

LOK SABHA

THE COMPANIES BILL, 1953

(Report of the Joint Committee)

Vol. II

MINUTES



**LOK SABHA SECRETARIAT
NEW DELHI.**

May 1955

COMPANIES BILL, 1953

1. Report of the Joint Committee on
the Companies Bill, 1953 - Vol. I
2. Report of the Joint Committee on
the Companies Bill, 1953 - Vol. II
(MINUTES)
3. Joint Committee on the Companies Bill,
1953 (EVIDENCE)

**Minutes of the Meetings of the Joint Committee on the Companies
Bill, 1953**

CORRIGENDA

- (1) In page 7, item 16 under "Members" for "Subrahamanyam" read "Subrahmanyam".
- (2) In page 60, para 4, line 4, for 'developed' read 'devolved'.
- (3) In page 85, para 13(ii), line 4, for "a members" read "a member".
- (4) In page 97, item 9, under "Members" for 'D' read 'Dr.'.
- (5) In page 111, para 7, line 11, for "register" substitute "registrar".
- (6) In page 112, item 7 under "Members", for "Chtur" read "Chatur".
- (7) In page 125, para 3, for "follownig" read "following".
- (8) In page 126, para 8, line 5, for "agent or more" substitute "agent for more".
- (9) In page 131, para 12, last line, for "inheittance" read "inheritance".
- (10) In page 164, para 17(ii), for "lines" read "line".
- (11) In page 166, para 21, line 4, for "for in" read "for or in".
- (12) In page 171, para 21, after "to" insert "83".
- (13) In page (xii), last line, delete "the" before "company" and insert "the" before "association".
- (14) In page (xiv), sub-para (4), line 3, for "securiteis" read "securities".
- (15) In page (xvi), line 19, for "before of after" read "before or after".

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MINUTES OF THE MEETINGS OF THE JOINT COMMITTEE ON
THE COMPANIES BILL, 1953

I

First Meeting

The Committee met from 4 P.M. to 5 P.M. on Tuesday, the 18th May, 1954.

PRESENT

MEMBERS

Lok Sabha

1. Shri Chimanlal Chakubhai Shah.
2. Shri Awadheshwar Prasad Sinha.
3. Shri V. B. Gandhi.
4. Shri Khandubhai Kasanji Desai.
5. Shri Shriman Narayan Agarwal.
6. Shri R. Venkataraman.
7. Shri Radheshyam Ramkumar Morarka.
8. Shri B. R. Bhagat.
9. Shri Nityanand Kanungo.
10. Shri Purnendu Sekhar Naskar.
11. Shri T. S. Avinashilingam Chettiar.
12. Shri K. T. Achuthan.
13. Shri Kotha Raghuramaiah.
14. Pandit Chatur Narain Malviya
15. Shri Tekur Subrahmanyam.
16. Col. B. H. Zaidi.
17. Shri Mulchand Dube.
18. Pandit Munishwar Dutt Upadhyay.
19. Shri Radhelal Vyas.
20. Shri Kamal Kumar Basu.
21. Shri C. R. Chowdary.
22. Shri M. S. Gurupadaswamy.
23. Shri Amjad Ali.
24. Shri N. C. Chatterjee.
25. Shri Ghamandi Lal Bansal.
26. Shri Tridib Kumar Chaudhuri.
27. Shri C. D. Deshmukh.

Rajya Sabha

28. Shri Shriyans Prasad Jain.
29. Dr. P. Subbarayan.
30. Shri Braja Kishore Prasad Sinha.
31. Shri R. S. Doogar.
32. Shri M. C. Shah.
33. Shri V. K. Dhage.
34. Shri S. Banerjee.
35. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri A. L. Rai—*Under Secretary.*

2. In the absence of Shri H. V. Pataskar, the Chairman of the Committee, Shri C. D. Deshmukh was unanimously elected Chairman for the meeting.

3. The Committee at the outset considered the request of the Employers' Federation of India, Bombay, to allow their representatives to appear before the Joint Committee. The Committee agreed to the request and directed that the representatives of the Federation should be asked to appear before the Committee at its next sitting.

4. It was also decided that in case requests were received in future from any of the following bodies for giving evidence, then their representatives should be asked to appear before the Committee:

- (1) The Federation of Indian Chambers of Commerce and Industry, New Delhi;
- (2) The Associated Chambers of Commerce of India, Calcutta;
- (3) The Indian National Trade Union Congress, New Delhi;
- (4) The All India Trade Union Congress;
- (5) The Hind Mazdur Sabha, Bombay;
- (6) The United Trade Union Congress;
- (7) The Law Society, Bombay;
- (8) The Incorporated Law Society, Calcutta;
- (9) The Shareholders Association, Bombay;
- (10) The Institute of Chartered Accountants of India.

5. The Committee was further of the opinion that if a similar request for giving evidence was received from an association other than those mentioned above, such a request should be placed before the Committee for its consideration.

6. The Committee desired that the memoranda that might be received from Associations should be compiled into a clause by clause abstract, if time permitted.

7. The Committee decided that the sittings should be held daily from the 2nd of July to the 16th July, 1954 between the hours of 9 A.M. and 1 P.M.

8. The Committee then adjourned to meet again at 9-10 A.M. on Friday, the 2nd July, 1954.

II

Second Meeting

The Committee met from 9-10 A.M. to 12-10 P.M. on Friday, the 2nd July, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman*.

MEMBERS

Lok Sabha

2. Shri C. D. Deshmukh.
3. Shri Chimanlal Chakubhai Shah.
4. Shri Awadheshwar Prasad Sinha.
5. Shri V. B. Gandhi.
6. Shri Khandubhai Kasanji Desai.
7. Shri Dev Kanta Borooah.
8. Shri Shriman Narayan Agarwal.
9. Shri R. Venkataraman.
10. Shri Ghamandi Lal Bansal.
11. Shri Radheshyam Ramkumar Morarka.
12. Shri B. R. Bhagat.
13. Shri Nityanand Kanungo.
14. Shri Purnendu Sekhar Naskar.
15. Shri T. S. Avinashilingam Chettiar.
16. Shri K. T. Achuthan.
17. Pandit Chatur Narain Malviya.
18. Dr. Shaukatullah Shah Ansari.
19. Shri Tekur Subrahmanyam.
20. Shri Mulchand Dube.
21. Pandit Munishwar Dutt Upadhyay.
22. Shri Radhelal Vyas.
23. Shri Ajit Singh.
24. Shri Kamal Kumar Basu.
25. Shri C. R. Chowdary.
26. Shri M. S. Gurupadaswamy.
27. Shri Amjad Ali.
28. Shri N. C. Chatterjee.
29. Shri Tridib Kumar Chaudhuri.

Rajya Sabha

- 30. Dr. P. Subbarayan.
- 31. Shri Shriyans Prasad Jain.
- 32. Shri Somnath P. Dave.
- 33. Dr. R. P. Dube.
- 34. Shri Braja Kishore Prasad Sinha.
- 35. Shri R. S. Doogar.
- 36. Shri S. C. Karayalar.
- 37. Shri Amolakh Chand.
- 38. Shri M. C. Shah.
- 39. Shri V. K. Dhage.
- 40. Prof. G. Ranga.
- 41. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Secretary, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

WITNESSES

I. *The Employers' Federation of India, Bombay:*

- 1. Shri J. D. Choksi.

II. *The Associated Chambers of Commerce of India, Calcutta:*

- 1. Shri G. M. Mackinlay.
- 2. Shri G. A. S. Sim.
- 3. Shri A. S. Officer.
- 4. Shri Vaidyanath Aiyar.
- 5. Shri K. M. Wilcox.
- 6. Shri R. Adam Brown.
- 7. Shri R. V. Fuller.
- 8. Shri C. J. B. Palmer.

III. *The Indian National Trade Union Congress, New Delhi:*

- 1. Shri S. R. Vasavada.
- 2. Shri G. D. Ambedkar.
- 3. Shri Deben Babu.
- 4. Shri Sumant Desai.

2. The Committee heard the evidence tendered by the representatives of the following Associations, *viz.*,

(i) The Employers' Federation of India, Bombay.

(ii) The Associated Chambers of Commerce of India, Calcutta.

3. A verbatim record of the evidence tendered by the representatives of these Associations was taken down.

4. The Committee decided to postpone the hearing of the representatives of the Indian National Trade Union Congress, New Delhi, to the 3rd July, 1954 as the memorandum containing the views of the Association had only been received on the 1st July, 1954 and the members wished to have some time for studying it.

5. The Committee adjourned to meet again at 9 A.M. on Saturday, the 3rd July, 1954.

III

Third Meeting

The Committee met from 9 A.M. to 1-20 P.M. on Saturday, the 3rd July, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Awadheshwar Prasad Sinha.
4. Shri V. B. Gandhi.
5. Shri Khandubhai Kasanji Desai.
6. Shri R. Venkataraman.
7. Shri Ghamandi Lal Bansal.
8. Shri Radheshyam Ramkumar Morarka.
9. Shri B. R. Bhagat.
10. Shri Nityanand Kanungo.
11. Shri Purnendu Sekhar Naskar.
12. Shri T. S. Avinashilingam Chettiar.
13. Shri K. T. Achuthan.
14. Pandit Chatur Narain Malviya.
15. Dr. Shaukatullah Shah Ansari.
16. Shri Tekur Subrahmanyam.
17. Shri Mulchand Dube.
18. Pandit Munishwar Dutt Upadhyay.
19. Shri Radhelal Vyas.
20. Shri Ajit Singh.
21. Shri Kamal Kumar Basu.
22. Shri C. R. Chowdary.
23. Shri M. S. Gurupadaswamy.
24. Shri Amjad Ali.
25. Shri N. C. Chatterjee.
26. Shri Tulsidas Kilachand.
27. Shri C. D. Somani.
28. Shri Tridib Kumar Chaudhuri.
29. Shri C. D. Deshmukh.

Rajya Sabha

30. Dr. P. Subbarayan.
31. Shri Shriyans Prasad Jain.
32. Shri Somnath P. Dave.
33. Dr. R. P. Dube.
34. Shri Braja Kishore Prasad Sinha.
35. Shri R. S. Doogar.
36. Shri S. C. Karayalar.
37. Shri Amolakh Chand.
38. Shri M. C. Shah.
39. Shri V. K. Dhage.
40. Prof. G. Ranga.
41. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

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Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

WITNESSES

The Indian National Trade Union Congress, New Delhi:

1. Shri S. R. Vasavada.
2. Shri G. D. Ambedkar.
3. Shri Deben Babu.
4. Shri Sumant Desai.

2. The Committee heard the evidence tendered by the representatives of the Indian National Trade Union Congress, New Delhi.

3. A verbatim record of the evidence tendered by the representatives of the I.N.T.U.C. was taken down.

4. The Committee considered the letter of Shri Tridib Kumar Chaudhuri, M.P., suggesting that the Bar Library Associations of Bombay and Calcutta be invited to tender evidence before the Committee. The Committee decided to invite the following associations to tender evidence before the Committee on the 9th July, 1954:—

- (1) The Bombay Incorporated Law Society, Bombay.
- (2) The Calcutta Incorporated Law Society, Calcutta.

5. The Committee also considered the requests of the Depositors' Association, Poona and the Indian Merchants' Chamber, Bombay, for tendering evidence before the Committee on the Bill. The Committee decided to invite the Depositors' Association, Poona to appear

before the Committee on the 7th July, 1954. As regards the request of the Indian Merchants' Chamber, the Committee left the matter to the Chairman for a decision.

6. The Committee decided that no more associations were to be invited to tender evidence before the Committee and that in any case the evidence of the associations should be finished by the 9th July, 1954, so that the Committee could take up the clause by clause examination of the Bill thereafter.

7. The Committee then adjourned to meet again at 9 A.M. on Monday, the 5th July, 1954.

IV

Fourth Meeting

The Committee met from 9 A.M. to 1-30 P.M. on Monday, the 5th July, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Awadheshwar Prasad Sinha.
4. Shri V. B. Gandhi.
5. Shri Khandubhai Kasanji Desai.
6. Shri R. Venkataraman.
7. Shri Ghamandi Lal Bansal.
8. Shri Radheshyam Ramkumar Morarka.
9. Shri B. R. Bhagat.
10. Shri Nityanand Kanungo.
11. Shri T. S. Avinashilingam Chettiar.
12. Shri K. T. Achuthan.
13. Dr. Shaukatullah Shah Ansari.
14. Shri Tekur Subrahmanyam.
15. Col. B. H. Zaidi.
16. Shri Mulchand Dube.
17. Pandit Munishwar Dutt Upadhyay.
18. Shri Radhelal Vyas.
19. Shri Ajit Singh.
20. Shri Kamal Kumar Basu.
21. Shri C. R. Chowdary.
22. Shri M. S. Gurupadaswamy.
23. Shri Amjad Ali.
24. Shri N. C. Chatterjee.
25. Shri Tulsidas Kilachand.
26. Shri G. D. Somani.
27. Shri Tridib Kumar Chaudhuri.
28. Shri C. D. Deshmukh.

Rajya Sabha

29. Dr. P. Subbarayan.
30. Shri Shriyans Prasad Jain.

31. Shri Somnath P. Dave.
32. Dr. R. P. Dube.
33. Shri Braja Kishore Prasad Sinha.
34. Dr. Nalinaksha Dutt.
35. Shri R. S. Doogar.
36. Shri S. C. Karayalar.
37. Shri Amolakh Chand.
38. Shri M. C. Shah.
39. Shri V. K. Dhage.
40. Prof. G. Ranga.
41. Shri B. C. Ghose.

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Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

WITNESSES

The Bombay Shareholders' Association, Bombay:

1. Shri Dhirajlal Maganlal.
 2. Shri H. T. Parekh.
 2. The Committee heard the evidence tendered by the representatives of the Bombay Shareholders' Association.
 3. A verbatim record of the evidence tendered by the representatives of the Association was taken down.
 4. The Committee considered a request from the Indian Federation of Working Journalists, New Delhi and decided that they should be invited to tender evidence before the Committee on the 7th July, 1954.
 5. The Committee then adjourned to meet again at 9 A.M. on Tuesday, the 6th July, 1954.
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V

Fifth Meeting

The Committee met from 9 A.M. to 1-5 P.M. on Tuesday, the 6th July, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Awadheshwar Prasad Sinha.
4. Shri V. B. Gandhi.
5. Shri Khandubhai Kasanji Desai.
6. Shri R. Venkataraman.
7. Shri Ghamandi Lal Bansal.
8. Shri Radheshyam Ramkumar Morarka.
9. Shri B. R. Bhagat.
10. Shri Nityanand Kanungo.
11. Shri Purnendu Sekhar Naskar.
12. Shri T. S. Avinashilingam Chettiar.
13. Shri K. T. Achuthan.
14. Pandit Chatur Narain Malviya.
15. Dr. Shaukatullah Shah Ansari.
16. Shri Tekur Subrahmanyam.
17. Col. B. H. Zaidi.
18. Shri Mulchand Dube.
19. Pandit Munishwar Dutt Upadhyay.
20. Shri Radhelal Vyas.
21. Shri Kamal Kumar Basu.
22. Shri C. R. Chowdary.
23. Shri M. S. Gurupadaswamy.
24. Shri Amjad Ali.
25. Shri N. C. Chatterjee.
26. Shri Tulsidas Kilachand.
27. Shri G. D. Somani.
28. Shri Tridib Kumar Chaudhuri.
29. Shri C. D. Deshmukh.

Rajya Sabha

30. Dr. P. Subbarayan.
31. Shri Shriyans Prasad Jain.
32. Shri Somnath P. Dave.
33. Shri Braja Kishore Prasad Sinha.
34. Shri R. S. Doogar.
35. Shri Amolakh Chand.
36. Shri M. C. Shah.
37. Shri V. K. Dhage.
38. Prof. G. Ranga.
39. Shri B. C. Ghose.
40. Shri S. C. Karayalar.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Secretary, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

WITNESSES

The Federation of Indian Chambers of Commerce and Industry, New Delhi:

1. Shri B. M. Birla.
2. Shri Shanti Prasad Jain.
3. Shri Shantilal Mangaldas.
4. Shri P. D. Himatsingka.

2. The Committee heard the evidence tendered by the representatives of the Federation of Indian Chambers of Commerce and Industry, New Delhi.

3. A verbatim record of the evidence tendered was taken down.

4. As the representatives of the Federation had not concluded their evidence when the Committee decided to adjourn, it was agreed that their evidence should be continued on the following day.

5. The Committee adjourned to meet again at 9 A.M. on Wednesday, the 7th July, 1954.

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VI

Sixth Meeting

The Committee met from 9 A.M. to 1-5 P.M. on Wednesday, the 7th July, 1954.

PRESENT

• Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Awadheshwar Prasad Sinha.
4. Shri V. B. Gandhi.
5. Shri Khandubhai Kasanji Desai.
6. Shri Shriman Narayan Agarwal.
7. Shri R. Venkataraman.
8. Shri Ghamandi Lal Bansal.
9. Shri Radheshyam Ramkumar Morarka.
10. Shri B. R. Bhagat.
11. Shri Nityanand Kanungo.
12. Shri Purnendu Sekhar Naskar.
13. Shri T. S. Avinashilingam Chettiar.
14. Shri K. T. Achuthan.
15. Pandit Chatur Narain Malviya.
16. Dr. Shaukatullah Shah Ansari.
17. Shri Tekur Subrahmanyam.
18. Col. B. H. Zaidi.
19. Shri Mulchand Dube.
20. Pandit Munishwar Dutt Upadhyay.
21. Shri Radhelal Vyas.
22. Shri Ajit Singh.
23. Shri Kamal Kumar Basu.
24. Shri C. R. Chowdary.
25. Shri M. S. Gurupadaswamy.
26. Shri Amjad Ali.
27. Shri N. C. Chatterjee.
28. Shri Tulsidas Kilachand.
29. Shri G. D. Somani.
30. Shri Tridib Kumar Chaudhuri.

31. Shri C. D. Deshmukh.

Rajya Sabha

- 32. Dr. P. Subbarayan.
- 33. Shri Shriyans Prasad Jain.
- 34. Shri Somnath P. Dave
- 35. Dr. R. P. Dube.
- 36. Shri Braja Kishore Prasad Sinha.
- 37. Shri R. S. Doogar.
- 38. Shri S. C. Karayalar.
- 39. Shri Amolakh Chand.
- 40. Shri M. C. Shah.
- 41. Shri V. K. Dhage.
- 42. Shri B. C. Ghose.
- 43. Prof. G. Ranga.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Secretary, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri A. L. Rai—*Under Secretary.*

WITNESSES

The Federation of Indian Chambers of Commerce and Industry, New Delhi.

- 1. Shri B. M. Birla.
- 2. Shri Shanti Prasad Jain.

2. The Committee heard further evidence of the representatives of the Federation of Indian Chambers of Commerce and Industry, New Delhi.

3. A verbatim record of the evidence tendered was taken down.

4. As the representatives of the Federation had not concluded their evidence when the Committee decided to adjourn, it was agreed that their evidence should be continued at the next sitting of the Committee.

5. The Committee adjourned to meet again at 10 A.M. on Friday, the 9th July, 1954.

VII

Seventh Meeting

The Committee met from 10 A.M. to 1-20 P.M. on Friday, the 9th July, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Awadheshwar Prasad Sinha.
4. Shri V. B. Gandhi.
5. Shri Khandubhai Kasanji Desai.
6. Shri Dev Kanta Borooah.
7. Shri Shriman Narayan Agarwal.
8. Shri R. Venkataraman.
9. Shri Ghamandi Lal Bansal.
10. Shri Radheshyam Ramkumar Morarka.
11. Shri B. R. Bhagat.
12. Shri Nityanand Kanungo.
13. Shri Purnendu Sekhar Naskar.
14. Shri T. S. Avinashilingam Chettiar.
15. Shri K. T. Achuthan.
16. Pandit Chatur Narain Malviya.
17. Dr. Shaukatullah Shah Ansari.
18. Shri Tekur Subrahmanyam.
19. Shri Mulchand Dube.
20. Shri Kamal Kumar Basu.
21. Shri C. R. Chowdary.
22. Shri M. S. Gurupadaswamy.
23. Shri Amjad Ali.
24. Shri N. C. Chatterjee.
25. Shri Tulsidas Kilachand.
26. Shri G. D. Somani.
27. Shri Tridib Kumar Chaudhuri.
28. Shri C. D. Deshmukh.

Rajya Sabha

29. Dr. P. Subbarayan.
30. Shri Shriyans Prasad Jain.

31. Shri Somnath P. Dave.
32. Dr. R. P. Dube.
33. Shri R. S. Doogar.
34. Shri S. C. Karayalar.
35. Shri Amolakh Chand.
36. Shri M. C. Shah.
37. Shri V. K. Dhage.
38. Prof. G. Ranga.
39. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Secretary, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri A. L. Rai—*Under Secretary.*

WITNESSES

I. *The Federation of Indian Chambers of Commerce and Industry, New Delhi.*

Shri B. M. Birla.

II. *The Indian Federation of Working Journalists, New Delhi.*

1. Shri K. Rama Rao.
2. Shri S. A. Shastri.
3. Shri C. Raghavan.

2. The tendering of evidence by the representatives of the Federation of Indian Chambers of Commerce and Industry, New Delhi, was concluded.

3. The Committee also heard the evidence tendered by the representatives of the Indian Federation of Working Journalists, New Delhi.

4. A verbatim record of the evidence tendered was taken down.

5. The Committee adjourned to meet again at 9 A.M. on Saturday, the 10th July, 1954.

VIII

Eighth Meeting

The Committee met from 9 A.M. to 12-44 P.M. on Saturday, the 10th July, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Awadheshwar Prasad Sinha.
4. Shri V. B. Gandhi.
5. Shri Khandubhai Kasanji Desai.
6. Shri Dev Kanta Borooah.
7. Shri Shriman Narayan Agarwal.
8. Shri R. Venkataraman.
9. Shri Ghamandi Lal Bansal.
10. Shri Radheshyam Ramkumar Morarka.
11. Shri B. R. Bhagat.
12. Shri Nityanand Kanungo.
13. Shri Purnendu Sekhar Naskar.
14. Shri K. T. Achuthan.
15. Pandit Chatur Narain Malviya.
16. Dr. Shaukatullah Shah Ansari.
17. Shri Tekur Subrahmanyam.
18. Col. B. H. Zaidi.
19. Shri Mulchand Dube.
20. Shri Ajit Singh.
21. Shri Kamal Kumar Basu.
22. Shri C. R. Chowdary.
23. Shri M. S. Gurupadaswamy.
24. Shri Amjad Ali.
25. Shri N. C. Chatterjee.
26. Shri Tulsidas Kilachand.
27. Shri G. D. Somani.
28. Shri Tridib Kumar Chaudhuri.
29. Shri C. D. Deshmukh.

Rajya Sabha

30. Dr. P. Subbarayan.
31. Shri Shriyans Prasad Jain.
32. Shri Somnath P. Dave.
33. Dr. R. P. Dube.
34. Dr. Nalinaksha Dutt.
35. Shri S. C. Karayalar.
36. Shri Amolakh Chand.
37. Shri M. C. Shah.
38. Shri V. K. Dhage.
39. Prof. G. Ranga.
40. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Secretary, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

WITNESSES

The Institute of Chartered Accountants of India, New Delhi.

1. Shri S. Vaish.
2. Shri N. R. Mody.
3. Shri S. Vaidyanatha Iyer.
4. Shri C. C. Choksi.

2. The Committee heard the evidence tendered by the representatives of the Institute of Chartered Accountants of India, New Delhi.

3. A verbatim record of the evidence tendered was taken down.

4. The Committee decided that they would take up clause by clause consideration of the non-controversial parts of the Bill, viz., parts II, III and IV, from the 12th July, 1954. The members desirous of giving notice of amendments to those parts were asked to send in their amendments upto 11 A.M. on Sunday, the 11th July, 1954, to the Lok Sabha Secretariat.

5. The Committee decided that after finishing with parts II—IV, they would discuss the principles underlying the controversial parts of the Bill and, if necessary, a Sub-Committee would be appointed later to suggest drafting changes in the Bill generally.

6. The Committee adjourned to meet again at 9 A.M. on Monday, the 12th July, 1954.

IX

Ninth Meeting

The Committee met from 9 A.M. to 12-55 P.M. on Monday, the 12th July, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Awadheshwar Prasad Sinha.
4. Shri V. B. Gandhi.
5. Shri Khandubhai Kasanji Desai.
6. Shri Dev Kanta Borooah.
7. Shri Shriman Narayan Agarwal.
8. Shri R. Venkataraman.
9. Shri Ghamandi Lal Bansal.
10. Shri Radheshyam Ramkumar Morarka.
11. Shri B. R. Bhagat.
12. Shri Nityanand Kanungo.
13. Shri Purnendu Sekhar Naskar.
14. Shri T. S. Avinashilingam Chettiar.
15. Shri K. T. Achuthan.
16. Dr. Shaukatullah Shah Ansari.
17. Shri Tekur Subrahmanyam.
18. Col. B. H. Zaidi.
19. Shri Mulchand Dube.
20. Pandit Munishwar Dutt Upadhyay.
21. Shri Radhelal Vyas.
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23. Shri Kamal Kumar Basu.
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25. Shri M. S. Gurupadaswamy.
26. Shri Amjad Ali.
27. Shri N. C. Chatterjee.
28. Shri G. D. Somani.
29. Shri Tridib Kumar Chaudhuri.
30. Shri C. D. Deshmukh.

