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Saturday,
3rd September, 1955

PARLIAMENTARY DEBATES

HOUSE OF THE PEOPLE

OFFICIAL REPORT

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NEW DELHI

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LOK SABHA DEBATES
(Part I—Questions and Answers)

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LOK SABHA

Saturday 3rd September, 1955.

The Lok Sabha met at Eleven of the Clock

• (MR. SPEAKER in the Chair.)

ORAL ANSWERS TO QUESTIONS

Mr. Speaker : Shri Radha Raman—absent. Shri D. C. Sharma—also absent. Shri Naval Prabhakar.

Shri Naval Prabhakar : 1394.

Shri S. N. Das : 1403 is on the same subject. The two may be answered together.

Mr. Speaker : That is Shri Veeraswamy's question. Would he like both to be answered together ?

Shri Veeraswamy : Yes, Sir.

Mr. Speaker : Very well.

Both of them may be answered together.

मानवी विज्ञानों (ह्यायेन्टीज) सम्बन्धी गवेषणा आवृत्तियाँ

*१३६४. श्री नवल प्रभाकर : क्या मिला मंत्री यह बताने की कृपा करेंगे कि :

(क) आलू बर्ब में मानवी विज्ञानों सम्बन्धी गवेषणा आवृत्तियों के लिये धर्मी सक किसने आवेदन-पत्र प्राप्त हुये हैं; और

(ल) इस काम के लिये प्राप्तियों का चुनाव किस प्रकार होगा ?

सिक्का मंत्री के समालिय (का० एम० एम० शास्त्र) : (क) २१०.

(ल) आवृत्तियों के बाबत योग्यता के आधार पर सरकार द्वारा नियुक्त चुनाव आयोगी की विपक्षित पर दी जाती है ?

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Research Scholarships in Humanities

*1403. Shri Veeraswamy : Will the Minister of Education be pleased to state :

(a) the number of Scheduled Castes candidates who have applied for Research Scholarships in Humanities this year; and

(b) the number amongst them who have been awarded scholarships ?

The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das) : (a) and (b). The information is not available; the awards are made purely on merit and applicants were not asked to indicate the community to which they belong.

Selections for awards under the scheme for this year have not yet been made.

श्री नवल प्रभाकर : क्या मैं जान सकता हूँ कि इस गवेषणा-कार्य के लिये किसने आयोगी का चुनाव होगा ?

Dr. M. M. Das : Originally the scheme was for two years and the total number of research Scholarships to be granted during each year was 100. Now, the scheme has been extended for one year more, and the total number of scholarships for this year also will be 100.

श्री नवल प्रभाकर : क्या मैं जान सकता हूँ कि प्रत्येक आवृत्ति को किसनी सहायता ही आयी ?

Dr. M. M. Das : Rs. 200 per month for two years.

Shri Veeraswamy : May I know the number of applications received from Madras State ?

Dr. M. M. Das : No, Sir. We have got no figure here giving the number of applicants State by State.

Shri Sivamurthi Swami : May I know whether the subject of ethics will be made compulsory in all the schools in India that impart training in humanities ?

Dr. M. M. Das : No, Sir.

Shri V. Muniswamy : In awarding these scholarships, may I know whether the question of awarding State-wise will be taken into consideration ?

Dr. M. M. Das : These scholarships are awarded only on merits.

Shri S. N. Das : May I know where these scholars carry on their research work ?

Dr. M. M. Das : In universities and institutions of higher learning.

श्री नवल प्रभाकर : क्या भैं जान सकता हूँ कि क्या इस छात्रवृत्ति के लिए प्रत्येक राज्य को लिखा जाता है ? इसके प्रचार का क्या साधन है ? कैसे इसका प्रचार किया जाता है ?

Dr. M. M. Das : The advertisement was given in the papers.

Foreign Assistance

*1395. **Shri Sivamurthi Swami** : Will the Minister of Finance be pleased to state the total amount of foreign assistance that the Government of India expect to receive during 1955-56 ?

The Parliamentary Secretary to the Minister of Finance (Shri B. R. Bhagat) : The amount of total foreign assistance including loans drawn from the International Bank for Reconstruction and Development expected to be received during 1955-56 is placed at Rs. 70.9 crores.

Shri Sivamurthi Swami : May I know how much amount is received in kind and how much in cash ?

Shri B. R. Bhagat : This includes loans and grants, both in cash and commodity from all the countries. So, it is difficult to give the details. If the hon. Member asks for the break-up we can supply.

Shri Sivamurthi Swami : What is the interest charged for the loan, and in how many years should it be repaid ?

Shri B. R. Bhagat : The interest charge is the usual 3 1/2 per cent. In some cases such as the D.V.C. loan it is 47/8 per cent. It varies between 3 and 5, but the average is about 3 1/2 to 4 per cent.

Mr. Speaker . What is the period in which it is repayable ?

Shri B. R. Bhagat : The usual period is ten years, but in some cases it is 15, and in one case it is 20 years.

Shri Heda : A certain portion of the aid comes in the shape of some materials like jeeps and other things. May I know whether the Government have calculated the landing cost of the jeeps and other materials and the cost of the same vehicle in the market in India and the 'aid' cost ? My information is that jeeps are charged to us at about Rs. 16,000 per jeep while the landed cost in India would be Rs. 5,000. I would like to know whether it is correct.

Shri B. R. Bhagat : I am not aware of any particular instance, but generally 75 per cent. of the economic aid is a grant and only 25 per cent is loan, and when that forms part of the grant, its cost does not matter to us.

Mr. Speaker : It is not a question of percentage. The point is, if a jeep which can be had in India for Rs. 5,000 is accounted at the rate of Rs. 16,000 even on the basis of 25 per cent, India has to pay more.

Shri B. R. Bhagat : We have not imported any jeep under this scheme.

The Minister of Revenue and Defence Expenditure (Shri A. C. Guha) : In a general way I can say that the Government would not make some estimate of the things received in kind without verifying the price. There must have been some parity between the prevailing price and the price at which the gift is taken, so that the price of the gift may not be swelled to an inordinate degree. Anyhow, if the hon. Member has got any specific case, he may bring it to our notice, and we shall surely look into it. To our knowledge there is nothing like that.

Shri L. N. Mishra : May I know the total amount of foreign aid received during the Plan period and how it compares with the estimated amount mentioned in the Plan.

Shri B. R. Bhagat : Between 1951-52 and 1955-56 the total amount is Rs. 238 crores, i.e. authorised, and the utilisation figure is about Rs. 180 crores.

Shri Jaipal Singh : How does the quantum of foreign assistance received by us compare with the assistance we give ourselves to other countries ?

Shri B. R. Bhagat : We give economic assistance under the Colombo Plan to Nepal which is Rs. 3 crores, and apart from that we have provided technical assistance to countries like our neighbours Burma, Indonesia and Ceylon.

Oil Well in Assam

*1396. **Shri Bishwa Nath Roy** : Will the Minister of Natural Resources and Scientific Research be pleased to State

whether any production of oil has started from the well drilled about two years ago on the bank of the Burhi Dihing river in Assam ?

The Deputy Minister of Education (Dr. K. L. Shrimall) : Yes, Sir.

Shri Bishwa Nath Roy : May I know the annual production of oil here ?

Dr. K. L. Shrimall : Although the average quantity to be produced from the new wells is 16,000 barrels per day, it is only when all the wells have been drilled that we shall be able to give the correct figure.

Shri Bishwa Nath Roy : May I know the number of wells that are being drilled there at present ?

Dr. K. L. Shrimall : The number is about six, I think.

Shri Bishwa Nath Roy : May I know the time by which actual production will begin from all these six wells ?

Dr. K. L. Shrimall : It is very difficult to say the exact time when production will start in such a technical matter as this.

Wind-mill Water-supply Schemes

*1397. **Shri S. C. Samanta :** Will the Minister of Natural Resources and Scientific Research be pleased to lay a statement on the Table of the House showing :

(a) the names of the States where the working of the wind-mill water-supply scheme has been found successful ;

(b) how many such mills have been installed by the U.S. Technical Co-operation Mission ;

(c) the average daily output of water from them ;

(d) the average initial and recurring cost for running such a mill ; and

(e) whether light wind-mills designed under UNESCO'S Scheme for arid zone water-supply have also been used ?

The Deputy Minister of Education (Dr. K. L. Shrimall) : (a) to (e). A statement giving the required information is laid on the Table of the House. [See Appendix VIII, annexure No. 11].

Shri S. C. Samanta : From the Statement I find that no scheme is at present in actual operation in the country. Is Government aware that recently a news item appeared to the effect that six wind-mills have been installed by the West Bengal Government and other States are following soon ? Is this information true ?

Dr. K. L. Shrimall : The statement which has been supplied, is with regard to the schemes which have been recommended by the Government of India. In the statement it has also been said that certain private persons and organisations have set up certain wind-mills. That information has also been given in the statement.

Shri S. C. Samanta : What additional advantages are got by this system over and above those that we get from wells ?

Dr. K. L. Shrimall : Wind-mills help in utilising the natural power for supplying water and also for generating electricity. It will be a great advantage if we could make these wind-mills successful in our country.

Shri S. C. Samanta : May I know whether during storms and high winds these machines can be checked ?

Dr. K. L. Shrimall : Government have set up a committee to go into this whole question, and close examination is being made at certain centres. At this stage we are not in a position to say how far these wind-mills will be successful in the country.

भूतपूर्व आजाद हिन्द फौजी

*१३९९. **श्री भक्त दर्शन :** क्या रक्षा मंत्री ११ मार्च, १९५५ को दिये गये तारांकित प्रश्न संस्था ७७४ के उत्तर के सम्बन्ध में यह बताने की कृपा करेंगे कि :

(क) क्या आजाद हिन्द फौज के ऐसे अधिकारियों तथा सैनिकों की संख्या सुनिश्चित करने का कोई प्रयत्न किया गया है, जिन्हे केन्द्रीय सरकार के प्रसीनिक विभागों में अभी तक नियुक्त किया गया है ;

(ख) यदि हां, तो उनकी संख्या कितनी है; और

(ग) आजाद हिन्द फौज के अधिकारियों और अन्य सैनिकों के नाम में सरकार के पास जब्त किया हुआ कुल कितना था ?

रक्षा उपमंत्री (तरवार लखीडिया) :
(क) जी हां।

(क) १२५ आजाद हिन्द सैनिक, जो पहले मार्टीय सेना में थे, अबतक केन्द्रीय सरकार के सिविल विभागों में नौकरियों पर रखे रखे गये हैं।

(ग) कोई नहीं।

श्री भक्त बर्हान : क्या मैं जान सकता हूँ कि जिन आजाद हिन्द फौज के सैनिकों को केन्द्रीय सरकार में रखा गया है उनको किन किन विभागों में रखा गया है और क्या यह पूछ ताल्ख करने की भी कोशिश की गयी है कि प्रांतों में कितने लोग रखे गये हैं।

सरदार भवीठिया : यह तो मैं नहीं जान सकता कि किन किन विभागों में रखे गये हैं। जो दूसरा सवाल किया गया है कि राज्य सरकारों में कितने रखे गये हैं उसके जवाब में मुझे यह कहना है कि राज्य सरकारों में १४०६ रखे गये हैं जिनमें से ११४ अफसर हैं और १२१२ अदार ईक्स डे हैं।

श्री भक्त बर्हान : क्या माननीय रक्षा मंत्री महोदय को याद है कि जब रक्षा मंत्रालय के बजट पर बहस हुई थी तो बहुत से माननीय सदस्यों ने इस प्रश्न को उठाया था कि आजाद हिन्द फौज का जो रुपया अभी तक पढ़ा है वह दे दिया जाय। क्या इन सुझावों पर विचार करके कोई निर्णय किया जा चुका है? अगर अभी तक निर्णय नहीं हुआ है तो अबतक उस प्रश्न पर निर्णय हो जाने की आशा की जाती है?

सरदार भवीठिया : उन सारे सुझावों पर अच्छी तरह से विचार किया जा चुका है और जहां तक मुझे मालूम है कि कूछ उनको देना जा वह दिया जा चुका है।

Shri Karmath : What proportion of the former officers of the Azad Hind Fauj and of other ranks in the Indian National Army of Netaji separately, have been absorbed in the Government Departments of the Centre and the States?

Sardar Majithia : The total number of men from the Indian Army—I am not taking the civilians who joined the Indian National Army—was round about 23,000. Out of that, as I have said, 1406 have been absorbed by the State Governments, and 125 by civilian Departments of the Central Government. Apart from this, about 4,000 have been absorbed in the Defence Ministry. I should also like to inform the House that quite a lot of these INA personnel have found private employment, of which we cannot have any figures.

Dr. Suresh Chandra : May I know the reason why an insulting treatment is meted out to these INA Officers and why their arrears of pay have not been paid to them in spite of the fact that this House has with an unanimous voice called the attention of Government to that matter? May I also know whether it is a fact.....

Mr. Speaker : Only one question at a time. First, let this question be answered.

Dr. Suresh Chandra : It is connected with the other one.

Mr. Speaker : Let the first question be answered first.

Sardar Majithia : To begin with, I would strongly contradict the statement made by my hon. friend about insulting treatment. We treat them with the utmost respect. They are nationals of India, and we know that they have made sacrifices.

About arrears of pay, I have already stated that so far as our knowledge goes, there are no outstanding against them. As a matter of fact, all the monetary and other awards which were confiscated by the British Government have been restored to them.

Dr. Suresh Chandra : May I know whether the Azad Hind Fauj Association led by some Members from this House submitted a memorandum to the Defence Ministry and the Defence Minister making certain demands, and if so, what consideration Government have given to those demands, and whether they have sent any reply at all to this memorandum?

The Minister of Defence (Dr. K. Katju) : A representation was made. It was duly considered, and it was found that on every single point, a decision had been arrived at so far back as 1948 and 1950, and that decision has been communicated times without number to my hon. friends who made the representation.

Central Excise Department

*1400. **Shri Gidwani** : Will the Minister of Finance be pleased to lay on the Table of the House a statement showing:

(a) the number of complaints of corruption received against the officers of the Central Excise Department during the years of 1953 and 1954 separately;

(b) the number of complaints disposed of so far; and

(c) the number of officers punished as a result of these complaints?

The Minister of Revenue and Defence Expenditure (Shri A. C. Guha) : (a) to (c). A statement is laid on the Table of the House. [See Appendix VIII, annexure No. 12.]

Shri Gidwani : I find that out of 568 cases of corruption, 43 cases have been disposed of. What about the remaining cases? Are they still pending?

Shri A. C. Guha : Out of 568 cases, 436 have been disposed of, and 132 are still pending.

Shri Gidwani : How many were prosecuted? Against how many was departmental action taken, and what was the punishment awarded to them?

Shri A. C. Guha : 6 were prosecuted of which 1 was convicted, and 1 acquitted, and the other 4 cases are still with the court. 5 cases are under police investigation.

Shri Gidwani : May I know whether any measures have been adopted to stop corruption in that Department, and if so, what those measures are?

Shri A. C. Guha : The suggestion I think is not correct. Out of 22850 complaints there were allegations only in 568 cases; and the majority have been found to be more or less innocent, that is to say the allegations have not been proved against the persons in about 90 per cent of the cases. So, I cannot say that the corruption in this Department is very heavy. Yet we are always alert in this matter.

Shri S. N. Das : May I know the rank of the officers who have been punished, and the nature of punishment awarded to them?

Shri A. C. Guha : I have already stated the number of prosecutions. Of the 436 cases disposed of, punishments have been awarded to 63 officers all non-gazetted; and in the remaining 373 cases, the allegations could not be proved.

The nature of punishments awarded is as follow :

Reduction or reversion to a lower grade	9 cases
Reduction of pay	1 "
Stoppage of increments	7 "
Dismissal or removal from service	17 "
Discharge from service	4 "
Censure	1 "
TOTAL	39

The remaining 24 cases relate to class IV staff of which the details are not available with me.

Shri S. N. Das : May I know whether any of these officers who were punished, went to court and if so with what result?

Shri A. C. Guha : I have already stated that 6 cases went to court. One person has been convicted.....

Mr. Speaker : The hon. Member's question seems to be this. Did any of the officers who were departmentally punished go to court?

Shri A. C. Guha : I do not think there has been any such case; at least I have no information with me.

Shri Nanadas : May I know the root causes for corruption in this Department and what steps are being taken to see that there is no scope for corruption?

Mr. Speaker : It is too wide a question to be asked.

Imperial Tobacco Company

*1404. **Shri Amjad Ali** : Will the Minister of Finance be pleased to refer to the reply given to starred question No. 703 on the 3rd December 1954 and state:

(a) whether new shares of the Imperial Tobacco Co. Ltd. were issued to the existing share holders in the United Kingdom on increase of its paid-up capital from Rs. 4.16 crores to Rs. 15.16 crores.

(b) whether the above share holders can dispose of these shares in India and withdraw the money from here; and

(c) whether the assets of the two private companies, namely Printers (India) Limited and Tobacco Manufacturers (India) Ltd. were valued at the time of their acquisition by the Imperial Tobacco Co. Ltd.?

The Minister of Revenue and Civil Expenditure (Shri M. C. Shah) :

(a) Yes.

(b) Yes; but with the prior permission of the Foreign Exchange Control.

(c) No. Valuation of the two companies taken over was at the depreciated book value as shown in the books of the companies.

Shri Amjad Ali : With reference to (b), may I know whether the money as against these issued share came to India, and if not in cash, for what consideration were they issued?

Shri M. C. Shah : The cash value of the shares which were allotted to the non-residents was to be paid against allotment of the shares, because this was now a rupee public company.

Non-Basic Secondary Schools

*1405. **Pandit D. N. Tiwary** : Will the Minister of Education be pleased to state :

(a) whether any sum has been earmarked for the reconstruction of Secondary education for teaching crafts in the Non-Basic Secondary Schools during the current financial year; and

(b) if so, the amount given out of it so far, to the various State Governments?

The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das) : (a) Yes, Sir.

(b) A statement is laid on the Table of the Sabha. [See Appendix VIII, annexure No. 13].

Pandit D. N. Tiwary : From the statement, I find that only six fortunate States have been given grants while others have been debarred from the purview of these grants. May I know what are the reasons for this?

Dr. M. M. Das : No State has been debarred from these grants. The proposals of Orissa, Tripura, Uttar Pradesh, Rajasthan, Madhya Pradesh, Hyderabad and PEPSU are under reference to the Ministry of Finance, and the proposals of other States are most likely under examination by the Ministry.

Pandit D. N. Tiwary : I find in the statement that only Bombay, Ajmer, Kutch, Andhra, Assam and West Bengal have been given grants. What about Bihar, Uttar Pradesh and other States?

Dr. M. M. Das : So far as Bihar is concerned, we sanctioned 120 middle schools last year for the introduction of craft, and 70 schools for improvement of teaching, and met 66 per cent of the total expenditure, Rs. 3.6 lakhs, on this account. Proposals for the current year are under examination and will be pushed through on receipt of information with respect to the amount spent during the year 1954-55.

Pandit D. N. Tiwary : Are there multi-purpose schools connected with this, or are they separate?

Dr. M. M. Das : All these schemes are in connection with the recommendations made by the Secondary Education Commission.

Shri V. Muniswamy : May I know whether it has been brought to the notice of Government that in many of the secondary schools, particularly those schools which are run by the Government where this basic system is supposed to be in practice, crafts are not at all taught for want of adequate requirements, especially in the State of Madras?

Dr. M. M. Das : That is a fact. That is why Government have come forward to give grants.

Ordnance Factories

*1406. **Shri N. M. Lingam** : Will the Minister of Defence be pleased to state :

(a) the names of articles produced by Ordnance Factories for civilian use; and

(b) whether the Engineering Capacity Survey Committee have made any recommendations for maximising their production?

The Deputy Minister of Defence (Sardar Majithia) : (a) A large number of articles are produced by the ordnance Factories for civilian use which could be classed under the following main categories :—

- (i) Steel castings, spring steel billets, etc.
- (ii) Non-ferrous sheets, sections and castings;
- (iii) Shot guns; and sporting rifles.
- (iv) Leather and textile items;
- (v) Scientific and optical instruments;
- (vi) Mathematical and surveying instruments; and
- (vii) Chemicals.

(b) No, Sir.

Shri N. M. Lingam : May I know the total installed capacity of the plants in these factories for production of chemicals like sulphuric acid, acetone nitro-cellulose, paints etc. and the capacity actually used?

Sardar Majithia : I am afraid I have not got the break-up of the total capacity. But just to satisfy hon. Members I may say that the work done in terms of money value for civilians in 1952-53 was Rs. 10.80 lakhs and this has gone up in 1954-55 to Rs. 269.70 lakhs. It shows an appreciable increase in output.

Shri N. M. Lingam : Only the other day the hon. Minister replying to a question in this House said that as many as 5000 people were idle hands in these factories. May I know why the full capacity of these plants is not being utilised so that not only production of civilian goods may be increased but employment could also be provided to the idle hands ?

Sardar Majithia : It is admitted that approximately 5000 people are not wanted by these ordnance factories. But that depends upon the work-load, and that goes on constantly changing with various demands made by the Defence Department. As I have already said, the utmost effort is being made to keep as many as we possibly can from those people who are not required, and the effort that the Ministry has put in for stepping up production of civilian goods as I have already said, has resulted in quite an appreciable amount of work being done.

Shri C. R. Narasimhan : Is it a fact that some of the articles that are producible in these factories are being imported ? If so, may we know whether Government are taking steps to stop imports of such articles and produce them in these factories at home ?

The Minister of Defence (Dr. Katju) : Nothing is imported which can possibly be manufactured here, in these ordnance factories. It does take time to produce the design and develop things. Otherwise, I may assure the House that we are doing our utmost to utilise the machinery in the ordnance factories to the utmost capacity possible.

Shri M. S. Gurupadaswamy : May I know if it is true that the cost of production of articles in these ordnance factories is much higher than the cost of production in other private factories.

Dr. Katju : It all depends. If you put the overhead charges on the cost of production then the cost will be higher; otherwise, it may be a little less. But what my hon. friend has pointed out is correct.

Shri N. M. Lingam : Can Government give an assurance that in respect of civilian articles which could be produced in these factories for which costly machinery has been installed no licenses will be issued under the Industries (Development and Regulation) Act to the private sector ?

Mr. Speaker : There are some things which are produced in these factories, and licences to private factories are also given in respect of the same things. He wants to know whether issue of such licences will be stopped.

Dr. Katju : I require notice.

The State Bank of India

*1407. **Shri L. N. Mishra** : Will the Minister of Finance be pleased to state :

(a) whether the conversion of the Imperial Bank of India into the State Bank of India has affected the deposits and withdrawals in any way; and

(b) if so, in what respect ?

The Minister of Revenue and Defence Expenditure (Shri A. C. Guha) : (a) and (b). From the data available with Government, it can not be said that the conversion of the Imperial Bank of India into the State Bank of India has affected the deposits and withdrawals in any way. There have been some fluctuations which are accountable to seasonal and other reasons apart from conversion.

Shri L. N. Mishra : Have Government a similar experience with regard to the branches of the Imperial Bank abroad ?

Shri A. C. Guha : I think I stated before that the assets of the Imperial Bank branches abroad are being gradually transferred to the State Bank branches that have already started, so that will give no measure of the volume of business of the Imperial Bank or the State Bank. Some of the old business is still with the Imperial Bank; some has already been transferred to the State Bank.

Shri L. N. Mishra : Has the State Bank any particular plan to invest a part of its fixed deposits in purchasing loans floated by various State Governments for financing the Plan ?

Shri A. C. Guha : When the loans are floated, generally all the banks and insurance companies—what may be called finance institutions—subscribe to them. This may also be open to the State Bank.

Shri Kaaliwal : May I know whether after the taking over of the Imperial Bank by the State Bank, the latter has opened any more branches ? If so, in which part of the country ?

Shri A. C. Guha : Sometime back, I gave the figure; three branches were opened, one in Assam, one in Madhya Pradesh and one, I think, in Saurashtra.

National Atlas

*1409. **Shri B. C. Das** : Will the Minister of Natural Resources and Scientific Research be pleased to state :

(a) whether it is a fact that Government are preparing National Atlas;

(b) if so, how far its preparation has progressed; and

(c) the scope of the Atlas ?

The Deputy Minister of Education (Dr. K. L. Shrimali) (a) Yes, Sir.

(b) and (c). The work for the preparation of the National Atlas has only recently been taken up and action is being initiated to set up an organisation for the purpose.

Shri B. C. Das : May I know whether any expert committee has been appointed for the purpose of preparing the atlas, and if so, who constitute the personnel of the committee?

Dr. K. L. Shrimali : I am afraid I do not have the names of the personnel of the committee. But an expert advisory board has been appointed by the Government and it is proposed to reconstitute the committee and the board in view of the suggestions which the board made last time.

Shri B. C. Das : What is the estimated cost of production of the atlas?

Dr. K. L. Shrimali : We have received a scheme prepared by Dr. Chatterjee of the Calcutta University, and the scheme envisages an expenditure of Rs 1.65 crores during the period 1956-60.

Shri Kamath : In view of the fact that this is the first National Atlas prepared after the advent of freedom, does Government propose to see that the cartographic encroachments of China on Indian territory are rectified in this Atlas and the Chinese Government also told that such encroachments be not made?

Dr. K. L. Shrimali : I may assure the hon. Member that the Expert Committee will give full consideration to this matter and make a scientific approach to the whole question.

Remittance Through Post Offices

***1410. Shri Barman** : Will the Minister of Finance be pleased to state:

(a) whether after devaluation of the Pakistan Rupee remittances upto a certain maximum limit are allowed through the post offices between India and Pakistan pending adjustment at the end of the year; and

(b) if not, the reasons therefor?

The Parliamentary Secretary to the Minister of Finance (Shri B. R. Bhagat): (a) No, Sir.

(b) The question of resumption of money order remittances between the two countries on a reciprocal basis was taken up with the Government of Pakistan as early as 1951 but no agreement could be reached as Pakistan did not agree to the usual and internationally accepted procedure of routing money orders through offices of

exchange. Recently, however, they have explained that they have no system of money orders with foreign countries and they are not yet ready to introduce such a system between the two countries.

Shri Barman : Was this letter communication made after the devaluation of the Pakistan rupee or before that?

Shri B. R. Bhagat : The last communication was in June.

अन्तर्राष्ट्रीय संचार

*1413. श्री के० सी० सोधिया : क्या गृह-कार्य मंत्री यह बताने की कृपा करेंगे कि :

(क) अन्तर्राष्ट्रीय सेवा के लिये जहाजों की व्यवस्था करने में अनुमान प्रशासन ने कहां तक प्रगति की है;

(ख) उस सेवा पर अनुमानित वार्षिक व्यय और उससे अनुमानित आय कितनी है; और

(ग) कहां की वर्तमान संचार व्यवस्था किस प्रकार की है?

गृह-कार्य उपर्यंत्री (श्री बातार)

(क) से (ग). अन्तर्राष्ट्रीय यातायात के लिये एक जहाज प्राप्त करने का प्रयत्न किया जा रहा है। यह अनुमान किया जाता है कि जहाज चलाने में १,५८,००० रुपये सालाना खर्च होगा, जब कि पहले साल में आमदानी कुल ४४,००० रुपये होगी। फिर भी, आशा की जाती है कि जैसे द्वितीय कार्यक्रम आमदानी बढ़ जायगी। द्वितीय पांच वर्षीय योजना में अन्तर्राष्ट्रीय सेवा की वार्षिक उपलब्धि करने के प्रस्तावों की जांच की जा रही है।

Shri K. C. Sodha : What is the present arrangement for inter-island communication?

Shri Datar : There are certain arrangements but they are more or less of an unsatisfactory character. That is the reason why the Government are going to purchase immediately a second-hand vessel at the cost of Rs. 5 lakhs.

Shri Krishnacharya Joshi: What is the present condition of inter-island communication and may I also know whether Government propose to run steamers?

Shri Datar: That is what Government propose to do. The Naval Department of the Andamans Administration is going to do it and we have recently received a report from an officer of the Planning Commission who has suggested that at least three steamers should run so far as inter-island communication is concerned.

Shri S. C. Samanta: May I know how many launches confiscated from smugglers have been brought into use for this service?

Shri Datar: The hon. Member is right. Certain launches had been seized and they are being brought into use after making necessary repairs.

श्री बोगाचत: यह जो अंदमान और निकोबार ग्राइलेंड है उन में आने जाने की सुविधा बहुत कम है और तीन तीन हफ्ते तक उन्हें कोई सुविधायें नहीं मिलती हैं। इस बास्ते ज्यादा से ज्यादा एक हफ्ते की मुद्रत करने के लिये ज्यादा जहाजों और लांचें की सहायता होनी चाहिये, क्या यह बात सच है?

Shri Datar: It is true, as I have stated, the arrangements are not satisfactory. Government have now been plying a chartered vessel which moves from Calcutta about 12 times in the year and also goes to Madras about 6 times in the year. It touches both the Andaman Islands and the Nicobar Islands but the condition is not satisfactory. That is why the Government are prepared to run a special vessel even at some loss for some years.

Rifle Training

***1414. Dr. Satyawadi:** Will the Minister of Home Affairs be pleased to refer to the answer given to the starred question No. 285 on the 1st August, 1955 and state the number of women trainees who have joined so far the scheme of rifle training?

