (i) any company formed for a future project or to hold an asset or intellectual property and has no significant accounting transaction or (ii) any inactive company which has not been carrying business or operation, or has not made significant accounting transactions during the last two financial years, or has not filed financial statements and annual returns during last two financial years and such company or inactive company, as the

case may be, has obtained 'dormant status' from the Registrar of Companies (ROC) with due compliance of Companies (Miscellaneous) Rules, 2014.

Further, in terms of Section 248 of the Act read with the Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016, Registrar of Companies have powers to remove the name of Company from Register of such companies which have failed to commence business within one year of its incorporation or not carrying on any business or operation for a period of two immediately preceding financial years and has not made an application for status of dormant company; or such companies which may voluntarily seek removal of their name from the Registrar of Companies after extinguishing all its liabilities by following due process in the prescribed manner.

From time to time, this Ministry carries out Strike-Off drive under section 248(1) for striking off such companies which have failed to commence business within one year of its incorporation or not carrying on any business or operation for a period of two immediately preceding financial years. However in the year 2024, no such drive has taken place.

In the year 2024, a total of 16,798 companies has been struck off under section 248 (2) of the Companies Act, 2013, ie, based on application for strike off filed by the Company.

(c) : Under section 206(4) , 206(5) and 210 of the Companies Act, 2013, the Central Government orders Inquiries , Inspections, Investigations respectively based on complaints, references and information regarding non-compliances including those under section 248 (1) of the Companies Act, 2013. Based on findings thereof, instructions are issued for taking action for non-compliances, including striking off of companies under section 248(1) of the Companies Act, 2013. This is monitored on a regular basis.

(d) : As the term Shell Company has not been defined under the Companies Act, 2013 thus requisite information is not maintained.
