

● WEEDING OUT SHELL FIRMS

Action initiated against cos not complying with corporate norms

RISHI RANJAN KALA

New Delhi, November 1

IN ANOTHER ROUND of action against errant companies and directors, the Ministry of Corporate Affairs (MCA) has directed the Registrar of Companies (RoC) to identify directors who have not filed financial returns and annual statements for three consecutive financial years.

A senior government official said the RoC has been directed to identify and flag directors disqualified under Section 164(2)(a) of Companies Act, 2013 for non-filing of financial statements or annual return for a continuous period of three financial years – from FY16 to FY18. Section 164 deals with disqualification norms related to company directors.

“All the defaulting directors are being cautioned to find the pending statutory returns and do the necessary compliance, or else strict action shall be taken against them including



imposing penalties. The DINs of such directors are not allowed to be used for filling any e-forms on MCA21 portal,” the official said.

Gaurav Mohan, chief executive officer at accounting firm AMRG & Associates, said the government is gradually and progressively moving the non-complaint corporate players out of the value chain,

strengthening the backbone of business community and enhancing investor confidence in the Indian corporate framework, eyeing inflow of investment in long term.

“MCA is in the corporate clean-up phase wherein corporate delinquency has been dealt with extreme finesse and without any political intervention. In recent past, numerous

shell companies have been closed for good, penalties were imposed on non-filers, SFIO completed the investigations in 17 ‘chit fund companies’, action taken against illegal NBFC’s and now the sword is on directors of non-complaint corporate entities,” he explained.

Sandeep Jhunjhunwala, director of Nangia Andersen LLP, said the MCA has cautioned directors to complete required statutory compliances or face the wrath of the law.

“This is definitely aimed at instilling a culture of compliance, increasing investors’ confidence and most significantly tightening the noose on defaulting directors. Rulings from various high courts against a spate of writ petitions filed earlier had made clear that Sec 164(2)(a) disqualification would apply for disqualifying directors of the company, if it fails to file annual returns for three financial years, beginning April 1, 2014,” he added.

Business Standard

Corp affairs ministry asks disqualified directors to ensure compliance or face action

Press Trust of India | New Delhi November 01, 2019 Last Updated at 21:05 IST

The corporate affairs ministry has asked disqualified directors to file their pending statutory returns and ensure compliance or else face regulatory action.

As part of larger crackdown on companies suspected to be shell entities, the ministry had disqualified many individuals from holding directorship till compliance with regulatory requirements is fulfilled.

The registrar of companies (RoCs) is in the process of identifying and flagging directors who have been disqualified for non-filing of financial statement or annual return for three continuous years starting from 2015-16.

All the defaulting directors are cautioned to file their pending statutory returns and do necessary compliance as per provisions of the law or that action would be initiated, according to a communication posted on the ministry's website.

"The director identification numbers (DINs) of such directors are not allowed to be used for filing any e-forms on MCA21 portal," it added.

Statutory filings under the Companies Act are submitted to the ministry through the MCA21 portal.

Lakhs of companies have been deregistered in recent years and a significant number of directors of have been disqualified.

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11/4/2019

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THE TIMES OF INDIA

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PTI | Nov 1, 2019, 09:06 PM IST

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