The Deputy Minister of Home Affairs (Shri Datar): Forty-nine. A statement showing the requisite information in respect of the States from whom replies have so far been received is laid on the Table of the House. [See Appendix VIII, annexure No. 14]

Information in respect of other States will be laid on the Table of the House when received.

श्री सत्यवादी : जिन रियासतों के सूचना आ चुकी है, उन में कितते मर्द ट्रेनिंग से रहे हैं?

Shri Datar: Sir, on this question answer was given by me on the 1st of August, 1955. That would show that the number is not increasing as we expect. Our desire is that there ought to be at least 1,600 trainees per district. I would only give three numbers which we have received. For Assam, we have 284, for Hyderabad 80 and for Bhopal 100. In other cases the matter is still under preliminary negotiations.

श्री सत्यवादी : मर्दों के मुकाबले में औरतों की इतनी कम तादाद को देखते हुये क्या गवर्नरेंट ने कोई ऐसा कदम उठाया है जिस से ज्यादा से ज्यादा तादाद में औरतों को राइफल ट्रेनिंग लेने के लिये प्रोत्साहन मिले?

Shri Datar: Government are anxious that the number of women trainees also should be as large as, if not larger than, men trainees.

Mr. Speaker: We go to the next question.

L.A.S. Officers

***1416. Shri Sanganna:** Will the Minister of Home Affairs be pleased to state:

(a) whether the State Governments have been requested to send proposals for increasing their quota of I.A.S. Officers, in view of the Second five Year Plan;

(b) if so, what is the proposed quota for each State; and

(c) what factors have been taken into consideration for the purpose?

The Deputy Minister of Home Affairs (Shri Datar): (a) Yes. Presumably, the reference is to the Central Deputation Quotas in the State Cadres. The State Governments were requested in August 1954 to provide larger quotas for deputation to the Centre in view of the increased requirements of man power for the Second Five Year Plan.

(b) The increased quotas for Central deputation which the State Governments have already accepted are indicated in a statement placed on the Table of the House. [See Appendix VIII, annexure No. 15].

(c) The main factor is the anticipated requirement of the Central Government in view of the Second Five Year Plan.

Shri Sanganna: May I know the present promoted quota of I.A.S. officers for each State?

Shri Datar: That I have not got. But the present strength of all the cadres together is 1188 and it is likely to be increased to 1513 for the Central as well as the State requirements.

Shri Sanganna: May I know whether there is any difference between the Central deputation and the State promoted quotas of the services in the matter of pay and what kind of control the State Governments have over the Central deputation quota?

Shri Datar: When they serve in connection with the affairs of the Centre then they are amenable to the Central Administration. When they are working in the States they are naturally amenable to the State Governments concerned.

Shri Krishnacharya Joshi: May I know what is the strength of the Hyderabad cadre and whether Government propose to increase the quota?

Shri Datar: The present number is 72 and it is going to be increased to 111.

Shri Thimmaiah: Is it a fact that certain Governments have sent lists of candidates eligible for promotion to the I.A.S. and, if so, whether they have been approved by the Central Government?

Shri Datar: That is an entirely different question. But, I would inform the hon. Member that whenever certain names are sent against the promotion quota, then they are examined by us and they have ultimately to be examined by the UPSC.

Shri Nanadas: May I know whether there is any proposal to convert the State cadres into IAS cadres and, if so, whether the question of reservation will be taken up?

Shri Datar: There is no question of removing the State cadre and having only the IAS cadre. We are going to have as many people as possible, consistently with the quotas fixed for the various States.

Commonwealth Army Chiefs' Conference

*1418. **Shri Janardhan Reddy:** Will the Minister of Defence be pleased to state:

(a) whether it is a fact that Commonwealth Army Chiefs' Conference was held at Camberley from the 17th August, 1955; and

(b) if so, the matters discussed therein?

The Deputy Minister of Defence (Sardar Majithia): (a) Yes.

(b) Report on the discussions is not yet available. Generally matters of professional interest to the armies of the various countries concerned are discussed.

Shri Janardhan Reddy: May I know the personnel of Indian representatives?

Sardar Majithia: This year it was Gen. Shrinagesh and Lieut. Gen. K. S. Thimmayya.

Shri Janardhan Reddy: May I know whether this conference was the same as the one which was called by Gen. Hardinge, Chief of the Imperial Staff?

Sardar Majithia: Yes, it is the same.

Public Loans

*1419. **Shri Kasliwal:** Will the Minister of Finance be pleased to state:

(a) whether it is a fact that a number of State Governments have started floating loans; and

(b) if so, whether the previous sanction of the Central Government was obtained in each case before doing so?

The Parliamentary Secretary to the Minister of Finance (Shri B. R. Bhagat): (a) Ten State Governments have raised loans in the market in August this year.

(b) Yes, Sir.

Shri Kasliwal: May I know for what purposes these loans are going to be used?

Shri B. R. Bhagat: For development purposes.

Shri Kasliwal: May I know whether the running yields of these loans vary from State to State and also whether the running yields on all these loans are a little higher than the Central Government loans quoted this year, and if so, why?

Shri B. R. Bhagat: What does he mean by yields? Does he mean the interest?

Mr. Speaker: Yes, the interest to the State.

Shri B. R. Bhagat: The interest on the loan is 4 per cent in all cases.

Shri Kasliwal: My second part of the question was not answered. Is the interest on these loans higher than the Central Government loan and if so, why?

Shri B. R. Bhagat: The Central Government loans were made in 1953-54. Four per cent loans were floated in 1953. Loans were also floated in 1952-53

Mr. Speaker: That is not the point. There is a difference in the rate and the answer is obvious. The Central Government floated loans

Shri B. R. Bhagat: The rate of interest for the Central Government loan and the State Government loan varies with the terms of the loan.

Shri Kamath: Is it a fact that the frequency of floatation of such loans by several State Governments since 1947 has tended to shake public confidence in such Governments?

Shri B. R. Bhagat: No, Sir. Rather the contrary.

Shri Kamath: Is that so really?

Shri Kasliwal: May I know whether sanction has been refused to any State for floating any loan?

Shri B. R. Bhagat: No, Sir.

Mineral Oil

*1423. **Shri Bishwa Nath Roy:** Will the Minister of Natural Resources and Scientific Research be pleased to state:

(a) whether the attention of Government has been drawn to the availability of oil in the Tarai District of U. P. and Bihar especially in Gorakhpur, Deoria and Champaran Districts; and

(b) whether any survey of that region for oil has ever been undertaken?

The Deputy Minister of Education (Dr. K. L. Shrimali): (a) and (b). Although no surface indication of the occurrence of oil has so far been obtained in the Tarai region of U.P., and Bihar, the possibility of suitable sub-surface oil-bearing structures in the Tertiary belt of the Himalayan foot-hills cannot be ruled out altogether. As a result of the work carried out by the Geological Survey of India, the extent of the Tertiary formation is more or less known. The possibility of the occurrence of oil will, however, be known only when detailed work is carried out in these regions.

Shri Bishwa Nath Roy: May I know whether in the near future such a survey will be undertaken?

Dr. K. L. Shrimali: The Government of India are setting up an Oil and Natural Gas Division and as soon as this division starts functioning, I am sure more extensive survey will be done.

Shri Amjad Ali: With regard to (b), what kind of survey has been undertaken— areomagnetic, Seismic or gravimetric?

Dr. K. L. Shrimali: I am not an expert and I must admit it, but I may say that some kind of survey has been done by the Geological Survey of India.

Income-Tax Department

*1424. **Shri Gidwani:** Will the Minister of Finance be pleased to lay on the Table of the House a statement showing:

(a) the number of complaints of corruption received against the officers of the Income-Tax Department during the years 1953 and 1954 separately;

(b) the number of complaints which have so far been enquired into and finalised; and

(c) the number of officers punished as a result of these complaints?

The Minister of Revenue and Civil Expenditure (Shri M. C. Shah): (a) to (c). A statement is laid on the Table of the House. [See Appendix VIII, annexure No. 16].

Shri Gidwani: The statement says that out of 311 cases, 213 have been enquired into and finalised. When will the remaining cases be finalised?

Shri M. C. Shah: Already 118 out of 150 cases in 1953 and 95 out of 161 in 1954 have been investigated. The rest are being investigated.

Shri Gidwani: In the statement it is further said that out of these cases, only nine officers have been punished, and in the remaining cases the investigations proved that the complaints were baseless. May I know whether these investigations were made by the anti-corruption department or by departmental officers?

Shri M. C. Shah: There were complaints made through the Commissioners of Income-tax and the Central Board of Revenue and they were sent to the Directorate of Inspection (Investigation). They were from certain individuals, anonymous and otherwise and were enquired into by those people.

Mr. Speaker: He wants to know the machinery of the enquiry whether they were enquired into by the Income-tax Department or the anti-corruption department.

Shri M. C. Shah: In the Income-tax Department, there is a special branch called the Directorate of Inspection (Investigation). Whenever a complaint is received by the Central Board of Revenue or by the Commissioner of Income-tax or by the Ministry of Finance, it is sent to this special branch for investigation. There are special officers in this branch and they go and enquire into the complaints and report to the Central Board of Revenue. Where there is a case against an officer

appointed by the department, then we have to consult the Union Public Service Commission before any action is taken against him.

Shri Gidwani: Does the Government consider it proper to send such cases to the anti-corruption department so that an independent enquiry may be made instead of entrusting the work to the department?

Shri M. C. Shah: In the case of an officer who has been prosecuted, we always consult the Special Police Establishment of the Home Ministry, but whenever we find that there are other matters connected with it, those cases are enquired into by the Directorate, because if we send such cases to the Special Police Establishment, it will possibly take more time and at the same time the results obtained will not be so fruitful as obtained by this Directorate of Inspection (Investigation).

Pandit K. C. Sharma: Has any enquiry been made as to the higher and costlier standard of life of the income-tax officers as compared with their counterparts in the judiciary and other departments and the reasons therefor?

Mr. Speaker: The question does not arise out of this.

Shri Bogawat: Is Government aware that these enquiries and investigations take a very long time and in the meantime influence is brought to bear on some of the officers and that there are several such attempts made? May I also know the rank of the persons who are punished, that is, the culprits?

Shri M. C. Shah: There is no foundation whatsoever for the statement that influence is brought to bear upon the officers when the enquiry is being made. It is in order to eliminate such attempts that we have established a special Directorate of Inspection (Investigation) as recommended by the Income-tax Investigation Commission. Therefore, there is no possibility of exerting such influence. Of course, there is delay because we have to go through a certain procedure. The moment an enquiry is made and charges framed, the charges have to be given to the people concerned, that is, the accused and then their explanation is to be taken, their evidence is to be taken and so on, and where necessary, we have to consult the U.P.S.C. in the case of dismissal of officers appointed by the President.

Shri Bogawat: The second part of my question is not answered.

Mr. Speaker: We will go to the next question.

Taxes on Professions, Trades, etc.

***1426. Shri N. M. Lingam:** Will the Minister of Finance be pleased to state

whether Government have under consideration amendment of Article 276 (2) of the Constitution so as to increase the ceiling on the total amount of tax payable by an individual in respect of professions, trades, callings and employments as recommended by the Taxation Enquiry Commission?

The Parliamentary Secretary to the Minister of Finance (Shri B. R. Bhagat): The matter is under consideration.

Shri N. M. Lingam: May I know the main lines on which legislation is desired to be brought before the House?

Shri B. R. Bhagat: That is too early to say at this stage.

Shri N. M. Lingam: May I know if the levy is to augment the revenues of the local bodies or the State Government?

Shri B. R. Bhagat: Local Bodies.

Shri N. M. Lingam: Are there no cases where a State is levying profession tax directly?

Shri B. R. Bhagat: I am not aware at present.

चीन को सांस्कृतिक प्रतिनिधि मंडल

१४२७. श्री भगवत दर्शन : स्था शिक्षा मंत्री यह बताने की कृपा करेंगे कि :

(क) हाल ही में चीन को जो भारतीय सांस्कृतिक प्रतिनिधि मंडल गया था वह वहाँ कितने दिन ठहरा;

(ख) प्रतिनिधि मंडल ने उस देश के किन किन प्रदेशों का दौरा किया और किन किन स्थानों पर प्रदर्शन दिखाये; और

(ग) उस का दौरा कार्यक्रम किसने निश्चित किया?

शिक्षा मंत्री के समाप्तिव (आ० एम० एम० बास) : (क) दो महीने।

(ख) निम्न प्रदेशों का दौरा किया :— होपै, स्पोनिग, शीनसी, सीकियांग, जेचु-वान, हुपेन, कियांगसु, चेकियांग और क्वांगटुंग।

प्रतिनिधि मंडल ने निम्न स्थानों पर प्रवर्षन दिक्कारे —

पीकिंग, डाइरेल, लैनयांग, सियान, उरमची, काशगर, चुनकिंग, बुहान (हानको), नान-किंग, हैगचो, कैटन और शांचाई ।

(ग) दौरे का कार्यक्रम चीन की लोक-गणराज्य सरकार ने बनाया था और उसके साथ मिलकर हमने इसे प्रन्तिम रूप दिया था ।

श्री भक्त बांगन : इस सूची में सीकिंगांग और पोटंगांग का नाम आता है । क्या यह सत्य है कि हमारे देश का सांस्कृतिक प्राचीन निधि-मंडल सब से पहला विदेशी दल था, जिसको वहां जाने की इजाजत दी गई और क्या इस से यह सिद्ध होता है कि चीन सरकार ने सब इलाकों से सब तरह के प्रतिबन्ध हटा लिये हैं ?

Dr. M. M. Das : As I have said the tour programme was drawn up by the Government of the People's Republic of China and was finalised by us in consultation with that Government.

Mr. Speaker : The question is different.

प्रधान मंत्री तथा वैदेशिक कार्य मंत्री (श्री जवाहरलाल नेहरू) : जी हां, जो बात आप ने पूछी है, वह किसी कदर सत्य है, केविन आप जानते हैं कि योड़े दिन हुये — मुझे ठीक मालूम नहीं — पोटंगांग इसी कब्जे से चीनी हक्कमत के कब्जे में दिया गया है और जहां तक मालूम है, इस जगत में कोई और डेलीगेशन या डपुटेशन वहां नहीं थया था ।

श्री भक्त बांगन : इस सूची में मैं तिब्बत का कोई नगर नहीं पाता, जिसकी तिब्बत भी चीन का एक भाग है । क्या इसका अर्थ यह समझा जाय कि तिब्बत में जाने में कोई आपत्ति है ? क्या इस बारे में कोई प्रकाश डाला जा सकता है ?

श्री जवाहरलाल नेहरू : मेरी समझ में यह साबल नहीं आया है । किसी को आपत्ति नहीं है । इसमें आपत्ति का क्या सबल है ? जाने जाने में मुश्किल यह है कि

वहां पर पहाड़ और चट्टाने ज्यादा है और रास्ते कम हैं ।

श्री सी० डी० पांडे : अभी प्राइम मिनिस्टर साहब न करमाया कि वहां जाने की सहूलियत दी गई । मैं जानना चाहता हूँ कि क्या वह सहूलियत इसी डेलीगेशन के लिये थी, या जो और लोग वहां जायेंगे, उनके लिये भी यह सहूलियत होगी ?

श्री जवाहरलाल नेहरू : मुझे मालूम नहीं कि किस के लिये होगी या किस के लिये नहीं होगी । वह एक फौजी मुकाम है और सिक्योरिटी एरियाँ में आम तौर से जाने की इजाजत नहीं होती । वे दिक्कतें भी हल्के हल्के हट जायेंगी और सालिलन और मोग भी जा सकेंगे ।

Libraries in Hyderabad

*1438. Shri Janardhan Reddy: Will the Minister of Education be pleased to state:

(a) the amount of loan and subsidy given to the Hyderabad State by the Central Government for the development of its libraries during 1954-55; and

(b) whether the money so granted has been availed of?

The Parliamentary Secretary to Minister of Education (Dr. M. M. Das): (a) Nil.

(b) Does not arise.

श्री जवाहरलाल नेहरू: जो इमदादी बाती है, उसके बारे में क्या यह मुकरर किया जाता है कि देहात के लिये इतनी ही और शहरी एरिया के लिये इतनी ही ?

Dr. M. M. Das : The Central Government does not give any loan for library purposes.

Shri Heda : In view of the fact that the library at Hyderabad is one of the largest libraries in the country, is there any proposal to convert it into one of the national libraries.

Dr. M. M. Das : I think the hon. Member has given a suggestion and the Government may consider that suggestion.

National Chemical Laboratory

*1439. Shri Gidwani: Will the Minister of Natural Resources and Scientific Research be pleased to state :

(a) whether it is a fact that the National Chemical Laboratory, Poona has experi-

mented with a process by which yield of edible sugar from sugarcane can be doubled;

(b) whether plants employing the new technique are working in Germany; and

(c) whether Government propose to encourage this technique for commercial purposes?

The Deputy Minister of Education (Dr. K. L. Shrimall): (a) Experiments carried out at the National Chemical Laboratory have shown that sugar cane bagasse can yield under appropriate treatment a third of its weight as glucose, or about half its weight as fermentable sugar, i.e., a mixture of glucose and pentoses.

(b) A somewhat similar process is in use in Germany for the production of glucose from wood, not bagasse.

(c) Experiments on laboratory scale only have so far been carried out. Pilot plant experiments would be necessary to establish the minimum size of an economic unit for the production of glucose from bagasse in India.

Shri Gidwani: How much quantity of bagasse is utilised in India for fuel purposes?

Dr. K. L. Shrimall: I do not know whether that question arises from this question but I shall need notice in any case to answer.

Shri Amjad Ali: May I know if beetroot is being used for the purpose of making sugar and whether we can make similar experiments?

Dr. K. L. Shrimall: That is, I think, well-known; but I have no information.

Traffic Control in Delhi

*1392. **Shri Radha Raman:** Will the Minister of Home Affairs be pleased to state:

(a) whether it is a fact that the use of electric signals for controlling traffic has resulted in the decrease of road accidents in New Delhi;

(b) if so, to what extent;

(c) whether it is proposed to extend the use of electric signals to other areas in Delhi; and

(d) if so, which are those areas?

The Deputy Minister of Home Affairs (Shri Datar): (a) Yes.

(b) Accidents at the two electrically controlled crossings came down to 16 in the first half of this year as against 21 during the first half of 1953.

(c) Yes.

(d) *In Old Delhi:* Red Fort crossing, Outside Kashmere Gate, Rajpur Road and Boulevard Road crossing.

In New Delhi: Punchkuin Road-Connaught Circus crossing, Parliament Street-Connaught Circus crossing, Minto Road-Connaught Circus crossing and Irwin Road-Connaught Circus crossing.

Shri Radha Raman: May I know whether similar experiments were tried in some other big cities of India and, if so, which are those cities?

Shri Datar: I am not aware of this experiment having been tried in other States but I believe in Bombay it was tried with some success.

Shri Radha Raman: The hon. Minister had just now disclosed that certain areas would be under the operation of this scheme very soon. How long will it take for these signals to be fixed up in those places?

Shri Datar: So far as the proposed signals in New Delhi are concerned they would be fixed up very soon—in the course of a month or two. So far as the installation of new signals in Old Delhi is concerned the matter is under consideration in consultation with the Delhi Municipal Committee.

Shri Radha Raman: May I know what is the expenditure involved per unit on this experiment and how does it compare with the old method besides saving of human labour?

Shri Datar: I have not got these figures. But one important factor to be noted is the marked decrease in the number of accidents.

Mr. Speaker: I feel that these are questions on details. We need not go into them.

Scheduled Tribes

*1392. **Shri Hem Raj:** Will the Minister of Home Affairs be pleased to state how much of the grant made by the Centre for the development of the Scheduled Areas and Scheduled Tribes of Lahaul and Spiti in Punjab in 1953-54 lapsed and the reasons therefor?

The Deputy Minister of Home Affairs (Shri Datar): The State Government have utilised in full the Central grant of Rs. 4.92 lakhs given to them for the purpose during 1953-54.

श्री भवत दत्त: क्या गवर्नरेंट के व्यापार में यह बात प्राइम है कि उस इलाके में टांडा कल अपर्याप्त एक इर्दिशन चैनल बन रही थी और उस पर अस्सी हुआर रुपया लाप्त हो चुका था, लेकिन उसको लीज में ही

Only six officers of the rank of Colonel and above visited India during the last twelve months. They visited 8 different States : of these, Uttar Pradesh was visited by two officers which was the largest number for any State.

Primary Teachers in Tripura

*1408. Shri Dasaratha Deb : Will the Minister of Education be pleased to state :

(a) the number of primary teachers appointed in Tripura in 1955 and the number out of them belonging to Scheduled Castes and Scheduled Tribes ; and

(b) whether it is a fact that an assurance was given by the Government that non-Matric Scheduled Tribes and Scheduled Castes candidates will be appointed as teachers in the Primary schools ?

The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das) : (a) Out of 500 Primary teachers appointed in 1955, in Tripura, 63 teachers belong to Scheduled Castes and Scheduled tribes.

(b) No, Sir.

Agra Cantonment Board

*1411. Seth Achal Singh : Will the Minister of Defence be pleased to state :

(a) when the decision on the question of passing certain portions of the Agra Cantonment to the Agra Municipality is expected to be taken ;

(b) whether under the Five Year Plan any amount has been spent by the Agra Cantonment Board and if not, reasons therefor ; and

(c) whether it is a fact that a circular has recently been issued by Government that the sum of Rs. 2,60,000 sanctioned for development of the Agra Cantonment should be used for developing such areas as are to be retained within the Cantonment limits ?

The Deputy Minister of Defence (Sardar Majithia) : (a) The matter is under consideration in consultation with the State Government.

(b) No. Owing to financial stringency, the Cantonment Board, Agra could not spend any amount for development programme during the first 4 years of the First Five Year Plan.

(c) It has been decided that the grant-in-aid should be spent irrespective of the area which is likely to be excised.

पांडिचेरी पुरातत्त्वीय स्थान

*1415. श्री पी० एम० राजभोवळ : क्या विज्ञा मंत्री यह बताने की कृपा करेंगे कि :

(क) पांडिचेरी और अन्य मतभूत कांसीसी बस्तियों में ऐसे कितने प्राचीन स्मारक तथा अन्य स्थान हैं, जिन्हे सुरक्षा के लिये पुरातत्त्व विभाग अपने प्रधिकार में लेने का विचार करता है;

(ख) उनका राष्ट्रीय महत्व क्या है; और

(ग) उनमें से कितनों की रका कांसीसी सरकार करती थी ?

विज्ञा मंत्री के समाचारित (डा० एम० एम० दास) : (क) यह विषय विचाराधीन है।

(ख) और (ग). प्रश्न उत्पन्न नहीं होता।

Foreigners in India

*1421. Shri D. C. Sharma : Will the Minister of Home Affairs be pleased to refer to the reply given to Starred Question No. 2351 on the 18th April, 1955, and state :

(a) the total number of foreigners whose names have been registered during 1954 in India ; and

(b) the names of the countries to which they belong ?

The Deputy Minister of Home Affairs (Shri Datar) : (a) and (b). A statement giving the required information is laid on the Table of the House. [See Appendix VIII, annexure No. 17.]

Civilian School Masters

*1422. Shri Ibrahim : Will the Minister of Defence be pleased to state :

(a) the number of Civilian School Masters serving under the Ministry of Defence ;

(b) the method of their recruitment and their qualifications and

(c) whether they are liable to be posted outside India ?

The Minister of Defence (Dr. Katju):

(a) 1,157.

(b) A statement is laid on the Table of Lok Sabha. [See Appendix VIII, annexure No. 18.]

(c) No.

Sudanese Military Mission

*1425. **Shri Bhagwat Jha Azad:** Will the Minister of Defence be pleased to state whether it is a fact that a Sudanese Military Mission recently visited India?

The Minister of Defence (Dr. Katju): Yes.

Aid from Canada

*1429. **Shri D. C. Sharma:** Will the Minister of Finance be pleased to state:

(a) the extent of aid received from Canada during 1954: and

(b) the form in which it has been received?

The Parliamentary Secretary to the Minister of Finance (Shri B. R. Bhagat): (a) The value of the aid received in the shape of materials and equipment from Canada during 1954 under the Colombo Plan was Rs. 1.5 crores.

(b) The aid was received in the following forms:

(Rs. lakhs).

(i) Equipment for Mayurakshi Project in West Bengal	11
(ii) Copper and Aluminium for wire and cable Industry	56
(iii) 50 locomotive boilers for Indian Railways	83
TOTAL	150

हिन्दी व्याकरण

*1431. **Shri Bhagwat Jha Azad:** क्या शिक्षा मंत्री २३ मार्च, १९५५ को दिये गये तारांकित प्रश्न संस्था १३८४ के उत्तर के सम्बन्ध में यह बताने की कृपा करेंगे कि:

(क) क्या बुनियादी हिन्दी व्याकरण समिति ने अपना प्रतिवेदन दे दिया है; और

(ल) यदि हाँ, तो व्याकरण के कब तक तैयार हो जाने की सम्भावना है?

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शिक्षा मंत्री के सभा सचिव (श. एम० एम० दास) : (क) बुनियादी हिन्दी व्याकरण समिति की रपोर्ट की अभी इन्तजार है।

(ल) ऐसे टैकनीकी विषय में कोई अवधि निश्चित नहीं की जा सकती।

Disciplinary Cases

741. **Shri D. C. Sharma:** Will the Minister of Home Affairs be pleased to state the number of persons in the Indian Administrative Service, the Indian Police Service and the Indian Foreign Service (separately) against whom disciplinary action of any kind has been taken since the 15th of August, 1947?

The Deputy Minister of Home Affairs (Shri Datar): The information asked for is as follows:—

Indian Administrative Service	10
Indian Police Service	16
Indian Foreign Service	2
TOTAL	28

Scientific & Technical Education

742. **Shri Ibrahim:** Will the Minister of Education be pleased to lay a statement on the Table of the House showing:

(a) the names of Universities which have received grants for the development of Scientific and Technical Education so far during 1955-56; and

(b) the amount given in each case?

The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das): (a) and (b). A statement giving the required information is laid on the Table of the House. [See Appendix VIII, annexure No. 19.]

Inspection of Banks

743. **Shri Ibrahim:**
Seth Govind Das:

Will the Minister of Finance be pleased to state the number of Scheduled Banks inspected by the Reserve Bank of India during 1954-55?

The Minister of Revenue and Defence Expenditure (Shri A. C. Guha): 24 scheduled banks were inspected by the Reserve Bank of India in the year 1954-55 i.e. from 1st April, 1954, to the 31st March, 1955.

Insurance Companies

744. Shri Ibrahim: Will the Minister of Finance be pleased to state the total amount of Insurance premia sent out of India to foreign Insurance Companies during 1954 on account of :—

- (i) General Insurance,
- (ii) Marine Insurance, and
- (iii) Life Insurance ?

The Minister of Revenue and Civil Expenditure (Shri M. C. Shah): The figure for the year 1954 are not yet available.

Iron Ore Mines

745. Shri K. P. Sinha: Will the Minister of Natural Resources and Scientific Research be pleased to state the number of Iron Ore Mines which were working in 1954 ?

The Deputy Minister of Education (Dr. K. L. Shrimall): One hundred and nine.

Murders in Delhi

746. Chaudhri Muhammed Shaffee: Will the Minister of Home Affairs be pleased to state :

(a) the number of arrests made in Delhi State in connections with theft and murder cases since the 1st May, 1955 ;

(b) the number of persons convicted and acquitted in this connection ; and

(c) the number of cases still pending decision ?

The Deputy Minister of Home Affairs (Shri Datar): (a) One hundred and thirty-nine (upto 20th July, 1955).

(b) *Convicted* : Thirty-three ;

Acquitted : Nil.

(c) Seventy-three.

Sodepur Glass Works Ltd.

747. Shri Gidwani: Will the Minister of Finance be pleased to state :

(a) whether the negotiating committee appointed for the disposal of the belongings of the Sodepur Glass Works, Ltd. has completed its work; and

(b) if so, what will be the total loss to the Industrial Finance Corporation?

The Minister of Revenue and Defence Expenditure (Shri A. C. Guha): (a) Yes, Sir. The Corporation has completed negotiations and decided to sell

the properties belonging to the Sodepur Glass Works Ltd. to Messrs Asahi Glass Company Ltd.

(b) It is still premature to give an exact figure of the ultimate loss to the Corporation. Apart from the fact that the transfer is yet to be executed, the realisation, if any from the enforcement of guarantees against the guarantors of the loans cannot be estimated at this stage.

Scheduled Castes and Tribes

748. Shri Biren Dutt: Will the Minister of Home Affairs be pleased to state :

(a) the percentage of Scheduled Tribes, Scheduled castes and minorities in each class and category of Government Service in Tripura at present; and

(b) what steps are being taken to safeguard their interests in services ?

The Deputy Minister of Home Affairs (Shri Datar): (a) The required percentages are as under :

Class of service	Percentage of representation in Tripura Government services		
	Scheduled Tribes	Scheduled Castes	Minorities
Class I	6.48	0.92	1.38
Class II }			
Class III	10.97	6.04	4.87
Class IV	20.27	8.52	6.71

(b) In making direct recruitment to posts under them, the State Government make every endeavour to follow the instructions contained in the Ministry of Home Affairs Resolution No. 42/21/49-NGS, dated the 13th September 1950, regarding reservation of vacancies for and grant of other concessions to members of Scheduled Castes and Scheduled Tribes. A copy of that Resolution will be found in Appendix VIII to the Report of the Commissioner for Scheduled Castes and Scheduled Tribes for the period ending the 31st December, 1951.