Rajya Sabha

31. Dr. P. Subbarayan.
32. Shri Shriyans Prasad Jain.
33. Shri Somnath P. Dave.
34. Dr. R. P. Dube.
35. Shri Braja Kishore Prasad Sinha.
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38. Shri S. C. Karayalar.
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40. Shri M. C. Shah.
41. Shri V. K. Dhage.
42. Prof. G. Ranga.
43. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Secretary, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri A. L. Rai—*Under Secretary.*

2. The Committee decided to meet daily till the 15th of July, 1954, and thereafter to adjourn and reassemble on the 9th August, 1954.

3. The Committee commenced clause by clause consideration of the Bill, beginning with clause 9.

4. *Clause 9.*—The Committee after some discussion came to the conclusion that where any section of the Indian Companies Act, 1913, was reproduced in the Bill, it should not be amended unless some difficulty had been found or pointed out by the Courts in its working.

An amendment moved by a member to sub-clause (3) for treating each joint family as one unit was put to vote and lost.

The Committee adopted the clause after adding the words 'as such' after the words "joint family" in sub-clause (3).

5. *Clause 10.*—It was adopted without any amendment.

6. *Clause 11.*—The Committee decided that the name of a company should specify whether it was a private company or a public company, and accordingly directed that the provisions of this clause should be such as to require that the name of a private company shall end with the words, 'private limited'.

A suggestion was also made that the memorandum should clearly specify the main objects and the ancillary activities of a company.

as the practice at present of showing innumerable objects in the memorandum often led to misuse of the company's sources.

The Committee agreed with the Report of the Company Law Committee that it is difficult to distinguish between the principal and ancillary business of a company with sufficient precision to make an effective legal provision.

The clause was adopted subject to the amendment suggested above.

7. *Clause 12.*—This clause was adopted without any amendment.

8. *Clause 13.*—A Government amendment to number the last subparagraph of this clause as (4) was accepted and the clause was adopted as such.

9. *Clause 14.*—The clause was adopted by the Committee subject to the following amendments moved by Government—

(1) For 'compayn', read 'company'.

(2) For the words 'the registered office' substitute 'its registered office'.

(3) In sub-clause (1)(d) after the word 'which' add 'under the existing circumstances'. This amendment was made to bring it in conformity with the existing provision of section 12 (1)(d) of the Indian Companies Act, 1913.

10. *Clause 15.*—This clause was adopted without any amendment.

11. *Clause 16.*—A suggestion was made that where a company applies to a court for confirmation of alterations in its memorandum a notice ought to be served on the Registrar so that he may be empowered to appear before the court in case he desires to point out any irregularity.

The Committee agreed with the suggestion and directed the Draftsman to incorporate the provision suitably in the clause.

12. *Clause 17.*—On a motion moved by Government the Committee agreed that suitable amendment should be made in this clause to specify the categories of names under which a company ought not to be registered without the consent in writing of Government.

13. *Clause 18.*—This clause was adopted without any amendment.

14. The Committee adjourned to meet again at 9 A.M. on Tuesday, the 13th July, 1954.

X

Tenth Meeting

The Committee met from 9 A.M. to 1-8 P.M. on Tuesday, the 13th July, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Awadheshwar Prasad Sinha
4. Shri V. B. Gandhi.
5. Shri Khandubhai Kasanji Desai.
6. Shri Dev Kanta Borooah.
7. Shri Shriman Narayan Agarwal.
8. Shri R. Venkataraman.
9. Shri Ghamandi Lal Bansal.
10. Shri Radheshyam Ramkumar Morarka
11. Shri B. R. Bhagat.
12. Shri Nityanand Kanungo.
13. Shri Purnendu Sekhar Naskar.
14. Shri T. S. Avinashilingam Chettiar.
15. Shri K. T. Achuthan.
16. Pandit Chatur Narain Malviya.
17. Dr. Shaukatullah Shah Ansari.
18. Shri Tekur Subrahmanyam.
19. Col. B. H. Zaidi.
20. Shri Mulchand Dube.
21. Pandit Munishwar Dutt Upadhyay.
22. Shri Radhelal Vyas.
23. Shri Ajit Singh.
24. Shri Kamal Kumar Basu.
25. Shri C. R. Chowdary.
26. Shri M. S. Gurupadaswamy.
27. Shri Amjad Ali.
28. Shri N. C. Chatterjee.
29. Shri Tulsidas Kilachand.

30. Shri G. D. Somani.
31. Shri Tridib Kumar Chaudhuri.
32. Shri C. D. Deshmukh.

Rajya Sabha

33. Dr. P. Subbarayan.
34. Shri Shriyans Prasad Jain.
35. Shri Somnath P. Dave.
36. Dr. R. P. Dube.
37. Shri Braja Kishore Prasad Sinha.
38. Dr. Nalinaksha Dutt.
39. Shri R. S. Doogar.
40. Shri S. C. Karayalar.
41. Shri Amolakh Chand.
42. Shri M. C. Shah.
43. Shri V. K. Dhage.
44. Prof. G. Ranga.
45. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Secretary, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri A. L. Rai—*Under Secretary.*

2. *Clause 19.*—A suggestion was made that the change of name of a company need not require an ordinary resolution of company as it, in any case, has to be approved by the Central Government. The Committee felt that the shareholders ought to be given a chance to specify the name by which they would like their company to be known.

A Government amendment to sub-clause (1) for correcting a printing error, by substituting a comma for brackets after the word 'register' was accepted.

Another Government amendment to sub-clause 1(b) for adding after the words 'as the case may be' the words "or within twelve months of the commencement of this Act, whichever is later", was accepted by the Committee. This amendment was made so that companies in Part B States, who had their own company law, may have more time to effect the change.

Clause 19 was adopted subject to the two above-mentioned amendments.

3. *Clause 20.*—The clause was adopted without any amendment.

4. *Clause 21.*—It was argued that the exemption granted to charitable or other companies from sending the lists of members to the Registrar under sub-clause (6) (c) will make it difficult for any one to discover the members of such an institution. It was pointed out that the exemption was granted in the original Act to the non-profit making and charitable companies so as to save them from the bother of submitting cumbersome returns and also to keep the names of their members confidential.

A suggestion was made that it may be left to the Government to grant exemption to deserving charitable companies from submitting the lists of their members. This suggestion was put to the vote of the Committee and was accepted. The Draftsman was directed to redraft this sub-clause (6) (c) accordingly.

The Committee did not approve of sub-clause (11) as it merely repeated the provisions of the Constitution and accordingly the sub-clause was deleted.

The clause was adopted subject to above amendments.

5. *Clause 22.*—The following Government amendments to clarify the clause were carried out:—

- (1) To insert the word 'public' after the words 'of a'.
- (2) After the word 'guarantee' insert the words 'or a private company limited by shares'.

Subject to the above amendments clause 22 was adopted.

6. *Clause 23.*—On a motion by Government the Committee agreed to insert the undermentioned new sub-clause (3) which was consequential to the definition of the 'private company' given in clause 2 of the Bill:—

- '(3) In the case of a private company limited by shares, the articles shall contain provisions relating to the matters specified in sub-clauses (a), (b) and (c) of clause (iii) of sub-section (1) of Section 3.'

Clause 23 was adopted with the above amendment.

7. *Clauses 24 and 25.*—These were adopted without any amendment.

8. *Clause 26.*—The clause was adopted with the following Government amendments:—

- (1) In sub-clause (1) insert comma after the word 'memorandum'.
- (2) In sub-clause (1) omit the words 'or add to'.
- (3) In sub-clause (2) omit the words 'or addition'.
- (4) Insert new sub-clause (4):—

- "(4) In this section, the expression 'alter' includes the making of additions or omissions."

The Draftsman was also directed, after consideration of all the provisions of this Bill, to add the definition of the word 'alter' under the head 'Definitions' in clause 2 of the Bill.

9. *Clause 27.*—It was pointed out that this clause was based on section 67 of the Indian Companies Act, 1913 and an attempt had been made to widen its scope without any cogent reasons. The Committee directed the Draftsman to recast the clause so that it may conform to section 67 of the Indian Companies Act, 1913.

10. *Clause 28.*—It was pointed out that there could be only one Registrar for whole of the State, and not a number of them for parts of it as envisaged by this clause. There might be a number of Assistant Registrars, Deputy Registrars etc. The Committee accepted this view and directed that the words 'or part of the State' be omitted from this clause.

It was also suggested that sub-clause (2) of clause 30, which required that a declaration of having complied with the requirements of the Act shall be filed with the Registrar, ought to form part of this clause.

The Committee accepted the suggestion and directed the Draftsman to add sub-clause (2) of clause 30 to this clause.

It was also suggested that copies of managing agency agreements or where such agreements were still under consideration at the time of preparation of articles, drafts of such agreements should be printed and affixed to the articles of association as recommended in the Report of the Company Law Committee. The Committee accepted the suggestion and directed the Draftsman to provide accordingly.

11. *Clause 29.*—This clause was adopted without any amendment.

12. *Clause 30.*—In view of para. 10 above sub-clause (1) was adopted as clause 30.

13. *Clauses 31 and 32.*—These clauses were adopted without any amendment.

14. *Clause 33.*—The consideration of this clause had not concluded when the Committee adjourned to meet again at 9 A.M. on Wednesday, the 14th July, 1954.

XI

Eleventh Meeting

The Committee met from 9 A.M. to 12-40 P.M. on Wednesday, the 14th July, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman*.

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Awadheshwar Prasad Sinha.
4. Shri V. B. Gandhi.
5. Shri Khandubhai Kasanji Desai.
6. Shri Dev Kanta Borooah.
7. Shri Shriman Narayan Agarwal.
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10. Shri Radheshyam Ramkumar Morarka.
11. Shri B. R. Bhagat.
12. Shri Nityanand Kanungo.
13. Shri Purnendu Sekhar Naskar.
14. Shri T. S. Avinashilingam Chettiar.
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17. Dr. Shaukatullah Shah Ansari.
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19. Col. B. H. Zaidi.
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25. Shri C. R. Chowdary.
26. Shri M. S. Gurupadaswamy.
27. Shri Amjad Ali.
28. Shri N. C. Chatterjee.
29. Shri Tulsidas Kilachand
30. Shri G. D. Somani.
31. Shri Tridib Kumar Chaudhuri.
32. Shri C. D. Deshmukh.

Rajya Sabha

33. Dr. P. Subbarayan.
34. Shri Shriyans Prasad Jain.
35. Shri Somnath P. Dave.
36. Dr. R. P. Dube.
37. Shri Braja Kishore Prasad Sinha.
38. Dr. Nalinaksha Dutt.
39. Shri R. S. Doogar.
40. Shri S. C. Karayalar.
41. Shri Amolakh Chand.
42. Shri M. C. Shah.
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REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Secretary, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri A. L. Rai—*Under Secretary.*

2. *Clause 33 (Contd.).*—The Committee resumed consideration of clause 33. It was pointed out that clause 33 was reproduction of Sec. 20A of the Indian Companies Act, 1913, with the addition of words 'whether directly or indirectly' without effecting any change in the substance of the existing provisions. It appeared that the words had been added by way of abundant caution, and a motion that the additional words might be allowed to remain part of the clause was put to vote and lost. The Committee directed that the words, 'whether directly or indirectly' should be deleted from the clause.

The clause as amended was passed.

3. *Clause 34.*—It was stated that the time within which a company had to send a copy of a memorandum to a member on request, had been reduced to 7 days from 14 days as now provided in section 25 of the Companies Act, 1913.

The Committee adopted the clause without any amendment when it was brought to their notice that the period had been reduced in accordance with the recommendations of the Company Law Committee.

4. *Clauses 35 and 36.*—These clauses were adopted without any amendment.

5. *Clause 37.*—Discussion on this clause was postponed as the subject matter of it was a controversial one which required a prior decision on the principle of interlocking.

6. *Clause 38.*—This clause was adopted without any amendment.

7. *Clause 39.*—It was suggested that since no corresponding provision to sub-clause (5) (c) of the Bill existed in the present Act there was no necessity to treat an omission of a statement required to be stated in a prospectus as an untrue statement.

The Committee felt that the fullest possible disclosure in a prospectus as required by law was a necessity in order to protect the share-holders against unscrupulous company promoters. Furthermore this clause was in accordance with para. 101 of the Report of the Company Law Committee.

The following Government amendment was accepted.—

Insertion of new sub-clause (6):

‘(6) For the purposes of sub-section (4) and clause (a) of sub-section (5), the expression “included” when used, with reference to a prospectus or statement in lieu of prospectus, means included in the prospectus or statement in lieu of prospectus itself or contained in any report or memorandum appearing on the face thereof or by reference incorporated therein.’

Clause 39 as amended was adopted.

8. *Clauses 40, 41, 42 and 43.*—These clauses were adopted without amendment.

9. *Clause 44.*—It was felt that the clause requiring a company to hold all investments in its own name as worded at present would not exempt compliance with its provisions to an investment company whose business consisted of buying and selling of shares, stocks, debentures or other securities. The Committee while considering Government amendment No. 125 and amendment No. 266 by a member (Appendix I) directed the Draftsman to redraft the clause by inserting the proviso of the latter amendment in the former amendment after suitably amending it and also making necessary provision for exemptions to share dealers and brokers.

The Committee directed that the clause as redrafted may be circulated to the members in the evening.

10. *Clause 45.*—This clause was adopted without an amendment.

11. *Clause 46.*—This clause was adopted with the following formal amendment moved by the Government.

For the words ‘postal certificate’ substitute the words ‘certificate of posting’.

12. *Clause 47.*—The following two formal amendments moved by the Government were accepted:

(1) For the words ‘postal certificate’ substitute the words ‘certificate of posting’.

(2) Omit the word ‘ordinary’.

The clause as amended was adopted.

13. *Clause 48.*—It was suggested that proper provision ought to be made for serving notices on persons who were living outside India or whose addresses were not known.

The Committee substituted the following sub-clause (3) for the existing sub-clause:

"A notice advertised in a newspaper circulating in the neighbourhood of the Registered Office of the Company shall be deemed to be duly given on the day on which the advertisement appears to every member of the Company who has no Registered address in India and has not supplied to the Company an address within India for the giving of notices to him."

The clause as amended was adopted.

14. *Clause 49.*—This clause was adopted without an amendment.

15. The Committee then adjourned to meet again at 9 A.M. on Thursday, the 15th July, 1954.

XII

Twelfth Meeting

The Committee met from 9 A.M. to 1 P.M. on Thursday, the 15th July, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Awadheshwar Prasad Sinha.
4. Shri V. B. Gandhi.
5. Shri Khandubhai Kasanji Desai.
6. Shri Dev Kanta Borooah.
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9. Shri Ghamandi Lal Bansal.
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11. Shri B. R. Bhagat.
12. Shri Purnendu Sekhar Naskar.
13. Shri T. S. Avinashilingam Chettiar.
14. Shri K. T. Achuthan.
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16. Dr. Shaukatullah Shah Ansari.
17. Shri Tekur Subrahmanyam.
18. Col. B. H. Zaidi.
19. Shri Mulchand Dube.
20. Shri Radhelal Vyas.
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23. Shri C. R. Chowdary.
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25. Shri Amjad Ali.
26. Shri N. C. Chatterjee.
27. Shri Tulsidas Kilachand.
28. Shri Tridib Kumar Chaudhuri.
29. Shri C. D. Deshmukh.

Rajya Sabha

30. Dr. P. Subbarayan.
31. Shri Shriyans Prasad Jain.

32. Shri Somnath P. Dave.
33. Dr. R. P. Dube.
34. Shri Braja Kishore Prasad Sinha
35. Dr. Nalinaksha Dutt.
36. Shri R. S. Dcogar.
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Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri A. L. Rai—*Under Secretary.*

2. The Committee resumed clause by clause consideration of the Bill.

The Government moved a new clause 49A (Appendix II) for insertion at the beginning of Part III of the Bill.

The Committee felt that there was no necessity to define the word 'issue' as lack of its definition in the English Company Law had not created any difficulty.

The amendment was not pressed and the discussion on it was dropped.

3. *Clause 50.*—This clause was adopted without an amendment.

4. *Clause 51.*—The Government moved the following amendment to sub-clause (5):—

'For the words "deal in as quoted on a recognised stock exchange notified in this behalf by the Central Government in the Official Gazette" substitute the words "dealt in or quoted on a recognised stock exchange".'

The amendment was accepted as the definition of the word "stock exchange" was to be provided under clause 2 and was redundant here.

It was suggested that it was unfair to shift the burden on a director to prove his innocence and ignorance of a matter not disclosed in a prospectus as every director could not be expected to be conversant with all the affairs of a company regarding the nature and extent of interest of other directors.

The Committee felt that the responsibility was not such that could not be met by a director and also since the provision was based on section 38 and paragraph 16 of the Fourth Schedule of the English Act, it may be accepted.

The clause was adopted without an amendment.

5. *Clause 52.*—It was mentioned that an expert ought not to be made responsible for the contents of a prospectus but should be answerable for his statement contained therein only.

The Committee felt that the provision was necessary for the protection of investors and the extension of an expert's liability for untrue statements was in conformity with paragraph 59 of the Report of the Company Law Committee and Section 40 of the English Act.

However the Committee were of the view that a further safeguard ought to be provided by law to the effect that the statement of an expert for the purposes of this clause shall not be of one who was connected with the Company. The Committee directed the Draftsman to make a provision to that effect in a suitable place of the Bill.

The clause was adopted without an amendment.

6. *Clauses 53 and 54.*—These clauses were adopted without an amendment.

7. *Clause 55.*—The following points were raised by the members during discussion:

- (1) A person after withdrawal of his consent will still be liable as a promoter.
- (2) Promoter may be defined.
- (3) Bankers, adviser etc., should also be liable.

With regard to (1) the Committee were of opinion that a promoter was not a term in law and each case had to be decided in accordance with the existing facts. The definition of a promoter for the purposes of fixing his liability only has existed in Sec. 100(5) of the Indian Companies Act since 1913 without creating any difficulty. This was based on section 43 of the English Act.

With regard to (2) the Committee felt that the word was not capable of exact definition.

With regard to (3) the Committee were of the view that the banker's, adviser's etc., consent was given in a different capacity for a different purpose and as such they could not be liable under this clause.

The clause was adopted without an amendment.

8. *Clause 44.*—Thereafter the Committee resumed consideration of clause 44 as drafted under their direction (Appendix III).

It was suggested that the Company should be allowed to hold investments, which did not belong to it, in some one else's name.

It was also pointed out that there were a number of companies who refused to transfer their shares to other Companies.

The Committee felt that the Companies will have to adjust themselves to the provisions of the law.

The following amendments were carried out by the Committee in the revised draft of clause 44:

- (1) In sub-clause (1) (a) for the words 'as a nominee of' substitute the words 'on behalf of'.
- (2) In sub-clause (3) after the word 'if' insert the words 'and in so far as'.
- (3) In sub-clause (4) delete the words:
 - (i) 'an investment company, that is to say',
 - (ii) 'consists mainly',
 - (iii) 'consists'.
- (4) In sub-clause (5) (a) for the words 'Scheduled Bank' substitute the words 'Bank or a Cooperative Bank'.

The discussion of the clause had not concluded when the Committee adjourned to meet again at 10 A.M. on Monday, the 9th August, 1954.

XIII

Thirteenth Meeting

The Committee met from 10 A.M. to 1 P.M. on Monday, the 9th August, 1954.

PRESENT

Shri Hari Vinayak Pataskar—Chairman.

MEMBERS

Lok Sabha

2. Shri Dev Kanta Borooah
3. Shri Shriman Narayan Agarwal.
4. Shri Ghamandi Lal Bansal
5. Shri Radeshyam Ramkumar Morarka
6. Shri B. R. Bhagat
7. Shri Nityanand Kanungo
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26. Shri R. S. Doogar
27. Shri S. C. Karayalar
28. Shri Amolakh Chand
29. Shri M. C. Shah

- 30. Shri V. K. Dhage
- 31. Prof. G. Ranga
- 32. Shri S. Banerjee
- 33. Dr. P. V. Kane.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

- Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*
- Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

2. At the outset the Chairman read out the request made by certain Members for the postponement of the consideration of clause 44 till after the 13th August, 1954. The Committee decided that the entire clause 44, as re-drafted together with amendments thereto, should be taken up for consideration *de novo* on the 17th August, 1954.

3. The Committee then resumed clause by clause consideration of the Bill from clause 56 onwards.

4. *Clause 56.*—This clause was adopted without amendments.

5. *Clause 57.*—This clause was adopted without amendment subject to the correction of a typing error in sub-clause (4), in which the reference to "Section 51" was required to be altered to "Section 53".

6. *Clause 58.*—The Government amendment to this clause as well as other amendments were moved.

The Committee after some discussion decided that this clause should be re-drafted, the existing sub-para. (a) and (c) in the clause being re-arranged as sub-para. (1) (a) and (b) of the clause and the existing sub-para. (c) being re-arranged as sub-clause (2) and being so re-drafted as to take into consideration the provisions of Section 51.

7. *Clause 59.*—This clause was adopted without amendment.

8. *Clause 60.*—When discussion on this clause was taken up the Minister of Finance explained that the Government proposed to bring forward at an early date legislation for the Regulation of Stock Exchanges in which provisions would be made for the licensing of vendors of shares. In view of this the Committee decided that this clause should be omitted from the Bill and that a recommendation should be made in the Report that Government should take measures to bring forward a suitable legislation for the licensing of vendors of shares so as to prevent unscrupulous practices by them.

9. *Clause 61.*—This clause was adopted with the amendment that for the word 'therein' in line 4 of page 29, the words 'in this Act' were substituted.

10. *Clause 62.*—In view of the existing provisions in the Indian Penal Code, it was considered sufficient by the Committee that a

separate sub-clause was not necessary in this Act as provided in sub-clause (2) of clause 62 of the Bill and accordingly it was decided that this sub-clause (2) of clause 62 may be deleted from the Bill and this clause with this omission was adopted.

11. *Clause 63.*—The Committee adopted sub-clause (1) with the insertion of the words 'or by other instrument' after the word "cheque" in line 9 on page 30 of the Bill.

The Committee then discussed the adequacy of the period provided in the Bill for the repayment of money to the applicants for shares and for the compliance of other conditions laid down in the clause. It was pointed out that in the existing Act the period originally provided was 120 days but was later increased to 180 days. A point was made that a reduction as now proposed in the Bill to 90 days, would affect adversely ordinary persons who desired to float a company as they might not be able to raise the money within such a short time as provided in the clause. The Committee therefore decided that the following changes should be made in sub-clause (5):

- (i) In line 24, page 30 of the Bill, for "ninety days", the words "one hundred and twenty days" shall be substituted.
- (ii) In line 26, page 30 of the Bill, for "one hundred days", the words "one hundred and thirty days" shall be substituted.

As regards the rate of interest the Committee decided that this should be raised to six per cent. Accordingly it was decided that in lines 28-29, page 30 of the Bill, for "five per cent.", the words "six per cent." shall be substituted.

12. The Committee had not concluded their discussion on the clause when they adjourned to meet again at 10 A.M. on Wednesday, the 11th August, 1954.

XIV

Fourteenth Meeting

The Committee met from 10 A.M. to 1-10 P.M. on Wednesday, the 11th August, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah
3. Shri Dev Kanta Borooah
4. Shri Shriman Narayan Agarwal
5. Shri Ghamandi Lal Bansal
6. Shri Radheshyam Ramkumar Morarka
7. Shri B. R. Bhagat
8. Shri Nityanand Kanungo
9. Shri Purnendu Sekhar Naskar
10. Shri T. S. Avinashilingam Chettiar
11. Shri K. T. Achuthan
12. Pandit Chatur Narain Malviya
13. Dr. Shaukatullah Shah Ansari
14. Shri Tekur Subrahmanyam
15. Col. B. H. Zaidi
16. Shri Mulchand Dube
17. Pandit Munishwar Dutt Upadhyay
18. Shri Radhelal Vyas
19. Shri Ajit Singh
20. Shri Kamal Kumar Basu
21. Shri C. R. Chowdary
22. Shri M. S. Gurupadaswamy
23. Shri N. C. Chatterjee
24. Shri Tulsidas Kilachand
25. Shri Tridib Kumar Chaudhuri
26. Shri C. D. Deshmukh.

