

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

RAJYA SABHA

UNSTARRED QUESTION NO. 1619

ANSWERED ON TUESDAY, THE 9TH MARCH, 2021

DETECTION OF SHELL COMPANIES AND ACTION AGAINST THEM

QUESTION

1619: SHRI SUJEET KUMAR:

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) the steps being taken by Government to detect the shell companies and take action against them; and
- (b) the ATR on shell companies in the last financial quarter?

ANSWER

**THE MINISTER OF STATE FOR
FINANCE AND CORPORATE AFFAIRS**

(SHRI ANURAG SINGH THAKUR)

(a) & (b): There is no definition of the term “Shell Company” in the Companies Act, 2013 (the Act). It normally refers to a company without active business operation or significant assets, which in some cases are used for illegal purpose such as tax evasion, money laundering, obscuring ownership, benami properties etc. The Special Task Force set up by the Government to look into the issue of “Shell Companies” has inter-alia recommended the use of certain red flag indicators as alerts for identification of Shell Companies. The Government has undertaken a Special Drive for identification and strike off such Shell Companies.

Based on non-filing of Financial Statements (FS) consecutively for two years or more, companies were identified and after following due process of law as provided under Section 248 of the Act, 2013 read with the Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016, there are 3,82,875 number of Companies were struck off during the last three years up to financial year ended 2020. Further, no companies have been struck off during 2020-21.

Securities Exchange Board of India (SEBI) has informed that they had received a list of 331 shell companies from MCA along with a letter of Serious Fraud & Investigation Office (SFIO) which contained the data base of shell companies along with their inputs, for initiating necessary action. On the basis of said reference of MCA, SEBI advised Stock Exchanges to take the following pre-emptive interim measures vide letter dated August 07, 2017:

- a) To place identified listed companies under Surveillance Measures.
- b) Restrictions on share transfer by promoters and directors of such identified companies and
- c) Verifying the credentials /fundamentals of such companies.

Accordingly, all the nationwide recognised stock exchanges (NSE, BSE and MSEI), vide notice dated August 7, 2017, addressed to all its market participants, initiated action as per instructions of the SEBI. Out of 331 suspected shell companies, 221 companies were listed on these nationwide stock exchanges.

MCA has ordered investigation against 68 such companies.