Multi-Purpose Schools

749. Shri N. M. Lingam: Will the Minister of Education be pleased to state the number of multipurpose schools sanctioned and established, (State-wise), in pursuance of the recommendations of the Secondary Education Re-organisation Commission?

The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das) : A statement showing the number of multi-purpose schools sanctioned so far (State-wise) is laid on the Table of the Lok Sabha. [See Appendix VIII, annexure No. 20].

The information relating to the actual establishment of such schools is being collected from the States concerned and will be furnished later.

चोरी छिपे लाया गया सोना

750. श्री एम० एल० द्विवेदी : क्या वित्त मंत्री यह बताने की कृपा करेंगे कि :

(क) क्या यह सच है कि कलकत्ता में एक चीनी के पास से लगभग दो हजार तोला चोरी छिपे लाया गया सोना पकड़ा गया था ; और

(ख) यदि हां, तो इस मामले में कितने व्यक्तियों का हाथ था ?

राजस्व और रक्षा व्यवंहारी (श्री ए० सी० गूह) : (क) यह ठीक है कि मकान नं० १५-१ छातावाला गली, कलकत्ता से ३ अगस्त, १९५५ को १६६३ तोले वजन (११८ छड़ि) का लगभग १,८०,००० रुपये मूल्य का सोना पकड़ा गया ।

(ख) इस मामले में दो व्यक्तियों का हाथ था ।

Welfare Extension Projects

751. Dr. Satyawadi : Will the Minister of Education be pleased to state the names of Welfare Extension Projects functioning in the States of Punjab, PEPSU and Himachal Pradesh at present ?

The Parliamentary Secretary to the Minister of Education (Dr. M. M. Das) : A statement giving the requisite information is attached. [See Appendix VIII, annexure No. 21].

Managing Agency Concerns

752. श्री V. P. Nayar : श्री Punnose :

Will the Minister of Finance be pleased to state :

(a) the names of the managing agency concerns operating at present in Travancore-Cochin State ;

(b) their total paid-up capital ; and

(c) the paid-up capital invested at present in the Industrial Sector in Travancore-Cochin State ?

The Minister of Revenue and Civil Expenditure (Shri M. C. Shah) : (a) A statement is placed on the Table of the House. [See Appendix VIII, annexure No. 22].

(b) Information relating to the total paid-up capital of managing agencies which are joint stock companies is being collected and will be laid on the Table of the House.

(c) According to information available with Government the total paid-up capital of the joint stock companies engaged in various industries in the State of Travancore-Cochin as on 31st March, 1954 is approximately Rs. 17,92 lakhs.

Confiscated gold

753. Sardar Iqbal Singh : Will the Minister of Finance be pleased to state the quantity of gold confiscated from the 1st January, 1951 to the 30th June, 1955 on the West Pakistan border ?

The Minister of Revenue and Defence Expenditure (Shri A. C. Guha) : The quantity of gold confiscated from the 1st January, 1951 to the 30th June, 1955 on the West Pakistan border is 8664 tolas approximately.

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3rd September, 1955 (Saturday)

LOK SABHA DEBATES

(Part II—Proceedings other than Questions and Answers)



30)

LOK SABHA SECRETARIAT
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LOK SABHA

Saturday, the 3rd September, 1955.

The Lok Sabha met at Eleven of the clock

[MR. SPEAKER in the Chair]

QUESTIONS AND ANSWERS

(See Part I)

11-58 A.M.

MESSAGE FROM RAJYA SABHA

Secretary: Sir, I have to report the following message received from the Secretary of Rajya Sabha:

"I am directed to inform the Lok Sabha that the Spirituous Preparations (Inter-State Trade and Commerce) Control Bill, 1955, which was passed by the Lok Sabha at its sitting held on the 1st August, 1955, has been passed by the Rajya Sabha at its sitting held on the 1st September, 1955, with the following amendment:

New Clause 12A

That at page 5, after line 16, the following new clause be inserted, namely:

12A. Power to exempt.—The Central Government may, by notification in the Official Gazette, and subject to such conditions as it may think fit to impose, exempt any spirituous preparation from all or any of the provisions of this Act on the ground that the spirituous preparation is ordinarily required for medicinal, scientific, industrial or such like purposes.'

I am, therefore, to return here-with the said Bill in accordance with the provisions of rule 126 of the Rules of Procedure and Conduct of Business in the Rajya Sabha with the request that the concurrence of the Lok Sabha to the said amendment be communicated to this House."

SPIRITUOUS PREPARATIONS (INTER-STATE TRADE AND COMMERCE) CONTROL BILL

Secretary: Sir, I lay on the Table of the House the Spirituous Preparations (Inter-State Trade and Commerce) Control Bill, 1955, which has been returned by Rajya Sabha with an amendment.

COMPANIES BILL—contd.

Clauses 284 to 322

Mr. Speaker: The House will now take up clauses 284 to 322 of the Companies Bill for which 3½ hours have been allocated. These clauses will be disposed of by about 3-30 P.M. when the House will take up the next group which consists of clauses 323 to 388.

12 NOON

Hon. Members who wish to move their amendments to these clauses will kindly hand over the numbers of their amendments, specifying the clauses to which they relate, to the Secretary at the Table within 15 minutes.

I may just inform the Members that we have exceeded the overall time by 5½ hours.

PERSONAL EXPLANATION BY A MEMBER

Shri Kamath (Hoshangabad): Sir, before we proceed with the discussion on these clauses may I make a very brief one minute statement by way of personal explanation because I was not in the House the other day when something was said about me?

Mr. Speaker: Order, order. I think it would be better if the hon. Member first sees me in my chamber and let me know what personal explanation he wants to offer, and then, of course, I shall consider as to whether he should be permitted to do so.

Shri Kamath: Is it one of the new rules that I should see you in the chamber in this connection?

Mr. Speaker: Yes, that is the rule; because I do not want to give an opportunity again for a further personal explanation and points of order. I must be satisfied as to what is being or going to be spoken about.

Shri Kamath: Very well; I shall see you later.

COMPANIES BILL—contd.

Clauses 284 to 322

The Minister of Revenue and Civil Expenditure (Shri M. C. Shah): Sir, with your permission I wish to explain the Government amendments to clauses 284 to 322. The amendments are: No. 359 to clause 286, No. 360 to clause 287, No. 360 to clause 292, No. 361 to clause 299, No. 361 to clause 301, Nos. 262, 363, 364, 365 and 366 to clause 308, No. 367 to clause 309, No. 368 to clause 310, Nos. 369 and 370 to clause 313, No. 361 to clause 315 and No. 364 to clause 316.

[**MR. DEPUTY-SPEAKER** in the Chair]

Most of them are of a drafting nature. There are two important amendments and they are No. 359 to clause 286 and No. 361 to clause 315. However, I will just give an explanation to all these amendments in a very short way.

First I will speak about amendment No. 359 to clause 286. The explanation to that is that we have redrafted clause 286 so as to provide for the following two points. Firstly, where one-third of the total number of directors contains a fraction, where it is more or less than one-half it should be treated as one. For instance, if the total strength of the board is 7, one-third thereof will be 2-1/3 and in such cases the quorum will be 3 and not 2. Similarly, where the total number of directors is 11, the quorum will be 4 and not 3. That is one purpose of this amendment.

Secondly, where there are interested directors and their number exceeds two-thirds of the total strength, the quorum is to consist of the remaining directors only; that is to say, those who are not interested will form the quorum. For instance, if there are 12 directors and if 10 of them are interested, the quorum will be 2-12 minus 10—and not 4, one-third of 12.

In the case of giving or taking of a loan from a well-known bank like the State Bank of India or the Central Bank of India in which most directors of companies might hold shares, where the present company practice is to reduce the quorum in such cases by the articles—under the existing law this matter of quorum is dealt with in the articles. But under this Bill the provision for quorum is put in the main portion of the Bill itself and not in Table A. A company cannot make a provision regarding quorum in the articles which is inconsistent with that contained in a main clause in the Bill. That is the second purpose of redrafting this clause 286.

The proviso made to sub-clause (2) of clause 286 is in accordance with and gives effect to the present company practice which obtains in regard to most companies. This is the second of the alternatives suggested by certain people and we have accepted that suggestion.

Amendment No. 360 to clause 287 is in the nature of a drafting amendment.

In our amendment No. 660 to clause 292 we have just made the position clear. We have omitted the words "or agree to contribute" in line 15 and the words "exceeds or" in line 18. We have also omitted the words "when taken with contributions made or agreed to be made before the commencement of this Act, exceed in any financial year" in lines 18 to 20 and for that we have substituted the words "in any financial year, exceed". Then in line 24 we have inserted an explanation:

"Where a portion of a financial year of the company falls before the commencement of this Act, and a portion falls after such commencement, the latter portion shall be deemed to be a financial year within the meaning, and for the purposes, of clause (e)."

That means, up to the time the Act comes into operation, say 1st April, 1956, all the contributions made before that date will not be governed by the present Act. But, suppose the year begins from 1st January and four months have passed, still for the remaining 8 months the provision is that the contributions can be made to the funds stated in clause 292. We have simplified that method and we have said that all the contributions made before the commencement of the year will not be taken into account when this proviso is applied with regard to the contributions to be made in the financial year and therefore, we have added this explanation that, if part of the financial year has passed or has elapsed before the commencement of the Act the rest of the period will be considered as a financial year for the purposes of clause (e).

Amendment No. 361 to clause 299 is also of a drafting nature to bring out the intention very clearly.

Then I come to amendment No. 861 to clause 301. There also the provisions of this section apply in relation

to any resolution or proposed resolution of the Board of directors of a company appointing a manager or a whole-time director as may be applied to all other contracts.

Amendments Nos. 362 to 366 to clause 308 are all only of a minor drafting nature like amendment No. 362 where we have said that for "including the managing director" substitute the words "including any managing or whole-time director".

As you know, in other places in the Bill, wherever the term "managing director" occurs, reference has also been made to whole-time directors and it is clearly necessary to insert a reference to whole-time directors in this sub-clause also.

The second amendment to sub-clause (1) and the amendment to sub-clause (2) may be taken together. The use of the expression "subject to the provision of section 197" in sub-clause (4) alone but not in any other sub-clause will give rise to unnecessary difficulties. Therefore, it has been considered desirable to make it clear in sub-clause (1) itself that all the sub-clauses should be subject to the provisions of section 197 as well as in accordance with them. The amendment meets the intention and therefore, the words "subject to the provisions of section 197" have been thought unnecessary and have been deleted.

Then, the amendments to clauses 309 and 310 are practically the same. As I have already pointed out, the whole-time director must be put on the same footing as the managing director. Then, in clause 313, we have suggested that the following words be inserted at the end of line 7, at page 165:

"With effect from the first day on which the contravention occurs and shall also be liable to refund to the company any remuneration received or the monetary equivalent of any perquisites or advantage enjoyed by him in respect of such office or place of profit."

[Shri M. C. Shah]

The object of this amendment is two-fold. Firstly, to make it clear that the directors should be deemed to have vacated the office from the first day on which the contravention occurs, and secondly, to make it clear that the director is liable to refund to the company any remuneration, etc., which might have been illegally drawn by him.

Then, in regard to clause 317, the definition has to be amplified to cover cases when office or place of profit is held by the individual other than the director or by any firm, private company or body corporate.

Now, the amendment No. 661 to clause 315, as I have said, is an important one. The amendment says: after line 41, add:

"(4) Notwithstanding anything contained in sub-sections (1) to (3), the Central Government may, by order, permit any person to be appointed as a managing director of more than two companies, if the Central Government is satisfied that it is necessary that the companies should, for their proper working, function as a single unit and have a common managing director."

Now, I will explain why we have brought this amendment. It has been brought to the notice of the Government that there are cases in which private companies work together as a single unit. For example, the Tata Hydro Group consists of four companies with a common staff and common management. It is thought desirable that they should have a common managing director or manager. Now, in sub-clause (4) this case has been provided for. If we do not insert sub-clause (4), then a common managing director for all those four companies will not come in. That means, there is one managing director for one company and another managing director for another company, though there is a common staff, and the staff will have to be divided or more staff will have to be provided. Therefore, whenever such

concerns work as a single unit, they have a common staff and a common management. Then that sub-clause (4) will be resorted to. If the Government is satisfied that it is necessary in such cases, when these companies work as a single unit having common management and a common staff, then the Government may allow that managing director to work in those four companies. That is the purpose of this amendment. It gives power to the Central Government to declare that in such cases the company has to be deemed to be a single company for the purposes of clause 315.

Now, the amendment to clause 316 is a drafting amendment, because of certain changes we have already made.

Shri Morarka (Ganganagar-Jhunjhunu): What are the amendments to clause 316?

Shri M. C. Shah: Those amendments are 862, 863 and 864. Sub-clause (2) of clause 316 has now become an anachronism, as no reference to officer other than the managing directors occurs in sub-clause (1) as altered by the Joint Committee. It has, therefore, been omitted. The necessary provision has been included in clause 203 and that is quite sufficient. The words "Save as provided in sub-section (2)" in clause 316 (1) have become unnecessary by reason of the omission of sub-clause (2), and are also to be omitted. The proviso to sub-clause (4) has been altered on the lines and for the reasons for which the proviso in clause 308 has been recast.

Now, amendment No. 864 to clause 316 is this:

for "shall be sanctioned only in the last two years of the existing terms", substitute:

"shall not be sanctioned with effect from a date which is later than two years from the date on which the sanction will come into operation."

That means there is to be only one extension.

Shri K. K. Basu (Diamond Harbour): How does that come in?

Shri M. C. Shah: The draftsmen have suggested that way. If there is any difficulty, I will explain later. You show me the difficulty and then I will explain.

Shri Morarka rose—

Mr. Deputy-Speaker: There are only 3½ hours for this group of clauses. Hon. Members who have given amendments and who want to speak must rise in their seats from the very beginning. Otherwise they will be elbowed out towards the end. So that I may have a comprehensive idea as to who wants to speak, I should like them to get up. I can then bear them in mind. For instance, yesterday, I was not able to call Shri Somani though he wanted to speak. I am particularly referring to Shri Somani because, in respect of the Companies Bill, there are gentlemen on the Opposition side who are intimately connected with the Bill as against many others on the other side. In these circumstances, I do not like that proper representation is not given to those who are keenly interested in the Bill. I would like to give an opportunity to all of them. Therefore, I would request hon. Members who want to speak, to rise in their seats at least once, and I hope they would not find it inconvenient.

Several Hon. Members rose—

Mr. Deputy-Speaker: Shri C. D. Pande.

Shri K. K. Basu: I think Shri Morarka rose even before you gave this direction.

Mr. Deputy-Speaker: I did not call him yet. Shri Pande did not speak at any time. Let him speak.

Shri C. D. Pande (Naini Tal Distt. cum Almora Distt.—South-West cum Bareilly Distt.—North): I wish to speak on my amendment No. 468 to clause 292. This is the simplest and shortest amendment that has come before this House.

Mr. Deputy-Speaker: What is the substance of the amendment?

Shri C. D. Pande: It seeks to increase the limit of contribution from three per cent. to five per cent. That is all. It does not in any way interfere with the basic philosophy behind this great and epoch-making Bill. It does not make any departure from the salient features of the Bill. I simply want that people should realise that there is no great departure in this amendment. When the framers of the Bill have conceded that 3 per cent. can be contributed I think the principle is accepted that contribution can be made. If that is agreed, the question arises as to what its extent should be. If you take the trouble to analyse the difference between 3 per cent. and 5 per cent. you will find that it is not much.

Shri S. S. More (Sholapur): Only two per cent.

Shri C. D. Pande: You will see how little it is. Also, it affects only those who are in the higher income groups. When we have provided the other limit of Rs. 10,000, it means that all those companies which make a net annual profit of Rs. 2 lakhs come within that limit of Rs. 10,000. Therefore, my amendment does not affect any company which makes a net profit of less than Rs. 2 lakhs a year. If my amendment for raising the limit from 3 to 5 per cent. is accepted, it will affect only those companies which make an annual profit of more than Rs. 2 lakhs; and you will find that there are not many such companies. I think every Member of this House must have known of some company in his constituency. There are not many units in this country which make a profit of more than Rs. 2 lakhs a year. Except in Bombay and Calcutta, in mofussil areas in U. P. or Madhya Pradesh, there are not many units making a profit of more than Rs. 2 lakhs a year. So, from a company which makes a profit of Rs. 2 lakhs or more, is it too much to expect for public charities a contribution of Rs. 10,000 or Rs. 12,000, if the profit is Rs. 3 lakhs a year? In this country, we have got glorious traditions of charities and philanthropy. Do not bring to your

[Shri C. D. Pande]

mind that the charities referred to in this Bill are only political charities or subscriptions to political parties; far from it. I think Mr. Basu was wrong in saying that it relates to elections. How much, what proportion, of the whole charities in this country goes to political parties? I think it is not even 1 per cent. of the whole charities. There are a number of charities like *pinjrapole*, *go sadhan*, *dhamasala*, *koop*, *tadag* etc. These claim greater charities than the most popular party. Even the Congress Party does not get more than 1 per cent. of the charities made by the public in this country. Therefore, I think it is very wise to think that whenever we make any reference to charities, elections come to our mind.

There are occasions,—and they are not very infrequent, when we have to approach the public for charities. Every Member has got some rich man in his constituency. If any hon. Member wants that there should be some hospitals, schools or colleges in his constituency and if there is, by chance, any factory or concern which makes a profit of more than Rs. 2 lakhs a year he goes there and says, "there is a scheme for opening a hospital here; you are in a position to contribute. How much can you contribute?" The proprietor replies, "of course, this is a very good cause; I am ready to help you..."; he then shows this Act and says: "...but under this Act, I am helpless. I cannot contribute more than Rs. 10,000, even though the cause is very deserving." There is a prejudice against the wealth which is not spent on good causes. In this country even those persons who are generally indulging in anti-social activities are prone to give money for charities. Our conception of charities is such that wealth ceases to be wealth when it is not used for a good cause. Charity and public benefactions occupy a very important place in the social obligations of this country. If you get down at the root of these obligations, you will find that people fulfil them of their own accord, without any compulsion. I say that charity ennobles

the donor and it serves the purpose of helping the needy and the poor, and the community at large.

Mr. Deputy-Speaker: Is the hon. Member going into the elementary principles of charities?

Shri C. D. Pande: I say that charity is taxation without tears. People should realise that charity is meant not only for political parties; there are other kinds of charities also.

Mr. Deputy-Speaker: The hon. Member may also see that this charity may be used for both the political parties.

Shri C. D. Pande: The auditors of the company should take care to see that there is no misuse of this provision. There need not be any apprehension; after all, books will be open to anyone who wants to investigate them. If the books can be manipulated there is no use of this law. The whole thing is based upon the fact that books are to be relied upon. You can investigate and see how it works. There is no use of making this type of restriction on charities. Anyone can understand and appreciate restrictions on malpractices and abuses by the administrators of the company; but any restraint on charities is a misconceived notion of control of business concerns.

As I have said, if my amendment is accepted and the limit is raised from 3 to 5 per cent., only those companies which get a profit of more than Rs. 2 lakhs annually will be affected. But there are not many companies which make such a huge amount of profit. Whenever any reason is shown to the hon. Finance Minister that certain provisions should be accepted, he has very readily agreed to do so. So, when this House has agreed to allow the managing agents to remain and continue to draw 11 per cent. of the net profits, I see no reason why a paltry sum of 5 per cent. should not be allowed for public charities. If a shareholder has got one share which yields a profit of Rs. 100, then he pays

Rs. 5 instead of Rs. 3. Also that portion also includes the income-tax of 12 annas. Therefore, a man who gets Rs. 97 will get Rs. 95 or Rs. 95-12-0, if income-tax is deducted there. Therefore, I appeal to the hon. Minister, Mr. Shah, who is working for the Finance Minister and piloting the Bill at the moment, to accept my amendment.

Shri S. S. More: Are you referring to C. C. Shah?

Shri C. D. Pande: I am referring to Mr. M. C. Shah who is piloting the Bill at the moment. There is nothing wrong in what I have said.

I had prepared a small Sanskrit quotation for the Finance Minister, who used to appreciate Sanskrit sayings; but he is not here now:

विक्रीते करणि कि शंकुषे विवादः

"When the elephant is sold and when the bargain is over, what is the use of quarrelling over the price of the goading rod?"

What I mean to say is that there are many things about which people could have disapproved and reasonably also; but still I think we have not done anything wrong.

The cause of charity should be given priority of consideration. I am sure, the Finance Minister will, with his unfailing generosity, accept this amendment as it is.

Shri S. S. More: Generosity at somebody else's cost.

Shri C. D. Pande: For the benefit of the community.

Shri G. D. Somani (Nagaur-Pali): I would only like to make a few observations on a few of the clauses that are under discussion. Our amendment to clause 284 is amendment 590. This is only a small amendment. The clause says that the directors should hold meetings once in three months. We have suggested that this provision need not be applied to associations which do not carry on busi-

ness for profit or which do not distribute dividends. The financial transactions of such associations are not large. These associations may be exempted from the obligation of holding a meeting every three months.

Another amendment is No. 591 about clause 285. The clause fails to provide for a contingency where notice is not sent to a director owing to accidental omission. It is necessary that such an accident should not invalidate the proceedings of a directors' meeting. The amendment only seeks to restore a provision which was already contained in the original Bill, and which was deleted by the Joint Committee. This, again, is a very minor amendment and I hope the Finance Minister will see his way to accept the same.

Coming to clause 292 about charities, my hon. friend Shri C. D. Pande has just now explained very elaborately the desirability of increasing the limit of 3 per cent. to 5 per cent. The position today is that there is no legal restriction upon any percentage which a company may choose to contribute except where any individual company has got restrictions of its own under its articles of association. Otherwise, generally, companies are at present free to make any contribution they choose. I fail to understand why our communist friends are so keen and anxious even to discourage charities.

Shri M. S. Gurupadaswamy (Mysore): It is good for you; you will save money.

Shri G. D. Somani: We do not want to save money that may be flowing for good causes.

Shri K. K. Basu (Diamond Harbour): Your President of the Chamber of Commerce says otherwise.

Shri G. D. Somani: I would expect that so far as this clause is concerned about increasing the contribution for charitable and good causes, the House would unanimously support the amendment of Shri C. D. Pande. I do not think, on the face of it,

[Shri G. D. Somani]

there can be any room for difference of opinion, in the matter of encouraging contributions for good causes. It might be argued that there may be some abuse here or there even in charities. Everything has got its good and bad features. Nothing is perfect in this world and in that sense, there is no use suspecting everything from an undesirable point of view. My own submission is that so far as these charities are concerned, the companies should have been left free to contribute whatever their directors or shareholders like to contribute. It may be argued that companies are free after taking the permission of their shareholders. But, that is an unnecessary handicap. Even as it is, though there is no restriction demanding formal consent from the shareholders, generally, the companies make a list of contributions that they have made in the preceding year available to the shareholders at the time of the annual meetings. The shareholders do get an opportunity to express their views or make their comments upon any contribution which the directors may have made in the preceding year. That has been the salutary practice which is being observed by all the companies, although not required by law. There was hardly any need for the Government to impose any statutory restriction on the contributions by the companies. As it is, the shareholders are also being kept informed. I therefore submit that, if it is not possible for the Government at this stage to do away with the restriction altogether, at least the suggestion to raise the limit from 3 to 5 per cent. may be accepted. My hon. friend Dr. Krishnaswami says that there is no such restriction in the U. K. Perhaps, in other countries also, it is so.

As Shri C. D. Pande pointed out, we have got a glorious tradition for contribution for charitable purposes. It looks rather very odd that this august House should do anything to come in the way of contributions being made for noble causes. Here is

a matter on which I do not think there can be any scope or room for difference of opinion. If there is any likelihood of any abuse creeping in, there may be some other way to deal with it. So far as the general provision is concerned, there should be as much latitude as could be possible to encourage the various companies to give the maximum contribution they can for good causes.

Shri Asoka Mehta (Bhandara): There is no restriction on the company. The board has power.

Shri G. D. Somani: That is what I say. I pointed out a few minutes ago that argument from the point of view of the powers of the board. I said that even though it is not required by law, to seek the sanction of the shareholders, the board has been informing the shareholders at each annual meeting the contributions that they have made. That is in itself a sufficient safeguard for the apprehensions which my hon. friends may have. My hon. friend must be knowing from the balance-sheets which he gets from many companies, and which he examines from time to time.....

Shri Asoka Mehta: Not as a shareholder.

Shri G. D. Somani: As a trade unionist, to find out any loopholes or any undesirable features of company administration. He must have found out that there is a column in the director's report about contribution to charities. Even though they are not required to do so under the articles or the law as it stands at present, the boards of various companies have always been following this salutary practice of informing shareholders at the annual general meeting, of the contributions. There is hardly any reason to go any farther than the practice which is being followed.

The only other clause to which I would like to draw the attention of the hon. Minister is clause 293, amendment numbers 594, 595 and 596. This

provision was first introduced only at the time of the Joint Committee deliberations. This is a provision which was also not recommended by the Bhabha Committee. Nor is this provision found in the Company law of any other country. It provides for the ratification of the appointment of a sole selling agent within six months of his appointment. What we have suggested is only a minor change. Instead of six months, we have suggested that this ratification may be sought in the next annual general meeting. In that case, the period may be less than six months in some instances. If the board in a company makes any appointment of a sole selling agent within three months of the next annual general meeting, naturally that appointment will be placed for ratification in the next annual meeting. In certain cases, it may be that the period is a little more than six months. But, it is undesirable that a company should be forced to get ratification through a special meeting which may have to be otherwise called for this single purpose of seeking the ratification of the shareholders. After all, the difference in the period will be very small. A period of six months as contained in the provision would otherwise be available for ratification. The difference between the two periods is so small and insignificant and in some cases even quite favourable to the shareholders, that I hope the Finance Minister will seriously consider and avoid unnecessary inconvenience to companies by being forced to seek approval by calling a special general meeting of the shareholders simply for the purpose of seeking ratification. I therefore submit that the hon. Minister may kindly consider the desirability of accepting this amendment which only provides that the ratification may be sought in the next annual meeting of the company and not within a period of six months which might necessitate the calling of a special meeting simply for that purpose.

Shri N. C. Chatterjee (Hooghly): There is a comment now being made that the original purpose of the com-

pany law reform is being drowned in a succession of war cries. I do not know if that is a fair comment, but what I want to point out is that the Joint Committee has gone even further, and I think they have taken a step in the right direction by even tightening the restrictions on the powers of the board of directors. As a matter of fact, the whole of this clause 293 has been introduced by the Joint Committee. There was no such clause in the Bill itself. You will find it at page 152. It reads: "Appointment of sole selling agents to require approval of company in general meeting". I think what the Joint Committee has done is very appropriate because, although the Bhabha Committee did not recommend it, after hearing the entire evidence the Joint Committee came to the conclusion that this is necessary in order to remove the existing malpractices. It is fairly well-known that the worst type of malpractice is appointment of sole selling agent, and thereby the shareholders lose their money. A lot of undesirable practice is going on in the private sector in this way. We thought the board of directors should not be vested with the power of appointing sole selling agents because you know, Sir, it means really that the person so appointed is the most favoured person with the company. We thought that it should be left to the general meeting of the shareholders to decide who shall be the sole selling agent. I still support Shri Somani's amendment as there is a lacuna in our drafting. I hope Shri Shah the Finance Minister, will kindly follow what I am saying.

Clause 293 is a wise innovation, a wise addition, a very healthy restriction put upon the board of directors. We are saying there shall be no sole selling agent unless you have got the approval of the general body of shareholders, but we have gone a little further in the process of tightening by putting in the words "sole selling agent for any area". If you kindly notice the language of clause 293, it reads:

"After the commencement of this Act, the Board of directors

[Shri N. C. Chatterjee]

of a company shall not appoint a sole selling agent for any area, except subject to the condition that the appointment shall cease to be valid if it is not approved by the company in general meeting within a period of six months from the date on which the appointment is made."

That is, supposing for a small town which is coming into prominence, a small village like Durgapur in West Bengal....

Mr. Deputy-Speaker: The amendment, as I understand, is not to the appointment of a selling agent without the permission of the general body, but only that the approval may be at the next meeting.

Shri N. C. Chatterjee: I am supporting his amendment, and I am pointing out that it is a very reasonable suggestion. It is a very reasonable amendment which Shri Somani has moved, and I am commending it to the acceptance of the Finance Minister. What I am pointing out is, supposing a small village like Durgapur develops into an important area, a company appoints a sole selling agent say on the 1st July or 1st June and within six months you must have a general meeting. It may be that the profit will be only Rs. 500 from that sole selling agency, and it would not be right to compel the company or the board of directors to hold a shareholders' meeting costing much more. Therefore, what Shri Somani has suggested is: very well, make it compulsory to have the ratification by the general body of shareholders, but do not insist on this time-limit of six months. Have it at the next annual meeting. I think that is a very good suggestion. At the next annual meeting after the appointment, the ratification must be procured. Otherwise, the appointment goes.

Now, with regard to clause 292—"Restrictions on powers of Board"—you may remember that Sir N. N. Sarkar in the 1936 Act introduced

certain modifications. Clauses (a), (b) and certain other things were there. We have extended that. We have extended much further than Sir N. N. Sarkar's Act. We have gone even further. We have said that no board of directors can remit payment by a director of a loan or even give time for repayment of the loan by any director. Therefore, we have made it very strict.