Rajya Sabha

27. Shri Shriyans Prasad Jain
28. Shri Somnath P. Dave

29. Dr. R. P. Dube
30. Shri S. C. Karayalar
31. Shri Amolakh Chand
32. Shri M. C. Shah
33. Shri B. K. Dhage
34. Prof. G. Ranga
35. Shri S. Banerjee
36. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary*

2. The Committee resumed consideration of clause 63 which was finally adopted as amended by the Committee on the 9th August, 1954.

3. *Clause 64.*—When sub-clause (1) of this clause was taken up for consideration, the Committee discussed the interpretation to be given in the context to the words “or which has issued such a prospectus but has not proceeded to allot any of the shares offered to the public for subscription” and considered whether any time limit should be prescribed for this purpose. The Committee decided to adopt the sub-clause without any amendments for the present subject to the condition, however, that if, at a later stage, it was found necessary to re-open this matter for discussion, it should be so done.

The amendments to sub-clause (4) of clause 64 were then considered. The sub-clause was adopted as amended to read as follows:

“(4) if a company acts in contravention of sub-section (1) or (2), the company and every director of the company who knowingly authorises or permits the contravention shall be punishable with fine which may extend to one thousand rupees.”

The Committee also considered whether the words “and wilfully” should be interposed between the words “knowingly” and “authorises” in the amended sub-clause as finally accepted by them. It was agreed that a final decision on this matter should be taken when the Committee took up discussion of clause 5. At that stage the question of whether “default” under this Bill should be penalised only when it is committed, authorised, etc., “knowingly” or whether it should be penalised when it was done “knowingly and wilfully” would be discussed and a final decision taken. All relevant clauses in the Bill including this sub-clause (4) of clause 64 might then be amended suitably, if necessary.

In regard to sub-clause (6), the Committee agreed that it should be re-drafted in the same manner as clause 58 of the Bill as decided by them in the meeting held on the 9th August, 1954.

The Committee also decided that as a provision similar to sub-clause (6) of clause 64 existed in sub-clause (5) of clause 39, this latter sub-clause should also be re-drafted similarly.

Clause 64 was adopted subject to the above amendments.

4. *Clause 65.*—This clause was adopted without any amendment.

5. *Clause 66.*—The Committee considered the provisions of sub-clause (6) of this clause to be unnecessary and it was accordingly decided that this sub-clause should be deleted from the Bill.

Clause 66 was, therefore, adopted subject to the deletion of sub-clause (6).

6. *Clause 67.*—Sub-clause (i) of this clause was taken up for consideration and amendments thereto moved. The Committee discussed the implications of the provisions regarding the time limits contained in this sub-clause. The discussion had not concluded when the Committee adjourned.

7. The Committee decided to invite the representatives of the Bombay Incorporated Law Society and the Incorporated Law Society of Calcutta for tendering evidence at 10 A.M. on Monday, the 16th August, 1954.

8. The Committee adjourned to meet again at 10 A.M. on Thursday, the 12th August, 1954.

XV

Fifteenth Meeting

The Committee met from 10 A.M. to 1 P.M. on Thursday, the 12th August, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah
3. Shri Dev Kanta Borooah
4. Shri Ghamandi Lal Bansal
5. Shri Radheshyam Ramkumar Morarka
6. Shri B. R. Bhagat
7. Shri Nityanand Kanungo
8. Shri T. S. Avinashilingam Chettiar
9. Shri K. T. Achuthan
10. Pandit Chatur Narain Malviya
11. Dr. Shaukatullah Shah Ansari
12. Shri Tekur Subrahmanyam
13. Col. B. H. Zaidi
14. Shri Mulchand Dube
15. Pandit Munishwar Dutt Upadhyay
16. Shri Radhelal Vyas
17. Shri Ajit Singh
18. Shri Kamal Kumar Basu
19. Shri C. R. Chowdary
20. Shri M. S. Gurupadaswamy
21. Shri Amjad Ali
22. Shri N. C. Chatterjee
23. Shri Tulsidas Kilachand
24. Shri Tridib Kumar Chaudhuri
25. Shri C. D. Deshmukh.

Rajya Sabha

26. Shri Shriyans Prasad Jain
27. Shri Somnath P. Dave
28. Dr. R. P. Dube
29. Shri R. S. Doogar
30. Shri S. C. Karayalar

31. Shri Amolakh Chand
32. Shri M. C. Shah
33. Shri V. K. Dhage
34. Prof. G. Ranga
35. Shri S. Banerjee
36. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

2. *Clause 67.*—The Committee were of the view that the stock exchanges envisaged in this clause should be only such as are recognised by the Central Government under a notification.

The Draftsman was directed to include the words "recognised stock exchanges" in sub-clause (1).

It was also decided that the definition of a recognized stock exchange should be laid down in the Bill.

The Committee directed that a sub-clause, as given below, should be inserted in the clause.

"For the purpose of this section, permission shall not be deemed to be refused if it is intimated that the application for it, though not at present granted will be given further consideration."

The Government moved that the following sub-clause be substituted for sub-clause (6):

"No prospectus shall state that application has been made for permission for the shares or debentures offered thereby to be dealt in on any stock exchange, unless it is a recognised stock exchange."

The clause was adopted subject to the incorporation of the above-mentioned amendments.

3. *Clause 68.*—It was suggested that "the manner of reckoning the 10th day" provided in this clause was unnecessary as it applied to sub-clause (6) of clause 66 which had been omitted from the Bill.

The Draftsman was asked to study this point.

Subject to this the clause was adopted.

4. *Clause 69.*—The Government moved that for item (c) in sub-clause (1) the following be substituted:

"(c) In the case of bonus shares file with the Registrar a return stating the number and nominal amount of shares so allotted."

Another amendment was moved by the Government that in the proviso to sub-clause (4) for the words "company or any officer liable for the default" substitute the words "company or any officer who is in default". The amendments were accepted.

The Committee decided that the word "description" wherever occurring in the Bill should be substituted by the word "occupation". The Draftsman was asked to make the necessary amendments. The clause was adopted with these amendments.

5. *Clause 70.*—The Committee felt that the ceiling of ten per cent. provided for commission under this clause was too high and accordingly reduced it to 5 per cent.

Subject to this amendment, the clause was adopted.

6. *Clause 71.*—It was suggested that this clause involved the question of buying by a company its own shares or shares of its holding company, and so discussion on it should be postponed till a decision had been taken on the principle of inter-locking.

The Committee decided that the discussion should take place on the clause subject to the provision that the question of buying its own shares or shares of its holding company may be reopened after the Committee had given a decision on inter-locking.

The Government moved that in sub-clause (1) the words "no company shall have power to buy its own shares or the shares of its holding company" be substituted by the words "no company limited by shares and no company limited by guarantee and having a share capital shall have power to buy its own shares".

The amendment was adopted.

In proviso to sub-clause (2) for the word "section" the words "sub-section" was substituted.

It was suggested that in sub-clause (3), the loan advanceable by a company to its employees as restricted to the amount of salary or wages for three months was on the low side and the provision may be extended to a larger amount or entirely omitted. The Committee felt that the employees should be encouraged to purchase shares in companies so that they may also have a stake in them. The provision was extended to six months' salary.

It was further suggested that in clause 372 the Court on application possesses the power to order the purchase of shares or interest of any members by a company. Therefore, clause 372 should also be mentioned in sub-clause (1). The Draftsman was asked to consider this point and incorporate the above-mentioned amendments and suggestions in this clause.

7. *Clause 72.*—Clause 72 was adopted without amendment.

8. *Clause 73.*—The Government moved that the existing sub-clause (1) may be numbered sub-clause (2) and a new sub-clause (1) may be added as follows:

"A company shall not issue shares at a discount except as provided in this section."

This amendment was accepted as it made the provision explicit and the existing sub-clauses (2) and (3) were numbered as sub-clauses (3) and (4).

It was suggested that the issue of shares at a discount of a class already issued should not be limited to 10 per cent. and more freedom should be given to companies. The Committee agreed that discount higher than 10 per cent. ought to be permissible with the permission of the Central Government.

The Draftsman was directed to re-draft the clause accordingly.

9. *Clause 74.*—The discussion on this clause had not concluded when the Committee adjourned to meet again at 10 A.M. on Friday, the 13th August, 1954.

XVI

Sixteenth Meeting

The Committee met from 10 A.M. to 12-25 P.M. on Friday, the 13th August, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Awadheshwar Prasad Sinha.
4. Shri Dev Kanta Borooah.
5. Shri Shriman Narayan Agarwal.
6. Shri Ghamandi Lal Bansal.
7. Shri Radheshyam Ramkumar Morarka.
8. Shri B. R. Bhagat.
9. Shri Nityanand Kanungo.
10. Shri K. T. Achuthan.
11. Pandit Chatur Narain Malviya.
12. Shri Tekur Subrahmanyam.
13. Col. B. H. Zaidi.
14. Shri Mulchand Dube.
15. Pandit Munishwar Dutt Upadhyay.
16. Shri Radhelal Vyas.
17. Shri Ajit Singh.
18. Shri Kamal Kumar Basu.
19. Shri C. R. Chowdary.
20. Shri M. S. Gurupadaswamy.
21. Shri Amjad Ali.
22. Shri N. C. Chatterjee.
23. Shri Tulsidas Kilachand.
24. Shri G. D. Somani.
25. Shri Tridib Kumar Chaudhuri.
26. Shri C. D. Deshmukh.

Rajya Sabha

27. Shri Shriyans Prasad Jain.
28. Shri Somnath P. Dave.
29. Dr. R. P. Dube.

30. Shri Braja Kishore Prasad Sinha.
31. Shri R. S. Doogar.
32. Shri S. C. Karayalar.
33. Shri M. C. Shah.
34. Shri V. K. Dhage.
35. Prof. G. Ranga.
36. Shri S. Banerjee.
37. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

2. The Committee commenced clause by clause consideration of the Bill.

3. *Clause 74.*—The clause as originally framed provided three methods of redeeming preference shares by a company, *viz.*,

- (a) out of its profits;
- (b) by the issue of new shares; and
- (c) from the sale proceeds of any property.

The Committee felt that the third alternative would defeat the very purpose of this clause which was to redeem such shares out of profits or by raising fresh capital only. If the third alternative were allowed to stand, then it would become possible for a Company to redeem shares even without sufficient accumulated profits or reserves by acquiring property on loan and disposing it of thereafter by sale and ultimately using such proceeds for redemption of preference shares. The Committee were unable to find any means of preventing such a course except by the total deletion of the following words from sub-clause (1) (a):

'or out of the sale proceeds of any property of the company'.

The clause as amended was adopted.

4. *Clause 75.*—The Government moved the following amendments:

- (a) that in sub-clause (1) for the words "where the subscribed capital of a company is increased by the issue of further shares", the words "where at any time subsequent to the first allotment of shares in a company, it is proposed to increase the subscribed capital of the company by the issue of new shares" be substituted;
- (b) that in sub-clause (1) (a) the words "such shares" be substituted by the words "such new shares"; and
- (c) that in sub-clause (1) item (e) be omitted.

These amendments were accepted.

It was suggested that the time of 10 days provided for accepting an offer to purchase further issue of shares should be increased. The Committee decided that for the words 'ten days' the words 'fifteen days' be substituted.

The Draftsman was directed to incorporate the above-mentioned amendments in the clause.

5. *Clause 76.*—Clause 76 was adopted without amendment.

6. *Clause 77.*—The clause was adopted with the deletion of the proviso which would have enabled companies under certain circumstances to issue shares without distinguishing numbers thereon.

7. *Clause 78.*—Clause 78 was adopted without amendment.

8. *Clause 79.*—The Government proposed the substitution of this clause by a new clause 79 (Appendix IV).

It was suggested during the discussion of this clause that the power to decide whether any share capital was preference share capital or not ought to be vested in a court of law and not in the Government. The Committee finally decided that to avoid expensive litigation, this power should be vested in the Central Government; if a company did not feel satisfied with Government's decision it should have the right of appeal to a court of law.

The Draftsman was directed to incorporate this decision in the new clause.

9. At this stage it was brought to the notice of the Committee that Shri S. C. Mazumdar, a member of the Rajya Sabha, had passed away. The Committee stood in silence for a minute as a mark of respect and adjourned to meet again at 11 A.M. on Saturday, the 14th August, 1954.

XVII
Seventeenth Meeting

The Committee met from 11 A.M. to 1 P.M. on Saturday, the 14th August, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Awadheshwar Prasad Sinha.
4. Shri Dev Kanta Borooah.
5. Shri Ghamandi Lal Bansal.
6. Shri Radheshyam Ramkumar Morarka.
7. Shri B. R. Bhagat.
8. Shri Nityanand Kanungo.
9. Shri K. T. Achuthan.
10. Shri Tekur Subrahmanyam.
11. Col. B. H. Zaidi.
12. Shri Mulchand Dube.
13. Pandit Munishwar Dutt Upadhyay.
14. Shri Radhelal Vyas.
15. Shri Kamal Kumar Basu.
16. Shri C. R. Chowdary.
17. Shri M. S. Gurupadaswamy.
18. Shri Amjad Ali.
19. Shri N. C. Chatterjee.
20. Shri Tulsidas Kilachand.
21. Shri Tridib Kumar Chaudhuri.
22. Shri C. D. Deshmukh.

Rajya Sabha

23. Shri Shriyans Prasad Jain.
24. Shri Somnath P. Dave.
25. Dr. R. P. Dube.
26. Shri Braja Kishore Prasad Sinha.
27. Shri R. S. Doogar.
28. Shri S. C. Karayalar.
29. Shri Amolakh Chand.

- 30 Shri M. C. Shah.
- 31. Shri V. K. Dhage.
- 32. Prof. G. Ranga.
- 33. Shri S. Banerjee.
- 34. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

Shri S. K. Aiyer, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

2. The Committee took up clause by clause consideration of the Bill.

3. *Clause 86.*—The Government moved an amendment that in sub-clause (1), after the word 'company' the words 'limited by shares or a company limited by guarantee and' be inserted.

It was pointed out that these words were unnecessary as this was implied in the context. Besides if these words were inserted in one place, they would have to be added throughout the Bill.

The Committee thought that there was some force in this argument but left it to the discretion of the Draftsman whether to add these words or not.

This clause is based on section 50 of the Indian Companies Act, 1913, with certain modifications. The Committee decided that clause (a) of sub-section (1) of the present Act should be added, unaltered, to this clause.

The clause was adopted subject to the above remarks and amendment.

4. *Clause 79.*—Thereafter revised clause 79, which had been partly discussed on the 13th August, 1954, was taken up.

The Committee decided that in sub-clause (1) (a) the words 'fixed amount' should be substituted by the words 'fixed rate' as the preference shares carry the right to a fixed rate and not a fixed amount.

In the end the Committee came to the conclusion that the definition of preference share capital as given in the revised clause was not clear or comprehensive. They decided that the preference shares should have a security of income and be entitled to have capital paid up on the winding up of a company together with all arrears of dividend whether declared or not, paid in priority to other shareholders.

The Draftsman was asked to re-draft the clause so as to embody the decisions of the Committee taken so far as regards this clause.

5. *Clause 80.*—The Government moved that revised clause 80 be taken into consideration (Appendix V).

The Draftsman was asked to consider whether the provisions of this clause were not governed by clause 173, and if so mention of this should be made in the opening sentence of this clause.

The discussion on this clause had not concluded when the Committee adjourned to meet again at 10 A.M. on Monday, the 16th August, 1954.

XVIII

Eighteenth Meeting

The Committee met from 10 A.M. to 1-15 P.M. on Monday, the 16th August, 1954.

PRESENT

Shri Hari Vinayak Pataskar—Chairman.

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah..
3. Shri Awadheshwar Prasad Sinha.
4. Shri Shriman Narayan Agarwal.
5. Shri Ghamandi Lal Bansal.
6. Shri Radheshyam Ramkumar Morarka.
7. Shri B. R. Bhagat.
8. Shri Nityanand Kanungo.
9. Shri T. S. Avinashilingam Chettiar.
10. Shri K. T. Achuthan.
11. Shri Tekur Subrahmanyam.
12. Col. B. H. Zaidi.
13. Shri Mulchand Dube.
14. Pandit Munishwar Dutt Upadhyay.
15. Shri Kamal Kumar Basu.
16. Shri C. R. Chowdary.
17. Shri M. S. Gurupadaswamy.
18. Shri Amjad Ali.
19. Shri N. C. Chatterjee.
20. Shri G. D. Somani.
21. Shri Tridib Kumar Chaudhuri.
22. Shri C. D. Deshmukh.

Rajya Sabha

23. Dr. P. Subbarayan.
24. Shri Shriyans Prasad Jain.
25. Shri Somnath P. Dave.
26. Dr. R. P. Dube.
27. Shri Braja Kishore Prasad Sinha.
28. Shri R. S. Doogar.

29. Shri S. C. Karayalar.
30. Shri Amolakh Chand.
31. Shri M. C. Shah.
32. Shri V. K. Dhage.
33. Prof. G. Ranga.
34. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

WITNESSES

I. Incorporated Law Society of Calcutta:

- (1) Shri S. N. Sen.
- (2) Shri T. Banerjee.
- (3) Shri R. C. Deb.

II. Bombay Incorporated Law Society:

- (1) Shri Damodardas.
- (2) Shri Madgavkar.
- (3) Shri Pakvase.
- (4) Shri Desai.

2. The Committee heard the evidence tendered by the representatives of the following Associations:—

- (1) Incorporated Law Society of Calcutta.
- (2) Bombay Incorporated Law Society.

3. *Verbatim* record of the evidence tendered was taken down.

4. The Committee adjourned to meet again at 9 A.M. on Tuesday, the 17th August, 1954.

XIX

Nineteenth Meeting

The Committee met from 9 A.M. to 11-50 A.M. on Tuesday, the 17th August, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Shriman Narayan Agarwal.
4. Shri Ghamandi Lal Bansal.
5. Shri Radheshyam Ramkumar Morarka.
6. Shri B. R. Bhagat.
7. Shri Nityanand Kanungo.
8. Shri T. S. Avinashilingam Chettiar.
9. Shri K. T. Achuthan.
10. Pandit Chatur Narain Malviy
11. Shri Tekur Subrahmanyam.
12. Col. B. H. Zaidi.
13. Shri Mulchand Dube.
14. Shri Kamal Kumar Basu.
15. Shri C. R. Chowdary.
16. Shri M. S. Gurupadaswamy.
17. Shri Amjad Ali.
18. Shri N. C. Chatterjee.
19. Shri G. D. Somani.
20. Shri Tridib Kumar Chaudhuri.
21. Shri C. D. Deshmukh.

Rajya Sabha

22. Dr. P. Subbarayan.
23. Shri Shriyans Prasad Jain.
24. Shri Somnath P. Dave.
25. Dr. R. P. Dube.
26. Shri Braja Kishore Prasad Sinha.
27. Shri R. S. Doogar.
28. Shri S. C. Karayalar.
29. Shri Amolakh Chand.

- 30. Shri V. K. Dhage.
- 31. Prof. G. Ranga.
- 32. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

2. *Clauses 80, 81 and 82.*—Revised clause 80, clause 81 and clause 82 as amended by the Government amendment (Appendix VI) were considered by the Committee. The Committee arrived at the under-mentioned decisions:

(i) that clause 80(2) (b) may be substituted by the following, subject to amendments that may be required therein and which may be made by the Draftsman:

“The holder of any preference share capital shall, in respect of such capital, be entitled to vote on every resolution placed before the company in any meeting held during any year if the dividend due on the preference shares or any part of such dividend has remained unpaid, in the case of cumulative preference shares during two years, and in the case of non-cumulative preference shares during the immediately preceding 2 consecutive years or during any three of the six immediately preceding years.”

(ii) dividend cannot be deemed to be due till it is declared;

(iii) a statement containing a list of companies which have been allowed by the Central Government under clause 81 to “issue any shares (other than preference shares) which carry voting rights or rights in the company as to dividend, capital or otherwise which are disproportionate to the rights attaching to the holders of other shares, not being preference shares” shall be laid before both Houses of Parliament;

(iv) a list of companies which have been granted exemption from the provisions of sub-clauses (1), (2) and (3) (wholly or in part) of clause 82 shall be laid before both Houses of Parliament;

(v) the termination of disproportionately excessive voting rights has been effected in the interest of the ordinary shareholders and not specially in the interests of the general public. It appeared to the Committee, therefore, that it may be argued that these clauses conflict with the provisions contained in Articles 14 and 19 of the Constitution. The opinion of the Ministry of Law should, therefore, be sought as to whether Parliament is competent to legislate accordingly.

The Committee were of the view also that the interpretation of these clauses might cause some difficulty as it appeared to them that more than one construction could be placed on the meaning of these clauses in their application.

3. The Draftsman was directed to re-draft the inter-connected clauses 79 to 83 in accordance with the Report of the Company Law Committee and the decisions of the Committee.

4. The Committee adjourned to meet again at 9-30 A.M. on Wednesday, the 18th August, 1954.

XX

Twentieth Meeting

The Committee met from 9-30 A.M. to 11-55 A.M. on Wednesday, the 18th August, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah
3. Shri Awadheshwar Prasad Sinha
4. Shri Dev Kanta Borooah
5. Shri Ghamandi Lal Bansal
6. Shri Radheshyam Ramkumar Morarka
7. Shri B. R. Bhagat
8. Shri T. S. Avinashilingam Chettiar
9. Shri K. T. Achuthan
10. Pandit Chatur Narain Malviya
11. Dr. Shaukatullah Shah Ansari
12. Shri Tekur Subrahmanyam
13. Shri Mulchand Dube
14. Shri Ajit Singh
15. Shri Kamal Kumar Basu
16. Shri C. R. Chowdary
17. Shri M. S. Gurupadaswamy
18. Shri Amjad Ali
19. Shri N. C. Chatterjee
20. Shri G. D. Somani
21. Shri Tridib Kumar Chaudhuri.

Rajya Sabha

22. Dr. P. Subbarayan
23. Shri Shriyans Prasad Jain
24. Shri Somnath P. Dave
25. Dr. R. P. Dube
26. Shri Braja Kishore Prasad Sinha
27. Shri R. S. Doogar
28. Shri S. C. Karayalar
29. Shri Amolakh Chand
30. Shri M. C. Shah

31. Shri V. K. Dhage
32. Prof. G. Ranga
33. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

2. The Committee took up clause by clause consideration of the Bill.

3. *Clause 84.*—A fear was expressed that by the use of the term “class” in this clause, there was a likelihood of its being so interpreted as to mean that a company is barred from making calls for different amounts on the same kind of shares issued on different dates also.

The Committee directed the Draftsman to consider this point and if necessary to make a suitable amendment to prevent such an interpretation.

The clause was passed subject to above remarks.

4. *Clause 85.*—Government moved that the revised clause 85 (Appendix VII) be substituted for the existing clause. The Committee feared that the provision in the revised clause for payment of interest at the rate of 6 per cent. per annum on the amount paid voluntarily towards the unpaid share capital might lead to undesirable consequences and, therefore, did not approve of this provision. The Committee, however, decided to adopt its sub-clause (3) which laid down that such payment will not give voting rights.

The Draftsman was directed to add sub-clause (3) of the revised clause to the original clause 85 in the Bill.

5. *Clauses 87 and 88.*—Clauses 87 and 88 were adopted without amendment.

6. *Clause 89.*—In view of the provisions contained in clause 90, the Committee thought that this clause *viz.*, clause 89, was redundant and directed that it should be deleted.

7. *Clause 90.*—Government moved that in sub-clause (1) for the words “company, not having a share capital” the words “company, not being a company limited by shares” may be substituted. The Committee accepted this with the remark that the Draftsman may keep in view their decision on clause 86 (para. 3 of Minutes of the Seventeenth Meeting) while substituting these words. In sub-clause (1) the words “registered capital” were substituted by the words “authorized capital” as the latter term has been adopted in the other relevant clauses of the Bill.

8. *Clause 91.*—This clause as originally framed reproduced Section 68 of the Indian Companies Act, 1913, with the omission of certain words. The Committee decided that as the latter had not created any difficulty, nor had been adversely commented upon in the Report of the Company Law Committee, it may be substituted unaltered for this clause.

9. *Clauses 92, 93, 94, 95 and 96.*—Clauses 92 to 96 were adopted without amendment.

10. *Clause 97.*—This clause reproduced Section 63 of the Indian Companies Act, 1930, with certain verbal amendments. The Committee decided that the original section be reproduced unaltered as clause 97 of this Bill.

11. *Clause 98.*—The words “knowingly and wilfully” had been used in several clauses of this Bill. The word “knowingly” used in this clause led the Committee to direct the Draftsman to prepare a list of all the clauses which used the words “knowingly” and “knowingly and wilfully” with a view to deciding the appropriate usage of these words in various clauses. The clause was adopted without amendment.

12. *Clause 99.*—Clause 99 was adopted without amendment.

