

## **Govt tightens scrutiny of companies' fund raising plans**

Corporate Affairs Ministry has strengthened its surveillance mechanism over companies raising funds from the public as also on their end-use in the wake of the Supreme Court verdict on the Sahara group.

Finding violations of regulatory norms in raising funds from the public, the Supreme Court last month directed two Sahara firms to refund about Rs 24,000 crore to the investors within three months with an annual interest of 15 per cent.

Following the apex court order, the Ministry of Corporate Affairs (MCA) has directed all Registrars of Companies (RoCs) to strengthen their surveillance activities, sources said.

"In the wake of Sahara case, internally, we have asked the RoCs to strengthen their activities. We are also looking at the possibility of whether other companies too had raised funds from the public in violation of regulatory framework," a senior official said.

As per the regulations, any fund raising by even unlisted firms from 50 or more investors is considered as a public offering and needs capital market regulator Sebi's approval.

The MCA has already asked the RoCs to reject applications filed by unlisted companies for raising money from the public through issue of shares, debentures or other securities from 50 or more investors, as such fund-raising activities comes under the jurisdiction of Sebi.

The Ministry and the RoCs would also look into whether the funds raised by the companies are being used for stated objectives, the official added.

RoCs, under the Corporate Affairs Ministry, have powers to ensure that companies registered in their jurisdictions comply with statutory requirements under the Companies Act.

The official said that MCA would extend all possible help to Sebi regarding the Sahara case.

The apex court, in its verdict on August 31, had directed Sahara India Real Estate Corporation (SIREC) and Sahara Housing Investment Corporation (SHIC) to refund Rs 24,000 crore with interest in three months.

The money was raised through issue of an instrument called 'Optionally Fully Convertible Debentures' (OFCDs).

Following the court order, the Sahara group had assured its depositors and investors that their money is safe and there will not be any delay in payment commitment to them.

If the two companies fail to refund the amount, Sebi can attach their properties as well as freeze bank accounts. Sebi has also been asked to investigate the issue.

*(Business Standards)*