Now, with regard to this charitable and other fund, there is a little misconception I must point out. We are not putting a ceiling on the quantum so far as the shareholders are concerned. Shareholders at the annual general meeting can pass anything and can vote that even ten per cent. can be given out of the profits to any charity. The only thing that Shri Pande is pointing out is that this Rs. 10,000 or three per cent. of the average net profits is too small. Having regard to our cultural background, I think there is some force in what he has said, and I hope the Finance Minister will be pleased to accept five per cent. There was a discussion in the Joint Committee about it. I should not disclose it. The original Bill put it down at a very small figure—two per cent. Then it was made three per cent. and Rs. 5,000. Then there were some comments made. Witnesses who appeared also made comments that it is not fair. Suppose in an Assam tea company there is a big flood in the Brahmaputra, and the Government itself wants donations, or some charitable fund is started for redressing the grievances and the difficulties of the destitute people thrown out by the flood. Now, you have got to immediately decide. Even for calling a general meeting it takes about five or six weeks, and if you want immediately to have some kind of charitable donation from a very prosperous company, you should not put that restriction. And I think 5 per cent. is not too much. The only thing about which I am very anxious is that this should not be utilised for the purpose of making any contribution to any

political party. There is a feeling that the Congress people are demanding this for the purpose of augmenting the Congress election fund. Shri Pande assures me that there is no sinister design like that. The only thing is if you kindly see the language...

Shri Raghavachari (Penukonda): It is open to all.

Shri N. C. Chatterjee: It will be nothing but a pious wish.

Mr. Deputy-Speaker: Other political parties also.

Shri N. C. Chatterjee: We should also plug that loophole.

Mr. Deputy-Speaker: Has there been a case so far where the general body met for the purpose of subscribing?

Shri N. C. Chatterjee: No, not that I know of. What I am pointing out is this. The wording here is "charitable and other funds". You know, Sir, usually there is a great discussion in the courts of law whether "charitable and other funds" should be considered *ejusdem generis*, and it is very debatable. The language is rather wide open and this should be made clear, and it is only possible if the words "and other" are omitted.

Mr. Deputy-Speaker: "Other" has been held to be *ejusdem generis*.

Shri N. C. Chatterjee: In the latest judgment of Shri Patanjali Sastri when he was the Chief Justice, he has to some extent whittled down the application of *ejusdem generis*, and in England also the trend now is that it is artificial and it should not be utilised especially in parliamentary legislation when it says it can be utilised for charitable funds and other funds. Its intention is necessarily restricted and it is very difficult to find out the genus. The doctrine of *ejusdem generis* is that you must find out the genus of which the particular thing is a species and you must limit it to that genus of which the particular enumerated category is a

species. Now, what I am pointing out is that if this is made clear there should not be any objection. It should be made clear that it should not be utilised or abused for the purpose of augmenting the election fund or any political fund of any political party. I do not think there should be any very serious objection to that.

Mr. Deputy-Speaker: Does the hon. Member mean that the extra two per cent. that he is now seeking can be used for political parties and the old three per cent. should not be used?

Shri N. C. Chatterjee: I am misunderstood. I am saying that there should be a complete fetter so far as contribution for political funds or for political purposes is concerned.

There is a feeling that in the midst of verbiage we are losing sight of the main objective, but I want to tell the country,—and Parliament should take notice of it,—that we are not doing anything to whittle down the main objectives of the Bhabha Committee's recommendations. That we have implemented, and we have gone much further. Take for instance borrowing by directors. Take for instance loans to directors. We have gone much further than even the English Act. Section 294 is based on the English statute, i.e., loans to directors. In England, Lord Justice Cohen's Committee was set up you may remember, and Lord Cohen in his recommendation said:

"We consider it undesirable that directors should borrow from the company. If the director can offer good security, it is no hardship to borrow from other sources. If he cannot offer good security, it is undesirable to obtain from the company credit which he would not be able to obtain elsewhere."

We have even gone further than the English Act. We have included:

"(a) any director of the lending company or of a company which is its holding company;

[Shri N. C. Chatterjee]

- (b) any firm in which any such director is a partner;
- (c) any private company of which any such director is a director or member;
- (d) any body corporate at a general meeting of which not less than twenty-five per cent. of the total voting power may be exercised or controlled by any such director, or by two or more such directors together; or

(e) any body corporate, the Board of directors, managing director, managing agent, secretaries and treasurers, or manager whereof is accustomed to act in accordance with the directions or instructions of the Board or of any director or directors of the lending company."

So, we have gone much farther, and we have made it retrospective also by sub-clause (5). You will see that that is an addition that we have made.

Therefore, it would not be right that because of certain extraneous issues which have now been raised and which cloud our attention, we should lose sight of the main perspective and try to whittle down the main recommendations which have been made to prevent malpractices and to put the private sector on the right footing.

Mr. Deputy-Speaker: What about banking companies?

Shri N. C. Chatterjee: Banking companies had to be excluded, for otherwise all overdrafts will come to a standstill. I think this was pointed out by Shri Birla who came on behalf of the Federation, and his evidence convinced us and also the Finance Minister that unless that is done, it will become an impossible situation. You know that there is a general overdraft account which is current for six months, and then at the end of six months it is generally renewed. You cannot renew any

overdraft if you say it has to be closed down immediately. If you say, close it down immediately, then the banks' business will come to a standstill. Therefore, this was done with a purpose and with full implication of the responsibilities involved.

Shrimati Sushama Sen (Bhagalpur South): May I say a few words? I have not spoken on this Bill at all because it is such a complicated Bill, and presents a lot of difficulty.

Mr. Deputy-Speaker: I thought that the hon. Member is an advocate of only social legislation.

Shrimati Sushama Sen: I support amendment No. 468 to clause 292 moved by my hon. friend Shri C. D. Pande. By this amendment he seeks to increase the limit of the contribution by companies to charitable funds from three to five per cent.

We know from our experience that for charitable purposes it is very necessary sometimes to get donations from companies. Supposing we have applied for a grant for charitable purposes from Government and that is not forthcoming, then we have found from experience that it is necessary to approach some company in order to get some donations to carry on the work. First of all, I think there should be no restrictions at all in this regard, as I believe there is none in the U. K. But even if the restriction is to be there, then I would suggest that the percentage should be raised from three to five.

I therefore support Shri C. D. Pande's amendment. Since it is for a very good cause, I think we should lend our support to it.

Shri Morarka: I have got two amendments in my name, namely amendments Nos. 434 and 435. The first amendment is to clause 313. Sub-clause (2) of clause 313 reads:

"If any office or place of profit under the company or a subsidiary thereof is held in contraven-

tion of the provisions of sub-section (1) the director shall be deemed to have vacated his office as such."

Here, 'office as such' may mean the office of profit, i.e. the director would vacate his office of profit. But the intention is that if he holds any office of profit, he would vacate the office of director. My amendment is only a drafting amendment which seeks to make the point clear, so as to provide that if a person holds an office in contravention of clause 313 (1), then he would vacate the office of director, and not the office of profit. I would request the hon. Minister to consider this amendment, and if possible to accept it.

My second amendment is to clause 316. I am glad to find amendment No. 863 tabled by Government which is also for the same purpose, namely to delete sub-clause (2). This sub-clause has apparently been put here by mistake. As the hon. Minister has already pointed out, this provision has already been included under clause 203. So, here it is irrelevant, and should not have found a place. It is therefore necessary that sub-clause (2) should be deleted from this clause. Since Government have already moved an amendment in this regard, they have accepted in effect my amendment. I hope Government would consider my other amendment also, which is only a drafting amendment, and if possible accept it.

Then Sir I support the amendment moved by my hon. friend Shri C. D. Pande, namely amendment No. 468. As Shri N. C. Chatterjee has pointed out the position at present is that the directors' powers in respect of making donations or charities are unlimited; there is no restriction at all on them and they can do whatever they like. No doubt, the Bhabha Committee have said something in this regard. But the Bhabha Committee had not discussed this point at all. They have not told us why they are making this suggestion. They have not told us whether they have found any abuse of this power which necessitates a

restriction of this nature. The Bhabha Committee only thought that in the general interests of the company, more powers should reside in the shareholders, and the directors' powers to give donations etc. should be limited. But the limit suggested by the Bhabha Committee was purely arbitrary, and it does not stand to any reason that Rs. 5,000 should be the limit for all companies, irrespective of their capital or their capacity to make profits. Therefore, the Joint Committee have rightly introduced the percentage basis. This three per cent. would have been all right in the olden days when the profits were much, as was the case with many companies. But in some cases, there may not be large profits and therefore, this three per cent. may be found insufficient and may have to be increased to five per cent. I know that some companies contribute regularly for hospital purposes and for other noble causes like that. This provision should not become a hindrance to such companies. As I have always been saying here after all, the difference between a majority group of shareholders and the board of directors is a very thin one. If the directors contribute something, the shareholders are bound to approve of it. As has been the practice, and as all Members would be aware, all the donations which are made during a year are reported to the shareholders at the end of the year in the balance-sheet, and the shareholders invariably approve of them. I am not aware of a single instance where the shareholders have rejected the recommendations made by the board in this respect. I therefore feel that nothing would be lost by raising this limit from three to five per cent., except this that the actual giving of donations would be facilitated and some expenditure of the company would be saved.

I now come to clause 293. This is a new clause which has been introduced by the Joint Committee. It seeks to regulate the appointment of the sole selling agents for any area. My hon. friend Shri G. D. Somani has moved an amendment to this clause,

[Shri Morarka]

—and my hon. friend Shri N. C. Chatterjee has supported that amendment—that instead of getting this appointment approved within six months, it would be enough if it is approved at the next annual general meeting. With great respect to the two hon. Members, I seek your indulgence to oppose this amendment.

Shri K. K. Basu: Let them be spared of your respects.

Shri Morarka: The difficulty is this. Once a sole selling agent is appointed for any area, his commission starts running from the date he is appointed. It is not as if his commission starts running from the date the shareholders approve of the appointment. Even if ultimately the general body of shareholders do not approve the appointment, yet for the time that he has acted as sole selling agent, he would have earned commission. So, the question before the Joint Committee was what should be the period that should be given to these people to earn commission without the permission of the general body. After due consideration, it was thought that six months would be more than enough. If my hon. friends on the other side are prepared to agree that the selling agent would not earn any commission until the shareholders give their final approval, then I have no objection, and you may well say that the approval can be had at the next annual general meeting. But if the commission is to start running from the date of appointment, then it is imperative and vital that the approval must be secured within a period of six months. Otherwise, what may happen is that for one year there will be one selling agent, and for another year there may be quite another, and thus the necessity to take the approval of the shareholders may be completely done away with. I, therefore, oppose the amendment moved by my hon. friend Shri G. D. Somani.

Mr. Deputy-Speaker: The hon. Member evidently wants to add a proviso to this effect, namely:

“Provided that the sole selling agent whose appointment is not approved by the general body shall not be entitled to anything more than six months’ commission at the most.”

Shri G. D. Somani: It might be provided that the commission as such may accrue from the date he is appointed, but it will not be paid pending confirmation at the general meeting.

1 P.M.

Shri N. C. Chatterjee: Your suggestion is more equitable and more just.

Mr. Deputy-Speaker: Shri Somani himself is agreeable to not paying any commission till it is approved.

Shri N. C. Chatterjee: That helps him; but what about the poor selling agent?

Mr. Deputy-Speaker: The appointment of the selling agent will not be disapproved except when the general body does not approve of the policy of the managing agents who appoint him.

Shri N. C. Chatterjee: The suggestion you were pleased to make was very reasonable, that he should not be entitled to commission for more than six months.

Mr. Deputy-Speaker: But the person in charge of running the company himself feels that you need not pay.

Shri N. C. Chatterjee: That will help the capitalist but not the poor selling agent.

Mr. Deputy-Speaker: It is the capitalist who employs the selling agent. We are once supporting the capitalist, at another time opposing the capitalist! I feel that this supports the capitalist, the suggestion that at least six months’ commission may be given to him. He will go on appointing somebody, whom the general body may not approve, for at least six months and then go on paying him. This is intended to be a restriction

on the powers of the managing agent not to appoint in that manner.

Shri N. C. Chatterjee: If that is so this whole clause can be rendered nugatory by appointing him for five months.

Mr. Deputy-Speaker: Even for five months, if his appointment is not approved by the general body? By accepting the suggestion of Shri Somani it will mean that nobody will be paid unless his appointment is approved by the next general body—it may be eleven months hence or six months hence.

Shri Morarka: I think that is a very nice suggestion.

Mr. Deputy-Speaker: The hon. Member will kindly draft an amendment. He seeks general approval. I think the so-called capitalists have made a gesture.

Shri N. C. Chatterjee: Yes.

Shri Asoka Mehta: The capitalists have made a so-called gesture; that is the proper way of putting it.

Shri Morarka: About the second contention that the Joint Committee has gone too far in placing restrictions on the appointment of sole selling agents 'for any area' I have to say that it was considered by the Joint Committee again very thoroughly, and the Joint Committee thought it necessary. Because what may otherwise happen is this. If you appoint a sole selling agent for the whole country, somebody may exclude Coorg or Nepal or Bhutan. Technically he may not be a sole selling agent for the whole country, but he will have the benefits of a sole selling agent. Therefore it was said that if a person wants to be a sole selling agent for any area he must have the approval of the shareholders. That was the idea.

Mr. Deputy-Speaker: Now that is accepted.

Shri Morarka: Then I have to support the amendments of Shri K. P. Tripathi, that is amendments Nos. 427—431 to clause 294, No. 432 to

clause 296 and No. 433 to clause 313. All these amendments are of a similar pattern.

The purpose of clause 294 is to prohibit the giving of loans to directors and to some of the associates. The idea of these amendments to clause 294 is that the giving of loans should also be prohibited to the relatives of the director.

Similarly, clause 296 deals with interested directors. There also, if a director or his relatives are interested, then all the restrictions that apply to the director should also apply to his relatives.

Similarly, in respect of clause 313 which deals with offices or places of profit, the same restrictions that apply to the directors should also apply to their relatives. The amendments of Shri Tripathi as a matter of fact only embody the principle already accepted by the House that wherever directors are debarred their associates and relatives should also be debarred. I therefore support the amendments of Shri Tripathi to clauses 294, 296 and 313.

[**SHRI BARMAN** in the Chair]

Shri K. K. Basu: I have given notice of a number of amendments beginning from No. 803 to clause 292. This amendment seeks to restrict the contribution for charities, that is that it should not be given to any political institution or an institution with which any political leader or a Minister is connected. I shall speak later about the provisions of this clause, because much has been said about it and I think it should be discussed at length.

To this clause I have tabled another amendment, No. 802, which seeks to reduce the amount from ten thousand to three thousand rupees and the average net profits from three to one per cent.

Then, to clause 293—which I understand is likely to be changed if the Government accepts the amendment discussed earlier—I have tabled an amendment, No. 804, which seeks to provide that the appointment of the

[Shri K. K. Basu]

sole selling agent should be approved by a special resolution.

Then, I have tabled another amendment to clause 296, and that is amendment No. 814. Clause 296 is about requiring the Board's sanction for certain contracts in which particular directors are interested. In this clause where it says "a private company of which the director is a member or director", I want to add the words "or any member or director of the said private company". Because, as I have been saying for a number of times earlier, these private companies are more or less on the same pattern as partnership company with limited liability. It is restricted to a family or a group of friends. Therefore, if in the case of a firm the restrictions apply not only to the firm but to the partners, I do not understand what logic there can be in leaving it out in the case of private companies; because the board's sanction is required when a particular director is interested. Here in clause 296 I want to put the private company and every member thereof more or less on the same footing as a partner of a partnership firm.

Then, to clause 299 I have tabled an amendment, No. 815. The heading of this clause is: Interested director not to participate or vote in Board's proceedings. The provisions of sub-clause (1) of this clause are like this:

"No director of a company shall, as a director, take any part in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the company, if he is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement; nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void."

But I do not know what will be the position if a decision is arrived at in which his vote played an important

part in getting the majority or his presence helped for forming a quorum I have given an amendment wherein I say that any decision which is dependent on his vote shall be void. It may be argued that it might involve a third person who did not know the exact position. But if you take the balance of advantage on both sides I think you have to say that if an interested person has voted, then the decision arrived at because of that vote should be made nugatory and the whole thing should be considered *de novo*. There is no point in saying that his vote is not counted. The decision should also be put on the same footing as if there was no decision, the decision in which he has voted. This is the purpose of my amendment No. 299. I hope Government will give it careful consideration because it is very important. Otherwise there is a likelihood of many complications arising.

Then I have another amendment, No. 816, which relates to clause 299. In sub-clause (3) of this clause, the Central Government are given power to exempt any company from the operation of sub-clause (1). I have by my amendment provided that when such exemption or modification is given, the reasons for the same shall be recorded in writing. Sub-clause (3) says:

"In the case of a public company or a private company which is a subsidiary of a public company, if the Central Government is of opinion that having regard to the desirability of establishing or promoting any industry, business or trade, it would not be in the public interest to apply all or any of the prohibitions contained in sub-section (1) to the company, the Central Government may, by notification in the Official Gazette, direct that that sub-section shall not apply to such company, or shall apply thereto subject to such exceptions, modifications and conditions as may be specified in the notification."

I want to add a proviso here saying that the reasons for such exemption or modification shall be recorded in writing. The reason for this is two-fold. Of course, normally I expect that modification should not be allowed unless it is in the national interest that a particular type of industry should be granted this exemption or modification. Therefore, I am willing to concede this; though there will be few cases, there may be some cases where possibly exemption may have to be granted. All these exemptions are granted by a particular officer who is not a permanent factor. Therefore, if the reasons for an exemption are recorded in writing, it may be absolutely necessary in subsequent proceedings, as for example, when it is challenged. In a similar case, when there is another officer in charge, this might be of value, because he might know what were the reasons governing such exemption previously. Of course, the Government may say that under their rule-making powers, they might incorporate such a provision. But I want an assurance from Government that whenever exemption is given under this clause 299, which is very important, the reasons for the same should be recorded in writing.

Then I have another amendment, No. 817, relating to clause 302. Sub-clause (a) of clause 302 says:

"(a) in the case of an individual, his present name and surname in full; any former name or surname in full; his usual residential address; his nationality; and, if that nationality is not the nationality of origin, his nationality of origin; his business occupation, if any; if he holds—

Here I want to add "and held in the past"—

"the office of director, managing director, managing agent, manager or secretary in any other body corporate, the particulars of each such office held by him..."

This addition is necessary to know the quality and the character of the man. It is not a question of things at the present moment. Naturally, his previous association with the business world, is also necessary to be stated. With this end in view, I have moved my amendment.

Then I have 3 amendments, Nos. 818, 819 and 820, to clause 308. Clause 308 deals with remuneration of directors. I want to reduce the percentage from 5 to 3 in the case of one director, and from 10 to 6, in the case of more than one director. This clause has provided that a director may receive remuneration either by way of a monthly remuneration or by way of a fixed sum; over and above that, he is entitled to a certain commission, if it is provided for. I would like to emphasise that in the present structure of our economic life, 3 per cent for one and 6 per cent, if there is more than one, is more than sufficient. There is no justification for having a higher figure, because this is an extra income. Three per cent return to an individual over and above his fixed salary or remuneration should be considered more than enough. This thing will, of course, naturally be discussed at length subsequently in connection with managing agents' remuneration; but I want to emphasise that what I have said should also be taken into consideration, because under the existing condition of our country in the economic sphere, 3 per cent should be considered as more than sufficient by any rational man. Therefore, I would urge upon Government to accept these two amendments.

My amendment No. 820 tries to reduce the period in sub-clause (2) of clause 308, from five to three years. Sub-clause (4) of this clause says:

"In the case of a director who is neither in the whole-time employment of the company nor a managing director and whose remuneration does not include anything by way of a monthly payment, the company may, by

[Shri K. K. Basu]
special resolution authorise subject to the provisions of section 197, the payment, to such director...."

Sub-Clause (7) says:

"The special resolution referred to in sub-section (4) shall not remain in force for a period of more than five years...."

I want to reduce this to three years. Under the clause, this period may be renewed from time to time. The proviso to that was that no renewal shall take place except in the last of the years in which the resolution to be renewed is in force. But Government have moved an amendment which seeks to say that any resolution for re-appointment shall be passed just a year earlier. Under the existing provision, as far as I understand it, this renewal resolution can only be passed in the last year, that is after four years, the year before the last year of the resolution continuing to be effective. But Government say that in the third year they can pass a resolution....

Shri M. C. Shah: We considered this point. Suppose one renewal has been agreed to. Then again, another renewal may be agreed to. If the words are kept as they are, there is a possibility of some interpretation being put, that when once a renewal is agreed to, then again another renewal for two years may be agreed to, and from that period again, five years. We considered it, and the draftsman said that this is not the proper form.

Shri K. K. Basu: The Minister does not visualise a second renewal. But the amendment he has moved, so far as my little knowledge goes, will not solve the difficulty. I personally feel that under the existing conditions, when once a resolution is passed for five years, till the fourth year there is no possibility of a resolution extending it for another five years.

Shri M. C. Shah: The words today are: 'shall be sanctioned only in the last two years of the existing term'. This term is five years, and in the last

two years of the term, a resolution may be passed. Then the draftsman just pointed out that there is no bar if in those years, in the last year or in the year preceding the last year, a resolution is passed for renewal or two or three or four years, whatever that may be. Otherwise again in the next year, they will just pass a resolution renewing it further. That may be agreed to. That is possible. Otherwise, there was no meaning in just having it. It was to make it clear that it was done.

Shri K. K. Basu: I appreciate his difficulty, but the specific difficulty he visualises is not solved by this.

Shri M. C. Shah: Then what are the words he is suggesting? I am prepared to consider his suggestion.

Shri K. K. Basu: I am dealing with the period of five years provided for the operation of the special resolution. He is moving another amendment where also, I have more or less the same argument. Sub-clause (7) provides that no renewal shall take place except in the last of the years in which the resolution to be renewed is in force.

Shri M. C. Shah: We have already agreed to that by our amendment 366 to substitute the proviso in clause 308.

Shri K. K. Basu: You are substituting the proviso in sub-section (7) with this new thing which you are moving. That is your amendment.

Shri M. C. Shah: In clause 308 we have already agreed to that.

Shri K. K. Basu: When did you agree? You have only moved just now your amendment. I am now on clause 308. My argument is this. According to your amendment, in the third year they can pass a resolution for another five years—that is re-appointing for another period of five years.

Shri N. C. Chatterjee: If the proviso is accepted.

Shri M. C. Shah: In the amendment we have said that no renewal shall be effected earlier than one year from

the date on which it is to come into force.

Shri K. K. Basu: My observation is this. You have done something to overcome a difficulty suggested by the draftsman. The Select Committee came to the conclusion that once you appoint the man for five years, the question of renewal can be considered only at a specific time, at the end of the 4th year or, in some cases, at the end of the third year. According to your amendment, if the director finds that he has got such shareholders who are in his favour he may just call for a meeting and renew it for another five years. It may be a purely hypothetical case. The difficulty is there. It is not solved by your amendment. The Joint Committee's intention was that at a specific time the question of renewal should come. According to your suggested amendment, at the end of three years, they may pass a special resolution extending the term for another five years from the next year. I would ask the Minister and the draftsman to consider this.

Mr. Chairman: Is there any difficulty about the construction?

Shri N. C. Chatterjee: The intention was clear that there should be one renewal at the end of the period; it may not be at the end of the last year; it may be in the last year.

Mr. Chairman: You must have it there as to the time when it should be renewed.

Shri K. K. Basu: There is a danger that they can renew it at any time.

Shri N. C. Chatterjee: There is no divergence of opinion on that point.

Shri K. K. Basu: There is also another provision. The director of a private company has naturally been left out. I have moved an amendment that private companies as such should not be exempted. My amendment says that a private company may be exempted by the Central Government. But, normally every private company should not be left out.

Then I have moved an amendment to clause 313. Here also I go the same way.

Then the Government have moved an amendment to sub-clause (4) of clause 316. Here also the Minister and the draftsman should consider what I have suggested. The intention of the Joint Committee was that there should be a definite time for the renewal, and not when the managing director or the shareholders think suitable. It may seem hypothetical but there is the danger that if the managing director thinks that the shareholders are not active he can get the whole contract renewed.

Government have moved an amendment to clause 315 adding a proviso that in some cases the managing directors can be appointed for more than two companies.

Shri M. C. Shah: Amendment No. 661.

Shri K. K. Basu: The reason given by the Minister is that there are one or two concerns like the Tatas where more than two companies are managed by the same man with the same office etc. The Joint Committee thought that, normally speaking, a managing director cannot be allowed to look after more than two companies, without prejudice to the interests of those companies. They did so after much deliberation and after hearing so many witnesses. I do not understand why Government comes forward with this amendment today. Government have given a specific instance. If there are one or two such instances, here and now, we can make a provision that they may be exempted. But, if this amendment is made, then in future you can have a number of such instances.

Mr. Chairman: How can particular companies be exempted in the Bill?

Shri K. K. Basu: You can put in some such provision that in the case

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of existing companies if the Government is satisfied that in national interests they should continue they may allow it. I am willing to consider the cases of existing companies which may really be run efficiently; it may be necessary that in the interests of the nation there should be some exemption. Government should see that there is no concentration of power in the hands of a few. We should not rule it that in future also same managing directors could be appointed for more than two companies. We insist that a managing director should not be appointed for more than two years. We can consider existing cases and if the Central Government is satisfied that exemption should be granted, they may grant it to those directors. The discussions on this company law have been going on so far with a view to see that power in the hands of a few is restricted and the likelihood of their abuse is minimised. Only in the case of present companies the exemption clause may be allowed but not in all cases in the future.

I come to the most relevant clause which has been discussed, that is clause 292, regarding charitable institutions and we have moved our amendment to this clause. Before I go on with that, I have also moved an amendment to clause 294 relating to loans to directors. The proviso says that if a loan is repaid or a proportion of it, there should be a proportional reduction in the penalty, that is, in the imprisonment or fine. My amendment No. 813 reads:

"Provided that if the loan has been repaid in full or in part, the court may take into consideration such repayment in passing any sentence of imprisonment."

I do not want that it should go by proportion. We might perhaps have a set of directors who contravene the provisions every year and make a proportional payment. In the case of such persons who may have paid off, they may be given some consider-

deration by the judging authority, instead of having a provision that the punishment should be reduced in proportion to the payment made. I would urge upon the House and the Government to consider this point and accept my amendment which also emphasises the case of partial payment or full payment....

Shri N. C. Chatterjee: The Government amendment says that there must be repayment in full.

Shri K. K. Basu: The last part of the proviso says:

"where the loan has been repaid in part, the maximum punishment which may be imposed under this sub-section by way of imprisonment shall be proportionately reduced."

I say that this is fantastic. It is for the court to judge what should be the punishment given. For instance, one may be in the habit of taking loans and in that case how can this only fact of repayment be taken into consideration in passing judgment? Therefore, it should be left to the discretion of the court what to do. There is no point in indicating that the punishment should be reduced in such and such a manner.

I come to my amendment No. 803 to clause 292 which deals with the question of contribution to charities. Apart from the fact that I have reduced the amount from Rs. 10,000 to Rs. 3,000 and the percentage of average net profits from three to one, I have moved this amendment in order to add a proviso which reads:

"Provided that no such contribution is to be made to an institution with which any minister and any political party or its leader is connected unless it is passed unanimously in a general meeting."

This is a restriction on the powers of the board to contribute. I certainly concede that there are many good

causes and there are certain institutions in our country even today which contribute to such causes, but let them come up before a general meeting before making such a contribution. Suppose a contribution is to be made for Gandhiji's memorial or a hospital or a university, I do not think it will be refused in a general meeting unless a large percentage of the citizens of India have gone off their heads, and nobody will say that there should be no contribution made to such a cause. But what all is sought to be done is to put a restriction on the powers of the board. Shri Somani said: Why do the communists oppose it? It is because the Chairman of the Chamber of Commerce in his deposition said that often the Ministers ask them for contributions and they have got to be made, and he said that if Mr. Basu becomes a Minister, he shall have to pay. For this purpose, we want this proviso to be added. We were told that in the last general elections the sugar syndicate contributed Rs. 25,00,000 for the Congress fund, which the Congress Party used for election or other purposes. I am not opposed to the contribution but my only point is that it should not lie with the board to decide it; it should go to the general meeting. Even in the case of contribution to be made to political parties, if the majority of shareholders think that that is a very important thing, then they can unanimously pass it at a general body meeting. Why should a board of six, seven or eight people decide this? We know fully well from our experience of Bengal how a great gentleman, during the Muslim League Ministry, made crores of rupees and he said in the course of a discussion that he paid Rs. 1,00,000 or so to the wife of a Government officer and got Rs. 20,00,000 contract for salt in Bengal. This proviso is very important. The Chairman of the Chamber of Commerce himself said in his deposition that when the President of the Congress comes or a Minister comes and there is a reception arranged, they are asked to contri-

bute money for meeting the reception expenses and it is difficult to refuse it. My friend, Shri Pande, wants to increase the powers of the board. Why should the board's powers be increased? It is a question of waiting for some more time till the general meeting is called for and if the contribution is postponed by six months or so, it will not very much affect the building of the hospital or university or similar causes. The general body should decide for themselves whether it is a good cause and if it is a good cause, a contribution will be made. Often we are told that the contribution is made to avoid the possibility of paying more tax, or to go down to the next slab. I do not wish to go into all these propositions, but my proviso is simply that no contribution of that sort should be made without the unanimous approval of the general body. It is for the general meeting to make it in spite of the association of the Ministers or other persons with that institution. My point is that five or six persons of a board can be influenced and they may have some axe to grind and may have something to get from ministers or persons high up. Why should they be allowed to decide this question and pay the money of the shareholders? Therefore, I hope the House will consider dispassionately this question. In view of the categorical statement made by the Chairman of the Chamber of Commerce that even Ministers sometimes ask them for contributions of money and they are not in a position to refuse to make such contribution, it is absolutely necessary that some such provision as I have suggested should be incorporated. Even now, in the business world, there are some individuals who will see that the industries develop.