13. *Clause 100.*—The Committee substituted the words “21 days” for the words “14 days” in accordance with the Report of the Company Law Committee. The clause was adopted with this amendment.

14. The Committee adjourned to meet again at 9-30 A.M. on Thursday, the 19th August, 1954.

XXI

Twenty-first Meeting

The Committee met from 9-30 A.M. to 1 P.M. on Thursday, the 19th August, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah
3. Shri R. Venkataraman
4. Shri Ghamandi Lal Bansal
5. Shri Radheshyam Ramkumar Morarka
6. Shri T. S. Avinashilingam Chettiar
7. Shri K. T. Achuthan
8. Pandit Chatur Narain Malviya
9. Dr. Shaukatullah Shah Ansari
10. Shri Tekur Subrahmanyam
11. Shri Mulchand Dube
12. Shri Kamal Kumar Basu
13. Shri C. R. Chowdary
14. Shri M. S. Gurupadaswamy
15. Shri Amjad Ali
16. Shri N. C. Chatterjee
17. Shri G. D. Somani
18. Shri C. D. Deshmukh.

Rajya Sabha

19. Dr. P. Subbarayan
20. Shri Shriyans Prasad Jain
21. Shri Somnath P. Dave
22. Dr. R. P. Dube
23. Shri Braja Kishore Prasad Sinha
24. Shri R. S. Doogar
25. Shri S. C. Karayalar
26. Shri Amolakh Chand
27. Shri M. C. Shah
28. Shri V. K. Dhage
29. Prof. G. Ranga
30. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

2. The Committee took up clause by clause consideration of the Bill.

3. *Clause 101.*—This clause has no counterpart in the Indian or English Companies Acts. It had been inserted for the interpretation of the word “shares” occurring in clauses 102 to 106. The Committee decided that it may be deleted, and in clauses 103 and 104 mention may be made that references to companies which possess ‘no share capital be construed as references to the interest of a member in the company’.

Clause 101 was accordingly deleted.

4. *Clause 102.*—The second proviso to this clause was based on the proviso to Section 75 of the English Companies Act with the modifications that the words “being transmitted” had been substituted by the word ‘developed’, and the words ‘to whom’ had been replaced by the words ‘on whom’. The Committee directed the Draftsman to re-substitute the words of the English Act.

Government moved the following amendments:—

- (i) For the words “and executed by the transferor and the transferee and specifying the name, address and occupation, if any, of the transferee, has been delivered to the company along with the scrip, or if no scrip is in existence”, substitute the words “and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee, has been delivered to the company along with the certificate relating to the shares or debentures, or if no such certificate is in existence.”
- (ii) For the words “signed by the transferor and the transferee” substitute the words “signed by or on behalf of the transferor and by or on behalf of the transferee.”

The amendments were accepted.

The clause was adopted subject to the above-mentioned amendments.

5. *Clause 103.*—This clause was based on Section 35 of the Indian Companies Act, 1930, with the omission of words “or other interest”. The Committee decided that these words be added to this clause. The clause was adopted subject to this amendment.

6. *Clause 104.*—Clause 104* was adopted without amendment.

7. *Clause 105.*—It was suggested that not only the specific refusal of a company to register transfer of shares but also its omission or failure to do so within two months of the lodging of instrument of transfer should be appealable to the Central Government under sub-clause (3). The Committee accepted this suggestion and directed the Draftsman to incorporate it suitably in the clause.

The Committee decided to drop sub-clause (4) subject to a later consideration of the proposal regarding the appointment of an authority by the Central Government for hearing and disposing of appeals under this clause.

The clause was adopted subject to the above-mentioned amendments and to the necessary amendments in sub-clauses (5) to (7) being made consequent on the deletion of sub-clause (4).

8. *Clause 106.*—The Committee decided to delete the words (i) “or initials (whether hand-written or not)” and (ii) “or initials” occurring in sub-clause (3)(c) as being too wide in scope.

9. *Clause 107.*—Clause 107 was considered unnecessary, and was accordingly omitted.

10. *Clause 108.*—The Committee adopted this clause subject to an amendment that the word “company” should be substituted by the words “public company”.

11. *Clause 109.*—The Government moved the following amendments:

- (i) *after* the words “in its register” insert the words “of members”.
- (ii) *for* the words “in the register” substitute the words “in that register”.
- (iii) *delete* the words “either for all purposes or”.
- (iv) *for* the words “if a default is made” substitute the words “if default is made”.

In sub-clause (1)(b) the words “if any” were deleted as all shares shall have distinguishing numbers after the passing of this Bill. The clause, subject to the above-mentioned amendments, was adopted.

12. *Clause 110.*—The clause was adopted with the amendment that wherever the word “endeavours” occurs in this clause the word “attempts” should be substituted.

13. The Committee adjourned to meet again at 9-30 A.M. on the 20th August, 1954.

XXII

Twenty-second Meeting

The Committee met from 9-30 A.M. to 12-30 P.M. on Friday, the 20th August, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah
3. Shri Dev Kanta Borooah
4. Shri R. Venkataraman
5. Shri Ghamandi Lal Bansal
6. Shri Radheshyam Ramkumar Morarka
7. Shri B. R. Bhagat
8. Shri T. S. Avinashilingam Chettiar
9. Shri K. T. Achuthan
10. Pandit Chatur Narain Malviya
11. Dr. Shaukatullah Shah Ansari
12. Shri Tekur Subrahmanyam
13. Shri Mulchand Dube
14. Shri Radhelal Vyas
15. Shri Kamal Kumar Basu
16. Shri C. R. Chowdary
17. Shri Amjad Ali
18. Shri N. C. Chatterjee
19. Shri G. D. Somani
20. Shri C. D. Deshmukh.

Rajya Sabha

21. Dr. P. Subbarayan
22. Shri Shriyans Prasad Jain
23. Shri Somnath P. Dave
24. Dr. R. P. Dube
25. Shri Braja Kishore Prasad Sinha
26. Shri R. S. Doogar.
27. Shri S. C. Karayalar
28. Shri Amolakh Chand
29. Shri M. C. Shah
30. Shri V. K. Dhage

31. Prof. G. Ranga
32. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

2. The Committee took up clause by clause consideration of the Bill.

3. *Clause 111.*—Clause 111 was adopted without amendment.

4. *Clause 112.*—The Committee adopted the clause without amendment with the directions to the Draftsman to provide for the relevant documents being open to inspection if not done so already in any other clause of the Bill.

5. *Clause 113.*—It was suggested that the words “having regard to the provisions of the trust deed conferring on him any powers, authorities or discretions” might be omitted, since the position of a trustee for debenture holders was similar to that of any trustee and the ordinary law should apply to him also, and that the exemption that would be granted to him by the retention of these words may defeat the very purpose of the clause.

The Committee, however, did not agree with the suggestion and the clause was adopted without any amendment.

6. *Clause 114.*—The clause was adopted without amendment.

7. *Clause 115.*—Government moved that item (b) of sub-clause (1) be deleted as there was no corresponding provision in the English Act and the power to re-issue debentures had already been provided for. The Committee accepted this amendment. The clause, as amended, was adopted.

8. *Clause 116.*—The clause was adopted without amendment.

9. *Clause 117.*—It was suggested that the difference between a floating and a specific charge ought to be removed as far as making preferential payment to the employees of a company was concerned. The Committee decided that in case a suitable amendment was proposed the question may be re-opened.

The Committee directed the Draftsman to make a similar provision to the one contained in sub-sections (2) and (4) of Section 94 of the English Companies Act, 1948.

The clause was adopted without amendment.

10. *Clause 118.*—The clause was adopted without amendment.

11. *Clause 119.*—Government moved that in sub-clause 4(d) the words “on book debts” be substituted by the words “on any book debts”.

The Committee decided to omit the words "but not including a charge for any rent or other periodical sum issuing out of land" which did not exist in the corresponding sub-clause of Sec. 109 of the Indian Companies Act.

The Committee felt that there was no necessity of exempting 'stock-in-trade' in sub-clause 4(e), since no charge could exist on stock-in-trade. These words were accordingly omitted.

The word "any" was added after the word "or" in sub-clause 4(f).

Sub-clause (9), which defined the extent of India with regard to the applicability of this clause was omitted, as definition was given in clause 2.

12. *Clauses 120, 121 and 122.*—These clauses were adopted without amendment.

13. *Clause 123.*—The clause was adopted without amendment. The Government promised to consider the desirability of providing a ceiling for commissions payable on debentures.

14. *Clause 124.*—At the end of item (a) of sub-clause (1), the words "and 123" were added. The clause as amended was adopted.

15. *Clauses 125, 126, 127, 128, 129 and 130.*—Clauses 125 to 130 were adopted without amendment.

16. *Clause 131.*—As the word "Manager" used in this clause was not in consonance with the definition of this word given in the definitions clause or in the Schedule to the Bill, the Draftsman was directed to substitute this word by the words "or any other person appointed or entrusted to manage the property".

The clause, subject to this amendment, was adopted.

17. *Clauses 132 and 133.*—These clauses were adopted without amendment.

18. *Clause 134.*—In item (a) of sub-clause (1) for the words "shareholders or" the words "or shareholders" were substituted. The clause was adopted with this amendment.

19. *Clauses 135, 136, 137 and 138.*—These clauses were adopted without amendment.

20. The Chairman was authorized to ask for an extension of time for the presentation of the Report of the Joint Committee to the House till the first week of the next Session.

21. The Committee decided to meet again on the 4th, 6th, 10th and 11th of September, 1954.

22. The Committee adjourned to meet again at 9-30 A.M. on the 4th September, 1954.

XXIII

Twenty-third Meeting

The Committee met from 9-30 A.M. to 12-35 P.M. on Saturday, the 4th September, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Awadheshwar Prasad Sinha
3. Shri Khandubhai Kasanji Desai
4. Shri Dev Kanta Borooah
5. Shri R. Venkataraman
6. Shri Ghamandi Lal Bansal
7. Shri Radheshyam Ramkumar Morarka
8. Shri B. R. Bhagat
9. Shri Nityanand Kanungo
10. Shri T. S. Avinashilingam Chettiar
11. Shri K. T. Achuthan
12. Pandit Chatur Narain Malviya
13. Col. B. H. Zaidi
14. Shri Mulchand Dube
15. Shri Radhelal Vyas
16. Shri C. R. Chowdary
17. Shri M. S. Gurupadaswamy
18. Shri Amjad Ali
19. Shri N. C. Chatterjee
20. Shri Tulsidas Kilachand
21. Shri G. D. Somani
22. Shri Tridib Kumar Chaudhuri
23. Shri C. D. Deshmukh.

Rajya Sabha

24. Dr. P. Subbarayan
25. Shri Shriyans Prasad Jain
26. Dr. R. P. Dube
27. Shri Braja Kishore Prasad Sinha
28. Shri R. S. Doogar
29. Shri M. C. Shah
30. Shri S. Banerjee
31. Shri V. K. Dhage.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

2. The Committee considered clauses 11(a), 17(2), 21(6) (c), 26 and 27 (Appendix VIII), clause 28 (Appendix IXB), and clause 44 (Appendix X) as redrafted by the Draftsman, in compliance with the instructions of the Committee.

3. *Clause 11(a).*—The redrafted clause 11(a) was adopted without amendment.

4. *Clause 17(2).*—The Committee felt that the list of names, given in the redrafted clause, was cumbersome and was also not exhaustive. The Committee felt that clause 17(2) as given in the Bill might be allowed to stand. Thus clause 17(2) of the Bill was adopted without amendment instead of the redrafted clause.

5. *Clause 21(6) (c).*—The redraft of clause 21(6) (c) was adopted without amendment.

6. *Clause 26.*—The Committee approved the Draftsman's suggestion that the definitions of the words "alter" and "modified" may be provided in the definition clause 2.

7. *Clause 27.*—The redraft of this clause was not in accordance with the decision of the Committee contained in paragraph 9 of the Minutes dated the 13th July, 1954; so the Draftsman was directed to comply with it.

8. *Clause 28.*—The Committee adopted the redrafted sub-clause (1) subject to the omission in item 'c' of the following words:

"Or if the terms to being reached."

The Draftsman was directed that in accordance with the original decision of the Committee dated the 13th July, 1954, sub-clause (2) of clause 30 of the Bill should be added as sub-clause (2) to the redrafted clause after substituting the words "of this Act and the rules made thereunder" for the word "aforesaid".

Sub-clause (5) of the redrafted clause was added as sub-clause (3). The other sub-clauses of the redrafted clause were omitted.

The redrafted clause was adopted, as amended.

9. *Clause 44.*—The Committee took up further consideration of the redrafted clause 44 (Appendix X) which had been partly discussed on Thursday, the 15th of July, 1954.

In item (a) of sub-clause (1) the words "on its own behalf" were added after the words "a company". The words "otherwise than as a nominee of some other person" were deleted.

In item (b) the period of 'six months' was substituted by 'one year'.

At the end of sub-clause (2), the following words were added:

"Or in the name of each such person or nominee expressly described as nominee of the company".

In sub-clause (3), the following words were omitted:

"Where a subsidiary of a company is wholly owned by it the".

The word "A" was added before the words "company may hold". The words "and in so far as" were added after the word "if".

The discussion on this clause had not concluded when the Committee decided that matters involving questions of principle which required their decision should be settled first before further consideration of the Bill was taken up.

10. The Committee decided that the following issues might be discussed in their future meetings:—

(1) Whether the Managing Agency system may be allowed to continue.

(2) Whether powers should be given to Government to specify which are the industries in which the Managing Agency System shall not operate.

(3) Whether the Managing Agency Agreements should be ended before the 15th of August, 1959.

(4) Whether the existing Managing Agency Agreements should be permitted to be renewed.

(5) Whether any compensation should be paid on the loss of office to a Managing Agent.

(6) Whether the Managing Agency system should continue to be inheritable.

(7) Whether there should be a limitation on the number of companies that a Managing Agency should manage.

(8) Whether inter-locking should be allowed.

(9) Whether any qualifications should be prescribed for Directors.

11. The Committee adjourned to meet again at 4 P.M. on Monday, the 6th September, 1954.

XXIV

Twenty-fourth Meeting

The Committee met from 4 P.M. to 6-30 P.M. on Monday, the 6th September, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Awadheshwar Prasad Sinha
3. Shri Khandubhai Kasanji Desai
4. Shri R. Venkataraman
5. Shri Ghamandi Lal Bansal
6. Shri Radheshyam Ramkumar Morarka
7. Shri B. R. Bhagat
8. Shri Nityanand Kanungo
9. Shri T. S. Avinashilingam Chettiar
10. Shri K. T. Achuthan
11. Pandit Chatur Narain Malviya
12. Shri Mulchand Dube
13. Shri Radhelal Vyas
14. Shri C. R. Chowdary
15. Shri M. S. Gurupadaswamy
16. Shri Amjad Ali
17. Shri N. C. Chatterjee
18. Shri Tulsidas Kilachand
19. Shri G. D. Somani
20. Shri Tridib Kumar Chaudhuri
21. Shri C. D. Deshmukh.

Rajya Sabha

22. Dr. P. Subbarayan
23. Shri Shriyans Prasad Jain
24. Dr. R. P. Dube
25. Shri Braja Kishore Prasad Sinha
26. Shri R. S. Doogar
27. Shri M. C. Shah
28. Shri V. K. Dhage.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

2. The Committee resumed discussion of the redrafted Clause 44 (Appendix X) part of which had been considered on Saturday, the 4th September, 1954.

3. In sub-clause 4 the following words were omitted:

“An investment company, that is to say”

(“Consists exclusively”)

“(Consists mainly)”

“Shares or other securities”

The word “principal” was added before the word “business”. The words “shares, stocks, debentures or other securities” were added after the words “selling of”.

In sub-clause 5 the following words were omitted:

“Scheduled”

“(or by way of earnest)”.

In sub-clause 6 the word “Scheduled” was adopted.

4. Thereafter the Committee took up discussion of the question whether the Managing Agency system should be retained or not.

During this discussion it was pointed out that by abolishing Managing Agency system the evils that the Committee desired to eradicate could still be practised by the managing or other Directors who hold the voting majority. Therefore, it is those evils which ought to be first rooted out by providing adequate safeguard against them. Thereafter it would make little difference whether the Managing Agency system existed or not.

The Committee requested Shri R. R. Morarka to draw up a note containing concrete proposals for giving effect to his suggestions. This note should then be circulated by the Secretariat to the members.

5. The Committee adjourned to meet again at 5 P.M. on Friday, the 10th September, 1954.

XXV

Twenty-fifth Meeting

The Committee met from 5 P.M. to 6-45 P.M. on Friday, the 10th September, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman*.

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah
3. Shri V. B. Gandhi
4. Shri Shriman Narayan Agarwal
5. Shri R. Venkataraman
6. Shri Ghamandi Lal Bansal
7. Shri Radheshyam Ramkumar Morarka
8. Shri B. R. Bhagat
9. Shri T. S. Avinashilingam Chettiar
10. Shri K. T. Achuthan
11. Pandit Chatur Narain Malviya
12. Shri Mulchand Dube
13. Shri Kamal Kumar Basu
14. Shri C. R. Chowdary
15. Shri Amjad Ali
16. Shri N. C. Chatterjee
17. Shri Tulsidas Kilachand
18. Shri G. D. Somani
19. Shri C. D. Deshmukh.

Rajya Sabha

20. Dr. P. Subbarayan
21. Shri Shriyans Prasad Jain
22. Shri Braja Kishore Prasad Sinha
23. Dr. Nalinaksha Dutt
24. Shri R. S. Doogar
25. Shri S. C. Karayalar
26. Shri M. C. Shah
27. Shri V. K. Dhage
28. Prof. G. Ranga
29. Shri S. Banerjee.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

2. The Committee resumed discussion on the point as to whether the Managing Agency System should be abolished or not, and did not conclude the discussion when they adjourned.

3. The Committee adjourned to meet again at 5 p.m. on Monday, the 13th September, 1954.

XXVI

Twenty-sixth Meeting

The Committee met from 5 P.M. to 6-54 P.M. on Monday, the 13th September, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman*.

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah
3. Shri Awadheshwar Prasad Sinha
4. Shri V. B. Gandhi
5. Shri R. Venkataraman
6. Shri Ghamandi Lal Bansal
7. Shri Radheshyam Ramkumar Morarka
8. Shri B. R. Bhagat
9. Shri Nityanand Kanungo
10. Shri T. S. Avinashilingam Chettiar
11. Shri K. T. Achuthan
12. Shri Kotha Raghuramaiah
13. Pandit Chatur Narain Malviya
14. Shri Mulchand Dube
15. Shri Radhelal Vyas
16. Shri Kamal Kumar Basu
17. Shri C. R. Chowdary
18. Shri Amjad Ali
19. Shri N. C. Chatterjee
20. Shri C. D. Deshmukh.

Rajya Sabha

21. Dr. P. Subbarayan
22. Shri Shriyans Prasad Jain
23. Dr. R. P. Dube
24. Shri Braja Kishore Prasad Sinha.
25. Dr. Nalinaksha Dutt
26. Shri S. C. Karayalar
27. Shri M. C. Shah
28. Shri V. K. Dhage
29. Shri B. C. Ghose
30. Prof. G. Ranga.

Shri T. T. Krishnamachari, *Minister for Commerce and Industry*, was also present by invitation.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

2. The Committee resumed further discussion on the point as to whether the Managing Agency System should be abolished or not. The deliberations not having concluded, further discussion was postponed. Shri T. T. Krishnamachari, Minister for Commerce and Industry addressed the Committee, and clarified certain matters in regard to which explanation was sought by members of the Committee.

3. The Committee adjourned to meet again at 5 p.m. on Tuesday the 14th September, 1954.

XXVII

Twenty-seventh Meeting

The Committee met from 5 P.M. to 6-10 P.M. on Tuesday, the 14th September, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah
3. Shri Awadheshwar Prasad Sinha
- 4 Shri V. B. Gandhi
5. Shri Shriman Narayan Agarwal
6. Shri R. Venkataraman
7. Shri Ghamandi Lal Bansal
8. Shri B. R. Bhagat
9. Shri Nityanand Kanungo
10. Shri K. T. Achuthan
11. Pandit Chatur Narain Malviya
12. Shri Tekur Subrahmanyam
- 13 Shri Mulchand Dube
14. Shri Radhelal Vyas
15. Shri Ajit Singh
16. Shri Kamal Kumar Basu
17. Shri C. R. Chowdary
18. Shri M. S. Gurupadaswamy
19. Shri Amjad Ali
20. Shri N. C. Chatterjee.

Rajya Sabha

21. Dr. P. Subbarayan
22. Shri Shriyans Prasad Jain
23. Dr. R. P. Dube
- 24 Dr. Nalinaksha Dutt
- 25 Shri M. C. Shah
- 26 Prof. G. Ranga
- 27 Shri S. Banerjee
28. Shri B. C. Ghose
29. Shri V. K. Dhage

Sri T. T. Krishnamachari, *Minister for Commerce and Industry*, was also present by invitation.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

2. The Committee resumed further discussion on the point as to whether the Managing Agency System should be abolished or not. The deliberations had not concluded.

3. The Committee decided that when the discussion on the point as to whether Managing Agency should be abolished or not was concluded, no further meetings of the Committee need be held during the current Session and left it to the Chairman to fix any date during the first week of November for the subsequent meetings of the Committee.

4. The Committee adjourned to meet again at 5 P.M. on Wednesday, the 15th September, 1954.

XXVIII

Twenty-eighth Meeting

The Committee met from 5 P.M. to 6-34 P.M. on Wednesday, the 15th September, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman*.

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Awadheshwar Prasad Sinha.
4. Shri V. B. Gandhi.
5. Shri Shriman Narayan Agarwal.
6. Shri R. Venkataraman.
7. Shri Ghamandi Lal Bansal.
8. Shri Radheshyam Ramkumar Morarka.
9. Shri B. R. Bhagat.
10. Shri Nityanand Kanungo.
11. Shri T. S. Avinashilingam Chettiar.
12. Shri K. T. Achuthan.
13. Shri Kotha Raghuramaiah
14. Dr. Shaukatullah Shah Ansari.
15. Shri Tekur Subrahmanyam.
16. Col B. H. Zaidi.
17. Shri Radhelal Vyas.
18. Shri Kamal Kumar Basu
19. Shri C. R. Chowdary.
20. Shri M. S. Gurupadaswamy.
21. Shri Amjad Ali
22. Shri N. C. Chatterjee.
23. Shri C. D. Deshmukh.

Rajya Sabha

24. Dr. P. Subbarayan.
25. Shri Shriyans Prasad Jain.
26. Dr. R. P. Dube.
27. Shri Braja Kishore Prasad Sinha.
28. Dr. Nalinaksha Dutt.
29. Shri M. C. Shah.
30. Shri V. K. Dhage.
31. Shri S. Banerjee.
32. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

2. The Committee resumed further discussion on the issue of the Managing Agency System and whether it should be abolished or not. The deliberations concluded at 6-34 P.M. when the Committee adjourned to meet again at 10 A.M. on Wednesday, the 3rd November, 1954.

Twenty-ninth Meeting

The Committee met from 10 A.M. to 10-45 A.M. on Wednesday, the 3rd November, 1954.

PRESENT

Shri Hari Vinayak Pataskar—Chairman.

MEMBERS

Lok Sabha

2. Shri Awadheshwar Prasad Sinha
3. Shri V. B. Gandhi
4. Shri Radheshyam Ramkumar Morarka
5. Shri B. R. Bhagat
6. Pandit Chatur Narain Malviya
7. Dr. Shaukatullah Shah Ansari
8. Shri Tekur Subrahmanyam
9. Shri Mulchand Dube
10. Shri Radhelal Vyas
11. Shri Ajit Singh
12. Shri Amjad Ali
13. Shri N. C. Chatterjee
14. Shri Tulsidas Kilachand
15. Shri Tridib Kumar Chaudhuri
16. Shri C. D. Deshmukh.

Rajya Sabha

17. Shri Braja Kishore Prasad Sinha
18. Shri R. S. Doogar
19. Shri S. C. Karayalar
20. Shri M. C. Shah
21. Shri S. Banerjee
22. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

1. Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*
2. Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*
3. Shri R. Ganapathi Iyer, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

Shri P. K. Patnaik—*Under Secretary.*

2. After an obituary reference made by the Chairman, the Committee stood in silence for a minute as a mark of respect to the memory of late Shri Rafi Ahmad Kidwai, Minister for Food and Agriculture and decided not to undertake any formal business for the day.

3. The Committee further decided to postpone the consideration of clauses relating to the Managing Agency System for about a week.

