

GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
RAJYA SABHA
UNSTARRED QUESTION NO. 195
ANSWERED ON 05.12.2023

CASES OF FRAUD BY SHELL COMPANIES

195 SHRI NEERAJ DANGI:

Will the Minister of Corporate Affairs be pleased to state:

- (a) whether Government has any record of fake companies, if so, whether Government has taken cognizance of the cases of fraud by companies that have become non-existent during the last two years;
- (b) if so, the number of investors duped by such companies during the said period, State-wise and the total amount that is involved in this; and
- (c) the action taken by Government against such companies and the concrete steps to protect investors from fraud?

ANSWER

THE 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.

(RAO INDERJIT SINGH)

(a) to (c) : The term “fake 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.

With regard to fraud, the Ministry of Corporate Affairs has taken cognizance of fraud whenever any fraud is reported in any Inquiry, Inspection or Investigation report.
