

MINISTRY OF COMPANY AFFAIRS

There were 7,04,838 companies at work in India as on 31st August 2005, as per the following break-up:

Category →	Govt/ Non-Govt	Public/ Private	Number of companies
Companies limited by shares	Govt	Public	724
		Private	611
	Non-Govt	Public	78,218
		Private	6,21,288
Sub-total			7,00,841
Guarantee companies	Govt		7
	Non-Govt		3,493
Unlimited liability companies			497
Grand Total			7,04,838

Some of the major initiatives currently under implementation include:

- **Comprehensive revision of the Companies Act, 1956;**
- **Reforms relating to the Professional Institutes – ICSI, ICAI and ICWAI;**
- **The MCA21 e-Governance Project;**
- **Protection of interests of investors and action against vanishing companies;**
- **Release of Concept Paper on Limited Liability Partnership Law**
- **Insolvency Reforms;**
- **Amendments to Competition Act, 2002;**
- **Simplified Exit Scheme, 2005;**
- **Strengthening and activating enforcement machinery including Serious Fraud Investigation Office (SFIO)**
- **Streamlining the prosecution mechanism under the Companies Act – Vaish Committee.**

COMPREHENSIVE REVISION OF THE COMPANIES ACT, 1956

The Govt had constituted an Expert Committee (Dr JJ Irani Committee) to advise on the enactment of a new companies law that would be able to address the changes taking place in the economy, enable adoption of internationally accepted best practices and provide adequate flexibility for timely evolution of new arrangements to address the changing requirements of the corporate sector, and make our companies globally competitive. The Govt received the report of the Expert Committee on 31st May 2005.

The recommendations of the Committee have been examined, along with the comments thereon received from various stakeholders. The draft law is being prepared and the process is expected to be completed at the earliest.

REFORMS RELATING TO THE PROFESSIONAL INSTITUTES - ICAI, ICSI AND ICWAI

Three Bills to amend the legislation governing Chartered Accountants, Company Secretaries and Cost and Works Accountants were introduced in the Rajya Sabha by the Company Affairs Minister on 6th December.

MCA21 e-GOVERNANCE PROJECT

The Ministry of Company Affairs is implementing an e-Governance Project, christened MCA21 to provide prompt and efficient services to stakeholders. On completion, the project will virtually eliminate the physical interface between the companies and the ROC.

PROTECTION OF INTERESTS OF INVESTORS

An on-line Investors Grievances Redressal System has been developed and made fully operational. A dedicated website, <http://www.watchoutinvestors.com>, which is a national registry of defaulters, has also been launched. Investor Education & Protection Fund (IEPF) under the Companies Act, 1956 has been activated

ACTION AGAINST VANISHING COMPANIES

In May 2004, the number of vanishing companies stood at 229. Due to concerted efforts of the Ministry, 114 companies and their defaulting officers have been traced and action initiated against them. The number of vanishing companies now stands at 115. FIRs have been filed in over a 100 cases.

CONCEPT PAPER ON LIMITED LIABILITY PARTNERSHIP LAW

Ministry has placed a Concept Paper on Limited Liability Partnership Law in the legislative model, along with explanatory notes on chapters, for viewing on the electronic media so that all interested may not only express their opinions on the concepts involved but also suggest formulations, by December 31, 2005, for the consideration of the Ministry on various aspects of LLP Law.

INSOLVENCY REFORMS

The Ministry has taken several steps to speed up the liquidation process and improve upon the recovery rate within the existing legal framework. This issue is also being appropriately addressed in the new company law for which the exercise is on.

AMENDMENTS TO COMPETITION ACT, 2002

The amendment bill is in an advanced stage, and is expected to be introduced in Parliament soon.

SIMPLIFIED EXIT SCHEME 2005

The Ministry had launched a Simplified Exit Scheme 2005 (SES 2005) to offer an easy exit route for companies which were either not functional since inception or had ceased to be functional and liked to discontinue the business. The Scheme was in operation from 1st February 2005 to 31st August 2005. A total of 26,000 companies (approx) have opted to avail of exit under this scheme.

STRENGTHENING & ACTIVATING ENFORCEMENT MACHINERY INCLUDING SERIOUS FRAUD INVESTIGATION OFFICE (SFIO)

210 inspections and 23 investigations were ordered during the year 2004-05 as against 46 inspections and 9 investigations ordered during 2003-04. The SFIO has been functioning well and out of 30 cases referred to it so far, 8 have already been completed. Other cases are under investigation.

EXPERT GROUP FOR STREAMLINING THE PROSECUTION MECHANISM UNDER COMPANIES ACT, 1956 (VAISH COMMITTEE)

The Ministry constituted an Expert Group on 4th May 2005 under the Chairmanship of Shri OP Vaish, Senior Advocate, to examine issues relating to streamlining the prosecution mechanism under the Companies Act, 1956. The Group has submitted its report on 19th October 2005 to the Ministry. The recommendations of the Expert Group are under examination.