4. The Committee then adjourned to meet again at 9-30 A.M. on Thursday, the 4th November, 1954.

XXX

Thirtieth Meeting

The Committee met from 9-30 A.M. to 1 P.M. on Thursday. the 4th November, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Awadheshwar Prasad Sinha
3. Shri V. B. Gandhi
4. Shri Radheshyam Ramkumar Morarka
5. Shri B. R. Bhagat
6. Shri K. T. Achuthan
7. Pandit Chatur Narain Malviya
8. Dr. Shaukatullah Shah Ansari
9. Shri Tekur Subrahmanyam
10. Shri Mulchand Dube
11. Shri Radhelal Vyas
12. Shri Ajit Singh
13. Shri N. C. Chatterjee
14. Shri Tulsidas Kilachand
15. Shri Tridib Kumar Chaudhuri
16. Shri C. D. Deshmukh.

Rajya Sabha

17. Shri Braja Kishore Prasad Sinha
18. Dr. Nalinaksha Dutt
19. Shri R. S. Doogar
20. Shri S. C. Karayalar
21. Shri M. C. Shah
22. Shri S. Banerjee
23. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

- | | | |
|---------------------------|---|---|
| 1. Shri D. L. Mazumdar | } | <i>Officers on Special Duty,
Department of Economic
Affairs, Ministry of Finance.</i> |
| 2. Shri K. V. Rajagopalan | | |
| 3. Shri R. Ganapathi Iyer | | |

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri A. L. Rai—*Under Secretary.*

Shri P. K. Patnaik—*Under Secretary.*

2. *Clauses 79 and 79(a).*—The Committee took up consideration of amended clause 79 which had been considered by them on the 13th August, 1954 together with the amendment (Appendix XI) now proposed thereto. In sub-clause (1), the words “or is declared by the Central Government substantially to fulfil” were omitted as two kinds of share capital are defined in this clause and it was felt that the decision as to the nature of a share capital should be left to a Court of Law and not the Central Government.

New sub-clause (2) (Appendix XI) was also therefore, omitted.

Clauses 79, as amended, and 79(a) were adopted.

3. *Clause 80.*—Revised clause 80, (Appendix V) which had been discussed by the Committee on the 14th and 17th August, 1954, was adopted with the following amendments:—

(i) Sub-clause (2)(b) was substituted by the following:

“80(2)(b): The holder of any preference share capital shall, in respect of such capital, be entitled to vote on every resolution placed before the company in any meeting held during any year if the dividend due on the preference shares or any part of such dividend has remained unpaid, in the case of cumulative preference shares during two years, and in the case of non-cumulative preference shares during the immediately preceding two consecutive years or during any three of the six immediately preceding years.”

(ii) In explanation to sub-clause (2)(b), after the words “and is payable” the words “in priority over the dividend payable on other shares” were added.

4. *Clause 81.*—The Committee felt that there should be an absolute prohibition against issue of shares with disproportionate rights after the commencement of this Act. Accordingly the words “without obtaining the previous consent of the Central Government in this behalf” were omitted.

The words and brackets “(other than preference shares)” were substituted by the words “not being preference shares”.

Clause 81 was adopted subject to the two above mentioned amendments.

5. *Clause 82.*—In pursuance of decisions taken by the Committee on the 17th August, 1954, the revised clause 82 (Appendix VI) was taken up for re-consideration.

The previous decision contained in paragraph 2 (iv) of the Minutes dated the 17th August, 1954 was re-affirmed and the Draftsman was

directed to make suitable provisions in accordance with that decision.

It was further considered that the clause needed revision so as to make it clear that the preference shares shall not possess excessive voting rights as compared to the paid-up value of their shares capital but shall be in conformity with the voting rights attached to the equity shares.

Sub-clause (4) was amended as follows:—

“(4) The Central Government may exempt any company from the requirements of sub-sections (1), (2) and (3) if in its opinion the exemption is required either in the public interest or in the interests of the company or of any class of shareholders thereof or of the creditors or of any class of creditors thereof.”

The Committee directed the Draftsman also to incorporate the recommendation of the Company Law Committee with regard to the shares that have been issued with disproportionate voting rights etc. since 1st December, 1949, contained in paragraph 48(vi) of their recommendations.

6. The Committee then adjourned to meet again at 9-30 A.M. on Friday, the 5th November, 1954.

XXXI

Thirty-first Meeting

The Committee met from 9-30 A.M. to 1 P.M. on Friday, the 5th November, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Awadeshwar Prasad Sinha
3. Shri V. B. Gandhi
4. Shri Radheshyam Ramkumar Morarka
5. Shri B. R. Bhagat
6. Shri K. T. Achuthan
7. Pandit Chatur Narain Malviya
8. Dr. Shaukatullah Shah Ansari
9. Shri Mulchand Dube
10. Shri Radhelal Vyas
11. Shri Ajit Singh
12. Shri M. S. Gurupadaswamy
13. Shri Amjad Ali
14. Shri Tulsidas Kilachand
15. Shri Tridib Kumar Chaudhuri
16. Shri C. D. Deshmukh.

Rajya Sabha

17. Shri Braja Kishore Prasad Sinha
18. Dr. Nalinaksha Dutt
19. Shri R. S. Doogar
20. Shri S. C. Karayalar
21. Shri M. C. Shah
22. Shri S. Banerjee
23. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

- | | | |
|---------------------------|---|---|
| 1. Shri D. L. Mazumdar | } | <i>Officers on Special Duty,
Department of Economic
Affairs, Ministry of Finance.</i> |
| 2. Shri K. V. Rajagopalan | | |
| 3. Shri R. Ganapathi Iyer | | |

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri P. K. Patnaik—*Under Secretary.*

2. The Committee resumed clause by clause consideration of the Bill.

3. *Clause 83.*—This clause was adopted without any amendment.

4. *Clause 139.*—The proviso to sub-clause (2) was substituted by the following Government amendment:—

“Provided that except on the authority of a special resolution passed by the company, the registered office of the company shall not be removed outside the local limits of any city, town or village—

(a) in the case of an existing company, from the place where it is situated at the commencement of this Act or where it may be located later on the authority of a special resolution passed by the company; and

(b) in the case of any other company, from the place where it is first situated or where it may be located later on the authority of a special resolution passed by the company.”

The Clause as amended was adopted.

5. *Clause 140.*—This clause was adopted with the following Government amendment:—

“In sub-clause (4) (b)—

After the word “company”, insert the words “wherein its name is not mentioned in the manner aforesaid”.

6. *Clause 141.*—This clause was adopted without any amendment.

7. *Clause 142.*—This clause was adopted without any amendment.

8. *Clause 143.*—In paragraph (b) of sub-clause (1), the words: “if any” were deleted.

The clause as amended was adopted.

9. *Clause 144.*—It was decided to insert a new sub-clause (3) as given hereunder:—

“The index shall be at all times kept at the same place as the register of members”;

and renumber the existing sub-clause (3) as sub-clause (4).

The clause as amended was adopted.

10. *Clause 145.*—In paragraph (b) of sub-clause (1), the words “if any” were deleted. The clause as amended was adopted.

11. *Clause 146.*—This clause was adopted without any amendment.

12. *Clause 147.*—A Government amendment as follows was accepted:—

for the words “time or times”, substitute the words “period or periods”.

The clause as amended was adopted.

13. *Clause 148.*—(i) *In paragraph (a) of sub-clause (1) it was decided to substitute the word “wrongly” by the words “without sufficient cause”.*

(ii) *In paragraph (b) of sub-clause (1) the following Government amendment was accepted:—*

“for the words ‘having ceased to be a member’, substitute the words ‘having become or, ceased to be, a members’.”.

The clause as amended was adopted.

14. *Clause 149.*—*This clause was adopted without any amendment.*

15. *Clauses 150 and 151.*—*After some discussion it was decided that consideration of these two clauses be held over until they were further examined by Government and their comments made available to the Committee.*

16. *Clause 152.*—*For the words “one month” in sub-clause (1) of this clause the words “42 days” were substituted.*

The clause as amended was adopted.

17. *Clause 153.*—*In sub-clause (1), for the words “one month”, the words “42 days” were substituted as a consequential amendment.*

18. *Clause 154.*—*This clause was adopted without any amendment.*

19. *Clause 155.*—*After some discussion it was decided that consideration of this clause be held over until the comments of the Government on the implications of the term “accustomed to act” were made available to the Committee.*

20. *Clause 156.*—(i) *The Government amendments shown in Appendix XII were accepted.*

(ii) *In sub-clause (2), lines 4 and 5, the words “in general meeting” were deleted.*

The clause was adopted with the above-mentioned amendments.

21. *Clause 157.*—*The following Government amendment was accepted:*

In page 69, line 33, transpose the words “by this Act” to the end.
The clause as amended was adopted.

22. *The Committee then adjourned to meet again at 9-30 A.M. on Saturday, the 6th November, 1954.*

XXXII

Thirty-second Meeting

The Committee met from 9-30 A.M. to 1-05 P.M. on Saturday, the 6th November, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman*.

MEMBERS

Lok Sabha

2. Shri Awadheshwar Prasad Sinha
3. Shri V. B. Gandhi
4. Shri Radheshyam Ramkumar Morarka
5. Shri B. R. Bhagat
6. Shri K. T. Achuthan
7. Pandit Chatur Narain Malviya
8. Dr. Shaukatullah Shah Ansari
9. Shri Tekur Subrahmanyam
10. Col. B. H. Zaidi
11. Shri Mulchand Dube
12. Shri Radhelal Vyas
13. Shri Ajit Singh
14. Shri Kamal Kumar Basu
15. Shri M. S. Gurupadaswamy
16. Shri Amjad Ali
17. Shri Tulsidas Kilachand
18. Shri C. D. Deshmukh.

Rajya Sabha

19. Shri Braja Kishore Prasad Sinha
20. Dr. Nalinaksha Dutt
21. Shri S. C. Karayalar
22. Shri M. C. Shah
23. Shri S. Banerjee
24. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

- | | | |
|---------------------------|---|---|
| 1. Shri D. L. Mazumdar | } | <i>Officers on Special Duty,
Department of Economic
Affairs, Ministry of Finance.</i> |
| 2. Shri K. V. Rajagopalan | | |
| 3. Shri R. Ganapathi Iyer | | |

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

2. The Committee resumed clause by clause consideration of the Bill.

3. *Clause 158.*—The following Government amendments to this clause were moved and adopted:—

(i) In sub-clause (3) (c), line 14—

for the words “discount paid” *substitute* the words “discount paid or to be paid”.

(ii) In sub-clause (3) (d), line 18—

for the words “auditors and secretary;”, *substitute* the words “secretary and auditors.”

(iii) In sub-clause (7), line 8—

for the words “articles”, *substitute* the words “provisions of this Act.”

(iv) In sub-clause (8), line 11—

for the words “articles”, *substitute* the words “provisions of this Act.”

A further amendment suggesting the deletion of the words “if any” in lines 41-42 in sub-clause (4) was also adopted.

The Clause as amended was adopted.

In this connection, after some discussion it was agreed that the Committee would bear in mind the question of substitution of the word “shall” for the word “may” occurring in line 10, sub-clause (5) of clause 209, when that clause was taken up for consideration.

4. *Clause 159.*—The clause was adopted with the following amendments—

(i) In proviso to sub-clause (1) (c), line 30—

After the words “annual general meeting” the words “(not being the first annual general meeting)” be inserted.

(ii) In sub-clause (2), line 36—

for the word “holiday” the words “public holiday” be substituted.

(iii) The “Explanation” to sub-clause (2) be deleted.

With reference to sub-clause (3), the Committee directed the Draftsman to make specific provisions for the relevant clauses being not applicable in the Act rather than delegating powers contemplated in this sub-clause to the Central Government.

The Committee further directed the Draftsman to redraft sub-clauses (3) and (4) so as to form a separate Section.

With regard to sub-clause (5), the Committee decided that the need for penalty in this sub-clause being fixed at five thousand rupees should be considered later generally and comprehensively along with all other items of penalties provided in the Act.

5. *Clause 160.*—A revised draft of sub-clauses (1) to (4) Appendix XIII was moved by Government. The redraft was adopted subject to the following modifications:—

- (i) In sub-clause (6), after the words “those matters”, the following be inserted,—
“to be held on a day not later than 45 days from the date of deposit of the requisition”.
- (ii) Sub-clause (6) (c) should be redrafted by the Draftsman as directed by the Committee.
- (iii) The appropriate place for inserting the “Explanation” [now in revised sub-clause (6)] was left to be considered later.

The following further amendment moved by Government was adopted,—

- (i) Existing sub-clauses (5), (6), and (7) be renumbered as (7), (8) and (9) respectively.
- (ii) In renumbered sub-clause (7), for the words “sub-section (4)”, the words “sub-section (6)” be substituted.

The clause as amended was adopted subject to the above conditions.

6. *Clause 161.*—The clause was adopted subject to the substitution of the figure “168” for “167” in line 34 of sub-clause (2) (b).

In this connection the Committee decided that the scope of the term “prescribed” in sub-clause (2) (a) and in the Definition Clause should be re-examined generally later.

7. *Clause 162.*—The following words in lines 41-42, page 73 of the Bill, sub-clause (1) were deleted—

“exclusive of the day on which the notice is served or deemed to be served and of the day of the meeting”.

The Committee also directed the Draftsman to revise the phraseology of the proviso to sub-clause (2) under the guidance of the Chairman.

The clause as amended was adopted subject to the above conditions.

8. *Clause 163.*—The Committee directed the Draftsman to redraft this clause by adopting the language of clause 48 (5) for sub-clause (2) (ii) of this clause.

9. *Clause 164.*—The clause was adopted without any amendment.

10. *Clause 165.*—The clause was adopted without any amendment.

11. The Committee then adjourned to meet again at 10-30 A.M. on Monday, the 8th November, 1954.

XXXIII

Thirty third Meeting

The Committee met from 10-30 A.M. to 1 P.M. on Monday, the 8th November, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Awadheshwar Prasad Sinha
3. Shri Radheshyam Ramkumar Morarka
4. Shri B. R. Bhagat
5. Shri T. S. Avinashilingam Chettiar
6. Shri K. T. Achuthan
7. Pandit Chatur Narain Malviya
8. Shri Tekur Subrahmanyam
9. Col. B. H. Zaidi
10. Shri Mulchand Dube
11. Shri Radhelal Vyas
12. Shri Kamal Kumar Basu
13. Shri Amjad Ali
14. Shri Tulsidas Kilachand
15. Shri G. D. Somani
16. Shri C. D. Deshmukh

Rajya Sabha

17. Shri Shriyans Prasad Jain
18. Shri Braja Kishore Prasad Sinha
19. Dr. Nalinaksha Dutt
20. Shri S. C. Karayalar
21. Shri M. C. Shah
22. Shri S. Banerjee
23. Shri B. C. Ghose

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

- | | | |
|---------------------------|---|---|
| 1. Shri D. L. Mazumdar | } | <i>Officers on Special Duty,
Department of Economic
Affairs, Ministry of Finance.</i> |
| 2. Shri K. V. Rajagopalan | | |
| 3. Shri R. Ganapathi Iyer | | |

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri P. K. Patnaik—*Under Secretary.*

2. In the absence of the Chairman for the time being, Shri C. D. Deshmukh, Finance Minister, was elected by the Committee to act as the Chairman.

3. The Committee resumed clause by clause consideration of the Bill.

4. *Clause 165.*—The Committee reviewed their earlier decision as respects this clause and accepted the following amendment:—

For the words "otherwise provide", substitute the words "provide for a larger number".

The clause as amended was adopted.

(The Chairman Shri Hari Vinayak Pataskar in the Chair).

5. *Clause 166.*—This clause was adopted without any amendment.

6. *Clause 167.*—The Committee discussed as to whether the words "whether a member or not" appearing in sub-clause (1) of this clause should be retained or not. The point for decision was whether non-members could also be appointed as proxy. In the end, the point was put to vote and decided by a majority that non-members could also be appointed as such. Accordingly it was decided to retain the expression "whether a member or not".

In sub-clause (7), the Committee accepted the following Government amendment:—

For the word "commencement", substitute the words "time fixed for the commencement".

The next point that came up for discussion was whether in view of the Committee's decision to allow non-members to be appointed as proxy, any restriction as regards the number in such cases should be put and if so whether the restrictions should also apply to Banks and Trusts. The discussion was not concluded.

7. The Committee then adjourned to meet again at 10-30 A.M. on Thursday, the 11th November, 1954.

XXXIV

Thirty-fourth Meeting

The Committee met from 10-30 A.M. to 1-10 P.M. on Thursday, the 11th November, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman*.

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Awadheshwar Prasad Sinha.
4. Shri Shriman Narayan Agarwal.
5. Shri Radheshyam Ramkumar Morarka.
6. Shri B. R. Bhagat.
7. Shri T. S. Avinashilingam Chettiar.
8. Shri K. T. Achuthan.
9. Pandit Chatur Narain Malviya.
10. Dr. Shaukatullah Shah Ansari.
11. Shri Tekur Subrahmanyam.
12. Col. B. H. Zaidi.
13. Shri Mulchand Dube.
14. Shri Ajit Singh.
15. Shri Kamal Kumar Basu.
16. Shri M. S. Gurupadaswamy.
17. Shri Amjad Ali.
18. Shri Tulsidas Kilachand.
19. Shri G. D. Somanl.
20. Shri Tridib Kumar Chaudhuri.
21. Shri C. D. Deshmukh.

Rajya Sabha

22. Shri Shriyans Prasad Jain.
23. Shri Braja Kishore Prasad Sinha.
24. Dr. Nalinaksha Dutt.
25. Shri S. C. Karayalar.
26. Shri M. C. Shah.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

- | | |
|----------------------------|---|
| 1. Shri D. L. Mazumdar | |
| 2. Shri K. V. Rajagopalan | } <i>Officers on Special Duty,
Department of Economic
Affairs, Ministry of Finance.</i> |
| 3. Shri R. Ganapathi Iyer. | |

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri P. K. Patnaik—*Under Secretary.*

2. The Committee resumed clause by clause consideration of the Bill.

3. *Clause 167 (contd.).—*

After some more discussion on the points raised on the 8th November, 1954, the Committee decided to leave sub-clause (1) of clause 167 as it was.

So the clause with the amendment to sub-clause (7) accepted at the previous meeting was adopted.

4. *Clause 168.*—The clause was adopted without any amendment.

5. *Clause 169.*—The following Government amendment was accepted:—

For the words "that a resolution has been carried on a show of hands or has been carried either unanimously or by a particular majority, or has been lost", substitute the words "that on a show of hands a resolution has or has not been carried, or has or has not been carried either unanimously or by a particular majority."

The clause as amended was adopted.

6. *Clause 170.*—The clause was adopted without any amendment.

7. *Clause 171.*—The clause was adopted without any amendment.

8. *Clause 172.*—This clause was omitted.

9. *Clause 173.*—*For the words "shall have any voting right", the words "shall exercise any voting right" were substituted.*

While the Committee decided that the principle underlining this clause (clause 173) was acceptable, the Draftsman was asked to examine if there was any inconsistency in clause 80 when read with this clause and if so, to suggest necessary amendments, to either of these two clauses.

10. *Clause 174.*—The following amendments were accepted:—

(i) In the title of the clause, *after* the word "restricting", insert the words "exercise of";

(ii) *For the words "from voting", substitute the words "from exercising his voting."*

The clause as amended was adopted.

11. *Clause 175.*—The following Government amendment was accepted:—

For the words "or his proxy, as the case may be", substitute the words "or his proxy or other person entitled to vote for him, as the case may be,".

The clause as amended was adopted.

12. *Clause 176.*—The clause was adopted without any amendment.

13. *Clause 177.*—The following amendment was accepted:—

For sub-clause (2), substitute the following:—

“(2) The result of the poll shall be deemed to be the decision on the resolution.”

The clause as amended was adopted.

14. *Clause 178.*—The following Government amendments were accepted:—

(i) In sub-clause (1), in line 5 on page 78, *for the word “and”, substitute the word “or”;*

(ii) In the same sub-clause (1), in line 13 on page 78, *for the words “operation of the Company’s articles”, substitute the words “operation of the provisions of this Act and of the Company’s articles”.*

The clause as amended was adopted.

15. *Clause 179.*—The following Government amendments were accepted:—

(i) In line 20, page 78, *for the word “meeting” in the title of this clause, substitute the word “meetings”.*

(ii) In line 36, page 78, *omit the words “in respect of the matters and to the extent specified in the resolution,”.*

(iii) In line 39, page 78, *for the words “an individual shareholder” substitute the words “a member”.*

(iv) In line 40, page 78, *for the words “of that other company”, substitute the words “of the company”.*

The clause as amended was adopted.

16. *Clause 180.*—The following amendment was accepted:—

In sub-clause (4)(a)(ii), *for the words “seven days” substitute the words “two weeks”.*

The clause as amended was adopted.

17. *Clause 181.*—The following Government amendments were accepted:—

(i) In sub-clause (1) *after the words “votes cast” insert the words “(whether on a show of hands or on a poll, as the case may be)”.*

(ii) In sub-clause (2)(c) *after the word “resolution” insert the words “(whether on a show of hands or on a poll, as the case may be)”.*

(iii) sub-clause (3) was omitted.

(iv) sub-clause (4) was also omitted.

The clause as amended was adopted.

18. The Committee then adjourned to meet again at 3 P.M. on Friday, the 12th November, 1954.

XXXV

Thirty-fifth Meeting

The Committee met from 3 P.M. to 6-15 P.M. on Friday, the 12th November, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Awadheshwar Prasad Sinha.
4. Shri Radheshyam Ramkumar Morarka.
5. Shri B. R. Bhagat.
6. Shri T. S. Avinashilingam Chettiar.
7. Shri K. T. Achuthan.
8. Pandit Chatur Narain Malviya.
9. Shri Tekur Subrahmanyam.
10. Col. B. H. Zaidi.
11. Shri Mulchand Dube.
12. Shri Ajit Singh.
13. Shri Kamal Kumar Basu.
14. Shri C. R. Chowdary.
15. Shri Tulsidas Kilachand.
16. Shri G. D. Somani.
17. Shri Tridib Kumar Chaudhuri.
18. Shri C. D. Deshmukh.

Rajya Sabha

19. Shri Shriyans Prasad Jain.
20. Shri Braja Kishore Prasad Sinha
21. Dr. Nalinaksha Dutt.
22. Shri S. C. Karayalar.
23. Shri M. C. Shah

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

- | | | |
|---------------------------|---|---|
| 1. Shri D. L. Mazumdar | } | Officers on Special Duty
Department of Economic
Affairs, Ministry of Finance. |
| 2. Shri K. V. Rajagopalan | | |
| 3. Shri R. Ganapathi Iye | | |

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri P. K. Patnaik—*Under Secretary.*

2. The Committee resumed clause by clause consideration of the Bill.

3. *Clause 181.*—Consideration of this clause was reopened at the request of some members. After some discussion the following decision was taken:—

Any reference to an extraordinary resolution in the Articles of any company which is in force at the commencement of this Act shall be construed as a reference to a special resolution with effect on and from such commencement.

The Draftsman was directed to amend clause 181 accordingly.

4. *Clause 182.*—This clause was adopted without any amendment.

5. *Clause 183.*—This clause was adopted without any amendment.

6. *Clause 184.*—In sub-clause (6) the following Government amendment was accepted:—

For the words "if in complying with", substitute the words "if default is made in complying with".

The clause as amended was adopted.

It was however decided that all agreements relating to the appointment of a Managing Director entered into by a Board of Directors must also be registered. The Draftsman was asked to provide for this at the appropriate place in the Bill.

7. *Clause 185.*—In sub-clause (2) the words "and in particular of all material questions asked or comments made at the meeting" were deleted.

The clause as amended was adopted.

8. *Clauses 186 to 189.*—These clauses were adopted without any amendment.

9. *Clause 190.*—Consideration of this clause was held over till the next meeting of the Committee.

10. *Clause 191.*—The following revised sub-clause (1) proposed by Government was accepted by the Committee in substitution of the existing sub-clause (1) of this clause 191:—

"(1) No dividend shall be paid by a company in respect of any share therein, except—

(a) to the registered holder of such share or to his order or to his bankers; or

(b) in case a share warrant has been issued in respect of the share in pursuance of section 108, to the bearer of such warrant or to his bankers."

The clause as amended was adopted.

11. *Clause 192.*—In para (a) of the proviso, the following words were added at the end:—

“or where the dividend has been lawfully adjusted”.

The Draftsman was asked to check up the amendment.

New paragraph (d) of the proviso

It was decided to add a new paragraph (d) to the effect that the Company shall not be made liable unless non-payment is on account of any fault on the part of the Company. The Draftsman was directed to place a draft para on the above lines before the Committee.

12. *Clause 193.*—This clause was held over till the next meeting of the Committee.

13. *Clause 194.*—In sub-clause (4) the following amendments were accepted:—

(i) the words “during business hours” were added at the end;

(ii) the words “at all times” were deleted.

The clause as amended was adopted.

14. *Clause 195.*—This clause was adopted without any amendment.

15. *Clause 196.*—The following amendments were accepted:—

(i) in sub-clause (3) the words “company or” were deleted;

(ii) in para (iii) of sub-clause (5), for the words “any other company”, the words “any company” were substituted.