With these words I commend my amendments for the acceptance of the House.

Shri Kamath (Hoshangabad): I rise on a point of order, that there is no

[Shri Kamath]

quorum in the House now. It is a violation of article 100 of the Constitution.

Mr. Chairman. But we are acting on a convention.

Shri Kamath: The convention cannot override the provisions of the Constitution and the House cannot violate the Constitution.

Mr. Chairman: The point has been raised by you and it will be considered.

Shri Kamath: It must be settled now.

Mr. Chairman: We are proceeding on the convention that the House has accepted.

Shri Kamath: How can we set aside the Constitution by a convention of the House? How can we criticise the Government for violation of the Constitution, if we ourselves do it?

Mr. Chairman: We shall act according to the convention accepted by the whole House. This House as a whole is committed to this convention. The point that you have raised may be decided later on. Nobody can tell today at this time that whatever we have done till this time without a quorum is *ultra vires* the Constitution.

Shri Kamath: I maintain it is *ultra vires* the Constitution whatever may be your convention.

Mr. Chairman: We shall act according to the convention that we have accepted; it has been accepted by the whole House.

Shri Kamath: But the whole House cannot violate the Constitution. I have raised a point of order and it must be settled.

Mr. Chairman: I have already stated that we shall go on as we have been doing for some time now according to the convention that the whole House has accepted. As regards the point of law it shall be considered later on.

Shri N. C. Chatterjee: It was never decided to violate the Constitution. During this particular period we will not do any counting: that is all the understanding.

Mr. Chairman: Between 1 and 2.30 we do not count. That means that we had practically decided that during this time, the point of quorum would not be raised.

Shri Kamath: If a Member raised the absence of quorum, how can you get out of that? We are going totally against the Constitution and violating the Constitution. It is a serious matter. We are the Parliament and we are the framers of the Constitution. We should not violate the Constitution.

Shri Bhagwat Jha Azad (Purnea cum Santal Parganas): Before the hon. Member was elected to this House, this House approved this convention.

Shri Kamath: This House cannot approve of anything which is against the Constitution.

Shri Bhagwat Jha Azad: You are shouting; you are committing the same mistake again. The other day you were shouting 'fantastic nonsense'.....

Mr. Chairman: Order, order. The hon. Member need not go into it. I was submitting that the House had approved of this convention and it had worked for so many days. But if at all a point of order is raised then it should be decided. The hon. Member has raised a point of order and it will be considered later on. You cannot say that all that we have done till now in this House after that convention was adopted is wrong.

Shri Kamath: Whatever happens against the Constitution is wrong.

Shri M. D. Joshi (Ratnagiri South): The hon. Member has raised a point of order and has said that our proceedings are against the Constitution because there is no quorum. When the hon. Member had not been elected to this House, the House had decided

that during a particular interval there will be no counting. It is an established convention, as you said just now. If the hon. Member is not satisfied with that convention, that is not the way in which to break the convention. He wants to disregard the convention established by the House. If he wants to call it in question it is not the way. He has to approach the Speaker.

Shri Kamath: Who is the Speaker? Is not the Constitution supreme?

Mr. Chairman: The hon. Member is not making any new point.

Shri Kamath: May I read out the relevant article? Article 100(3) says:

"Until Parliament by law otherwise provides the quorum to constitute a meeting of either House of Parliament shall be one-tenth of the total number of members of the House."

Parliament by law has not done it; it is, they say, done by convention. I may say that it is unconstitutional and *ultra vires* of the Constitution.

Mr. Chairman: I am not denying the provision in the Constitution. What I am saying is that we have been following this convention by the unanimous decision of this House in order to facilitate business. Let us proceed in that way and I shall certainly submit the point of order raised to the Speaker and we shall then decide. What is the harm if it is deferred by a few hours? What is the harm if we continue in this way? We have done so for a few months. What is the harm if we go on in this way for another 3-4 hours?

Shri M. S. Gurupadaswamy (Mysore): When we adopted this convention, the Speaker made an observation that during this particular time no Member need raise the point of order or take objection that there is no quorum or draw the attention of the Chair to this matter. But if a Member raises the point, it has to be decided.

Mr. Chairman: If I accept your argument it comes to this that any Member can violate the decision of the House. What I am saying is this. I am not deciding the point either this way or that way. It has been so from September, 1954; from that time we have been working in this way in order to facilitate business because we have so much business to transact. It is for that purpose that we have adopted this convention with the consent of the whole House.

Shri M. S. Gurupadaswamy: When once the Member draws the attention of the Chair it has to be decided.

Shri Kamath: The quorum has to be called.

Shri Sadhan Gupta (Calcutta South-East): May I make a submission on this point? We are certainly in some difficulty because the Constitution most clearly requires that the quorum should be one-tenth according to article 100(3). The Constitution says that Parliament may by law provide this. Therefore, it would be decent, if I may say so, to provide that and make a law. It would not be very big; it would be a small Bill. It may be brought forward at any time because we should not give the appearance of wantonly violating the Constitution.

Shri N. C. Chatterjee: There is no question of disregarding the Constitution at all. Article 100(4) says that if at any time during a meeting of a House there is no quorum, it shall be the duty of the Chairman or the Speaker, or the person acting as such either to adjourn the House or to suspend the meeting until there is a quorum. The only thing that was done is this. The Speaker had suggested that this power which has been given to every Member should not be brought into operation during a particular period. It was an act of self-abnegation on the part of every Member of this House to accept it. Of course Shri Kamath is perfectly within his rights to raise it and you have got to decide or you can refer it to the Speaker. That is an important matter which requires consideration.

An Hon. Member: It is a convention.

Shri Kamath: Arbitrary convention.

Shri Sadhan Gupta: The only point is this. We have agreed to abide by a certain convention but there is no doubt that this convention goes contrary to the Constitution. Article 100(4) clearly enjoins on the Chairman to notice the presence or absence of quorum. That is the difficulty. It may be that in substance there is not much damage done but when the Constitution provides so I think we should rather adopt that than give an appearance of violating the Constitution. Of course we do not mean any disrespect to the Constitution or any wilful violation.....

Shri Asoka Mehta: Knowingly.

Shri Sadhan Gupta: ...of the Constitution. It was knowingly done but there was no evil intention involved in it—no *mens rea*. But there is an easy way. Perhaps a Bill with two or three clauses will do and it can be passed.

Mr. Chairman: That is not denied.

Shri Sadan Gupta: I would suggest that the Government should do something of this kind.

Mr. Chairman: That can be done; that can be considered tomorrow. So, I ask Shri Kamath not to press for a decision at once. I request him to press the point of order because, as I said, a decision will be given by the Speaker tomorrow.

Shri Kamath: I am sorry, Sir, I do not agree. Every one of us entered this House after taking an oath of allegiance to the Constitution and we are violating the oath which we have taken. We at times criticise and blame the Government for violating the Constitution. May I ask: with what face can we charge the Government for violating the Constitution, when we ourselves.....

Shri N. C. Chatterjee: We have not broken our oath of allegiance to the

Constitution. This is a supreme organic law. This is all paramount law. We can easily enact a law if any Member of the House insists that we shall have no convention but a law. We can immediately do it.

Mr. Chairman: That has not been done. The Member has said that he wants a law and not a convention. It is by common consent that we are proceeding in this way.

Shri N. C. Chatterjee: Not 'common but 'unanimous'.

Shri Kamath: Sir, I raised a point of order. If you do not care to decide it then I shall have no other go..... I cannot but press my point of order. If you do not care to pay any heed to it, that is a different matter.

Shri C. C. Shah: You have already given a ruling, Sir, on the point of order. You have said that we shall act according to the convention and a definite ruling on the point of order will be given by the Speaker by tomorrow. That itself is a ruling and the hon. Member should abide by it.

Shri Kamath: The rule is that as soon as a point of order is raised the Chair shall give a decision on that.

An Hon. Member: The Chair can interpret that rule.

Mr. Chairman: Now, I want to know whether Shri Kamath agrees or not.

Shri Kamath: I do not agree, Sir, I press for a decision.

Mr. Chairman: The bell is being rung.—Now there is quorum.

Mr. Chairman: The following are the amendments to clauses 284 to 322 of the Companies Bill, which the hon. Members have indicated to be moved subject to their being otherwise admissible:

Clause No.	Amendments Nos.
284	590.
285	591.
286	359. (Govt.)

Clause No.	Amendments Nos.
287	360 (Govt.), 525.
289	526.
290	527.
292	799, 592, 800, 801, 356, 551, 660 (Govt), 802, 888, 468, 693 (same as 468), 528, 803, 869, 55, 553, 357, 554, 555, 529.
293	594, 804, 530, 595, 531, 596, 426, 805.
294	427, 428, 429, 430, 812, 431, 813.
296	432, 814.
298	532, 533.
299	815, 534, 361 (Govt), 816.
301	861 (Govt).
302	535, 817.
303	536.
308	362 (Govt), 363 (Govt), 537, 818, 819, 364 (Govt), 305 (Govt), 820, 366 (Govt).
309	367 (Govt).
310	368 (Govt).
313	433, 821, 434, 369 (Govt.), 370 (Govt).
315	681 (Govt).
316	862 (Govt), 863 (Govt) 435, 864 (Govt).
317	540, 541.

Clause 284.—Board to meet once in every three months)

Shri Tulsidas: I beg to move.

Page 148, line 17—

after "every company" insert:

"other than an association not carrying on business for profit or which prohibits the payment of a dividend".

Clause 285.—(Notice of meetings.)

Shri Tulsidas: I beg to move:

Page 148—

after line 25, add:

"(3) Any accidental failure or omission to give notice as aforesaid to any director shall not invalidate the proceeding at the meeting."

Clause 286.—(Quorum for meetings)

Shri C. D. Deshmukh: I beg to move:
Page 148—

for clause 286, substitute:

"286. Quorum for meetings.—

(1) In this section—

(a) 'total strength' means the total strength of the Board of directors of a company as determined in pursuance of this Act, after deducting therefrom the number of the directors, if any, whose places may be vacant at the time;

(b) 'interested director' means any director whose presence cannot, by reason of section 298, count for the purpose of forming a quorum at a meeting of the Board, at the time of any discussion or vote on any matter;

(2) The quorum for a meeting of the Board of directors of a company shall be one-third of its total strength (any fraction contained in that one-third being rounded off as one), or two directors, whichever is higher:

Provided that where at any time the number of interested directors exceeds or is equal to two-thirds of the total strength, the number of the remaining directors, that is to say, the number of the directors who are not interested, shall be the quorum during such time."

Clause 287.—(Procedure where meeting adjourned etc.)

Shri C. D. Deshmukh: I beg to move:
Pages 148 and 149—

(i) re-number sub-clauses (1) and (2) as sub-clauses (2) and (1) respectively; and

(ii) in sub-clause (1) as so re-numbered for "In such a case" substitute:

"If a meeting of the Board could not be held for want of quorum, then"

Shri Kamath: I beg to move:

Page 149—

after line 5, add:

"(3) If at the adjourned meeting there is no quorum the directors present shall form a quorum."

Clause 289.—(Validity of acts of directors.)

Shri Kamath: I beg to move:

Page 149, line 20.—

after "disqualification" insert "or lack of Central Government's approval".

Clause 290.—(General powers of Board.)

Shri Kamath: I beg to move:

Page 149, lines 37 to 39.—

omit "or in any regulations not inconsistent therewith and duly made thereunder, including regulations made by the company in general meeting".

Clause 292.—(Restrictions on powers of Boards)

Shri Tulsidas: I beg to move:

(1) Page 150, line 37—

after "public company" insert:

"where such public company or its subsidiary is managed by a managing agent or secretaries and treasurers".

(2) Page 150, line 38—

add at the end:

"in the case of matters mentioned in clauses (a), (b), (c) and (d) below, and except subject to the condition that the contribution, in excess of the limit laid down provided therein, shall cease to be valid if it is not approved by the company in the annual general meeting in which the accounts are laid, in the case of the matter mentioned in clause (e) below".

(3) Page 150, line 43—

omit "or give time for the repayment of".

(4) Page 150—

after line 44, insert:

"Provided that nothing said in clause (b) of sub-section (1) shall be deemed to prevent a banking company from giving time to its director or directors for repayment of a debt due from him or them."

Shri Altekar: I beg to move.

(1) Page 151, line 8—

after "moneys" insert "accept deposits".

(2) Page 151, line 8—

(i) after "borrow moneys" insert "or accept deposits"

(ii) line 9,—

after "borrowed" insert "or deposits to be accepted"

(iii) line 10,—

after "borrowed" insert "and deposits accepted".

Shri C. D. Deshmukh: I beg to move:

Page 151—

(i) line 15, omit "or agree to contribute"

(ii) line 18, omit "exceeds or"

(iii) lines 18 to 20,

for "when taken with contributions made or agreed to be made before the commencement of this Act, exceed in any financial year" substitute "in any financial year, exceed"; and

(iv) after line 24, add:

"Explanation—Where a portion of a financial year of the company falls before the commencement of this Act, and a portion falls after such commencement, the latter portion shall be deemed to be a financial year within the meaning, and for the purposes, of clause (e)."

Shri K. K. Basu: I beg to move:
Page 151—

- (i) line 20, for "ten thousand" substitute "three thousand"; and
- (ii) line 21, for "three per cent" substitute "one per cent".

Shri Bhagwat Jha Azad: I beg to move:

Page 151, lines 20 and 21—

for "ten thousand rupees or three per cent" substitute:

"twenty five thousand rupees or five per cent."

Shri C. D. Pande: I beg to move:
Page 151, line 21—

for "three per cent." substitute "five per cent".

Shri Tulsidas: I beg to move:
Page 151, line 21—

for "three per cent." substitute "five per cent".

Shri C. D. Pande: I beg to move
Page 151—

after line 24, insert—"or such higher sum as may have been specified in the articles of the company in this behalf".

Shri K. K. Basu: I beg to move:

Page 151, line 24—

add at the end:

"Provided that no such contribution is to be made to an institution with which any minister and any political party or its leader is connected unless it is passed unanimously in a general meeting."

Shri M. S. Gurapaduswamy: I beg to move:

Page 151—

after line 24, add:

"Provided that all contributions made to political parties or organi-

sations connected with political activities from the resources of the company shall be reported every financial year to the members of the company."

Shri Altekar: I beg to move:

(1) Page 151—

after line 24, insert:

"(1A) No deposits should be accepted without previous sanction of the Registrar of Companies."

(2) Pages 151 and 152—

omit lines 45 to 46 and 1 to 3 respectively.

(3) Page 152—

after line 3, add:

"(6) The managing agents, director and shareholders sanctioning deposits in excess of the paid up capital and free reserves of the Company shall be personally liable for the excess received;

(7) Every Company shall keep at its registered office a register of deposits and enter therein;

(a) the names of the depositors, the dates and fixed periods of their deposits, their respective amounts and their rate of interest,

(b) the interest paid and amount repaid, if any, to the depositor, and the date of payment and repayment.

(8) The register of deposits shall be open during business hours but subject to the reasonable restrictions as mentioned in clause 143 (1), to the inspection of any member, shareholder or depositor at the registered office of the Company."

(4) In the amendment proposed by me printed as No. 357,

after the proposed sub-clause (7) insert:

"(7A) Every company shall keep at its registered office a register

[Shri Altekar]

of loans and enter therein the names of the creditors, the dates and amounts of their loans, rate of interest, and the interest paid and amounts repaid, if any, by the company with the dates of payment or repayment."

(5) In the amendment proposed by me, printed as No. 357,
for sub-clause (8) substitute,

"(8) The registers of deposits and loans shall be open during business hours but subject to the reasonable restrictions as mentioned in section 143 (1), to the inspection of any member, shareholder, depositor or creditor at the registered office of the company."

Shri Kamath: I beg to move:

Page 152 after line 3 add:

"(6) The company and every officer thereof who knowingly and wilfully contravenes the provisions of this section shall be punishable with fine which may extend to five thousand rupees."

Clause 293.—(Appointment of sole selling agents etc.)

Shri Tulsidas: I beg to move:

Page 152, lines 9 and 10—

for "in general meeting within a period of six months from the date on which" substitute "before or at the next annual general meeting held after"

Shri K. K. Basu: I beg to move:

Page 152, line 9—

after "in general meeting" insert "by a special resolution".

Shri Kamath: I beg to move:

Page 152, after line 10, add:

"Explanation.—'Sole selling agent' means an individual, firm, body corporate or association which has the exclusive right to

effect sales on behalf of the company in any specified area or territory."

Shri Tulsidas: I beg to move.
Page 152, line 12—
omit "of six months".

Shri Kamath: I beg to move:
Page 152, after line 15, add:

"Provided that this shall not invalidate prior acts of the sole selling agent done before such disapproval or non-approval within the period of six months as aforesaid."

Shri Tulsidas: I beg to move:
Page 152, line 19—
for "in general meeting with a period of six months from" substitute:

"at the first annual general meeting held after".

Shri K. P. Tripathi: I beg to move:
Page 152, line 24—
for "five years" substitute "three years".

Shri Tulsidas: I beg to move:
Page 152, after line 31, add:

"(4) Nothing contained in this section shall apply to a public company or a private company, which is a subsidiary of a public company, which is not managed by a managing agent or secretaries and treasurers."

Clause 294.—(Loans to directors etc.)

Shri K. P. Tripathi: I beg to move:

(1) Page 152, line 39—

after "company" insert "or a relative or partner of such director".

(2) Page 152, line 40—

after "director" insert "his partner or relative".

(3) Page 152, line 41—

after "director" insert "his partner or relative".

(4) Page 152, line 42—
omit "director or".

Shri Sadhan Gupta: I beg to move:
Page 153, line 2—
for "twenty-five per cent" substitute "fifteen per cent".

Shri K. P. Tripathi: I beg to move:
Page 153, lines 3 and 4—

for "any such director, or by two or more such directors together" substitute "any one or more of the persons mentioned in clauses (a), (b) and (c);".

Shri Sadhan Gupta: I beg to move:
Page 153—
for lines 35 to 41, substitute:

"Provided that if the loan has been repaid in full or in part, the Court may take into consideration such repayment in passing any sentence of imprisonment"

Clause 296.—(Board's sanction etc.)

Shri K. P. Tripathi: I beg to move:
Page 154, lines 17 to 20—

for "a director of the company, a firm in which he is a partner, any other partner in such a firm, or a private company of which the director is a member or director" substitute:

"the persons mentioned in clauses (a) to (d) of sub-section (1) of section 294."

Shri Sadhan Gupta: I beg to move:
Page 154, line 20—

after "director" insert "or any member or director of the said private company".

Clause 298.—(Disclosure of interests by director.)

Shri Kamath: I beg to move:
(1) Page 155, line 35—
after "notice" insert "through registered post letter".

(2) Page 155, line 50—

add at the end:

"subject to regulations governing the matter which may be made by the Board".

Clause 299.—(Interested director etc.)

Shri Sadhan Gupta: I beg to move:
Page 156, line 16—
add at the end:

"and any decision dependent on his vote shall be void".

Shri Kamath: I beg to move:
Page 156, after line 16, add:

"provided that the vote of the interested director shall not invalidate any resolution passed at that meeting if it could have been carried by the valid votes cast in favour of the same."

Shri C. D. Deshmukh: I beg to move:
Page 156, line 33—

after "as a director thereof" insert "he having been nominated as such director by the company referred to in sub-section (1)."

Shri Sadhan Gupta: I beg to move:
Page 156—

after line 47 insert "Provided that the reasons for such exemption or modification shall be recorded in writing."

Clause 301.—(Disclosure to members etc.)

Shri C. D. Deshmukh: I beg to move:
Page 158, after line 38, add:

"(7) The provisions of this section shall apply in relation to any resolution or proposed resolution of the Board of directors of a company appointing a manager or a managing or whole-time director, or varying any previous contract or resolution of the company relating to the appointment of a manager or a managing or whole-time director, as they apply in

[Shri C. D. Deshmukh] relation to any contract or proposed contract for the like purpose".

Clause 302.—(Register of directors etc.)

Shri Kamath: I beg to move:

Page 158, line 49—

after "occupation" insert "age, educational and other qualifications".

Shri Sadhan Gupta: I beg to move:

Page 158, line 49—

after "he holds" insert "and held in the past".

Clause 303.—(Inspection of register.)

Shri Kamath: I beg to move:

Page 160, after line 16, insert:

"(1A) Any member may take extracts therefrom, and may require copies thereof to the same extent, in the same manner and on payment of the same fee as in the case of the register of members of the company, and the provisions of section 162 shall apply accordingly".

Clause 308.—(Remuneration of directors.)

Shri C. D. Deshmukh: I beg to move:

(1) Page 162, line 39—

for "including the managing director" substitute "including any managing or whole time director".

(2) Page 162, line 40—

after "in accordance with" insert "and subject to".

Shri Kamath: I beg to move:

Page 162—

for lines 44 to 46, substitute:

"(2) Service directors may be paid a monthly salary and commission at a specified percentage of the net profits of the company.

Explanation—"Service director" means a director in the whole-time employment of the company, and includes a managing director, and a manager or a secretary who is appointed as director".

Shri Sadhan Gupta: I beg to move:

(1) Page 163, line 4—
for "five" substitute "three".

(2) Page 163, line 6,
for "ten" substitute "six".

Shri C. D. Deshmukh: I beg to move:

(1) Page 163, lines 10 and 11—
omit "subject to the provisions of section 197".

(2) Page 163—

(i) line 24, for "neither" substitute "either"; and

(ii) line 25, for "nor" substitute "or".

Shri Sadhan Gupta: I beg to move:

Page 163, line 29—

for "five years" substitute "three years".

Shri C. D. Deshmukh: I beg to move:

Page 163, for lines 32 and 33, substitute:

"Provided that no renewal shall be effected earlier than one year from the date on which it is to come into force."

Clause 309.—(Increase in remuneration to require Government sanction.)

Shri C. D. Deshmukh: I beg to move:

Page 163, lines 44 and 45—

for "a managing director or any other director" substitute "any director including a managing or whole-time director".

Clause 310.—(Increase in remuneration of managing director etc.)

Shri C. D. Deshmukh: I beg to move:

Page 164, line 9—

for "a managing director" substitute "a managing or whole-time director"

Clause 313.—(Director etc., not to hold office etc.)

Shri K. P. Tripathi: I beg to move.

Page 164, lines 40 to 42—

for "no director of a company, no partner of such a director, no firm in which such a director is a partner, no private company of which such a director is a director or member" substitute:

"the persons mentioned in clauses (a) to (d) of sub-section (1) of section 294".

Shri Sadhan Gupta: I beg to move:

Page 164, line 42—

after "director or member" insert "and no director or member of such private company".

Shri N. P. Nathwani: I beg to move:

Page 165, line 7—

for 'as such' substitute 'as director.'

Shri C. D. Deshmukh: I beg to move:

(1) Page 165, line 7, add at the end:

"with effect from the first day on which the contravention occurs and shall also be liable to refund to the company any remuneration received or the monetary equivalent of any perquisites or advantage enjoyed by him in respect of such office or place of profit."

(2) Page 165, for lines 8 to 14, substitute:

"(3) Any office or place in a company shall be deemed to be an office or place of profit under the company within the meaning of sub-section (1).—

(a) in case the office or place is held by a director, if the director holding it obtains anything by way of remuneration over and above the remuneration to which he is entitled as such director, whether as salary, fees, commission, perquisites, the right to occupy free of rent any premises as a place of residence, or otherwise;

(b) in case the office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it gets anything by way of remuneration whether as salary, fees, commission, perquisites, the right to occupy free of rent any premises as a place of residence, or otherwise."

Clause 315.—(Number of companies etc.)

Shri C. D. Deshmukh: I beg to move:

Page 165, after line 41, adds

"(4) Notwithstanding anything contained in sub-sections (1) to (3), the Central Government may, by order, permit any person to be appointed as a managing director of more than two companies, if the Central Government is satisfied that it is necessary that the companies should, for their proper working, function as a single unit and have a common managing director."

Clause 316.—(Managing director etc.)

Shri C. D. Deshmukh: I beg to move:

(1) Page 165, line 43—

omit "Save as provided in sub-section (2)."

(2) Page 166—

omit lines 1 to 10.

Shri N. P. Nathwani: I beg to move:

Page 166—

omit lines 1 to 10.

Shri C. D. Deshmukh: I beg to move:

Page 166, lines 21 and 22—

for "shall be sanctioned only in the last two years of the existing term" substitute:

"shall not be sanctioned with effect from a date which is later than two years from the date on which the sanction will come into operation."

Clause 317.—(Compensation for loss of office etc.)

Shri Kamath: I beg to move:

(1) Page 166, line 29—

for "managing director or a director holding the office of manager, or" substitute "service director".

(2) Page 167—

after line 26, insert:

"(4A) No such payment as aforesaid shall be made except in pursuance of a resolution of the company in general meeting, of which detailed notice has been given."

Mr. Chairman: All these amendments are now before the House for discussion.

Shri Bhagwat Jha Azad: I rise to support my amendments 427 to 431 to clause 294, 432 to clause 296 and 433 to clause 313.

My point in moving these amendments is only one. I want that the relative of a director should be disqualified from taking a loan and that he should be disallowed from holding any office of profit. On this point much has been explained by my friend Shri Morarka and I need not stress it. It has been an accepted principle on many occasions before and I think there should be no objection to accepting it here also.

So far as my amendment number 888 to clause 292 is concerned it is very simple amendment. Here I wish that so far as charity is concerned it should be raised from 3 per cent. to 5 per cent. or Rs. 25,000 whichever is higher. My friend Shri C. D. Pande and Shri N. C. Chatterjee have already supported the raising of the percentage from 3 to 5. I only want to add that it should be raised from Rs. 10,000 to Rs. 25,000. Therefore, my

point in moving this amendment is that it should be raised from 3 to 5 per cent. or Rs. 25,000 instead of Rs. 10,000 whichever is higher. We see in this country that charity is very important. Unless and until institutions like orphanages are closed and beggary is removed, charity is very essential in this country. I see before my eyes my friends whose houses and properties have been washed away by floods. In Bihar we see floods every year; it is a regular feature there.

Therefore, moved by all these things I have tabled this amendment and there is nothing like what my friends on the other side said, viz., there is some motive to exact money. Probably, this might be their motive. My simple idea behind this amendment is to help the people who are suffering. In Assam, Tripura and in Bihar we see heavy floods. It is a regular feature in our country and before the money from Government goes to help those poor people who are affected by floods through the usual channels, it is very difficult to save them from being washed away from their homes. Therefore, it is a simple suggestion that I have made. I hope that the Government will accept amendment No. 888 to clause 292 which says that the percentage of three should be increased to five or to Rs. 25,000. That is all.

2 P.M.

Shri M. S. Gurupadaswamy: I confine my remarks to the amendments Nos. 525, 526, 527, 529, 530, 531, 532, 533, 534, 535, 536, 537, 540, 541 and 889. Many charitable Members of the House who spoke earlier were so charitably disposed to the charity provision contained in clause 292. Shri C. D. Pande started by saying that the limit that is incorporated in subsection (e) is not sufficient and that it has to be raised from three to five per cent. I want to draw the attention of the House, and especially the attention of the Finance Minister to some of the reasons which prompted

me to move an amendment to this clause. My amendment No. 869 to clause 292 reads as follows:

after line 24, add:

"Provided that all contributions made to political parties or organisations connected with political activities from the resources of the company shall be reported on every financial year to the members of the company."

A cynic once said that the art of politics is to get the votes of the poor by the purse of the rich. It is true and it is unfortunately very true in our country. The sources of income of political parties in any part of the world remain an enigma shrouded in a mystery, and in this country it is a mystery of mysteries and we have not been able to know how the funds of the political parties come.

Pandit D. N. Tiwary (Saran South): It includes your party.

Shri M. S. Gurupadaswamy: I am talking generally and not making any aspersion on any party. This mystery should be unravelled and unearthed. In America studies have been made by experts and research scholars in this respect. In the book entitled *Government and Business*, at page 34, there is a reference to this particular matter. I shall read the relevant portion to show how political parties gain funds for political campaigns and for elections and other activities.

Mr. Chairman: You are taking no objection to any donation to political organisations and political parties provided they report it at the end of the year

Shri M. S. Gurupadaswamy: Yes; they must be reported.

Shri Jhunjhunwala (Bhagalpur Central): You do not object to their getting the funds.

Shri M. S. Gurupadaswamy: I am just saying that the law must enable us to know the contributions or donations made by corporations. That is

my simple point, and I want to substantiate it.