It was decided that the sub-clause (5) of this clause should be brought on lines with clause 574. The matters included in sub-clauses (c) and (d) of clause 574 should also find mention in sub-clause (5) of this clause 196. The Draftsman was asked to examine this and amend sub-clause (5) of this clause suitably.

16. The Committee then adjourned to meet again at 9-30 A.M. on Saturday, the 13th November, 1954.

XXXVI

Thirty-sixth Meeting

The Committee met from 9-30 A.M. to 12-50 P.M. on Saturday, the 13th November, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman*.

MEMBERS

Lok Sabha

2. Shri Chamanlal Chakubhai Shah.
3. Shri Awadheshwar Prasad Sinha.
4. Shri Radheshyam Ramkumar Morarka.
5. Shri B. R. Bhagat.
6. Shri T. S. Avinashilingam Chettiar.
7. Shri K. T. Achuthan.
8. Pandit Chatur Narain Malviya.
9. D. Shaukatullah Shah Ansari.
10. Shri Tekur Subrahmanyam.
11. Col. B. H. Zaidi.
12. Shri Mulchand Dube.
13. Shri Ajit Singh.
14. Shri C. R. Chowdary.
15. Shri Tulsidas Kilachand.
16. Shri Tridib Kumar Chaudhuri.
17. Shri C. D. Deshmukh.

Rajya Sabha

18. Shri Shriyans Prasad Jain.
19. Shri Braja Kishore Prasad Sinha.
20. Shri S. C. Karayalar.
21. Shri M. C. Shah

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

- | | | |
|---------------------------|---|---|
| 1. Shri D. L. Mazumdar | { | <i>Officers on Special Duty,
Department of Economic
Affairs, Ministry of Finance.</i> |
| 2. Shri K. V. Rajagopalan | | |
| 3. Shri R. Ganapathi Iyer | | |

SECRETARIAT

Shri M. Sundar Raj.—*Deputy Secretary.*

Shri P. K. Patnaik.—*Under Secretary.*

2. The Committee appointed a Sub-Committee consisting of the following Members to examine the drafting of clauses 209 to 306 of the Bill and to suggest necessary amendments therein if any:—

Shri Hari Vinayak Pataskar—*Chairman.*

Shri M. C. Shah.

Shri C. C. Shah.

Shri Radheshyam Ramkumar Morarka.

Pandit Chatur Narain Malviya.

The Sub-Committee was directed to complete the work entrusted to them before the next meeting of the Committee.

3. The Committee resumed clause by clause consideration of the Bill.

4. *Clause 190.*—This clause, consideration of which was held over on the 12th November, 1954, was taken up. After some discussion the following revised clause 190 was adopted in substitution of the existing clause:—

“190. *Dividend to be paid only out of profits.*—No dividend shall be paid except out of the profits of the Company or moneys provided by the Central or a State Government for the payment of the dividend in pursuance of a guarantee given by such Government.

Explanation.—Nothing in this section shall be deemed to affect in any manner the operation of section 193.”

5. *Clause 193.*—This clause, the consideration of which was held over on the 12th November, 1954, was then taken up.

After some discussion, the clause was adopted without any amendment.

6. *Clause 197.*—In sub-clause (2) (c) for the words “shall end” the words “shall not end” were substituted.

Also the word “not” appearing in this sub-clause (2) (c), in line 14 at page 88, was deleted.

The clause as amended was adopted.

7. *Clause 198.*—In sub-clause (2) the following Government amendment was accepted:—

For the words “if later”, Substitute the words “if that date is later than the commencement of this Act”.

The clause as amended was adopted.

8. *Clause 199.*—In sub-clause (2) the word “alone” was deleted. The clause as amended was adopted.

9. *Clause 200.*—In sub-clause (1) the following Government amendment was accepted:—

For item (i) substitute the following: “(i) in the case of a banking company, by the persons specified in clause (a) or clause (b), as the case may be, of sub-section (2) of section 29 of the Banking Companies Act, 1949 (X of 1949);”

The clause as amended was adopted.

10. *Clause 201.* This clause was adopted without any amendment.

11. *Clause 202.* In this clause the following Government amendments were accepted:—

(i) In sub-clause (1) (b) for the words “Reserve Fund”, substitute the words “reserves”; (ii) in sub-clause (3), after the words “their report aforesaid”, insert the words “or in cases falling under the proviso to section 207, in an addendum to that report”. Sub-clause (5) was held over.

12. *Clause 203.*—In sub-clause (b), item (ii), for the word “thereto”, the words “to the balance sheet” were substituted.

The clause as amended was adopted.

13. *Clause 204.*—In sub-clause (1) the following Government amendments were accepted:—

(i) In line 4, for “annexed or attached thereto, as the case may be” substitute “annexed or attached, as the case may be, to the balance sheet”;

(ii) In line 6, after “every member of the Company” insert the words “every holder of debentures issued by the Company (not being debentures which *ex facie*, are payable to the bearer thereof), and every trustee for the holders of any debentures issued by the Company”;

(iii) In line 7, for “he”, substitute “such member, holder or trustee”;

(iv) In lines 8-9, omit the words and brackets “every trustee for the holders of debentures of the Company (whether he is or is not so entitled)”;

(v) In line 11, after “members”, insert “holders”.

The clause as amended was adopted.

14. *Clause 205.*—This clause was adopted without any amendment.

15. *Clause 206.*—In sub-clause (1) for the words “an auditor” the words “the Company’s auditor” were substituted.

The clause as amended was adopted.

16. *Clause 207.*—This clause was adopted without any amendment.

17. *Clause 208.*—In sub-clause (1), after the words “every Company being”, the words “a Limited Banking company” were inserted.

The clause as amended was adopted.

The Draftsman was, however, asked to examine whether it was essential to retain this clause.

18. The Committee then adjourned to meet again at 10 A.M. on Saturday, the 27th November, 1954.

XXXVII

Thirty-seventh Meeting

The Committee met from 10 A.M. to 11-25 A.M. on Saturday, the 27th November, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha.

2. Shri Chimanlal Chakubhai Shah .
3. Shri Shriman Narayan Agarwal.
4. Shri R. Venkataraman.
5. Shri Radheshyam Ramkumar Morarka
6. Shri B. R. Bhagat.
7. Shri K. T. Achuthan.
8. Pandit Chatur Narain Malviya.
9. Shri Tekur Subrahmanyam.
10. Shri Mulchand Dube.
11. Shri Radhelal Vyas.
12. Shri Amjad Ali.
13. Shri N. C. Chatterjee.
14. Shri Tulsidas Kilachand
15. Shri G. D. Somanl.
16. Shri C. D. Deshmukh.

Rajya Sabha

17. Shri Shriyans Prasad Jain.
18. Shri Braja Kishore Prasad Sinha.
19. Shri Amolakh Chand.
20. Shri M. C. Shah.
21. Shri V. K. Dhage.
22. Shri S. Banerjee.
23. Shri B. C. Ghose.
24. Dr. P. V. Kane.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS.

- | | | |
|----------------------------|---|---|
| 1. Shri D. L. Mazumdar | { | <i>Officers on Special Duty,
Department of Economic
Affairs, Ministry of Finance.</i> |
| 2. Shri K. V. Rajagopalan. | | |
| 3. Shri R. Ganapathi Iyer | | |

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri P. K. Patnaik—*Under Secretary.*

2. The Report of the Sub-Committee was presented by the Chairman.

3. The Committee resumed clause by clause consideration of the Bill along with the Report of the Sub-Committee.

4. *Clause 209.*—The following amendments were accepted:—

In the title of the clause (page 94, line 35)—

for “Qualifications and appointment and powers and duties of auditors”, *substitute* “Appointment and remuneration of auditors”.

sub-clause (5)—

(i) In page 95, line 11,

For “may”, *substitute* “shall”;

(ii) In page 95, line 12,

For “before the first annual general meeting” *substitute* “within one month of the date of registration of the Company”;

(iii) In page 95, lines 13-14,

For “that meeting”, *substitute* “the next succeeding annual general meeting”.

The Clause as amended was adopted.

5. The Committee then adjourned to meet again at 5 P.M. on Monday, the 29th November, 1954.

XXXVIII
Thirty-eighth Meeting

The Committee met from 5 P.M. to 6-40 P.M. on Monday, the 29th November, 1954.

PRESENT

Shri Hari Winayak Pataskar—Chairman.

MEMBERS

Lok Sabha

2. **Shri Chimanlal Chakubhai Shah.**
3. **Shri Radheshyam Ramkumar Morarka.**
4. **Shri B. R. Bhagat.**
5. **Shri K. T. Achuthan.**
6. **Pandit Chatur Narain Malviya.**
7. **Shri Tekur Subrahmanyam.**
8. **Shri Mulchand Dube.**
9. **Shri Radhelal Vyas.**
10. **Shri Amjad Ali.**
11. **Shri N. C. Chatterjee.**
12. **Shri G. D. Somani.**

Rajya Sabha

13. **Dr. P. Subbarayan.**
14. **Shri Shriyans Prasad Jain.**
15. **Dr. R. P. Dube.**
16. **Shri Braja Kishore Prasad Sinha.**
17. **Shri Amolakh Chand.**
18. **Shri M. C. Shah.**
19. **Shri V. K. Dhage.**
20. **Shri B. C. Ghose.**
21. **Dr. P. V. Kane.**

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

- | | | |
|----------------------------------|---|--------------------------------------|
| 1. Shri D. L. Mazumdar | { | <i>Officers on Special Duty,</i> |
| 2. Shri K. V. Rajagopalan | | <i>Department of Economic</i> |
| 3. Shri R. Ganapathi Iyer | | <i>Affairs, Ministry of Finance.</i> |

SECRETARIAT

Shri M. Sundar Raj—Deputy Secretary.
Shri P. K. Patnaik—Under Secretary.

2. The Committee resumed clause by clause consideration of the Bill along with the Report of the Sub-Committee.

3. *Clause 210.*—The following amendments were accepted:—

Sub-clause (2)

In page 96, line 7,—

delete “if any”.

Sub-clause (3)

In page 96, line 27,—

for “on an application under this section”, *substitute* “on such an application”.

Sub-clause (4)

In page 96, lines 31-32,—

for “as it applies”, *substitute* “as they apply”.

The clause as amended was adopted.

4. *Clause 211.*—The following amendments were accepted:—

Sub-clause (1)

(i) In page 96, line 39,—

delete “either”;

(ii) In page 96, lines 40-42,—

delete “or as having obtained adequate knowledge and experience in the course of his employment by a chartered accountant as aforesaid”.

New Sub-clause (2)

Add new sub-clause (2) as follows:—

“(2) (a) Notwithstanding anything contained in sub-section (1) but subject to the provisions of rules made under clause (b), holder of a certificate granted under a law in force in the whole or any portion of a Part B State immediately before the commencement of the Part B State (Laws) Act, 1951, (III of 1951), entitling him to act as an auditor of companies in that State or any portion thereof shall be entitled to be appointed to act as an auditor of companies registered anywhere in that State.

(b) The Central Government may, by notification in the Official Gazette, make rules providing for the grant, renewal, suspension or cancellation of auditors' certificates to persons in Part B States for the purposes of clause (a), and prescribing conditions and restrictions for such grant, renewal, suspension or cancellation.”

The existing sub-clauses 2 to 4 to be renumbered as 3 to 5.

In *sub-clause (3)* as renumbered, (original *sub-clause 2*)

(i) *insert* new paragraph (a) as follows:—

“(a) a body corporate”;

(ii) re-letter the existing paragraphs (a) to (e) as paragraphs (b) to (f);

- (iii) *after* the proviso to this sub-clause *add* the following:—
 “References in this sub-section to an officer or servant shall be construed as not including references to an auditor”.

The clause as amended was adopted.

5. *Clause 212.*—The following amendments were accepted:—
Sub-clause 3(b)

In page 98, line 1,—
after “proper books of account”.
insert “as required by law”
New sub-clause (4).

Insert a new sub-clause (4) as follows:—

- “(4) Where any of the matters referred to in clause (i) and (ii) of sub-section (2) or in clauses (a), (b) and (c) of sub-section (3) is answered in the negative or with a qualification, the auditor’s report shall state the reason for the answer.”

Re-number existing sub-clause (4) as sub-clause (5).

The clause as amended was adopted.

6. *Clause 213.*—The following amendment was accepted:—
Sub-clause (1)

In page 98, line 26,—
 for “section 210”, *substitute* “section 211”.

7. *Clause 214.*—The following amendment was accepted:—

In page 98, lines 45 and 46,—
 for “sign or authenticate any financial statement of the company”.
substitute “any other document required by law to be signed by the auditor”.

The clause as amended was adopted.

8. *Clause 215.*—The clause was adopted without any amendment.
 9. *Clause 216.*—The clause was adopted without any amendment.
 10. *Clause 217.*—The following amendments were accepted:—
 (i) *In the title*
 For “212”, *substitute* “210”;
 (ii) in page 99, line 10,—
 For “211”, *substitute* “210”;

The Committee further decided that only wilful default should be punishable. The Draftsman was directed to recast the clause accordingly.

11. *Clause 218.*—The following amendment was accepted:—

In page 99, lines 17 and 18,—

for “signs or authenticates the financial statement”, *substitute* “any other document required by law to be signed by the auditor”.

The clause as amended was adopted.

12. *Clause 219.*—The following amendment was accepted:—

Sub-clause (7)

In page 100, line 9,—

for “or the creditors of any other person”, *substitute* “in fraud of persons dealing with the company”.

The clause as amended was adopted.

13. The Committee then adjourned to meet again at 3-30 P.M. on Tuesday, the 30th November, 1954.

XXXIX

Thirty-ninth Meeting

The Committee met from 3-30 P.M. to 5-5 P.M. on Tuesday, the 30th November, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Radheshyam Ramkumar Morarka.
4. Shri B. R. Bhagat.
5. Shri T. S. Avinashilingam Chettiar.
6. Shri K. T. Achuthan.
7. Pandit Chatur Narain Malviya.
8. Shri Mulchand Dube.
9. Shri Radhelal Vyas.
10. Shri Amjad Ali.
11. Shri N. C. Chatterjee.
12. Shri Tridib Kumar Chaudhuri.

Rajya Sabha

13. Dr. P. Subbarayan.
14. Shri Shriyans Prasad Jain.
15. Dr. R. P. Dube.
16. Shri Braja Kishore Prasad Sinha.
17. Shri S. C. Karayalar.
18. Shri M. C. Shah.
19. Shri V. K. Dhage.
20. Shri S. Banerjee.
21. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

1. Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*
2. Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*
3. Shri R. Ganapathi Iyer, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri P. K. Patnaik—*Under Secretary.*

2. The Committee resumed clause by clause consideration of the Bill along with the Report of the Sub-Committee.

3. *Clause 220.*—The following amendment was accepted:—

In page 100, line 23,—

after “one or more”,

insert “competent persons as”

The clause as amended was adopted.

4. *Clause 221.*—The following amendments were accepted:—

(i) In the title of the clause (in page 100, lines 34-35)

for “Application for inspection by members to be supported by evidence”, substitute “Application by members to be supported by evidence and power to call for security”.

(ii) In page 100, line 39,—

after “give security”

insert “for such amount not exceeding one thousand rupees as it may think fit,”

The clause as amended was adopted.

5. *Clause 222.*—The following amendment was accepted:—

In sub-clause (a)

In page 100, line 43,—

after “one or more”

insert “competent persons as”

The Committee further decided that an Explanation on the lines of the recommendation of the Report of the Company Law Committee contained in para 1 at page 305 of the said Report be added to sub-clause (b) of this clause. Draftsman was directed to draft “Explanation” accordingly and place it before the Committee.

6. *New Clause 222A.*—A new clause as follows was adopted:—

“222A. *Firm, body corporate and association not to be appointed under section 220 or 222.*—No firm, body corporate or other association shall be appointed as an inspector under section 220 or 222.”

7. *Clause 223.*—The following amendment was accepted:—

Sub-clause (b)

In page 101, line 26,—

after “as”

insert “the managing agent of”

The Committee further decided that the inspector's power under sub-clause (b) (ii) and (iii) as well as under sub-clause (c) and (d) should be exercised only with the prior approval of

Central Government. Draftsman was directed to recast the said sub-clauses accordingly.

8. *Clause 224.*—The following amendments were accepted:—

(i) *Sub-clause (2)*

In page 102, line 12,—

after “as the case may be”,

add “and may administer an oath accordingly”;

(ii) *Sub-clause (3)*

In page 102, lines 19-23,—

for “and if after hearing * * * contempt of the Court”, substitute “and after hearing any witnesses who may be produced against or on behalf of the alleged offender and after hearing any statement which may be offered in defence, punish the offender in like manner as if he had been guilty of contempt of the court”.

(iii) *New sub-clause (5)*

In page 102, after line 43,—

add the new sub-clause (5) as follows:—

“(5) Notes of any examination under sub-section (2) or (4) shall be taken down in writing and shall be read over to or by, and signed by, the person examined, and may thereafter be used in evidence against him.”

(iv) Re-number the existing sub-clause (5) as sub-clause (6). The clause as amended was adopted.

9. *Clause 225.*—The following amendment was accepted:—

In page 103, lines 31-35,—

Omit the proviso.

The clause as amended was adopted.

10. The Committee then adjourned to meet again at 3-30 P.M. on Thursday, the 2nd December, 1954.

XL

Fortieth Meeting

The Committee met from 3-30 P.M. to 4-55 P.M. on Thursday, the 2nd December, 1954.

PRESENT

Shri Hari Vinayak Pataskar—Chairman.

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Radheshyam Ramkumar Morarka.
4. Shri B. R. Bhagat.
5. Shri K. T. Achuthan.
6. Pandit Chatur Narain Malviya.
7. Col. B. H. Zaidi.
8. Shri Radhelal Vyas.
9. Shri Ajit Singh.
10. Shri M. S. Gurupadaswamy.
11. Shri Amjad Ali.
12. Shri N. C. Chatterjee.
13. Shri G. D. Somani.
14. Shri Tridib Kumar Chaudhuri.
15. Shri C. D. Deshmukh.

Rajya Sabha

16. Dr. P. Subbarayan.
17. Dr. R. P. Dube.
18. Shri S. C. Karayalar.
19. Shri M. C. Shah.
20. Shri V. K. Dhage.
21. Shri S. Banerjee.
22. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

1. Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*
2. Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*
3. Shri R. Ganapathi Iyer, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri P. K. Patnaik—*Under Secretary.*

2. The Committee resumed clause by clause consideration of the Bill.

3. The Committee decided that they would take up the clauses relating to Managing Agents from the 20th December, 1954.

4. *Clause 226.*—The clause was adopted without any amendment.

5. *Clause 227.*—The following amendment was accepted:—

In page 104, line 11,—

for “the Registrar”

substitute “any person authorised by the Central Government in this behalf”.

The clause as amended was adopted.

6. *Clauses 228-230.*—These clauses were adopted without any amendment.

7. *Clause 231.*—The following amendment was accepted:—

Sub-clause (5).

Add a new para (iii) to the proviso to this sub-clause as follows:—

“(iii) the Central Government shall not be bound to furnish the company or any other person with a copy of any report by an inspector appointed under this section or with a complete copy thereof if they are of opinion that there is good reason for not divulging the contents of the report or of parts thereof, but shall cause to be kept by the register a copy of any such report or, as the case may be, the parts of any such report, as respects which they are not of that opinion.”

The clause as amended was adopted.

8. *Clauses 232-237.*—These clauses were adopted without any amendment.

9. *Clause 238.*—The following amendments were accepted:—

(i) In page 109, lines 44-45,—

for “shall exercise the power of”

substitute “shall be deemed to be”.

(ii) In page 109, line 46,—

for “in pursuance of”

substitute “in accordance with”.

The clause as amended was adopted.

10. The Committee then adjourned to meet again at 3-30 P.M. on Friday, the 3rd December, 1954.

XLI

Forty-first Meeting

The Committee met from 3-30 P.M. to 5 P.M. on Friday, the 3rd December, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman*.

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Radheshyam Ramkumar Morarka.
4. Shri B. R. Bhagat.
5. Shri T. S. Avinashilingam Chettiar.
6. Shri K. T. Achuthan.
7. Pandit Chtur Narain Malviya.
8. Dr. Shaukatullah Shah Ansari.
9. Col. B. H. Zaidi.
10. Pandit Munishwar Dutt Upadhyay.
11. Shri Radhelal Vyas.
12. Shri Ajit Singh.
13. Shri Amjad Ali.
14. Shri G. D. Somani.
15. Shri Tridib Kumar Chaudhuri.
16. Shri C. D. Deshmukh.

Rajya Sabha

17. Dr. P. Subbarayan.
18. Dr. R. P. Dube.
19. Shri Braja Kishore Prasad Sinha.
20. Shri S. C. Karayalar.
21. Shri M. C. Shah.
22. Shri S. Banerjee.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

1. Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*
2. Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*
3. Shri R. Ganapathi Iyer, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri P. K. Patnaik—*Under Secretary.*

2. The Committee resumed clause by clause consideration of the Bill.

3. *Clause 239.*—This clause was held over after some discussion.

4. *Clauses 240-245.*—These clauses were held over.

5. *Clause 246.*—The clause was adopted without any amendment.

6. *Clause 247.*—The clause was adopted without any amendment.

7. *Clause 248.*—The clause was adopted without any amendment. The Draftsman was, however, directed to examine whether sub-clause 2 of this clause was at all necessary in view of the provisions of clause 7 of the Bill.

8. *Clause 248-251.*—These clauses were adopted without any amendment.

9. *Clause 252.*—The following Government amendment was accepted:—

Sub-clause (1)

In page 115, line 14,—

after paragraph (b)

insert the following new paragraph:—

“(bb) he has applied to be adjudicated an insolvent and his application is pending;”

Consideration of this clause was not concluded.

10. The Committee then adjourned to meet again at 10 A.M. on Saturday, the 4th December, 1954.

XLII

Forty-second Meeting

The Committee met from 10 A.M. to 12 P.M. on Saturday, the 4th December, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Shriman Narayan Agarwal.
4. Shri Radheshyam Ramkumar Morarka.
5. Shri B. R. Bhagat.
6. Shri T. S. Avinashilingam Chettiar.
7. Shri K. T. Achuthan.
8. Pandit Chatur Narain Malviya.
9. Shri Mulchand Dube.
10. Shri Amjad Ali.
11. Shri G. D. Somani.
12. Shri Tridib Kumar Chaudhuri.

Rajya Sabha

13. Dr. P. Subbarayan.
14. Dr. R. P. Dube.
15. Shri Braja Kishore Prasad Sinha.
16. Shri S. C. Karayalar.
17. Shri Amolakh Chand.
18. Shri M. C. Shah.
19. Shri V. K. Dhage.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS.

- | | |
|----------------------------|--|
| 1. Shri D. L. Mazumdar. | } Officers on Special Duty,
Department of Economic
Affairs, Ministry of Finance. |
| 2. Shri K. V. Rajagopalan. | |
| 3. Shri R. Ganapathi Iyer. | |

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri P. K. Patnaik—*Under Secretary.*

2. The Committee resumed clause by clause consideration of the Bill.

3. *Clause 252 (contd.)*.—The following further amendments were accepted:—

- (i) *Sub-clause (1)*: In page 115, lines 14—18,—omit paragraph (c).
- (ii) In page 115, line 19,—delete “other”.
- (iii) In page 115, line 21,—for “two years” substitute “six months”.
- (iv) In page 115, lines 23-24,—delete “or, any private company of which he is a director”.
- (v) In page 115, lines 25-26,—for “held by him, the firm or the private company” substitute “held by him or the firm”.
- (vi) In page 115, line 30,—for “clause (c), (d), or (e)” substitute “clause (d), or (e)”
- (vii) In page 115, lines 32—35,—omit sub-clause (3).

The clause as amended was adopted.

4. *Clause 253*.—The clause was adopted without any amendment.

5. *Clause 254*.—The following amendments were accepted:—

- (i) *Sub-clause (1)*: In page 116, line 4,—for “one month” substitute “two months”.
- (ii) *Sub-clause (3)*: In page 116, line 17,—for “one month” substitute “two months”.

The clause as amended was adopted.

6. *Clause 255*.—The following amendments were accepted:—

- (i) *Sub-clause (1)*: In page 116, line 26,—for “seven days” substitute “fifteen days”.
- (ii) In page 116, line 29,—for “seven days” substitute “fifteen days”.

The clause as amended was adopted.

7. *Clause 256*.—The following amendments were accepted:—

- (i) *Sub-clause (a)*: In page 116, line 45,—for “not a subsidiary of a public company” substitute “neither a subsidiary nor a holding company of a public company”.
- (ii) *Sub-clause (c)*: In page 116, line 47,—add “or which prohibits the payment of a dividend”.

The clause as amended was adopted.

8. *Clauses 257—260*.—These clauses were adopted without any amendment.

9. The Committee then adjourned to meet again at 3-30 P.M. on Monday, the 6th December, 1954.

XLIII

Forty-third Meeting

The Committee met from 3-30 P.M. to 4-45 P.M. on Monday, the 6th December, 1954.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman*.

MEMBERS

Lok Sabha

2. Shri Radheshyam Ramkumar Morarka.
3. Shri B. R. Bhagat.
4. Shri T. S. Avinashilingam Chettiar.
5. Dr. Shaukatullah Shah Ansari.
6. Shri Kamal Kumar Basu.
7. Shri C. R. Chowdary.
8. Shri Amjad Ali.
9. Shri Tridib Kumar Chaudhuri.

Rajya Sabha

10. Dr. P. Subbarayan.
11. Dr. R. P. Dube.
12. Shri Braja Kishore Prasad Sinha.
13. Shri R. S. Doogar.
14. Shri S. C. Karayalar.
15. Shri M. C. Shah.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS.

1. Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*
2. Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*
3. Shri R. Ganapathi Iyer, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary*.

Shri P. K. Patnaik—*Under Secretary*.

2. The Committee resumed clause by clause consideration of the Bill.

3. Clause 261.—The following amendments were accepted:—

- (i) *sub-clause (1):* In page 118, lines 31—35,—*omit sub-clause (g) and re-letter the subsequent clauses;*
- (ii) *sub-clause (1):* In page 118, lines 43-44,—*delete “by an ordinary resolution passed by the company in general meeting”.*
- (iii) *sub-clause (2):* In page 119, lines 2—6,—*for “shall not take effect * * * * disposed of”*

substitute “shall not take effect—

for thirty days from the date of the adjudication, conviction or sentence, or

(b) where any appeal or petition is preferred within the thirty days aforesaid against the adjudication, conviction, or sentence, until the expiry of seven days from the date on which such appeal or petition is disposed of; or

(c) where within the seven days aforesaid, any further appeal or petition is preferred in respect of the adjudication, conviction, or sentence, and the appeal or petition, if allowed, would result in the removal of the disqualification, until such further appeal or petition is disposed of.”

The Draftsman was also directed to effect the necessary changes in this clause consequential upon the amendments already accepted in clause 252.

4. Clause 262.—The following amendment was accepted:—

In page 120, lines 14-15,—omit sub-clause (8)

The clause as amended was adopted.

5. Clause 263.—The following amendments were accepted:—

- (i) *In page 120, line 17,—for “two” substitute “three”.*
- (ii) *In page 120, line 19,—for “two” substitute “three”.*
- (iii) *In page 120, lines 19—22,—delete “that is to say, if a directors’ meeting is held in any calendar month the next meeting shall be held not later than the last day of the calendar month immediately succeeding the next calendar month.”*

The clause as amended was adopted.

6. Clause 264.—The following amendment was accepted:—

In page 120, lines 29-30,—omit sub-clause (3).

Referring to sub-clause (i) of this clause the Committee decided that whether a director is in India or not, the notice should be sent

to his usual address. The Draftsman was, however, directed to examine this position and provide for it in the appropriate place in the Bill and recast this clause accordingly.

7. *Clause 265.*—The Committee adopted the following revised clause in substitution of the original clause:—

“265. *Quorum for Board Meetings.*—The quorum for a meeting of the Board of Directors of a company shall be—

(a) one-third of the total strength of the Board, as determined under sections 236, 239 and 242 provided that the number of the directors, if any, whose places may be vacant at the time, shall not be taken into account for the purposes of this clause, or

(b) two directors, whichever is higher”.

8. *Clause 266.*—The following amendment was accepted:—

Sub-clause (1): In page 120, line 42,—delete “duly”.

The clause as amended was adopted.

9. The Committee then adjourned to meet again at 3-30 P.M. on Wednesday, the 8th December, 1954.

XLIV

Forty-fourth Meeting

The Committee met from 11 A.M. to 1-30 P.M. on Thursday, the 27th January, 1955.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman*.

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Awadheshwar Prasad Sinha.
4. Shri N. M. Lingam.
5. Shri Ghamandi Lal Bansal.
6. Shri Radheshyam Ramkumar Morarka.
7. Shri B. R. Bhagat.
8. Shri K. T. Achuthan.
9. Pandit Chatur Narain Malviya.
10. Dr. Shaukatullah Shah Ansari.
11. Col. B. H. Zaidi.
12. Pandit Munishwar Dutt Upadhyay.
13. Shri Radhelal Vyas.
14. Shri Ajit Singh.
15. Shri M. S. Gurupadaswamy.
16. Shri Amjad Ali.
17. Shri Tulsidas Kilachand.
18. Shri G. D. Somani.

Rajya Sabha

19. Dr. P. Subbarayan.
20. Shri Shriyans Prasad Jain.
21. Dr. R. P. Dube.
22. Shri Braja Kishore Prasad Sinha.
23. Dr. Nalinaksha Dutt.
24. Shri R. S. Doogar.
25. Shri S. C. Karayalar.
26. Shri Amolakh Chand.
27. Shri M. C. Shah.
28. Shri V. K. Dhage.
29. Shri S. Banerjee.
30. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS.

1. Shri D. L. Mazumdar, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*
2. Shri K. V. Rajagopalan, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*
3. Shri R. Ganapathi Iyer, *Officer on Special Duty, Department of Economic Affairs, Ministry of Finance.*

SECRETARIAT

Shri P. K. Patnaik—*Under Secretary.*

2. The Committee resumed clause by clause consideration of the Bill.

3. The clauses relating to the "Managing Agents" were taken up, leaving clauses 267 to 306 to be considered later on.

4. *New Clause 306-A.*—Government amendment to insert a new clause 306-A, as following was considered:—

In page 142, after the central heading "Prohibition of appointment of managing agent in certain cases" insert—

"306-A. Power of Central Government to notify that companies engaged in specified classes of industry or business shall not have managing agents.—(1) Subject to such rules as may be prescribed in this behalf, the Central Government may, by Notification in the Official Gazette, declare that, as from such date as may be specified in the Notification, the provisions of sub-section (2) shall apply to all companies, whether incorporated before or after the commencement of this Act, which are engaged on that date or may thereafter be engaged, wholly or in part, in such class or description of industry or business as may be specified in the Notification.

(2) Thereupon,—

(a) where any such company has a managing agent on the specified date, the term of office of that managing agent shall, if it does not expire earlier, expire at the end of three years from the specified date or on the 15th day of August, 1960, whichever is later; and the company shall not reappoint or appoint the same or any other managing agent and.

(b) where any such company has no managing agent on the specified date or where it is incorporated on or after that date, it shall not appoint a managing agent".

It was decided that the "rules" as well as the "notification" mentioned in sub-clause (1) of this Clause should be laid before the Parliament after they are framed or issued. The Draftsman was directed to make necessary provisions in sub-clause (1) to that effect.

Subject to this the amendment was accepted and the new clause was adopted.

5. The Committee then adjourned to meet again at 3 P.M. on Friday, the 28th January, 1955.

XLV
Forty-fifth Meeting

The Committee met from 3 P.M. to 5-35 P.M. on Friday, the 28th January, 1955.

PRESENT

Shri Hari Vinayak Pataskar—Chairman.

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Awadheshwar Prasad Sinha.
4. Shri N. M. Lingam.
5. Shri Shriman Narayan Agarwal.
6. Shri Ghamandi Lal Bansal.
7. Shri Radheshyam Ramkumar Morarka.
8. Shri B. R. Bhagat.
9. Shri Narendra P. Nathwani.
10. Shri K. T. Achuthan.
11. Pandit Chatur Narain Malviya.
12. Dr. Shaukatullah Shah Ansari.
13. Shri Mulchand Dube.
14. Pandit Munishwar Dutt Upadhyay.
15. Shri Radhelal Vyas.
16. Shri Amjad Ali.
17. Shri Tulsidas Kilachand.
18. Shri G. D. Somani.

Rajya Sabha

19. Dr. P. Subbarayan.
20. Shri Shriyans Prasad Jain.
21. Shri Braja Kishore Prasad Sinha.
22. Dr. Nalinaksha Dutt.
23. Shri R. S. Doogar.
24. Shri S. C. Karayalar.
25. Shri Amolakh Chand.
26. Shri M. C. Shah.
27. Shri V. K. Dhage.
28. Shri S. Banerjee.
29. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

- | | |
|----------------------------|--------------------------------------|
| 1. Shri D. L. Mazumdar. | <i>Officers on Special Duty,</i> |
| 2. Shri K. V. Rajagopalan. | <i>Department of Economic</i> |
| 3. Shri R. Ganapathi Iyer. | <i>Affairs, Ministry of Finance.</i> |

SECRETARIAT

Shri P. K. Patnaik—*Under Secretary.*

2. The Committee resumed clause by clause consideration of the Bill.

3. *Clause 307.*—The Committee adopted the following revised clause in substitution of the original clause:—

"307. Company acting as managing agent not to have managing agent.—(1) No company acting as the managing agent of any other company shall, after the commencement of this Act, appoint a managing agent for itself, whether it transacts any other kind of business in addition or not.

(2) No company having a managing agent shall, after the commencement of this Act, be appointed as the managing agent of any other company.

(3) Any appointment of managing agent made in contravention of sub-section (1) or (2) shall be void."

4. *New Clause 307-A.*—A new clause as follows, proposed by Government, was adopted:—

"307-A. Central Government to approve of appointment etc. of managing agent; and circumstances in which approval may be accorded.—(1) In respect of any company to which neither the prohibition specified in section 306-A nor that specified in section 307 applies, a managing agent shall not be appointed or re-appointed:—

(a) except by the company in general meeting; and

(b) unless the approval of the Central Government has been obtained for such appointment or re-appointment.

(2) The Central Government shall not accord its approval under sub-section (1) in any case, unless it is satisfied—

(a) that it is not against the public interest to allow the company to have a managing agent;

(b) that the managing agent proposed is, in its opinion, a fit and proper person to be appointed or re-appointed as such; and that the conditions of the managing agency agreement proposed are fair and reasonable; and

(c) that the managing agent proposed has fulfilled any conditions which the Central Government require him to fulfil."

5. *Clause 308.*—The clause was adopted without any amendment.

6. *Clause* 309.—The following Government amendment was accepted:—

In page 142, *after* line 33, *add*—

“(3) Any appointment or re-appointment of a managing agent, made in contravention of the provisions of sub-sections (1) and (2) shall be void, in respect of the entire term for which the appointment or re-appointment is made.”

The clause as amended was adopted.

7. The Committee then adjourned to meet again at 11 A.M. on Saturday, the 29th January, 1955.

XLVI

Forty-sixth Meeting

The Committee met from 11 A.M. to 1-15 P.M. and from 3 P.M. to 4-10 P.M. on Saturday, the 29th January, 1955.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri Awadheshwar Prasad Sinha.
4. Shri Shriman Narayan Agarwal.
5. Shri Ghamandi Lal Bansal.
6. Shri Radheshyam Ramkumar Morarka.
7. Shri B. R. Bhagat.
8. Shri Narendra P. Nathwani.
9. Shri K. T. Achuthan.
10. Pandit Chatur Narain Malviya.
11. Shri Mulchand Dube.
12. Shri Radhelal Vyas.
13. Shri M. S. Gurupadaswamy.
14. Shri Amjad Ali.
15. Shri Tulsidas Kilachand.
16. Shri G. D. Somani.
17. Shri C. D. Deshmukh.

Rajya Sabha

18. Dr. P. Subbarayan.
19. Shri Shriyans Prasad Jain.
20. Shri Braja Kishore Prasad Sinha.
21. Dr. Nalinaksha Dutt.
22. Shri S. C. Karayalar.
23. Shri Amolakh Chand.
24. Shri M. C. Shah.
25. Shri V. K. Dhage.
26. Shri S. Banerjee.
27. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

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|----------------------------|--|
| 1. Shri D. L. Mazumdar. | } Officers on Special Duty,
Department of Economic
Affairs, Ministry of Finance. |
| 2. Shri K. V. Rajagopalan. | |
| 3. Shri R. Ganapathi Iyer. | |

SECRETARIAT

Shri P. K. Patnaik—*Under Secretary.*

2. The Committee resumed clause by clause consideration of the Bill.

3. *Clause 310.*—The Committee adopted the follownig revised clause in substitution of the original clause:—

“310. Conditions of managing agency agreement to be varied only by company in general meeting and with previous sanction of Central Government.—A resolution of the company in general meeting shall be required for varying the conditions of a managing agency agreement:

Provided that before the resolution is passed the previous sanction of the Central Government shall be obtained therefor.”

4. *Clause 311.*—The Committee adopted the following revised clause in substitution of the original clause:—

“Special provisions regarding existing managing agents.

311. Term of office of existing managing agents to terminate on 15th August, 1960.—Where a company has a managing agent at the commencement of this Act, the term of office of such managing agent 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 1960, unless before that date he is re-appointed for a fresh term in accordance with any provision contained in this Act.”

5. *Clause 312.*—The Committee adopted the following revised clause in substitution of the original clause:—

“312. Application of Act to existing managing agents.—All other provisions of this Act shall apply to every managing agent holding office at the commencement of this Act, with effect from such commencement:

Provided that where the date of such commencement does not coincide with the end of the financial year of the company, the provisions of this Act relating to the remuneration payable to the managing agent shall apply to such agent with effect from the expiry of the financial year immediately succeeding the date of such commencement.”

6. *Clause 313-314.*—These clauses were omitted.

7. The Committee rose at 1-15 P.M. and reassembled at 3 P.M.

8. *New Clause 314-A.*—A new clause as follows, proposed by Government was adopted:

"Number of companies which may be managed by one managing agent.

314-A. *No person to be a managing agent or more than ten companies.*—After the commencement of this Act, no person shall, save as otherwise provided in section 314-B, hold office at the same time as managing agent in more than ten companies."

9. *New Clause 314-B.*—A new clause as follows, proposed by Government, was considered:—

"314-B. *Choice to be made by managing agent of more than ten companies at commencement of Act.*—(1) Any person holding office as managing agent in more than ten companies immediately before the commencement of this Act, shall, within one year from such commencement,—

- (a) choose not more than ten of those companies (as companies) in which he wishes to continue to hold the office of managing agent;
- (b) resign his office as managing agent in the other companies;
- (c) intimate the choice made by him under clause (a) to each of the companies in which he was holding the office of managing agent before such commencement, to the Registrar having jurisdiction in respect of each such company, and also to the Central Government.

(2) Any resignation made in pursuance of clause (b) of sub-section (1) shall become effective immediately on the despatch thereof to the company concerned.

(3) No such person shall act as managing agent—

- (a) in more than ten companies, after the expiry of one year from the commencement of this Act, or
- (b) of any company after despatching the resignation of his office as managing agent thereof, in pursuance of clause (b) of sub-section (1)."

It was decided to extend the time stipulated in this clause upto 15th August, 1960. The Draftsman was directed to recast the clause accordingly and place the same before the Committee.

10. *New Clause 314-C.*—A new clause as follows, proposed by Government, was adopted:

"314-C. *Exclusion of certain managing agencies for the purposes of sections 314-A and 314-B.*—In calculating for the purposes of sections 314-A and 314-B the number of companies of which a person may be a managing agent, the following companies shall be excluded, namely:—

- (a) a private company which is not a subsidiary of a public company;

(b) an unlimited company; and

(c) an association not carrying on business for profit."

11. *New Clause 314-D.*—A new clause as follows, proposed by Government, was adopted:—

"314-D. *Penalty.*—Any person who holds office, or acts, as a managing agent of more than ten companies in contravention of the foregoing provisions shall be punishable with fine which may extend to five thousand rupees in respect of each of those companies after the first ten."

12. The Committee then adjourned to meet again at 10 A.M. on Monday, the 31st January, 1955.

XLVII

Forty-seventh Meeting

The Committee met from 10 A.M. to 1 P.M. and from 4 P.M. to 5-45 P.M. on Monday, the 31st January, 1955.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah
3. Shri V. B. Gandhi
4. Shri N. M. Lingam
5. Shri Ghamandi Lal Bansal
6. Shri Radheshyam Ramkumar Morarka
7. Shri B. R. Bhagat
8. Shri Narendra P. Nathwani
9. Shri Purnendu Sekhar Naskar
10. Shri K. T. Achuthan
11. Pandit Chatur Narain Malviya
12. Shri Tekur Subrahmanyam
13. Col. B. H. Zaidi
14. Shri Mulchand Dube
15. Shri Ajit Singh
16. Shri M. S. Gurupadaswamy
17. Shri Amjad Ali
18. Shri N. C. Chatterjee
19. Shri Tulsidas Kilachand
20. Shri G. D. Somani
21. Shri Tridib Kumar Chaudhuri
22. Shri C. D. Deshmukh.

Rajya Sabha

23. Shri Shriyans Prasad Jain
24. Shri Braja Kishore Prasad Sinha
25. Dr. Nalinaksha Dutt
26. Shri R. S. Doogar
27. Shri S. C. Karayalar
28. Shri Amolakh Chand
29. Shri M. C. Shah
30. Shri V. K. Dhage

31. Shri S. Banerjee
32. Shri B. C. Ghose
33. Dr. P. Subbarayan

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS.

- | | | |
|--|---|---|
| <ol style="list-style-type: none"> 1. Shri D. L. Mazumdar 2. Shri K. V. Rajagopalan 3. Shri R. Ganapathi Iyer | } | <i>Officers on Special Duty,
Department of Economic
Affairs, Ministry of Finance.</i> |
|--|---|---|

SECRETARIAT

Shri P. K. Patnaik—*Under Secretary.*

2. The Committee resumed clause by clause consideration of the Bill.

3. *New Clauses 314-A and 314-B.*—In pursuance of the decision of the Committee taken at their sitting held on the 29th January, 1955 (*vide* para 9 of the minutes dated 29-1-1955), the Draftsman placed a revised draft before the Committee.

Having considered the same, the Committee reviewed their earlier decision dated the 29th January, 1955 in respect of new clauses 314-A to 314-D adopted at the sitting held on that date and cancelled their decisions embodied in paras 8 to 11 of the minutes dated the 29th January, 1955.

The Committee today adopted new clauses 314-A and 314-B re-drafted as follows in substitution of the clauses 314-A to 314-D adopted on the 29th January, 1955:—

"314-A. No person to be managing agent of more than ten companies after 15th August, 1960.—(1) After the 15th day of August, 1960, no person shall hold office at the same time as managing agent in more than ten companies.

(2) Where a person holding office as managing agent in more than ten companies before that date fails to comply with sub-section (1), the Central Government may permit him to hold office as managing agent with effect from that date in respect of such of those companies not exceeding ten in number, as they may determine.

(3) In calculating the number of companies of which a person may be managing agent in pursuance of this section, the following companies shall be excluded, namely:—

- (a) a private company which is not a subsidiary of a public company;
- (b) an unlimited company;
- (c) an association not carrying on business for profit.

(4) Where the managing agent of a company is not an individual, each of the following persons shall also be deemed to hold office,

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or to be or to have been appointed, as managing agent of the company for the purposes of this section:—

- (a) Where the managing agent of the company is a firm, every member of the firm;
- (b) Where the managing agent of the company is a private company, every person who is a director, managing agent or manager of such private company, and every member thereof who is entitled to exercise not less than 20 per cent of the total voting power therein; and
- (c) Where the managing agent of the company is a public company, every director, managing agent, or manager of such public company, and every member thereof who is entitled to exercise, not less than 20 per cent. of the total voting power in the managing agency company.

(5) Any person who acts as a managing agent of more than ten companies in contravention of this section shall be punishable with fine which may extend to one thousand rupees in respect of each of those companies in excess of ten, for each day on which he so acts."

"314-B. Right of managing agent to charge on company's assets.

A managing agent whose office stands terminated under section 306-A or 314-A shall be entitled to a charge on the assets of the company in respect of all moneys which are due to him from the company at the date of such termination, or which he may have to pay after that date in respect of any liability or obligation properly incurred by him on behalf of the company before such date, subject to all existing changes and incumbrances, if any, on such assets."

4. *Clause 315.*—The following Government amendment was accepted:—

In page 146, lines 1-8 *Renumber* sub-clauses (b), (c) and (d) as sub-clauses (c), (d) and (e) respectively and *insert* the following as sub-clauses (b), namely:—

"(b) in the same case, if the managing agent applies to be adjudicated an insolvent."

The clause as amended was adopted.

5. *Clause 316.*—The clause was adopted without any amendment.

6. *Clause 317.*—The following Government amendment was accepted:—

In page 146, lines 32-37,—*For* the words beginning with "is convicted by any Court in India" and ending with "not less than two years", *Substitute* the following words, namely:—

"is convicted by a Court in India, after the commencement of this Act, of any offence, and sentenced therefor to imprisonment for a period of not less than six months."

The clause as amended was adopted.

7. *Clause 318.*—The following Government amendments were accepted:—

“(1) In page 144, line 42,—after the words “subsidiary” insert the words, “or holding company”.

(ii) In page 144, lines 46-47, omit the words, ‘while such managing agent was managing director, managing agent or manager of the body corporate’.

(iii) In page 144 after line 49, insert the following:—

‘(iii) subject to the provisions of sections 321 and 322 where the managing agent is a firm or body corporate, any partner in the firm, or any director of, or any officer holding a general power of attorney from, the body corporate is guilty of any such fraud or breach of trust as is referred to in clause (i)’.

(iv) In page 145, lines 1-4,—omit the proviso.”

The clause as amended was adopted.

8. *Clauses 319-321.*—These clauses were adopted without any amendment.

9. *Clause 322.*—The following amendment was accepted:—

In page 145, line 50,—after “Managing agents”, insert “notwithstanding anything to the contrary in any other law for the time being in force or to the terms of any contract”.

The clause as amended was adopted.

10. *Clause 323.*—The clause was adopted without any amendment.

11. *Clause 324.*—The Committee adopted the following revised clause in substitution of the original clause:—

“324. *Transfer of office by managing agent to be approved both by company in general meeting and by Government.*—A transfer of his office by the managing agent of a company shall not take effect unless it is approved both by the company in general meeting and by the Central Government.”

12. *New Clause 324-A.*—A new clause as follows, proposed by Government, was adopted:—

“324-A. *Managing agency not to be heritable after commencement of Act.*—Any agreement made by a company with its managing agent after the commencement of this Act shall be void, in so far as it provides for succession to the office by inheritance or devise.”

13. *New Clause 324-B.*—A new clause as follows, proposed by Government, was adopted:—

“324-B. *Succession to the office of managing agent by inheritance or devise not to take effect unless approved by the Central Government.*—Where the office of the managing agent of a company is held by an individual at the commencement of this Act and the managing agency agreement provides for succession to the office by inheritance

or devise, no person shall succeed to the office on the death of the holder thereof, unless the succession of such person thereto is approved by the Central Government; and that Government shall not accord such approval unless in its opinion such person is a fit and proper person to hold the office of managing agent of the company."

14. *Clause 325.*—The Committee adopted the following revised clause in substitution of the original clauses 325-327:—

"325. Changes in constitution of managing agency firm or corporation to be approved by Central Government.—(1) Notwithstanding anything to the contrary contained in any other provision of this Act or in the memorandum or articles of, or any agreement with, or any resolution passed in general meeting by, or by the directors, of any public company or private company which is a subsidiary of a public company, where the managing agent of the company is a firm or body corporate and any change in the constitution of the firm or body corporate takes place, the managing agent shall cease to act as such on the expiry of six months from the date on which the change takes place or such further time as the Central Government may allow in that behalf, unless the approval of the Central Government has been accorded before such expiry to the changed constitution of the firm or body corporate.

Explanation.—For the purposes aforesaid, a change in the constitution of a body corporate means—

- (a) its conversion from a private to a public company, or from a public to a private company;
- (b) any change among the directors or managers of the corporation, whether caused by the death or retirement of a director or manager, the appointment of a new director or manager, or otherwise;
- (c) any change in the ownership of shares in the body corporate or in the case of a body corporate having a share capital, any change in its membership.

(2) Where a managing agent is a public company the shares whereof are for the time being dealt in, or quoted by, any of the recognised stock exchanges of India as notified by the Central Government in the Official Gazette, no change in the registered ownership of the shares of the company shall be deemed to be a change in its constitution within the meaning and for the purposes of subsection (1), unless the Central Government, by notification in the Official Gazette, otherwise directs:

Provided that no such notification shall be issued in respect of any company, unless the Central Government is of opinion that any change in the ownership of its shares has taken place or is likely to take place, which has affected or is likely to affect prejudicially the affairs of any company which is being managed by the managing agent."

15. *Clauses 326 and 327.*—These clauses were omitted in view of clause 325 having been recast as per preceding paragraph.

16. *Clause 328.*—The Draftsman was directed to effect necessary consequential amendments in this clause. Subject to this, the clause was adopted.

17. *Clause 329.*—The following amendments were accepted:—

(i) In page 148, line 27,—for “12½ per cent” substitute “10 per cent”.