Shri S. S. More: Is it my friend's desire that the political parties desiring these contributions should be those which are registered or incorporated according to certain procedure, because, when there is a chance to get some contribution, so many mushroom parties would come into existence?

Shri M. S. Gurupadaswamy: I am not saying that contribution is to be avoided—nor I am pleading for contributions. I am only saying—and I am here only concerned with that point—that contributions made by companies should be reported to the members and should be known to the public. That is my simple point. I shall now read that quotation from the book I mentioned. It runs thus:

"Studies made by Professor Louise Overacker show that in recent national elections the Republican party has secured its major support from bankers and manufacturers of iron, steel, autos, trucks, airplanes, food products, chemicals, textiles, cosmetics and drugs, paper, oil, public utilities and mining. Although the Democrats have also received a substantial support from various banking and industrial interests, it has not been as large as that secured by the Republicans. The Democratic party, in particular, has had the support of public power advocates, contractors, builders, producers of materials for public works programmes, brewers and distillers, organisations of the professional classes, and organised labour."

You see that in America and also in England, there has been an undesirable alliance between finance capitalists on the one hand and the political parties on the other. There have been too many unholy contacts between business and politics. Large sums of money are secretly given by various corporations to particular

[Shri M. S. Gurupadaswamy]

parties. Especially at the time of election, money is needed by all political parties. If the party is in power then the advantage is all the more greater and it gets a lot of money. Even in this country we are very familiar how the position and power of a party have been a temptation for big industrialists. The people who are in power persuade the big business houses; and the big companies, to donate and contribute liberally to the election funds. In America laws have been framed to prevent this thing. In America, they have made some provisions to regulate these contributions of big companies, but they have not totally abolished it. However, they have placed certain restrictions on these contributions. According to the federal law in America, it is illegal for any national political committee to receive more than 3 million dollars in one year. Of course, America is a rich country.

Shri Rane (Bhusaval): Million or billion?

Shri M. S. Gurupadaswamy: 3 million dollars.

Pandit K. C. Sharma: (Meerut Distt.—South): In one year any political party can receive that amount.

Shri C. D. Deshmukh: 3 million dollars?

Shri M. S. Gurupadaswamy: You are copying down that figure!

Shri C. D. Deshmukh: Is it an argument for or against?

Shri Kamath: Not a tip to the Treasury benches!

Shri M. S. Gurupadaswamy: It is illegal "for any corporation or labour union to give contributions in the election of President, Vice-President, Senators, and Representatives. The prohibition covers contributions for political causes, conventions, primary elections, and general elections".

Then, the federal law limits the contributions of any person to any national political committee or to any

candidate to 5,000 dollars in any one year. America's is a different case. They have provided very huge limits, and it is not possible for us in this country to provide such limits, poor as we are. Even though liberal limits have been provided by these laws, even these limits have been evaded by shrewd politicians and political parties. In America all political parties are expected to file returns to Government about their financial resources, expenditure etc. Just as any corporation or any individual has to do in this country, just as any candidate who stands for the election in this country has to file election returns, in the same way, in America it is imperative and it is incumbent that every political party should file returns regarding its expenditure, income and everything related to it. So, they are all made known to the public. When the public come to know about the sources of income of political parties, then there will not be much scope for favouritism, patronage or exploitation by a few people secretly; everything will be open. Moreover, all the parties will be at similar advantage or at similar disadvantage. If funds are given to political parties secretly and if they are not made known to the public, what will happen? The party which is in power will be having greater advantage in exploiting the situation.

Shri C. D. Pande: The hon. Member has just quoted from an American book that when the Democratic Party was in power, the Republicans got more money than the Democrats. Therefore, his thesis will not hold good.

Shri M. S. Gurupadaswamy: In the case of America, it may be so; I do not join issues with my friend. But in the case of India, what I say is perfectly true. In India the party in power—now the Congress is in power—has got better advantages to exploit the capitalists for their own advantage than the other parties.

Shri C. D. Pande: Your quotation does not fit in here; that is my point.

Shri M. S. Gurupadaswamy: It will fit in this way. If the sources of income of all the political parties are made known to the public, then there will be no danger of secret collections. That is what I say. My point is that whatever collections are made by political parties, they should be placed before the country in a proper way.

Pandit K. C. Sharma: This does not come within the company law.

Shri M. S. Gurupadaswamy: When donations or contributions are made to political parties, those things should be brought before the members of the general body in the form of a representation and their sanction should be taken. The Finance Minister gave the other day some figures. He said that the total net income of all these companies is round about Rs. 38 crores.

Shri C. D. Deshmukh: That is the income of 720 companies.

Shri M. S. Gurupadaswamy: Yes. What does the Bill provide here? It provides a limit of Rs. 10,000 or 3 per cent. Some of my hon. friends want to raise it to 5 per cent. I say that the limit of 3 per cent. or Rs. 10,000 gives sufficient elasticity for the Board of Directors to contribute money to anything, either for charitable purposes or for any other purpose. According to the statement of the Finance Minister, Rs. 38 crores is the net income of 720 companies. If 720 companies are allowed to give Rs. 10,000 each, it comes to about Rs. 1.75 crores. If we calculate 3 per cent. of Rs. 38 crores, it comes to about Rs. 1 crore. Thus, you will see that there is sufficient elasticity provided between Rs. 1 crore and Rs. 1.75 crores. The company can give either Rs. 1 crore or Rs. 1.75 crores, as they deem necessary. So, there is sufficient elasticity provided already and my friends want to increase this elasticity. I think this is very undesirable, because, as I said before, it may lead to misuse of company funds and exploitation of company funds by some interested political parties. Of course, our friends are

only talking of floods, temples, hospitals and the like. But in this country we cannot solve great economic problems by private charities. Let us be very clear about it. We cannot solve the grave economic and social problems by private donations. Today so much money has been given for charities. Have they in any way taken the nation one step further? Has any problem been solved by these charities? In all these cases of charity, you will find lack of planning, lack of regulation and lack of forethought. An industrialist may want to build a cattleshed, a temple or a hospital in a place where they are not necessary. Any charitable institution may be set up without considering whether that charitable institution is desirable or not, whether it is necessary or not, or even whether some other purpose is more important than that. So, you will see that private charities have undermined our system of planning. These charities should not be allowed to have a free field.

Sir, friends like Shri Somani have been so charitable today.....

Mr. Chairman: I want to say just one thing to the hon. Member. He has already taken on his one amendment about 20 minutes. I propose to give him another 10 minutes only.

Shri M. S. Gurupadaswamy: My friend Mr. Somani said that there should be a greater limit for giving charities. I am really surprised why such Members were objecting to the other provisions regarding restrictions on the managing agency commission and the like. They want to increase the limit, instead of restricting it, though it is for their own advantage. Therefore, I say that there is no use in giving so much of scope for companies to give contributions. Moreover, if they give contributions or make donations, it must be brought to the notice of the members of the general body. That is my amendment; if my amendment is accepted, I am sure these anomalies and defects will be removed.

I have another amendment, No. 529 to clause 292. Amendment No. 529

[Shri M. S. Gurupadaswamy]

imposes penalties for contravention of any provisions of this section. It says:

after line 3, add:

"(6) The company and every officer thereof who knowingly and wilfully contravenes the provisions of this section shall be punishable with fine which may extend to five thousand rupees."

We do not find any penalty provided for contravention of these provisions. I am just filling up this lacuna and suggesting that this penal provision may be incorporated in clause 292.

Regarding selling agent, I may say that clause 293 is definitely welcome. I say that the sole selling agent, whenever he is appointed for any area, should be appointed with the approval of the company. Here, the provision is that a sole selling agent may be appointed, but the approval of the company in a general meeting may be taken within a period of six months. That is, after the appointment of a particular body of persons or person, the approval of the company may be taken. That is, the appointment may be ratified by the company later on within six months. Better thing would be that sole selling agents should be appointed with the consent or with the approval of the general body itself, because it is a very important matter. I do not see any difficulty in taking such an approval. It may be said that it will mean a lot of delay and a lot of difficulty and it is not possible to call for a meeting of the general body quite frequently and so it is desirable to fix up a time limit for ratification. I feel that in cases of sole selling agents, they are appointed only for a long period. When they are appointed for such a period, it is necessary for the good of the company that the general body itself should take the decision. Suppose the board of directors appoints a selling agent and the matter comes before the general body. The general body will be in a difficulty to say 'No' to the appointment of the sole agent

as he is already doing the work of the company. It is very necessary that the general body should be given the power to appoint the sole selling agent and the matter should not be brought for the purpose of ratification only.

Shri Tulsidas (Mehsana—West): I have moved amendment No. 590 to clause 284. This is a very small amendment. My hon. friend Shri G. D. Somani has already spoken on this and I am only repeating it. This clause requires the directors to hold meetings every three months. I suggest that this provision should not be made applicable to associations which do not carry on business for profit or which do not distribute dividends. The financial and business transactions of these associations are not large. Therefore, they should be exempted from the operation of this clause. This is a small amendment. They may not be in a position to call a meeting once in three months. That is why I have put in this amendment to give some facilities to these associations which do not make any profit.

Then, I come to clause No. 285. My amendment is No. 591. This clause fails to provide for the contingency where a notice is not sent to a director owing to an accidental omission. It is necessary that such an accidental failure should not invalidate the proceedings of a directors' meeting. Already a penalty is imposed if notice of a directors' meeting is not sent to every director. My point is simple. In case there is an accidental omission, the directors' meeting should not be considered as invalid. That is a provision which was there in the original Bill. Notice of a directors' meeting is sent to every director. But, if there is any accidental omission, I request, in view of certain difficulties to the companies, the meeting should not be invalidated.

Then, I come to clause 292. The amendments are 592 and 593, which my hon. friend Shri G. D. Somani has already moved. I wish to say nothing more on this, that is with regard to the percentage of charity,

which is sought to be raised from 3 to 5 per cent. I may only add that in the Income-tax Act, they have provided that charity may be given to the extent of 5 per cent. or Rs. 1 lakh whichever is more to institutions which are approved and which can comply with the provisions of a particular section. In conformity with that particular section, instead of 3 per cent., 5 per cent. may be allowed. As regards getting the sanction of the general meeting, with the approval of the hon. Finance Minister, a separate amendment has now been moved and I hope that that would be acceptable to the Finance Minister.

Then, I come to my amendment No. 801 to clause 292. There is a certain lacuna which I would like the Finance Minister to take notice of. Clause 294, which governs loans to directors, does not apply to banking companies. In this business, overdraft facilities are given for fixed periods and these are renewed as a matter of course. Under the present clause, in such a case a banking company is required to call a general meeting. The procedure is costly and it may not serve any purpose. I therefore urge that banking companies may be exempted from the operation of this provision in clause 292. The question is, 'remit or give time'. Under clause 294 if a banking company is allowed to give loans to the directors or other persons, then, if it has to give time, it has to call a general meeting. This provision is inconsistent with clause 294. I can understand a case of remission. That must be there. Sometimes, a banking company may like to give them some time. According to this clause 292, that would not be possible. I say this only with regard to a banking company. My amendment No. 801 is:

Page 150—
after line 44, insert:

"Provided that nothing said in clause (b) of sub-section (1) shall be deemed to prevent a banking company from giving time to its director or directors

for repayment of a debt due from him or them."

Shri C. D. Deshmukh: The director of a banking company?

Shri Tulsidas: Yes, the director of a banking company: under clause 294 a director of a company can be given a loan.

Shri C. D. Deshmukh: I thought the hon. Member was referring to clause 292 (b).

Shri Tulsidas: To clause 292 (1) (b), I am suggesting the addition of a proviso to the effect I have read.

Shri C. D. Deshmukh: Clause 292 (1) (b) says that sanction of the company shall be required and that the board shall not manage this matter. If the intention is that the board should be able to give time for repayment, then the proviso does not seem appropriate. I would therefore suggest that the wording should be more or less on the following lines:

"Nothing in this clause will prevent the board of directors from giving time for the repayment of a loan."

Shri Tulsidas: I am prepared to change it.

Shri C. D. Deshmukh: But I feel that in a matter like this it would be very improper to give power to the board of directors.

Give time for repayment of a debt. That is to say, the board shall decide the question of repayment by a director. I understand now. In substance, the amendment is that the board of directors of a banking company should be enabled to give time for the repayment of a debt by one of them when they have a personal interest in it.

Shri Tulsidas: You are allowing loans to be given to directors.

Shri C. D. Deshmukh: What I meant was that here is a matter in which director is interested; here is a matter in which all the board is interested, because if a loan can be given to one

[Shri C. D. Deshmukh]

director, it can as well be given to all the directors.

Now here we are saying that the board of directors shall not transact this type of business without the sanction of the company. That seems *prima facie* fair for any company. The hon. Member says in a banking company you cannot wait. I understand that if it was a loan to anyone else; but where it is a loan to a director, and therefore, it might be a loan to the whole of the board of directors and they themselves decide to give time by this proviso....

Shri Tulsidas: I would like the hon. Finance Minister to realise that in the normal course of business of banking, there may be overdraft facilities given to a company. Now these clauses 292 and 294 go much farther. It is not merely the question of a director. The U. K. Act only restricts it to a director. Here we have gone much farther—as Mr. Chatterjee has pointed out, any body corporate, any firm in which a director is a partner or a member is covered by this. My point is that in the course of business it may sometimes so happen that a director may guarantee a loan of a certain person; that loan may be considered to be a loan to the director. Since you are allowing that, it would mean that even for giving time to the director for repayment of that loan, the matter has to go to the general meeting. It would be difficult for a banking company to call a general meeting for this purpose. In view of this it is but reasonable that the amendment suggested by me should be accepted by Government.

Shri C. D. Deshmukh: Sub-clause (1) of clause 294 does not apply to a banking company.

Shri Tulsidas: That is true.

Shri C. D. Deshmukh: If there is no loan there is no question of giving time.

Shri Tulsidas: Under clause 294 a banking company can give loan to a director.

Mr. Chairman: Without sanction of the Central Government?

Shri Tulsidas: Under clause 292 you cannot give time. No company can give time though they can give the loan.

Shri N. C. Chatterjee: Originally the clause was "remit any loan or debt due by a director". Remission is a serious matter. Here it is a question of extension.

Shri Tulsidas: I am quite willing to change my amendment on the lines suggested by the Finance Minister.

I now come to clause 293. My hon. colleague Shri Somani has already spoken on that and I understand that that clause is being amended. I would now request the hon. Finance Minister to understand this aspect also. Since he was not here at that time, I am trying to explain to him the reason why that particular amendment has been moved on the suggestion of Shri Morarka. If you have to go to the next annual general meeting the selling agent may take away the commission.

Shri N. C. Chatterjee: Has the Finance Minister got the amendment? I hope it has been placed before him. Shri Somani and I tried to draft something at the suggestion of the Deputy-Speaker.

Shri C. D. Deshmukh: I understand they moved the amendment and then the Deputy-Speaker made a suggestion. I have not seen the amendment to conform to that. But I heard that in the meanwhile they understand the position and were not likely to press the amendment. I do not quite know how the situation is.

Shri Tulsidas: Not the amendment as it was moved, but the one changed in a different way.

Shri N. C. Chatterjee: If the Finance Minister will kindly follow....

Shri C. D. Deshmukh: I understand the implication, though I have not seen the amendment.

Shri Kamath: Shri Tulsidas has raised an interesting point. It breaks my heart to see him speaking in a House without a quorum.

Mr. Chairman: The bell is being rung. Now there is quorum. The hon. Member, Shri Tulsidas, may continue.

Shri Tulsidas: I would request the hon. Finance Minister to consider our amendment.

Shri C. D. Deshmukh: I have not seen the amendment.

Shri Tulsidas: I would request him to see my original amendment which is in my opinion much more fair. Because Shri Morarka raised a certain point. Shri Somani has agreed to change the amendment. Under clause 293 a general meeting has to be called within six months. The suggestion was that this may be ratified at the next annual general meeting. It may mean a period of eleven months or four months, but at the next annual general meeting it must be ratified, not that a special meeting may be called. That was the original amendment.

Shri C. D. Deshmukh: That is the original one. I still say since you refer to the amendment which seeks to implement the Deputy-Speaker's suggestion, I should like to see the amendment at any rate before I agree that the original is preferable.

Shri N. C. Chatterjee: I thought it was given to Shri Shah.

Shri C. D. Deshmukh: He took it back and left us under the impression that he really does not want to press the point.

Shri Tulsidas: I do not think so. He will just come and I am prepared to hand it over to him.

In regard to clauses 292 and 293, I would like the Finance Minister to consider one aspect. Both these clauses appear only in the Act in this country. In no Act of any other country in the world are these restrictions placed on the directors. I have been

pursuing this point all the time and I have been trying to persuade the Finance Minister to consider this aspect that these two clauses are in this statute because we have a particular type of system of managing companies. What is going to happen to those companies which are not managed by managing agents or secretaries and treasurers? Are they going to have the same restrictions on their board of directors? I have moved two amendments, 804 and 805, stating that these two clauses should not be made applicable to those companies which are not managed by managing agents or secretaries and treasurers.

Mr. Chairman: Five minutes more.

Shri Tulsidas: I must have ten minutes more. I have got important amendments.

Now, I come to the other question regarding clauses 309 and 310. Again, the same question comes in and we argued yesterday with regard to the appointment of managing directors with the approval of the Government. The matter has been disposed of. I would have liked that even this should not be applicable to those companies which have no managing agents or secretaries and treasurers, but if it is not to be so, I would like the Finance Minister to consider this aspect. The Finance Minister is moving amendment No. 681 to clause 388 which is connected with the remuneration of a manager. According to his amendment No. 681 all these clauses 309, 310 and 316 will be applicable to clause 388 also. Take for example a banking company or an insurance company which is not managed by managing agents or secretaries and treasurers. If the manager's remuneration has to be increased, we have to go to the general meeting and then get the approval of the Government. That will be the implication of his amendment. Please realise the difficulties of these companies which are not managed by managing agents but by managers. They will have to face these difficulties if any particular remuneration is to be increased.

[Shri Tulsidas]

Clause 319 is so wide that any sort of increase will have to go before the general meeting and to the Government for its approval. This will mean a lot of difficulty in the working of these companies. I would like him to realise that and consider whether this should be made applicable to clause 388.

Then I come to amendment No 863 of the Finance Minister to clause 316. On page 166 sub-clause (2) says that sub-section (1) shall not apply to the appointment or employment of a person as a technician or as a consultant, unless he is already a managing agent and so on. You are removing this by your amendment No. 863. That will mean that a technician will also come under the restrictions of clause 316, and will have the same handicap as a managing director. There again it is going to create a lot of difficulty in the case of companies which have these technicians. We shall have to have a general meeting and go to Government again.

There are about 12,000 public limited companies, apart from private companies, and all these companies for manager's remuneration, for appointment of manager, for five years' time, for increase of it, will have to go to Government and will have to call a general meeting. These are all difficulties which I believe should be avoided as far as at least those companies which are not managed by managing agents or secretaries and treasurers but are managed and controlled directly by directors. I hope this difficulty will be reduced by accepting my amendments.

Shri Jhunjhunwala: I have to make a few remarks on clauses 292 and 293.

So, far as clause 292 is concerned, I support the amendment moved by Shri Pande.

Mr. Chairman: I should only request Members that there is very little time left.

Shri Jhunjhunwala: I am finishing in five or ten minutes.

Shri M. D. Joshi: I hope you will give us five minutes.

Mr. Chairman: That I shall give, certainly.

Shri Jhunjhunwala: If my time is taken up by interruption I shall finish.

I was pointing out that I support the amendment moved by my friend Shri Pande that the limit of 3 per cent. or Rs. 10,000 should be increased to 5 per cent. This amendment has been supported by Members from almost all sides of the House, except perhaps by my friends from the PSP and the Communist Party, who say that they have apprehensions that this provision might be utilised for political purposes. But I should like to point out to them that this question of donations for political purposes has arisen only now. For a long time the companies have been giving donations in the past for bona fide charitable proposes and very good causes. Even now, they will be giving donations according to their desire. So, there is nothing new in this provision.

I would also suggest that the limit of 3 per cent. provided here should be increased to 5 per cent. so that the board of directors shall have power to give donations up to that percentage. As has been pointed out by my hon. friend Shri N. C. Chatterjee, the general body of the shareholders can always give any amount, but occasions do arise, as for instance during floods etc., when the board will have to take quick decisions and give charity immediately. It is therefore necessary that the limit should be raised from 3 to 5 per cent.

My hon. friend from the PSP has pointed out that this should be reported to the shareholders. I would like to point out to him that this is always being done. If the shareholders so choose, the details of the donations, charities etc. are placed before them at the annual general

meeting. So, there is nothing that my hon. friend Shri M. S. Gurupadswamy need apprehend. Further, if the shareholders have any doubts etc. then they are made clear at the shareholders' meeting.

Coming to clause 293, my hon. friend Shri N. C. Chatterjee has pointed out that there has been a great misuse of the powers in regard to the appointment of sole selling agents. So it is very good that this clause has been put in in this Bill. An amendment has been moved to this clause by my hon. friends Shri Tulsidas and Shri G. D. Somani, saying that instead of the approval being obtained within six months, it would be sufficient if the approval is obtained at the next annual general meeting. Shri Morarka has already pointed out to the House how the object behind clause 293 would be circumvented if we accept the amendment moved by my hon. friends Shri Tulsidas and Shri G. D. Somani. In one year they will appoint a particular person as sole selling agent, and they will get his appointment confirmed at the annual general meeting; if that is not confirmed, then they will appoint some other person and continue him for a year, and again they will place the matter before the annual general meeting. Thus, this clause will be easily circumvented, if we accept their amendment.

As regards the selling agent's commission, Shri Morarka said that if his appointment is not approved by the shareholders within six month, then all that the selling agent would be entitled to should be only six months' commission and nothing more; and a new selling agent would have to be appointed. Immediately, Shri G. D. Somani stood up and said that he was agreeable to forego the commission in case the shareholders do not approve of the appointment of the selling agent. But I cannot understand who would be prepared to act as such a selling agent. Which bona fide selling agent would be there who would agree to work on such terms, namely

that for one year he will work without any commission, and at the end of the year, if the shareholders come and say that they do not approve his appointment, then he would be prepared to forego the commission, and so on, unless he be a *binamidar* of the managing agent himself? I do not know how my hon. friend Shri G. D. Somani has stated like this that he would appoint somebody whether he gets the commission or not, if the commission comes, well and good, otherwise he would not mind it, etc. I do not know whom he has in mind when he says like this. I do not understand how as a businessman he can put forward a proposition of this nature.

Shri M. D. Joshi: I commend my amendments Nos. 356, 357, 551, 552, 553, 554 and 555 for the acceptance of the House. All these amendments seek to protect the cause of one much neglected class, namely the class of depositors. In the course of the debate on the motion for reference of the Bill to the Joint Committee I had spoken at some length with reference to this class, which has been much neglected, and which has suffered much.

The people who save belong to the lower middle classes and the middle classes. So, their cause has to be protected before that of any others. This Bill is supposed to deal with millionaires and multi-millionaires. But what about the class of persons who own only hundreds and thousands? It is they who have suffered most at the hands of bogus or mushroom companies, and at the hands of company floaters who have been unbusinesslike and unscrupulous. It is this class of persons, namely the depositors, whom I had in mind when I gave notice of these amendments.

My first amendment, namely amendment No. 356 reads:

Page 151, line 8—

after "moneys" insert accept deposits".

[Shri M. D. Joshi]

Similarly, my amendment No. 351 reads:

Page 151, (i) line 8—

after "borrow moneys" insert "or accept deposits".

(ii) line 9, after "borrowed" insert "or deposits to be accepted".

(iii) line 10, after "borrowed" insert "and deposits accepted".

The reason why I have given these amendments is this. The only class of persons who have suffered most is that of depositors. It may be said that deposits are moneys borrowed, and therefore the depositors are creditors, and hence these amendments are not necessary. But I beg to point out that in accepting our amendment to clause 218, Government have accepted our contention namely that there is a case for the depositors. I remember that in the general discussion the hon. Finance Minister had said that there is really some case for the depositors, and that their case deserves sympathy. What I now want is that that sympathy should not remain hidden or covered, but should be made explicit.

3 P.M.

Shri C. D. Deshmukh: How will it help?

Shri M. D. Joshi: It will help in this way. Clause 292(d) says:

"The Board of directors of a public company.....shall not.... borrow moneys....."

there I would say "or accept deposits"

"after the commencement of this Act, where the moneys to be borrowed....."

there I would say "or deposits to be accepted".

So that when the question of borrowing or loans comes for consideration, the question of depositors will

also be there for consideration. Otherwise, the position of the depositors becomes precarious. In fact, the position of depositors is merely left to be understood. It is nowhere explicitly stated except in clause 218, where an amendment has been accepted. That is one thing.

Then by amendment No. 352, I want to insert the following in page 151 after line 24:

"(1A): No deposits should be accepted without previous sanction of the Registrar of Companies".

So that in case some promoters of companies want to accept deposits, taking advantage of the ignorance of depositors, such a predicament will be averted.

Then by my amendment No. 357, I seek to add to clause 292 sub-clauses (6), 7(a) and (b) and (8), in order to make the position clear. In sub-clause (6) which I have proposed should be added, I say that the managing agents, director and shareholders sanctioning deposits in excess of the paid up capital and free reserves of the company shall be personally liable for the excess received. The object of this is perfectly clear. Then a list of the names of depositors, together with the amounts of deposit accepted, date etc. should be maintained.

Then another important amendment which I am placing for acceptance is No. 353, to clause 292. It says:

Pages 151 and 152—

omit lines 45 to 46 and 1 to 3 respectively".

sub-clause (5) of clause 292 says:

"No debt incurred by the company in excess of the limit imposed by clause (d) of sub-section (1) shall be valid or effectual, unless the lender proves that he advanced the loan in good faith..."

That means the onus of proving that the loan is advanced in good faith lies on the lender and not on the

borrowing company. It is very difficult to understand that an individual, an ignorant person, is to prove his bona fides and the company, which is in the know, is protected. What we generally expect is that the individual is given protection against the many, the isolated is given protection against the united. But here the united, those who are in the know, those who are wily, powerful and rich are given protection against the person who is ignorant, who does not know and who is powerless. I fail to understand the significance of this. Therefore, I propose that sub-clause (5) should be deleted.

Shri C. C. Shah: Whom does it help?

Shri M. D. Joshi: It helps the depositors.

Mr. Chairman: If he advances the loan in good faith, it will be treated as valid.

Shri M. D. Joshi: It should be taken that he had advanced it in good faith, because it is the company that induces the depositor to advance the sum.

Shri N. C. Chatterjee: It will impose an obligation on that person to inquire whether that exceeds the subscribed capital plus the free reserves.

Mr. Chairman: The intention that the hon. Member has in mind seems to me to be that the lender, if he makes the advance in good faith, that is, after proper inquiry, he will be protected.

Shri C. C. Shah: He will not be protected.

Shri M. D. Joshi: He will be.

Shri C. C. Shah: If it is in good faith.

Shri M. D. Joshi: He has to prove that good faith. I say that if a man is induced to make an advance to the company, the company has to prove that it has taken the advance in good faith; this man should not be asked to prove, because he does not know that the company is exceeding its limits. It is impossible for the man to know true state of things.

Mr. Chairman: He will make inquiries so far as is possible for him.

Shri C. C. Shah: I would be very brief. First of all, I wish to refer to clauses 294, 296 and 313. These three clauses refer to some of the very important activities of directors, namely, giving of loans to directors, making of contracts with directors and directors occupying office or place of profit. There are amendments to these clauses by Shri K. P. Tripathi and they seek to extend the principle which we have already adopted in the case of associates of managing agents, namely, they want to add relatives and/or partners. I have carefully studied those amendments, and it is possible that they are a little too wide than what the situation permits. But a redraft has been made of these amendments which seek to restrict them only to partners and relatives of directors. The essence of it is that if this prohibits a loan to a director, it should not be circumvented by the loan being given to his son or partner. The redraft seeks to add that the loan should not be made either to a director or to his relative or partner. I submit that, with that restriction, these amendments should be acceptable to Government, because the essence of it is that the director should not be placed in a position where his interest conflicts with his duty; probably the son may have a higher claim upon him than the company itself. Therefore, he should not be placed in such an awkward position. That is as regards amendments to clauses 294, 296 and 313.

I would like to say a word or two on the amendment to clause 292 by Shri C. D. Pande. He seeks to raise the limit from 3 per cent. to 5 per cent. There is another amendment by Shri Bhagwat Jha Azad which seeks to raise the limit from Rs. 10,000 to Rs. 25,000.

Mr. Chairman: So Shri K. P. Tripathi's amendment is acceptable in a modified form?

Shri C. C. Shah: I hope the Finance Minister will accept it.

Shri C. D. Deshmukh: I shall say it in a moment.

Shri C. C. Shah: There has been a little too much of political consideration brought into the discussion of this clause. With all respect to those Members who have spoken about it, I submit it is a very cheap way of attacking this provision. Let us not bring political considerations even in charitable purposes. I submit that considering that the present position allows the directors to go to an unlimited extent in giving donations, we are putting a wholesome restriction, and it is only the maximum limit to which they can go. There are some companies to whom Rs. 25,000 or 5 per cent of the net profits will not be a very large amount. As it is, in these days it is very difficult to get funds for charities and if we can get them from companies which can afford to pay, well and good. Probably some of them pay even for purposes which are not charitable. The word 'charity' is defined in a very limited sense. Its legal meaning is very limited, but there are certain other funds which, though technically are not charitable, are certainly for the welfare of public good or public utility. The word 'charity' as defined under the Income-tax Act, as you know, is much wider than the technical legal meaning of the term. Therefore, I submit that the amendment which Shri Bhagwat Jha Azad has moved will meet the position and I would request the Finance Minister to accept that.

I want only to say one word about the amendment moved by Shri Tulsi-das, No. 801. I should think that there is nothing wrong about that amendment. It may be accepted because if, under clause 294 we exempt a banking company from the operation of clause 294, it is but fair, I believe, that a banking company may be empowered to give time to its directors for repayment of the loan. It is a very small matter, but it may probably meet many difficulties.

Shri C. D. Deshmukh: I had first better deal with the amendments that

I propose to accept. These are the amendments to clauses 294, 296 (1) and a similar one to 313. I have redrafted and am moving them.

I beg to move:

(1) Page 152—

(i) line 39

after "holding company" add:

"or any partner or relative of any such director"

(ii) line 40,

after "such director" insert "or relative".

(2) Page 154—

(i) lines 17 and 18,

after "director of the company"

insert "or his relative

(ii) line 18,

for "a firm in which he is a partner" substitute:

"a firm in which such a director or relative is partner".

(3) Page 164—

(i) line 40,

after "partner" insert "or relative"

(ii) line 41,

after "such a director" insert "or relative".

The original numbers of these amendments are 427 to 431, 432 and 433 by Shri Tripathi.

Mr. Chairman: To clause 296, it is 432.

Shri C. C. Shah: And to clause 313. It is 433 and 434.

Shri Morarka: 434 is my amendment to clause 313. It is a different amendment.

Mr. Chairman: All these are re-drafted?

Shri M. C. Shah: 434, as it is.

Shri C. D. Deshmukh: 433 in this particular context—"relative or partner"—and 434 is also to 313 but I have to say that I accept it separately. It is not on this point. That is a drafting amendment.

Mr. Chairman: Is it a re-draft?

Shri C. D. Deshmukh: It is a redraft not particularly in this connection but to the same clause.

Then, as regards clause 292, I am accepting amendment No. 888 of Shri Bhagwat Jha Azad.

In regard to several amendments suggested by Shri Tulsidas, I want to make a general point. He has been fighting this forlorn battle for the last 3 months and the general principles he has advocated have been considered off and on. We have regreitfully to say that we disagree in the present circumstances. How things will shape themselves in the future we cannot say. Therefore, anything based on that as to say the Board of directors should have different kinds of powers and there is no reason why certain restrictions should be placed on and so on and so forth and a number of amendments, flow from this philosophy. This, I am not prepared to accept for the simple reason that I have given my best thought to it and it is no use appealing to me and asking me to reconsider matters again. My mind again reaches the same conclusion.

There is however one amendment 801. When I intervened in the debate I said that it is true that in the case of banking companies loans to directors are permitted. Now, it seems logical that after permitting this for giving time for repayment you should not go to a general meeting which takes place only once a year or on special occasions. I thought, therefore, the power should be given to the board of directors. But, as I said in my intervention, if a loan can be given to one director it is possible that loans may be given to other

directors. Therefore, I have a great deal of hesitation in agreeing to this. Also, there are banking practices and they have grown. An outstanding loan is shown as having been repaid and a fresh loan is being made. Instead of giving time for repayment the entry is closed and a fresh loan is shown. That also takes place in the case of the ways and means advances sometimes given by the Reserve Bank of India to State Governments. There is no circumvention in this and that is a way out of the difficulty.

Mr. Chairman: The same applies in the case of 294. All directors can apply for the loan. When they can give the loan, what is the harm in giving some time to repay the loan?

Shri C. D. Deshmukh: After all, the directors are important people. The return of the loan may be of some importance to the bank. If it is one director you may say it is nominal, or it is not an important matter. On the other hand, if large loans are outstanding and if time is given in all these cases, it may prove disconcerting or inconvenient to the bank.

We received representations in regard to the clauses of this Bill which have a bearing on banking companies from the Bankers' Association and the Reserve Bank have studied by and large this matter in its application to banking companies and from neither of them have we received a suggestion that we should give the power in cases of this nature. Therefore, I am hesitant so to speak, without having either a representation from the Bankers' Association or from an institution which is watching over and supervising the operations of banks.....

Shri N. C. Chatterjee: Can this suggestion appeal to the hon. Finance Minister? You are allowing a bank to advance loans to a director, say for 6 months or 9 months and when the time expires it will be very hard to compel them to call a general meeting. Cannot you say, give time till the general meeting? If you want repayment give time.

Shri C. C. Shah: Even that may be too long.

Shri Tulsidas: May I point out to the hon. Minister that the Reserve Bank gets information of the advances made by the companies to their directors and the Reserve Bank has got enough powers to stop a bank from giving loans or ask them to recall the loan? The Reserve Bank, as he himself said the other day, can enforce the law in such a strict manner that there is no risk involved at all, and in no other country such a law is there.

Shri C. D. Deshmukh: That was so. Then the Reserve Bank should have pointed out that this is going to be an inconvenience to bankers. I do not wish my statement to be taken so literally that the Reserve Bank is regulating the affairs of banks with such minute precision. Obviously, lists go from all banks and they are periodically examined. That is not the issue here. The issue here is whether the Reserve Bank has been informed by bankers that if this restriction were to be placed—and this is a new restriction; it is not as if it was there before—then the bankers will find themselves in trouble in regard to the extent of time for repayment of loans. This is a minor matter and it is not a matter of controversy. We will make a note of it. I will draw the attention of the Reserve Bank and the bankers to it. As I said, my pessimistic forecast is that there will be some time when we will soon be called upon to make amendments to this particular piece of legislation—this is purely on statistical theory that a Bill of 649 clauses and 12 schedules is bound to disclose some flaw here or there despite the care that we are bestowing on it. All I can promise hon. Members to do is this. Supposing the Reserve Bank were to say, "Yes, in practice it is difficult", then I can undertake to bring a small amending measure at the earliest opportunity. I am not joining issue with him here on any principles. I can understand that it

might be difficult, but I am not backed by the advice of the Reserve Bank, nor have I got representations from the bankers' association. I know that the hon. Member is the chairman of one of the biggest banks in the country and I am quite certain that what he is representing is a real difficulty from his point of view, but I am cautious by nature, and before accepting this, I would like to consult the Reserve Bank. I promise to amend this if any inconvenience is felt in regard to this.

Shri Tulsidas: Why not keep it pending for a few days more as we are going to sit here in any case?

Shri C. D. Deshmukh: If I were to ask the banks, "Do you experience any difficulty?" Do you expect any bank to say "No"? It is like inviting an amendment. Let things emerge for themselves. Further this is not such a very important matter.

Shri K. K. Bagu: Is it a governmental promise or a personal promise?

Shri C. D. Deshmukh: All promises should be taken in their context; here. Any government or any successor may say, "I am not bound by it". That applies to anybody. I have no other means of giving an assurance except by saying that I have given an assurance. If there is any other method that the hon. Member knows, I should like to know of it. That is all what I am going to accept—I am nearly going to accept but not quite. The rest of the amendments I am not accepting. I had better make it clear in case I have no time to speak in regard to them.

I should like to take up the small question of the period of selling agency. There is a certain amount of confusion in the matter. We were promised an amendment, then the amendment to implement the suggestion made by the Deputy-Speaker; the amendment was taken away by the hon. Member—he is not here. The other hon. Member said that he is sure that the Member will come here

and give the amendment. I do not know where I stand.

Mr. Chairman: On second thoughts, he has taken it back.

Shri C. D. Deshmukh: He has reverted to the original amendment. We are opposed to the original amendment as we think it is capable of misuse. It may be that for one or two days there may be no agreement, and then at the end of the year a fresh agreement may be entered into and in that case no such agreement will ever come before the body of shareholders. We do not want to take that risk. All that happens is that a special meeting will have to be called for in six months' time, and if such a meeting is called for, this matter is bound to come up there; otherwise, what is the special meeting called for? Therefore, it is a safer procedure and that is why I am not able to accept that particular amendment.

Then I come to perhaps the most important of these clauses and that is clause 292, particularly in respect to the power to make donations. As one Member said, it is a pity to regard it purely from the political point of view. There is a danger here as anywhere else of circumventions or misuses, but I think that, that clause ought to be discussed on the merits of it rather than on the possibilities of misuse, because, after all, it is a minor matter, and it is a matter of the powers of the directors vis-a-vis the general body of shareholders. It is not as if anything is forbidden to the company. If its articles of association permit it, the company can go much beyond this. I approve of the sentiment which was expressed the other day by one hon. Member that the key to this Bill is strengthening the board of directors within reason that is to say, certainly not to give them unlimited powers but make them the real masters in this whole house of companies and not the managing director, not the secretaries and treasurers and not the manager. Certainly some matters have to be left

to the shareholders, but within that if the affairs of a company are to be managed well, then we need not put unnecessary restrictions on the powers of the board of directors.

In regard to the charities, analogies from other countries do not help us very much. I think sponsors of most causes would be very glad if they have a maximum of three million dollars or equivalent as charities. There is another provision of the law which has some bearing on this, I think, and that is section 15B of the Income-tax Act. You will remember that under that section, we have put a limit now to what may be exempted in the way of donations to charities either by individuals or by companies. In the case of companies, it is five per cent. of income, which is approximately the net profit, or Rs. 1,00,000. maximum. There is that limit of Rs. 1,00,000. You might put 100 per cent. of net profits; I doubt whether there will be any company which will be prepared to give it if the advantage of income-tax exemption is not enjoyable. You will remember that an exemption in regard to income-tax is there, not on super-tax. A company has to pay super-tax no matter whatever donations it makes. That is one thing. It is only in regard to income-tax which, I explained the other day, is prepaid on behalf of shareholders. Roughly there is some kind of adjustment in the sense that all the exemption in respect of donations is by and large passed on to the shareholders. If it is not, then the shareholders will complain, who are the masters in the situation. Therefore, in practice, I do not think that donations will exceed this maximum of Rs. 1,00,000, which now gives you an idea of the size of this problem. I also believe that small companies are not in the habit of distributing such large sums. Therefore, the lower limit is not of any importance in addition to the Rs. 10,000 or Rs. 3,000 which might be greater. If you take a company with Rs. 10,00,000, its net profit will be about Rs. 1,00,000, and 5 per cent. of Rs. 1,00,000 will be Rs. 5,000. They

[Shri C. D. Deshmukh]

are not likely to give Rs. 25,000. You might put any kind of limits. Rs. 10,000 and five per cent. of net profits having regard to the range of capitals of companies are somewhat inconsistent. Rs. 10,000 is too small a figure. Therefore, I do not mind if it is raised to Rs. 25,000. I am sure that that will not be the signal to small fellows of Rs. 5 lakhs or Rs. 10 lakhs capital immediately to give away 25 or 30 per cent. of their net profits. I should be very much surprised if the shareholders preserved their equanimity in such circumstances. Therefore, we are practically confined to the bigger fellows or bigger units with a capital of Rs. 50 or Rs. 70 lakhs or one crore and so on and so forth. I presume even from the political sphere it is that kind of thing that some hon. Members have in mind. There it does not make any difference. As soon as you reach Rs. 50 lakhs you are over the Rs. 25,000 limit and we are only concerned with the application of the percentage. I do not think it is worthwhile finding whether it is three or five per cent. If it was three and thirty per cent. one might say that very big point of principle is involved. This is a new restriction. In the old days the directors had complete powers as one hon. Member—I think Shri Jhunjhunwala—pointed out. It is the invariable practice of directors to give lists of the donations that they have made to the shareholders and I believe that he is correct in suggesting that. That being so, the spirit of Shri Gurupadaswamy's amendment is secured without accepting it. One may say that the practice will continue to be so and it only causes a certain amount of confusion to the directors. So I do not think that any great point of principle is involved here and that is my reason for accepting this change from Rs. 10 thousand to Rs. 25 thousand and from 3 to 5 per cent.

In addition, we have already given one amendment in regard to clause 292 about which I think my colleague

has spoken because that was cumulative and it was rather unfortunate to add all the provisions. The intention was only for that financial year. It is apt to be misunderstood. We are pressing the omission of those particular words "or agree to contribute". That is with regard to the principal point in clause 292.

I would now like to refer to this question of deposits because I can see that certain hon. Members on this side of the House felt very keenly about it. It is a fact that a large number of depositors have been ruined by mushroom companies or the promoters of such companies and have lost a great deal of their accumulated earnings of money or savings, particularly from that part of the country which is represented by one or two speakers here. We have accepted one amendment. If it had been possible, I would have liked to do something about it but I really cannot see that any of these amendments are practical. I made enquiries again of the draughtsman; 'money borrowed' will cover deposits. Therefore, that limitation will apply. I think registrar's approval very impractical; every time a man wants to deposit in a company he has to go to the registrar, that is not the kind of spoon-feeding that we are attempting in this Bill.

An hon. Member is suggesting the omission of a very important proviso; that proviso applies to everybody; not only to depositors. I cannot see that there is any real difficulty. Someone may say: I wanted to invest my money; somebody came and asked me whether I would deposit and said that it would carry so much interest; I made enquiries and so on; because no one is supposed to be ignorant of law and the new law will be known. If it is not known I would request hon. Members who had taken so much interest in the matter to make it known in that particular area where this prevails so that the depositors who have been once bitten will be twice shy and will be altered.

Shri M. D. Joshi: I belong to the same area as the Finance Minister.

Shri C. D. Deshmukh: I can promise my assistance also in alerting them. But the people in my district are more cautious. It is elsewhere I think that they are not so. What I have said is that the real and proper thing is to educate depositors and not to put these impossible restrictions which have other purposes. It should be easy for a person to prove his good faith and to say that he made enquiries whether the total limit had not been exceeded; that is all that he has to do. I do not think that it is too heavy an onus of proof to discharge. Therefore, I would advise him not to press this amendment but to concentrate attention and energy on educating the depositors.

Mr. Chairman: I think some rule may be made that before a deposit is made any prospective depositor may ask for certain information.

Shri S. S. More: May I ask a question? It is very difficult to get the implication of the clauses which control the companies before they invite deposits so that the necessary scrutiny could be undertaken by the Government for the protection of depositors. It may be the terms are available as far as interests are concerned. Widows for whom the Finance Minister usually speaks, orphans and pensioners are induced to part with their accumulations to their eternal grief.

Shri C. D. Deshmukh: I shall bear in mind the suggestion that you are making—some kind of rule or regulation to be inserted so that it could help in cautioning the depositors. But I am quite convinced that finally it is the education of the depositors which is going to bring about an improvement. For instance, in another place, depositors are doing very well with textile mills and so on. They are not suffering any kind of losses and treated well. (An Hon. Member: Ahmedabad). May be the promoters there are better used to the ethics of business but it is equally true that the depositors are more wide awake and that is the

remedy. Therefore, I do not think that it will help to accept the amendments as they stand here. That disposes of some of the important points that were raised today.

Then I come to 285. There is an amendment No. 591 which I am not accepting because it is one of the things which were studied by the Joint Committee and they deliberately omitted it. It is one of the instances where we cannot re-apply our minds to the same arguments.

Shri Tulsidas: What about amendment No. 590.

Shri C. D. Deshmukh: I am speaking on clause 285 at present. That is another amendment about association. So, in clause 285, that is my reason for not accepting the amendment, namely, the Joint Committee had carefully considered it. The hon. Member referred to amendment 590. Here I really cannot see why at least at intervals of three months, a meeting could not be called even if it is a company not carrying on business for profit. In our view the interval of three months prescribed in the clause is reasonably long and I am not aware of any instance where this has caused hardship.

Then there are various other amendments to clause 292 in connection with that matter, but since I am accepting amendment No. 888 by implication I am rejecting the other amendments. I have given my reasons why we should consider that matter in a straightforward kind of way. *

Then I come to amendments to clause 293. The object was to provide for appointment of sole selling agents. I have spoken about it already and I am not accepting those amendments.

Regarding amendment number 813 to clause 294 it seeks to provide that if the loan has been repaid in full or in part, the court may take into consideration such repayment in passing any sentence of imprisonment. My reason for opposing it is that there is no good reason for providing for imprisonment when, after all, the loan has been repaid in full.

Shri K. K. Basu: Provision for 'imprisonment' is already there in clause 294.

Shri C. D. Deshmukh: It is said here: "Provided that if the loan has been repaid.....the court may take into consideration such repayment in passing any sentence of imprisonment". We say that there should be no imprisonment if the debt has been repaid.

Then again, I am opposing amendment No. 804 to clause 293 seeking to insert the words "by a special resolution" after the words "in general meeting" in line 9. I am opposing it for the same reason that we fully discussed this matter in the Joint Committee, the same sort of arguments had been advanced there and there are no fresh arguments that have been advanced here.

Similarly, with regard to amendment No. 814 to clause 296, we do not consider it necessary to extend the scope of this clause to any member or director of a private company because there is no reason to assume the same identity of interest between members and directors of a private company as may be assumed to exist between the partners of a firm.

Then with regard to clause 299, we do not think it is necessary to render the entire decision void because even if the vote of an interested director were to be ignored the decision might well have been taken by the other un-interested directors.

Then there is another amendment No. 816. I am opposing this in as much as the notification itself may be expected to disclose the reasons for the exemptions and modifications.

There is one amendment in regard to a Government amendment to clause 308. The suggestion was that it should be replaced by the original provision as approved by the Joint Committee, but we believe that our amendment would secure that the company would be unable to renew the remuneration earlier than the

last year of the term of appointment. There is no substantial difference in the words used in the Government amendment which is intended to make the intention clear and to avoid any circumvention.

Then there was some mild objection by him to our amendment No. 861 to clause 315. He wants us to exercise these powers cautiously. We shall bear his observations in mind.

About amendment No. 434 to clause 313 I have already explained. We have similar wording as we have in clause 316 and the reason is the same. We want to fix the pivotal point of time for the renewal of these things.

Shri N. C. Chatterjee: With regard to clause 316 may we know why the hon. Minister has deleted sub-clause (2)? Shri Tulsidas raised that point. You may remember that the old clause 293 was in conformity with the recommendation of the Bhabha Committee and according to the recommendation of the Bhabha Committee we had these sub-clauses (1), (2) and so on. Sub-clause (2) was unanimously adopted by the Joint Committee.

Shri Morarka: The provision which was recommended by the Bhabha Committee and accepted by the Joint Committee is already embodied in clause 293 of the Bill.

Shri N. C. Chatterjee: May I know whether this is redundant?

Shri C. D. Deshmukh: It has become an anachronism now as no reference occurs in sub-clause (1) as altered by the Joint Committee. That is why we have omitted it here and the necessary provision has been included in clause 293. That, in our opinion, is sufficient.

Shri N. C. Chatterjee: Therefore, I take it that the Bhabha Committee's recommendation stands?

Shri C. D. Deshmukh: It is only a change in drafting.

Shri K. K. Basu: May I ask whether with the new amendment No. 359 to

clause 286 Government is accepting this position that if out of 8 directors 7 are interested directors, one will form the quorum?

Shri M. C. Shah: That cannot be helped.

Shri C. D. Deshmukh: That is right.

Shri C. C. Shah: In rare cases it may be so.

Mr. Chairman: Order, order. Now I will put the clauses to the vote of the House. I take it that no hon. Member is pressing his amendment to this clause.

The question is:

"That clause 284 stand part of the Bill."

The motion was adopted.

Clause 284 was added to the Bill.

Mr. Chairman: There is only one amendment to clause 285 and I take it that it is not being pressed

The question is:

"That clause 285 stand part of Bill."

The motion was adopted.

Clause 285 was added to the Bill.

Mr. Chairman: Clause 286. The question is:

Page 148—

for clause 286, substitute:

"286. Quorum for meetings,—

(1) In this section—

(a) "total strength" means the total strength of the Board of directors of a company as determined in pursuance of this Act, after deducting therefrom the number of the directors, if any, whose places may be vacant at the time;

(b) "interested director" means any director whose presence cannot, by reason of section 299, count for the purpose of forming a quorum at a meeting of the Board, at

the time of any discussion or vote on any matter;

(2) The quorum for a meeting of the Board of directors of a company shall be one-third of its total strength (any fraction contained in that one-third being rounded off as one), or two directors, whichever is higher:

Provided that where at any time the number of interested directors exceeds or is equal to two-thirds of the total strength, the number of the remaining directors, that is to say, the number of the directors who are not interested, shall be the quorum during such time."

The motion was adopted.

Mr. Chairman: The question is:

"That clause 286, as amended, stand part of the Bill."

The motion was adopted.

Clause 286, as amended, was added to the Bill.

Mr. Chairman: Clause 287. The question is:

Pages 148 and 149—

(i) re-number sub-clause (1) and (2) as sub-clause (2) and (1) respectively; and

(ii) In sub-clause (1) as so re-numbered.

for "in such a case" substitute "If a meeting of the Board could not be held for want of quorum, then".

The motion was adopted.

Mr. Chairman: I take it that other amendment to this clause is not being pressed.

The question is:

"That clause 287, as amended, stand part of the Bill".

The motion was adopted.

Clause 287, as amended, was added to the Bill.

Mr. Chairman: The question is:

"That Clause 288 stand part of the Bill."

The motion was adopted.

Clause 288 was added to the Bill.

Mr. Chairman: There is one amendment to clause 289 and I think it is not being pressed.

The question is:

"That clause 289 stand part of the Bill."

The motion was adopted.

Clause 289 was added to the Bill.

Mr. Chairman: In clause 290 also there is one amendment. I take it that it is not being pressed.

The question is:

"That clause 290 stand part of the Bill."

The motion was adopted.

Clause 290 was added to the Bill.

Mr. Chairman: The question is:

"That clause 291 stand part of the Bill."

The motion was adopted.

Clause 291 was added to the Bill.

Mr. Chairman: I now come to clause 292. There is government amendment No. 660.

The question is:

Page 151—

(i) line 15, omit "or agree to contribute";

(ii) line 18, omit "exceeds or"

(iii) lines 18 to 20—

for "when taken with contributions made or agreed to be made before the commencement of this Act, exceed in any financial year", substitute "in any financial year, exceed"; and

(iv) after line 24, add:

"Explanation.—Where a portion of a financial year of the company falls before the commencement of this Act, and a portion falls after such commencement, the latter portion shall be deemed to be a financial year within the meaning, and for the purposes, of clause (e)."

The motion was adopted.

Mr. Chairman: Now amendment No. 888.

The question is:

Page 151, lines 20 and 21—

for "ten thousand rupees or three per cent" substitute "twenty-five thousand rupees or five per cent".

The motion was adopted.

Shri Tulsidas: I want my amendment No. 801 to be put to vote.

Mr. Chairman: The question is:

Page 150, after line 44, insert:

"Provided that nothing said in clause (b) of sub-section (1) shall be deemed to prevent a banking company from giving time to its director or directors for repayment of a debt due from him or them."

The motion was negatived.

Mr. Chairman: Now amendment No. 803.

Shri M. S. Gurupadaswamy: Before you put this amendment, may I suggest that my amendment No. 869 may also be put along with it?

Mr. Chairman: Yes.

The question is:

(1) Page 151, line 24—

add at the end:

"Provided that no such contribution is to be made to an institution with which any minister and any political party or its leader

is connected unless it is passed unanimously in a general meeting."

(2) Page 151, after line 24 add:

"Provided that all contributions made to political parties or organisations connected with political activities from the resources of the company shall be reported every financial year to the members of the company".

Those in favour of the motion will say 'Aye'.

Some Hon. Members: Aye.

Mr. Chairman: Those against the motion will say 'No'.

Division No. 4]

AYES

Achalu, Shri	Gupta, Shri Sadhan
Basu, Shri K. K.	Gurupedaswamy, Shri M. S.
Biren Dutt, Shri	Kamath, Shri
Chakravarthy, Shrimati Renu	Krishnaswamy, Dr.
Chatterjee, Sori Tushar	Mehta, Shri Asoka
Chowdhury, Shri N. B.	More, Shri S. S.
Gopalan, Shri A. K.	Mukerjee, Shri H. N.

[4 p. m.

Nanadas, Shri
Raghavachari, Shri
Randaman Singh, Shri
Reddi, Shri Ramchandra
Reddi, Shri Bawara
Reddy, Shri R. N.
Swami, Shri Sivamurthi

NOES

Ansari, Dr.	Dube, Shri Mulchand
Agad, Shri Bhagwat Jha	Gandhi, Shri Ferose
Berupal, Shri P. L.	Gandhi, Shri M. M.
Bhagat, Shri B. R.	Ganga Devi, Shrimati
Bhakti Darshan, Shri	Ganpati Ram, Shri
Bhargava, Pandit Thakur Das	Gopi Ram, Shri
Bhatkar, Shri	Gounder, Shri K. P.
Bhatt, Shri C.	Heda, Shri
Bideri, Shri	Jagilvan Ram, Shri
Birbal Singh, Shri	Jatav-vir, Dr.
Bogawat, Shri	Jaysahri, Shrimati
Brajabhawan Prasad, Shri	Jhunjhunwala, Shri
Chatterjee, Dr. Sushilranjan	Joishi, Shri Jethalal
Chaturvedi, Shri	Joishi, Shri M. D.
Chaudhary, Shri G. L.	Kasliwal, Shri
Das, Shri B. K.	Kureel, Shri B. N.
Das, Shri N. T.	Lallenji, Shri
Das, Shri Ram Dhani	Lotan Ram, Shri
Das, Shri S. N.	Malvia, Shri B. N.
Datar, Shri	Mandal, Dr. P.
Deshmukh, Shri C. D.	Masroodi, Maulana
Dholakia, Shri	Musuriya Din, Shri
Dhusiya, Shri	Mehta, Shri Balwant Singh
Digambar Singh, Shri	Mishra, Shri L. N.

Morarka, Shri
More, Shri K. L.
Pande, Shri C. D.
Parekh, Dr. J. N.
Parikh, Shri S. G.
Pataskar, Shri
Patel, Shri B. K.
Pawar, Shri V. P.
Rachish, Shri N.
Raghuramaih, Shri
Ramanand Shahiri, Swami
Ramaswamy, Shri P.
Ramaswamy, Shri S. V.
Rane, Shri
Reddy, Shri Janardhan
Roy, Shri Bawa Nath
Sahu, Shri Rameshwar
Sannanta, Sh. S. C.
Satish Chandra, Shri
Sewal, Shri A. R.
Shah, Shri C. C.
Shah, Shri R. N.
Shah, Shri Raichand bhai
Sharma, Pandit K. C.

NOES—contd.

Sharma, R. C.	Sinha, Dr. S. N.	Thimmappa, Shri
Siddanarayappa, Shri	Sinha, Shri Jhulan	Tiwary, Pandit D. N.
Singh, Shri D. N.	Sinha, Shri Satya Narayan	Upadhyaya, Shri Shiva Dayal
Singh, Shri D. P.	Suresh Chandra, Dr.	Vaishnav, Shri H. G.
Singh, Shri Babunath	Suriya Prashad, Shri	Vaishya, Shri M. B.

The motion was negatived.

Mr. Chairman: I take it the other amendments are not pressed. The question is:

"That clause 292, as amended, stand part of the Bill."

The motion was adopted.

Clause 292, as amended, was added to the Bill.

Shri Sadhan Gupta: I heard you say that when we do not press a particular amendment, it would be deemed to have been withdrawn. Now, I do not know how the disposal of our amendments will be shown in the records.

Mr. Chairman: That will be treated as having been withdrawn with the permission of the House.

Shri Sadhan Gupta: There is this difficulty here. First of all, we must have the leave of the House to withdraw it. Secondly, it is one thing not to press an amendment and quite another thing to withdraw it.

Mr. Chairman: This procedure is adopted in order to economise time, because there are so many amendments.

Shri Sadhan Gupta: I say that all of them be put together, because we do not want it to be put on record that we have withdrawn the amendments.

Mr. Chairman: On record it will be written in the correct manner.

Shri K. K. Basu: We do not want it to be put on record that we have withdrawn the amendment. We do not press it. All such amendments can be lumped together and put before the House.

Shri S. S. More: What all you are saying now is going on record.

Mr. Chairman: These amendments have been taken as moved. Therefore, they have either to be withdrawn or treated as not pressed, and that is how the disposal will be shown in the records.

Shri Sadhan Gupta: In the case of other Bills, all amendments that were not pressed to vote specifically were put in a lump to the House and a voice vote was taken on that motion. That is better. There are so many amendments regarding which we do not want to go on record as having been withdrawn.

Shri S. S. More: Our Rules of Procedure do not recognise any amendment as not pressed formally. Either an amendment is not moved at all or an amendment is withdrawn with the permission of the House or negatived. There is no third way, a sort of a short-cut which will please both sides. But, that sort of a thing is not permitted under the Rules. Therefore, I would request, for the purpose of abiding by the purity of the rules, that they may be put to the House for permission to be withdrawn.

Shrimati Renu Chakravarty: Shri S. S. More has put the position correctly. The amendment has been moved. It has to be put to the House and either voted for or against.

Shri S. S. More: But, some communist friends were saying that they do not press.

Mr. Chairman: What I suggested was, all these amendments have already been moved or taken as moved. Therefore, as Shri S. S. More has said, they must be withdrawn with the permission of the House. The record will be as if they are withdrawn with the permission of the House.

Shri K. K. Basu: That is the point. We do not want it to go on record that any amendment which we have moved has been withdrawn. They may be put together and the vote taken, yes or no.

Pandit Thakur Das Bhargava: The rule is as Shri S. S. More has been pleased to tell us. But, to economise time, our Deputy-Speaker has been doing like this: the amendments which were not pressed were taken as negatived, not withdrawn. If they are withdrawn, they must be withdrawn with the leave of the House. We record them as negatived. There is no harm in that. We do it for economy of time.

Shri K. K. Basu: We have no objection to that. We do not want it to be said that we have withdrawn.

Pandit Thakur Das Bhargava: They are not withdrawn.

Mr. Chairman: All right. We will take them as negatived by the House after I put them. Do you want to put clause 292 again? From clause 293 we follow this procedure.

Shri K. K. Basu: Unless a Member specifically presses any amendment, you will make this formula:

All the amendments put and negatived. That is the usual practice.

Mr. Chairman: All right. Clause 293. I shall not put all the amendments to vote.

The question is:

Page 152, lines 9 and 10—

for "in general meeting within a period of six months from the date on which", substitute "before or at the next annual general meeting held after".

The motion was negatived.

Mr. Chairman: The question is:

Page 152, line 9—

after "in general meeting" insert "by a special resolution".

The motion was negatived.

Mr. Chairman: The question is: Page 152, after line 10, add:

"Explanation.—'Sole selling agent' means an individual, firm, body corporate or association which has the exclusive right to effect sales on behalf of the company in any specified area or territory."

The motion was negatived.

Mr. Chairman: The question is:

Page 152, line 12—

omit "of six months."

The motion was negatived.

Mr. Chairman: The question is:

Page 152, after line 15, add:

"Provided that this shall not invalidate prior acts of the sole selling agent done before such disapproval or non-approval within the period of six months as aforesaid."

The motion was negatived.

Mr. Chairman: The question is:

Page 152, line 19—

for "in general meeting with a period of six months from" substitute "at the first annual general meeting held after."

The motion was negatived.

Mr. Chairman: The question is:

Page 152, line 29—

for "five years" substitute "three years".

The motion was negatived.

Mr. Chairman: The question is:

Page 152, after line 31, add:

"(4) Nothing contained in this section shall apply to a public company or a private company, which is a subsidiary of a public company, which is not managed

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by a managing agent or secretaries and treasurers."

The motion was negated.

Mr. Chairman: The question is:

"That clause 293 stand part of the Bill."

The motion was adopted.

Clause 293 was added to the Bill.

Mr. Chairman: Clause 294, I am putting Government drafted amendment.

The question is:

Page 152—

(i) line 39, after "holding company" add: "or any partner or relative of any such director".

(ii) line 40, after "such director" insert "or relative".

The motion was adopted.

Mr. Chairman: I shall now put all the other amendments to vote.

The question is:

Page 152, line 39—

after "company" insert "or a relative or partner of such director".

The motion was negated.

Mr. Chairman: The question is:

Page 152, line 40—

after "director" insert "his partner or relative".

The motion was negated.

Mr. Chairman: The question is:

Page 152, line 41—

after "director" insert "his partner or relative".

The motion was negated.

Mr. Chairman: The question is:

Page 152, line 42—

omit "director or".

The motion was negated.

Mr. Chairman: The question is:

Page 153, line 2—

for "twenty-five per cent" substitute "fifteen per cent".

The motion was negated.

Mr. Chairman: The question is:

Page 153, lines 3 and 4—

for "any such director, or by two or more such directors together" substitute "any one or more of the persons mentioned in clauses (a), (b) and (c);".

The motion was negated.

Mr. Chairman: The question is:

Page 153, for lines 35 to 41, substitute:

"Provided that if the loan has been repaid in full or in part, the Court may take into consideration such repayment in passing any sentence of imprisonment".

The motion was negated.

Mr. Chairman: The question is:

"That clause 294, as amended, stand part of the Bill".

The motion was adopted.

Clause 294, as amended, was added to the Bill.

Mr. Chairman: The question is:

"That clause 295 stand part of the Bill."

The motion was adopted.

Clause 295, was added to the Bill.

Mr. Chairman: Clause 296. I shall put Government drafted amendment first.

The question is:

Page 154—

(i) lines 17 and 18,

after "director of the company" insert "or his relative".

(ii) line 18,

for "a firm in which he is a partner" substitute:

"a firm in which such a director or relative is partner".

The motion was adopted.

Mr. Chairman: Now other amendments.

The question is:

Page 154, lines 17 to 20—

for "a director of the company, a firm in which he is a partner, any other partner in such a firm, or a private company of which the director is a member or director" substitute "the persons mentioned in clauses (a) to (d) of sub-section (1) of section 294".

The motion was negated.

Mr. Chairman: The question is:

Page 154, line 20,

after "director" insert "or any member or director of the said private company".

The motion was negated.

Mr. Chairman: The question is:

"That clause 296, as amended, stand part of the Bill."

The motion was adopted

Clause 296 as amended, was added to the Bill.

Mr. Chairman: The question is:

"That clause 297 stand part of the Bill."

The motion was adopted.

Clause 297 was added to the Bill.

Mr. Chairman: Clause 298. The question is:

Page 155, line 35,

after "notice" insert "through registered post letter".

The motion was negated.

Mr. Chairman: The question is:

Page 155, line 50,

add at the end:

"subject to regulations governing the matter which may be made by the Board".

The motion was negated.

Mr. Chairman: The question is:

"That clause 298 stand part of the Bill."

The motion was adopted.

Clause 298 was added to the Bill.

Mr. Chairman: Clause 299. Government amendment No. 361.

The question is:

Page 156, line 33—

after "as a director thereof" insert:

"he having been nominated as such director by the company referred to in sub-section (1)".

The motion was adopted.

Mr. Chairman: The question is:

Page 156, line 16—

add at the end:

"and any decision dependent on his vote shall be void".

The motion was negated.

Mr. Chairman: The question is:

Page 156, after line 16, add:

"provided that the vote of the interested director shall not invalidate any resolution passed at that meeting if it could have

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been carried by the valid votes cast in favour of the same".

The motion was negatived.

Mr. Chairman: The question is:

Page 156, after line 47, insert:

"Provided that the reasons for such exemption or modification shall be recorded in writing".

The motion was negatived.

Mr. Chairman: The question is:

"That clause 299, as amended, stand part of the Bill."

The motion was adopted.

Clause 299, as amended, was added to the Bill.

Mr. Chairman: The question is:

"That clause 300 stand part of the Bill."

The motion was adopted.

Clause 300 was added to the Bill.

Mr. Chairman: Clause 301. Government amendment 861.

The question is:

Page 158, after line 38 add:

"(7) The provisions of this section shall apply in relation to any resolution or proposed resolution of the Board of directors of a company appointing a manager or a managing or whole-time director, or varying any previous contract or resolution of the company relating to the appointment of a manager or a managing or whole-time director, as they apply in relation to any contract or proposed contract for the like purpose".

The motion was adopted.

Mr. Chairman: The question is:

"That clause 301, as amended, stand part of the Bill."

The motion was adopted.

Clause 301, as amended, was added to the Bill.

Mr. Chairman: Clause 302. The question is:

Page 158, line 49—

after "occupation" insert "age, educational and other qualifications".

The motion was negatived.

Mr. Chairman: The question is:

Page 158, line 49, after "he holds" insert "and held in the past".

The motion was negatived.

Mr. Chairman: The question is:

"That clause 302 stand part of the Bill."

The motion was adopted.

Clause 302 was added to the Bill.

Mr. Chairman: Clause 303. Amendment No. 536.

The question is:

Page 160, after line 16 insert:

"(1A) Any member may take extracts therefrom, and may require copies thereof to the same extent, in the same manner and on payment of the same fee as in the case of the register of members of the company, and the provisions of section 162 shall apply accordingly".

The motion was negatived.

Mr. Chairman: The question is:

"That clause 303 stand part of the Bill."

The motion was adopted.

Clause 303 was added to the Bill.

Mr. Chairman: The question is:

"That clauses 304 to 307 stand part of the Bill."

The motion was adopted.

Clauses 304 to 307 were added to the Bill.

Mr. Chairman: Clause 308. I am putting Government amendments.

The question is:

Page 182, line 39—

for "including the managing director" substitute "including any managing or whole-time director".

The motion was adopted.

Mr. Chairman: The question is:

Page 162, line 40—

after "in accordance with" insert "and subject to".

The motion was adopted.

Mr. Chairman: The question is:

Page 163, lines 10 and 11—

omit "subject to the provisions of section 197".

The motion was adopted.

Mr. Chairman: The question is:

Page 163—

(i) line 24, for "neither" substitute "either"; and
(ii) line 25, for "nor" substitute "or".

The motion was adopted.

Mr. Chairman: The question is:

Page 163—

for lines 32 and 33, substitute:

"Provided that no renewal shall be effected earlier than one year from the date on which it is to come into force."

The motion was adopted.

Mr. Chairman: Now other amendments. The question is:

Page 162—

for lines 44 to 46, substitute:

"(2) Service directors may be paid a monthly salary and commission at a specified percentage of the net profits of the company.

Explanation.—"Service director" means a director in the whole-time employment of the company, and includes a managing director, and a manager or a secretary who is appointed as director."

The motion was negatived.

Mr. Chairman: The question is:

Page 163, line 4—

for "five" substitute "three".

The motion was negatived.

Mr. Chairman: The question is:

Page 163, line 6—

for "ten" substitute "six".

The motion was negatived.

Mr. Chairman: The question is:

Page 163, line 29—

for "five years" substitute "three years".

The motion was negatived.

Mr. Chairman: The question is:

"That clause 308, as amended, stand part of the Bill".

The motion was adopted.

Clause 308, as amended, was added to the Bill.

Mr. Chairman: Clause 309. The question is:

Page 163, lines 44 and 45—

for "a managing director or any other director" substitute "any director including a managing or whole-time director."

The motion was adopted.

Mr. Chairman: The question is:

"That clause 309, as amended, stand part of the Bill."

The motion was adopted.

Clause 309, as amended, was added to the Bill.

Mr. Chairman: Clause 310. The question is:

Page 164, line 9—

for "a managing director" substitute "a managing or whole-time director".

The motion was adopted.

Mr. Chairman: The question is:

"That clause 310, as amended, stand part of the Bill".

The motion was adopted.

Clause 310, as amended, was added to the Bill.

Mr. Chairman: The question is:

"That Clauses 311 and 312 stand part of the Bill."

The motion was adopted.

Clauses 311 and 312 were added to the Bill.

Mr. Chairman: Clause 313.

Shri M. C. Shah: We have accepted 434, and instead of 433, we have moved that in an amended form.

Mr. Chairman: The question is:

Page 164—

(i) line 40, after "partner" insert "or relative"; and

(ii) line 41, after "such a director" insert "or relative".

The motion was adopted.

Mr. Chairman: The question is:

Page 165, line 7, add at the end:

"with effect from the first day on which the contravention occurs and shall also be liable to refund to the company any remuneration

received or the monetary equivalent of any perquisites or advantage enjoyed by him in respect of such office or place of profit".

The motion was adopted.

Mr. Chairman: The question is:

Page 165—

for lines 8 to 14, substitute:

"(3) Any office or place in a company shall be deemed to be an office or place of profit under the company within the meaning of sub-section (1),—

(a) in case the office or place is held by a director, if the director holding it obtains anything by way of remuneration over and above the remuneration to which he is entitled as such director, whether as salary, fees, commission, perquisites, the right to occupy free of rent any premises as a place of residence, or otherwise;

(b) in case the office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it gets anything by way of remuneration whether as salary, fees, commission, perquisites, the right to occupy free of rent any premises as a place of residence, or otherwise."

The motion was adopted.

Mr. Chairman: The question is:

Page 165, line 7—

for "as such" substitute "as director".

The motion was adopted.

Mr. Chairman: The question is:

Page 164, lines 40 to 42—

for "no director of a company, no partner of such a director, no firm in which such a director is a partner, no private company of

*In view of the amendment to Clause 310 adopted by the House, the words "or whole time" were inserted in line 12 before the word "director", as patent error under the direction of the Speaker.

which such a director is a director or member" substitute:

"the persons mentioned in clauses (a) to (d) of sub-section (1) of section 294".

The motion was negative.

Mr. Chairman: The question is:

Page 164, line 42—

after "director or member" insert:

"and no director or member of such private company".

The motion was negative.

Mr. Chairman: The question is:

"That clause 313, as amended, stand part of the Bill."

The motion was adopted.

Clause 313, as amended, was added to the Bill..

Mr. Chairman: The question is:

"That clause 314 stand part of the Bill."

The motion was adopted.

Clause 314 was added to the Bill.

Mr. Chairman: Clause 315. The question is:

Page 165—

after line 41, add:

"(4) Notwithstanding anything contained in sub-sections (1) to (3), the Central Government may, by order, permit any person to be appointed as a managing director of more than two companies, if the Central Government is satisfied that it is necessary that the companies should, for their proper working, function as a single unit and have a common managing director."

The motion was adopted.

Mr. Chairman: The question is:

"That clause 315, as amended, stand part of the Bill."

The motion was adopted.

Clause 315, as amended, was added to the Bill.

Mr. Chairman: Clause 316. The question is:

Page 165, line 43—

omit "Save as provided in sub-section (2)".

The motion was adopted.

Mr. Chairman: The question is:

Page 166—

omit lines 1 to 10.

The motion was adopted.

Mr. Chairman: The question is:

Page 166 lines 21 and 22—

for "shall be sanctioned only in the last two years of the existing term" substitute:

"shall not be sanctioned with effect from a date which is later than two years from the date on which the sanction will come into operation."

The motion was adopted.

Mr. Chairman: The question is:

Page 166—

omit lines 1 to 10.

The motion was negative.

Mr. Chairman: The question is:

"That clause 316, as amended, stand part of the Bill."

The motion was adopted.

Clause 316, as amended, was added to the Bill.

Mr. Chairman: The question is:

Page 166, line 29—

for "managing director or a director holding the office of manager, or" substitute "service director".

The motion was negative.

Mr. Chairman: The question is:

Page 167—

after line 26, insert:

"(4A) No such payment as aforesaid shall be made except in pursuance of a resolution of the company in general meeting, of which detailed notice has been given".

The motion was negatived.

Mr. Chairman: The question is:

"That clause 317 stand part of the Bill."

The motion was adopted.

Clause 317* was added to the Bill.

Mr. Chairman: The question is:

"That clauses 318 to 322 stand part of the Bill."

The motion was adopted.

Clauses 318 to 322 were added to the Bill.

Clauses 323 to 367

Mr. Chairman: Now, we begin the next group of clauses. Is there any suggestion about the time to be allotted?

Shri Asoka Mehta: I would like it to be in two groups. I suggest we take up from 323 to 367 and allot 8 hours for it, and then from 368 to 388 and allot 3½ hours for it.

Mr. Chairman: The proposal is that clauses 323 to 367 may be taken up.

Shri M. C. Shah: Why not have up to 377? That will be all right because that concerns managing agents, and then will come the secretaries and treasurers and managers. For them you can have 3 or 3½ hours.

Mr. Chairman: Is it acceptable?

Shri Asoka Mehta: No, no. This proposal was made after consulting the members on this side and on that side, and it was more or less agreed to. I had consulted Shri Snah on that side.

Shri S. S. More: He consulted the wrong Shah.

Mr. Chairman: Let them have their choice. I repeat again that the House will now take up clauses 323 to 367 and 8 hours will be devoted to that. After that clauses 368 to 388 will be taken up, and 3½ hours will be devoted to that. Hon. Members who wish to move their amendments to clauses 323 to 367 will kindly hand over the number of their amendments, specifying the clauses to which they relate, to the Secretary at the Table within 15 minutes.

Shri Kamath: On a point of order. I would like to invite your attention to rule 389 of the Rules of Procedure and Conduct of Business. This point arises out of the oral instructions which you have just given to Members saying that Members who wish to move their amendments to this group of clauses should pass on the chits within fifteen minutes. The business of the House—in this particular case, the business relating to clauses 323 to 367—will continue today and also on Monday. And amendments to these clauses can be given any time during the pendency of the discussion of these clauses. I have given notice of certain amendments only today, and they will be circulated to hon. Members only on Monday morning. But the business being what it is, it will continue on Monday also. So, those amendments of mine should not be barred if they come on Monday morning.

Shri K. K. Basu: You can send the chit in advance.

Mr. Chairman: If they come on, we shall certainly include them.

Shri Kamath: I have not got the numbers of those amendments.

Mr. Chairman: The hon. Member can give the reference to those amendments, and they can be included.

Pandit Thakur Das Bhargava: The hon. Member's only point seems to be that he has not yet received the numbers of those amendments, and he

*In the proviso to Sub-clause (4) of clause 317, line 25, the word "premium", was substituted by the word "Premiums", as patent error under the direction of the Speaker.

hopes to receive them only on Monday morning. But he has given notice of those amendments today. So, according to the rules, he is within his right to move those amendments.

Shri Kamath: I have not got copies of those amendments or their numbers now. My point is that the fact that I have not conformed to the chit system may not be a bar to the inclusion of my amendments.

Shri S. S. More: The chit is only for our convenience, it does not form part of the rules.

Shri Kamath: In this particular case, it is not to my convenience.

Shri C. D. Deshmukh: I have a number of amendments to these clauses. I do not know whether it is necessary for me to read out the numbers, because they will be in the order paper which will be circulated. In that case, I hope you will take them as moved. I shall make observations only in regard to those which are not purely of a drafting nature or clarificatory or self-explanatory, and these are very few.

The first one relates to clause 324 and that is amendment No. 470. This clause provides for the termination of the managing agency of a company which is acting as the managing agent of another managing agency. This amendment reads:

Page 171, after line 36, add:

"(4) Where a company having a managing agent is itself acting at the commencement of this Act as a managing agent of any other company, the term of office of the company first mentioned as managing agent of the other company shall, if it does not expire earlier in accordance with the provisions applicable thereto immediately before such commencement including any provisions contained in the Indian Companies Act, 1913 (VII of 1913), expire on the 15th day of August 1956."

In other words, it is the earlier termination of a particular kind of managing agency, i.e. where it is the managing agency of a managing agency; we do not see why the extended period should be given to this kind of managing agency.

The next amendment is to clause 330, and that is amendment No. 472. We consider that it is not desirable that remuneration on the existing scale should continue for a period which may be as long as twelve months from the commencement of this Act. Therefore, we want to omit the proviso. The result will be that the provisions regarding remuneration will come into force immediately this Bill is brought into operation. That will involve a certain amount of calculation of the net profit as defined under the old Act, and the net profit as defined under the new Act, and the application of different percentages. But we do not think that this will present any material difference. The advantage is that the new and reduced remuneration will come into force at the earliest moment possible.

My next amendment is to clause 345, and that is amendment No. 664. Under clause 345 as framed by the Joint Committee, any change in the ownership of the shares in a managing agency corporation, however small, will constitute a change in its constitution. And this, we feel, is likely to have far-reaching consequences. It is possible that a change in the ownership of a few shares may take place without the managing agent knowing anything about it. It would thus become possible for a shareholder to bring about the termination of the managing agency agreement by transferring the shares and keeping the transfers secret for a period of six months. Even if the managing agency corporation has a right to refuse to register the transfer under its articles of association, clause 345 might still apply.

Shri Kamath: On a point of order. It is a pity that the Minister's own

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party is not interested in listening to him. There is no quorum in the House.

Shri K. K. Basu: Have some more hearing Ministers.

Mr. Chairman: The bell is being rung—Now there is quorum. The hon. Minister may continue.

Shri C. D. Deshmukh: I was saying that even if the managing agency corporation has a right to refuse to register the transfer under its articles, clause 345 might still apply. The Central Government have been given power to extend the time-limit of six months in such cases. But it may be that the fact of transfer comes to notice only after those six months, and as soon as the six months expire, there will be an automatic termination of the managing agency, and the power of the Central Government to extend time will not serve the purpose.

It has been made clear that Government may give retrospective effect to any extension of time granted by or under this section. This will avoid hardship in cases where the omission to obtain the approval of the Central Government within six months of the change is due to valid reasons and is entirely bona fide.

Then there is an amendment to clause 351, No. 669. This is intended to make it clear that the overall limit of 11 per cent. also may be exceeded where a special resolution of the company and the approval of the Central Government, which can be obtained only if the resolution is in the public interest, have been secured.

The next important amendment is to clause 352, No. 670. We feel sub-clause (1) is unnecessary and that its retention might lead to difficulties in interpretation. It is really to prevent any misunderstanding. From the drafting point of view, there may be a view that it does not make any difference whether this is removed or not. But we think that we should favour a draft which is orderly from the drafting point of view and logic.

The last amendment, No. 677, is to clause 360. The object is to bring the position in respect of the managing agent or associate into line with that in clause 296(2) which applies to directors. As in the case of directors, a managing agent or associate may enter into contracts for the sale or supply of property etc. in which he regularly trades up to a maximum of Rs. 5000. The clause, as it stands now, is applicable to future contracts. That is all I have to say.

Shri Sadhan Gupta: This group is concerned with various aspects of the managing agency system, and some of the most important aspects of the managing agency system. It is unfortunate that the Joint Committee has not found its way to abolish this system totally. Of course, I repeat what I said in my first reading speech, that by abolishing the managing agencies you won't cure every abuse of capitalism. That is an impossibility. But it is also a fact that the managing agency system has been responsible for some of the major abuses, and that is why, the whole country had wanted its abolition. We have seen from the speeches made during the first reading that practically the entire House is for abolition of the managing agency system.

Pandit Thakur Das Bhargava: Question.

Shri Sadhan Gupta: There is no question about it, because the speeches had reflected that practically almost the whole House was opposing the managing agency system.

Pandit Thakur Das Bhargava: Question.

Shri Sadhan Gupta: You can refer to the proceedings and see how many Members spoke for and how many against the system. But we have a democracy where the views of the Members—whatever the views are—are not reflected; it is the smart crack of the whip that determines the character. That is my first grievance on principle against this group of clauses. I am opposed to the whole

group. But if you retain this group, you have to make certain modifications in it in order to tighten up the strings with a view to prevent the managing agents from doing mischief.

Now, here the great difficulty is that the Finance Minister seems to be constitutionally incapable of uprooting the abuses of the managing agency system. One of the greatest abuses has been that the managing agency system has enabled concentration of wealth in a few hands by concentration of economic power. From the observations made by the Finance Minister, we were almost alarmed to observe that he was not very much worried about this aspect in our economic life at all. When the question was raised that nine families monopolised 600 directorships, he tried to explain it away on the astounding thesis that it reflected the business talent in the community—it reflected the dearth of the business talent in the community. Now, Sir, we do not take that view. The fact that nine families monopolise so many directorships only indicates that there is a concentration of power, and it is not necessarily deserved in every case. Now, with this outlook, he cannot be expected to be more sympathetic to the demand of the country for ending the system, because the managing agency system, in its aspect of concentration of economic power, is not very objectionable to him; and so he is trying to cure it of certain abuses only. But once you allow concentration of economic power to be there, you cannot prevent many of the abuses. That is why a strange theory has been propounded that the managing agency system has been beneficial to this country, and we should mend, and not end, this system. When we were in schools, we had to read a book—I do not know whether you also did so-called *England's Work in India*. There we were told what educational work the British Government had done, what material progress the British Government had given us. It was all a document with facts mentioned—so

many Universities established, so many colleges established, so many schools established, so much economic progress achieved and all that. Now, what was not mentioned there was that for 200 years of British rule, we had only 6 per cent. literacy, that for 200 years of British rule, we had 90 per cent. of our population depending on agriculture and so forth. In the very same way, it is being sought to be proved that the managing agency system has contributed a great deal to our industrialisation. The extent of our industrialisation has been pointed out and it is said, 'Look, what the managing agencies have done'. I, Sir, look at it from quite another angle. What would have happened without the managing agency? Owing to the presence of the managing agency system, we have been robbed of a healthy capital market. The capital market is a perverted market today. The stream of private enterprise today is a very muddy stream owing to the nefarious activities of the managing agency system. Our industry has grown in this context and we have not to judge the contribution of the managing agency system by reference to how much we have been able to achieve, but by reference to how much we have not been able to achieve. We have seen how foreign managing agents have stifled our industries. There was, once a time, not very long ago, when every Indian businessman was up against the managing agency system, because the foreign managing agents would not let them compete, would shut them out of business. But they do not do it now because today they have got some share in the foreign managing agency system in the country. But simply by giving Indian big business a little or even a sizeable share in their ventures, the basic character of the managing agency system does not alter. It remains the same thing, an objectionable thing which is full of abuses and from which abuses will be very difficult to remove.

That is why we want to abolish this system, altogether. Therefore, we have proposed amendments, Nos. 893

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and 895. In amendment No. 893, we propose that the managing agencies should be altogether abolished without any reservation. That we do by proposing a substitute clause for clause 223. We say:

"Every managing agent shall cease to function as such on 31st December, 1958, unless he ceases so to function at an earlier date."

We have an alternative clause also to this in order to make the provision a little more liberal. That is to say, if the Government is not at all ready to countenance the abolition of the managing agency system, we say that all managing agencies will go out unless the Central Government makes an exception in the case of some particular industry. That we have sought to do by adding a further proviso to the substitute clause which I just read out. It reads:

"Provided, however, that the Central Government may, by notification in the Official Gazette, permit the continuation of managing agents, wholly or in part, in such class or description of industry or business as may be specified in the notification:

Provided further that the reasons for the granting of such permission shall be recorded in writing in the said notification."

The scheme, therefore, is that by the 31st December, 1958, all managing agencies must go. That is what we would like. But, if you are not prepared to go so far, we can provide that the Central Government may permit the managing agents to remain in some industries. The scheme is just the reverse of what is in the Bill, that is, the managing agency will generally remain but the Central Government may prevent it in certain industries. We say that it must generally go but the Central Government may permit it in some industries.

There is a great thing in favour of our scheme. It is this. It is the

Central Government that will have to take the responsibility for permitting the continuation of managing agencies in particular industries and it is the Central Government which will face criticism for doing so and it is ultimately the Houses of Parliament that will voice their opinion on the exceptions made by the Central Government. That would operate as some kind of check on the Central Government in respect of giving indiscriminate permission to managing agencies. We, therefore, recommend this scheme to the acceptance of the House and we would again appeal to the Finance Minister to respect the opinion of the country and to respect the opinion of the great majority of this House—though it may not be expressed in voting, it was expressed in the speeches. I appeal to the Finance Minister to respect the opinion of practically the whole House.

The next important principle which we seek to introduce in this matter by way of tightening up the provisions regarding managing agency is the imposing of a limitation on a number-cum-size basis. I had sought to impose some limitation regarding the directorships; but, in the case of the managing agency system it is even more important. This particular provision I have sought to introduce by my amendment No. 909 to clause 331 which says:

Page 173, after line 30 insert:

"Provided that if any person holds office at the same time as the managing agent of more than one company, the number of the companies shall be such that the block capital of such companies shall not in the aggregate exceed five crores of rupees."

Then there is an amendment to raise this Rs. 5 crores to Rs. 10 crores, because Government may not accept Rs. 5 crores. As in the case of directorships, so also in the case of managing agency the principle is that you should not allow too much concentration of wealth in a few hands or the

concentration of economic power. If the managing agents are allowed to manage 20 companies they may be 20 companies of 20 industries for the matter of that. It may be that in that way they will have a control of substantial sectors in many industries or it may be that they control 20 big companies in the same industry and that way also they may exert considerable influence in that industry. I am sorry, it is ten companies and not 20. Even ten companies may be very big. What we propose is to reduce the number from 10 to 5. Even that is not enough, because the 5 companies may be such companies that they might together control a sector of the whole industry. Therefore, we also propose to limit the size of the companies. That is our scheme.

Shri Kamath: Quorum has again disappeared, Sir, Mr. Gupta is not going to speak to empty benches.

Mr. Chairman: The bell is being rung.

Now there is quorum. Shri Gupta may continue.

Shri Sadhan Gupta: I was submitting that even if you reduce the number of companies to 5, as we have proposed, the danger is there that even those 5 companies may be such big concerns that they may together control a substantial sector of the industry. Therefore, a limitation with respect to the size of the companies has also to be imposed. As I said on the last occasion, we cannot obviously limit the size of one company which the managing agent will manage for the good reason that it may be economic for business to increase the size of one particular company. But we

can at least provide that when the managing agent manages more companies than one then a certain limitation by size of the companies should be there. Even in respect of one, there is a danger, as I pointed out, of companies engaging in ventures which are not strictly theirs. For example, I know of one cotton mill which is trying to establish a soda ash factory; I know of another cotton mill which has established a sugar factory; another cotton or sugar mill has established a paper mill. That is really engaging in different ventures and doing the work of different companies under the garb of engaging in the business of one company. This kind of thing should be discouraged, and if it assumes alarming proportions as a result of restrictions on managing agents, then the Government will have to step in and we will have to step in and find out adequate remedies for it.

5 P.M.

Mr. Chairman: How much time will the hon. Member take further?

Shri Sadhan Gupta: I will take some more time and I will continue on Monday.

Mr. Chairman: He may continue on Monday.

The list of amendments indicated by Members to this group of clauses has been received. The list will be circulated to members and it is no use reading out the numbers now.

The Lok Sabha then adjourned till Eleven of the Clock on Monday, the 5th September, 1955.

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