(ii) In page 148, line 31,—for “Twelve and a half per cent” substitute “ten per cent”.

The clause as amended was adopted.

18. *Clause 330.*—The clause was adopted without any amendment.

19. The committee rose at 1 P.M. and reassembled at 4 P.M.

20. *Clauses 331-333.*—These clauses were adopted without any amendment.

21. *Clause 334.*—The following amendment was accepted:—

In page 150, line 33,—for “section 333”, substitute “section 329”.

The clause as amended was adopted.

22. *Clauses 335-337.*—These clauses were adopted without any amendment.

23. *Clause 338.*—The following amendments were accepted:—

(i) In page 151, lines 19-20,—for “within the same state as that in which such premises or head office is situated;” substitute “inside India”.

(ii) In page 151, line 22,—for “State aforesaid”, substitute “India”.

(iii) In page 151, line 25,—for “is already maintaining”, substitute “maintains”.

(iv) In page 151, lines 26 and 27,—delete “for his own business, that is to say, for any business not connected with that of the company.”

The clause as amended was adopted.

24. The Committee then adjourned to meet again at 10 A.M. on Tuesday, the 1st February, 1955.

XLVIII

Forty-eighth Meeting

The Committee met from 10 A.M. to 1 P.M. and from 3-30 P.M. to 5 P.M. on Tuesday, the 1st February, 1955.

PRESENT

Shri Hari Vinayak Pataskar—Chairman.

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah
3. Shri V. B. Gandhi
4. Shri N. M. Lingam
5. Shri Shriman Narayan Agarwal
6. Shri Ghamandi Lal Bansal
7. Shri Radheshyam Ramkumar Morarka
8. Shri B. R. Bhagat
9. Shri Narendra P. Nathwani
10. Shri Purnendu Sekhar Naskar
11. Shri K. T. Achuthan
12. Pandit Chatur Narain Malviya
13. Shri Tekur Subrahmanyam
14. Col. B. H. Zaidi
15. Shri Mulchand Dube
16. Shri Ajit Singh
17. Shri M. S. Gurupadaswamy
18. Shri Amjad Ali
19. Shri N. C. Chatterjee
20. Shri Tulsidas Kilachand
21. Shri G. D. Somani
22. Shri Tridib Kumar Chaudhuri
23. Shri C. D. Deshmukh

Rajya Sabha

24. Dr. P. Subbarayan
25. Shri Shriyans Prasad Jain
26. Shri Braja Kishore Prasad Sinha
27. Dr. Nalinaksha Dutt
28. Shri R. S. Doogar

29. Shri S. C. Karayalar
30. Shri Amolakh Chand
31. Shri M. C. Shah
32. Shri V. K. Dhage
33. Shri B. C. Ghose

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS.

- | | |
|---------------------------|---|
| 1. Shri D. L. Mazumdar | } <i>Officers on Special Duty,
Department of Economic
Affairs, Ministry of Finance.</i> |
| 2. Shri K. V. Rajagopalan | |
| 3. Shri R. Ganapathi Iyer | |

SECRETARIAT

Shri P. K. Patnaik—*Under Secretary.*

2. The Committee resumed clause by clause consideration of the Bill.

3. *Clause 338.*—The Committee reopened consideration of this clause. The amendments to this clause that were accepted by the Committee on the 31st January, 1955, were also reviewed and in modification of their earlier decision, the Committee today finally accepted the following amendments:—

- (i) In page 151, lines 19-20,—
for “within the same state as that in which such premises or head office is situated”, *substitute* “inside India”;
- (ii) In page 151, line 22,—
for “State aforesaid”, *substitute* “India”; and
- (iii) In page 151, lines 41—45,—
delete “and one of those terms shall be * * * from the date on which the supply was so made”.

The clause as amended was adopted.

4. *Clause 339.*—The Draftsman was directed to make necessary amendments to this clause which were consequent upon the changes made in clause 338, particularly in respect of extension of the area from the limits of a state to the limits of the country—India.

Subject to this the clause was adopted.

5. *Clause 340.*—The following principles were laid down:—

- (i) Expenses of managing agent etc. incurred for purchase or other services whether inside or outside India should be paid for by the company as per the provisions of clause 336; and
- (ii) In other cases where an office is maintained outside India, commission alone will be paid.

The Draftsman was directed to recast the clause on the above lines.

6. *Clause 341.*—The following amendments were accepted:—

- (i) In page 152, line 49,—
after “earned” *insert* “or to be earned”; and

(ii) In page 153, line 3,—

after “has been” insert “or is to be”.

The clause as amended was adopted.

7. *Clause 342.*—In sub-clause (1), it was decided that the contract should be confined to individual and specific transaction and therefore the words “if a period not exceeding three years at a time” should be substituted by some suitable phraseology. The Draftsman was directed to suitably amend the said sub-clause to bring it in conformity with the above decision of the Committee.

The following amendment was also accepted:—

In page 153, line 14,—

after “service” add “other than as a managing agent”.

Subject to these amendments, the clause was adopted.

8. *Clause 343.*—The following amendments were accepted:—

(i) In page 153, line 28,—

for “1957”, substitute “1958”.

The clause as amended was adopted.

9. *Clauses 344—346.*—These clauses were adopted without any amendment.

10. *Clause 347.*—The following amendments were accepted:—

(i) In page 154, line 14,—

after “a company shall not”, insert “be liable to”;

(ii) In page 154, *after* line 23 *insert—*

“(bb) where the managing agent vacates his office in pursuance of sections 306-A, 311 or 314”;

(iii) In page 154, line 34,—

delete “or may be”; and

(iv) In page 154, line 37,—

delete “directly or indirectly”.

The clause as amended was adopted.

11. *Clause 348.*—The following amendments were accepted:—

(i) In page 154, line 42,—

for “five years” substitute “three years”; and

(ii) In page 154, line 44,—

for “five years” substitute “three years”.

The clause as amended was adopted.

12. The Committee rose at 1 P.M. and reassembled at 3-30 P.M.

13. *Clause 349.*—This clause was omitted.

14. *Clause 350.*—The clause was adopted without any amendment.

15. *Clause 351.*—This clause was omitted.

16. *Clauses 352—354.*—These clauses were adopted without any amendment.

17. *Clause 355*.—The following Government amendments were accepted:—

(i) In page 157, line 18,—

delete 'special' and *add* at the end "and unless further it is approved by the Central Government."

(ii) In page 157, *after* line 23, *insert*—

"(4A). Every company shall keep a register of all investments made by it in shares and debentures of bodies corporate in the same group, showing, in respect of each investment, the following particulars:—

(a) the name of the body corporate in which the investment is made;

(b) the date on which the investment is made; and

(c) the nature and extent of the investment.

(4B). Particulars of every investment in which sub-section (4A) applies shall be entered in the register aforesaid within three days of the making thereof.

(4C). If default is made in complying with the provisions of sub-section (4A) or (4B), the company, and every officer of the company who is in default, shall be punishable with fine which may extend to five hundred rupees.

(4D). The register aforesaid shall be kept at the registered office of the company, and shall be open to inspection at such office, and extracts may be taken therefrom and copies thereof may be required, by any member of the company 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 156 shall apply accordingly."

The clause as amended was adopted.

18. *Clause 356*.—The following Government amendments were accepted:—

(i) In page 157, line 49,—

for "except on the authority of a special resolution passed by the investing company", *substitute* "except on the authority of a resolution passed by the investing company and the approval of the Central Government."

(ii) In page 158, lines 1-2,—

for "sanction of the company by means of a special resolution", *substitute* "sanction of the company by means of a resolution and the approval of the Central Government".

(iii) In page 158, line 3,—

for "such sanction is not so obtained", *substitute* "such sanction and approval are not so obtained".

(iv) In page 158, line 7,—

for "one year" *substitute* "two years".

The clause as amended was adopted.

19. *Clauses 357-358*.—These clauses were adopted without any amendment.

20. *Clause 359*.—It was decided to further restrict the right of managing agent to appoint directors to one-third of the directors of the company or two directors, whichever is less. The Draftsman was directed to recast the clause accordingly.

21. The Committee then adjourned to meet again at 10-30 A.M. on Wednesday, the 2nd February, 1955.

XLIX

Forty-ninth Meeting

The Committee met from 10-30 A.M. to 10-50 A.M. on Wednesday, the 2nd February, 1955.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri V. B. Gandhi.
4. Shri N. M. Lingam.
5. Shri Ghamandi Lal Bansal.
6. Shri Radheshyam Ramkumar Morarka.
7. Shri B. R. Bhagat.
8. Shri Narendra P. Nathwani.
9. Shri Purnendu Sekhar Naskar.
10. Shri K. T. Achuthan.
11. Pandit Chatur Narain Malviya.
12. Shri Tekur Subrahmanyam.
13. Col. B. H. Zaidi.
14. Shri Ajit Singh.
15. Shri M. S. Gurupadaswamy.
16. Shri N. C. Chatterjee.
17. Shri Tulsidas Kilachand.

Rajya Sabha

18. Dr. P. Subbarayan.
19. Dr. R. P. Dube.
20. Shri Braja Kishore Prasad.
21. Dr. Nalinaksha Dutt.
22. Shri R. S. Doogar.
23. Shri Amolakh Chand.
24. Shri M. C. Shah.
25. Shri V. K. Dhage.
26. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS.

- | | |
|---------------------------|---|
| 1. Shri D. L. Mazumdar | } <i>Officers on Special Duty,
Department of Economic
Affairs, Ministry of Finance.</i> |
| 2. Shri K. V. Rajagopalan | |
| 3. Shri R. Ganapathi Iyer | |

SECRETARIAT

Shri P. K. Patnaik—*Under Secretary.*

2. The Committee resumed clause by clause consideration of the Bill.

3. *Clauses 360 to 363.*—These clauses were adopted without any amendment.

4. *Clause 364.*—The following amendment was accepted:—

In page 162, line 31,—
for “and”, substitute “any”.

The clause as amended was adopted.

5. At this stage, news of the sad demise of Shri Nama Arjun Borkar, Member of Parliament, in an air crash early this morning was received. So an obituary reference was made by the Chairman and the Committee stood in silence for a minute as a mark of respect to the memory of the late Shri Borkar, and then adjourned for the day at 10-50 A.M.

6. The Committee adjourned to meet again at 10-30 A.M. on Thursday, the 3rd February, 1955.

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Fiftieth Meeting

The Committee met from 10-30 A.M. to 1 P.M. and from 4 P.M. to 5-30 P.M. on Thursday, the 3rd February, 1955.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri V. B. Gandhi.
4. Shri N. M. Lingam.
5. Shri Shriman Narayan Agrawal.
6. Shri Ghamandi Lal Bansal.
7. Shri Radheshyam Ramkumar Morarka.
8. Shri B. R. Bhagat.
9. Shri Narendra P. Nathwani.
10. Shri Purnendu Sekhar Naskar.
11. Shri K. T. Achuthan.
12. Pandit Chatur Narain Malviya.
13. Dr. Shaukatullah Shah Ansari.
14. Shri Tekur Subrahmanyam.
15. Shri Mulchand Dube.
16. Shri Radhelal Vyas.
17. Shri Ajit Singh.
18. Shri M. S. Gurupadaswamy.
19. Shri Amjad Ali.
20. Shri Tulsidas Kilachand.
21. Shri G. D. Somani.
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Rajya Sabha

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28. Shri S. C. Karayalar.
29. Shri Amolakh Chand.

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Affairs, Ministry of Finance.</i> |
| 2. Shri K. V. Rajagopalan | |
| 3. Shri R. Ganapathi Iyer | |

SECRETARIAT

Shri P. K. Patnaik—*Under Secretary.*

2. The Committee resumed clause by clause consideration of the Bill.

3. *Clause 365.*—It was decided that the definition of “transferee company” and “transferor company” appearing in clause 364(4) (b) should be applied to clause 365(1) also. The Draftsman was directed to recast sub-clause (1) accordingly.

Subject to this, the clause was adopted.

4. *Clauses 366 to 368.*—These clauses were adopted without any amendment.

5. *Clause 369.*—The following amendments were accepted:—

- (i) In page 165, line 46, after “share capital” insert “not less than one hundred in number of the members of the company or”
- (ii) In page 165, line 47, after “total number of its members”, insert “whichever is less”

The clause as amended was adopted.

6. *Clauses 370 and 371.*—These clauses were adopted without any amendment.

7. *Clause 372.*—The following amendments were accepted:—

- (i) In page 166, lines 46—48, *delete* the proviso.
- (ii) In page 166, at the end, *add*

“(e) the termination or revision of any agreement entered into between the company and any person other than any of the persons referred to in clause (d), provided that no such agreement shall be terminated or revised except after due notice to the party concerned and, in the case of the revision of any such agreement, after obtaining the consent of the party concerned thereto;

(f) the setting aside of any transfer, delivery of goods, payment, execution or other act relating to property made or done by or against the company within three months before the date of the application under this section, which would, if made or done by or against an individual, be deemed in his insolvency to be a fraudulent preference.”

(iii) The existing sub-clause (e) to be renumbered as sub-clause (g).

The Draftsman was directed to check up if it was necessary to retain the existing sub-clause (e) in view of insertion of new sub-clauses (e) and (f) mentioned above.

Subject to this, the clause was adopted.

8. *Clauses 373 to 376.*—These clauses were adopted without any amendment.

9. *Clause 377.*—The Draftsman was directed to recast this clause in order to bring it in line with clause 153-D of the Indian Companies Act 1913 (VII of 1913).

10. *Clauses 378 and 379.*—These clauses were adopted without any amendment.

11. *Clause 380.*—This clause was omitted.

12. *Clause 381.*—The clause was adopted without any amendment.

13. *Clause 382.*—The following amendment was accepted:—

In page 170, *after* line 16, add the following proviso:—

“Provided that where one-tenth part of the whole amount of the moneys belonging to such fund exceeds the maximum amount which may be deposited in a Post Office Savings Bank account under the rules regulating such deposits for the time being in force, the amount of such excess may be kept or deposited in a special account to be opened for the purpose in a scheduled bank as defined in clause (e) of section 2 of the Reserve Bank of India Act, 1934 (II of 1934)”.

The clause as amended was adopted.

14. *Clauses 383 to 391.*—These clauses were adopted without any amendment.

15. *Clause 392.*—It was decided that the definition of “contributory” should include a holder of fully paid up shares also. The Draftsman was directed to recast the clause accordingly.

16. *Clauses 393 to 397.*—These clauses were adopted without any amendment.

17. The Committee rose at 1 P.M. and reassembled at 4 P.M.

18. *Clauses 398 to 401.*—These clauses were held over.

19. *Clauses 402 to 411.*—These clauses were adopted without any amendment.

20. *Clause 412.*—The following amendments were accepted:—

(i) In page 178, lines 26—28, *delete* the proviso.

(ii) In page 178, lines 29—32, *delete* the entire sub-clause (2).

The clause as amended was adopted.

21. *Clause 413.*—The Draftsman was directed to effect necessary changes consequent upon the amendments made in clause 412.

22. *Clause 414.*—This clause was omitted.

23. *Clauses 415 to 417.*—The Draftsman was directed to effect necessary changes consequent upon the amendments made in clause 412.

24. *Clause 418.*—The following amendment was accepted:—

In page 180, line 33, *after* “within such extended time” *insert* “not exceeding three months”.

The clause as amended was adopted.

25. *Clause 419.*—The following amendment was accepted:—

In page 181, line 10, *delete* “four, or with the leave of the Court”.

The clause as amended was adopted.

26. *Clause 420.*—The Draftsman was directed to effect necessary changes consequent upon the amendments made in clause 412.

27. *Clause 421.*—This clause was taken up for consideration. The discussion was not concluded.

28. The Committee then adjourned to meet again at 10-30 A.M. on Friday, the 4th February, 1955.

LI

Fifty-first Meeting

The Committee met from 10-30 A.M. to 1 P.M. and from 4 P.M. to 5-30 P.M. on Friday, the 4th February, 1955.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman*.

MEMBERS

Lok Sabha

2. Shri Chimanlal Chakubhai Shah.
3. Shri V. B. Gandhi.
4. Shri N. M. Lingam.
5. Shri Ghamandi Lal Bansal.
6. Shri Radheshyam Ramkumar Morarka.
7. Shri B. R. Bhagat.
8. Shri Narendra P. Nathwani.
9. Shri Purnendu Sekhar Naskar.
10. Shri K. T. Achuthan.
11. Pandit Chatur Narain Malviya.
12. Dr. Shaukatullah Shah Ansari.
13. Shri Tekur Subrahmanyam.
14. Shri Mulchand Dube.
15. Shri Radhelal Vyas.
16. Shri M. S. Gurupadaswamy.
17. Shri Amjad Ali.
18. Shri G. D. Somani.
19. Shri Tridib Kumar Chaudhuri.

Rajya Sabha

20. Dr. P. Subbarayan.
21. Shri Shriyans Prasad Jain.
22. Dr. R. P. Dube.
23. Shri Braja Kishore Prasad Sinha.
24. Dr. Nalinaksha Dutt.
25. Shri R. S. Doogar.
26. Shri S. C. Karayalar.
27. Shri Amolakh Chand.
28. Shri M. C. Shah.
29. Shri V. K. Dhage.
30. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

- | | | |
|---------------------------|---|---|
| 1. Shri D. L. Mazumdar | } | <i>Officers on Special Duty,
Department of Economic
Affairs, Ministry of Finance.</i> |
| 2. Shri K. V. Rajagopalan | | |
| 3. Shri R. Ganapathi Iyer | | |

SECRETARIAT

Shri P. K. Patnaik—*Under Secretary.*

2. At the outset, the Committee considered the question of printing and publication of the evidence tendered before the Committee.

It was pointed out by the Chairman that it was necessary to take a decision on this question now, in order to enable the office to get the Evidence Volume printed and ready in time.

The Committee thereupon decided that the evidence tendered before them should be laid on the Table of the House *in extenso*.

3. The Committee then resumed clause by clause consideration of the Bill.

4. *Clause 421.*—It was decided that the powers enumerated under sub-clause (1) should be divided into two categories as follows:—

(i) The powers enumerated in paragraphs (a), (b), (c), (g) and (j) to be exercised with the sanction of the Court; and

(ii) The rest to be exercised by the liquidator without requiring any sanction of the Court.

The Draftsman was directed to recast the clause accordingly.

5. *Clause 422.*—The clause was adopted without any amendment.

6. *Clause 423.*—The following amendment was accepted:—

In page 182, lines 45-46, *delete* the proviso.

The clause as amended was adopted.

7. *Clauses 424 to 426.*—These clauses were adopted without any amendment.

8. *Clause 427.*—The following amendments were accepted:—

(i) In page 184, line 3,—

for “within one month”, *substitute* “within two months”.

(ii) In page 184, line 8,—

for “within one week”, *substitute* “within two weeks”.

The clause as amended was adopted.

9. *Clause 428.*—The following amendment was accepted:—

In page 184, lines 33-34, *delete* the entire sub-clause (4).

It was decided that the Committee should have such advisory powers as may be prescribed by the Central Government.

It was further decided that the quorum to constitute a sitting of the Committee shall be two or one-third of the members of the Committee, whichever is higher.

The Draftsman was directed to recast the clause accordingly.

10. *Clauses 429 to 433.*—These clauses were adopted without any amendment.

11. *Clause 434.*—This clause was omitted.

12. *Clauses 435 to 449.*—These clauses were adopted without any amendment.

13. *Clause 450.*—The following amendment was accepted:—

In page 189, lines 42—44, *delete* the entire paragraph (c). *in* sub-clause (1).

The clause as amended was adopted.

14. *Clauses 451 to 460.*—These clauses were adopted without any amendment.

15. *Clause 461.*—The following amendment was accepted:—

In page 192, line 47,—

after “under section 454” *insert* “or that the period *has* expired without the debts being paid in full”.

The clause as amended was adopted.

16. *Clauses 462 to 474.*—These clauses were adopted without any amendment.

17. *Clause 475.*—The following amendment was accepted:—

In page 198, line 3,—

for “five hundred rupees” *substitute* “one hundred rupees”.

The clause as amended was adopted.

18. *Clauses 476 to 491.*—These clauses were adopted without any amendment.

19. The Committee rose at 1 P.M. and reassembled at 4 P.M.

20. *Clause 492.*—The following amendments were accepted:—

(i) In page 201, line 43,—

for “clerk or servant” *substitute* “employee”

(ii) In page 201, line 44,—

for “during the four months” *substitute* “due for a period not exceeding four months within the twelve months”

(iii) In page 201, line 48,—

for “during the four months” *substitute* “due for a period *not* exceeding four months within the twelve months”.

The clause as amended was adopted.

21. *Clauses 493 to 505.*—These clauses were adopted without any amendment.

22. *Clause 506.*—The following amendment was accepted:—

In page 211, lines 49—51,—

for “the liquidator shall not * * * previous sanction of the company”, *substitute* “subject to the previous sanction of the Court, the liquidator may himself take proceedings against the offender”.

The clause as amended was adopted.

23. Clauses 507 and 508.—The Draftsman was directed to transfer these clauses to the group of clauses relating to 'voluntary winding up'.

Subject to this, the clauses were adopted.

24. Clauses 509 and 510.—These clauses were adopted without any amendment.

25. Clause 511.—In sub-clause (1), it was decided that for inspection of books and papers of the company by creditors and contributors there need not be any order from the Court. Instead, the Central Government may make rules in that regard.

The Draftsman was directed to recast sub-clause (1) accordingly.

26. Clauses 512 and 513.—These clauses were adopted without any amendment.

27. Clause 514.—It was decided that this clause should be made applicable to both voluntary liquidation as well as liquidation by Court. The existing provisions in sub-clause (1) should apply to cases of voluntary liquidation whereas in the case of liquidation by Court, the money received may be credited to the Reserve Bank of India.

The Draftsman was directed to recast the clause accordingly.

28. Clause 515.—The following amendment was accepted:—

In page 216, line 45,—

for "twenty per cent." substitute "twelve per cent."

It was also decided that any liquidator retaining any money which should have been paid by him into the Companies Liquidation Account shall also be liable to pay such penalty as may be determined by the Registrar.

The Draftsman was directed to recast sub-clause (9) of this clause accordingly.

29. Clauses 516 to 519.—These clauses were adopted without any amendment.

30. The Committee then adjourned to meet again at 10-30 A.M. on Saturday, the 5th February, 1955.

Fifty-second Meeting

The Committee met from 10-30 A.M. to 1-15 P.M. on Saturday, the 5th February, 1955.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS*Lok Sabha*

2. Shri Chimanlal Chakubhai Shah.
3. Shri Awadheshwar Prasad Sinha.
4. Shri V. B. Gandhi.
5. Shri Radheshyam Ramkumar Morarka.
6. Shri B. R. Bhagat.
7. Shri Narendra P. Nathwani.
8. Shri Purnendu Sekhar Naskar.
9. Shri K. T. Achuthan.
10. Pandit Chatur Narain Malviya.
11. Dr. Shaukatullah Shah Ansari.
12. Shri Tekur Subrahmanyam.
13. Shri Mulchand Dube.
14. Shri Radhelal Vyas.
15. Shri N. C. Chatterjee.
16. Shri G. D. Somani.
17. Shri Tridib Kumar Chaudhuri

Rajya Sabha

18. Dr. P. Subbarayan.
19. Shri Shriyans Prasad Jain.
20. Dr. R. P. Dube.
21. Shri Braja Kishore Prasad Sinha.
22. Dr. Nalinaksha Dutt.
23. Shri S. C. Karayalar.
24. Shri Amolakh Chand.
25. Shri M. C. Shah.
26. Shri V. K. Dhage.
27. Shri B. C. Ghose.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

- | | |
|---------------------------|---|
| 1. Shri D. L. Mazumdar | } <i>Officers on Special Duty,
Department of Economic
Affairs, Ministry of Finance.</i> |
| 2. Shri K. V. Rajagopalan | |
| 3. Shri R. Ganapathi Iyer | |

SECRETARIAT

Shri P. K. Patnaik—*Under Secretary.*

2. At the outset, a suggestion being made by a member, the Committee took up the question of constitution of some statutory authority to exercise control and superintendence over the liquidators. Having considered this proposal, the Committee decided that a Board or Commission should be constituted for the purpose on the lines of the Board of Trade in U.K.

The Draftsman was directed to examine this in greater detail, draft a clause making provision for the same and place that before the Committee.

3. The Committee then resumed clause by clause consideration of the Bill.

4. *Clauses 520 to 531.*—These clauses were adopted without any amendment.

5. *Clauses 532-533.*—It was decided to insert the words "Private Limited" also in these clauses.

The Draftsman was directed to recast the clauses accordingly.

Subject to this, the clauses were adopted.

6. *Clause 534.*—The clause was adopted without any amendment.

7. *Clause 535.*—The following amendment was accepted:—

In page 223, line 34,—
delete "less".

The clause as amended was adopted.

8. *Clause 536.*—The clause was adopted without any amendment.

9. *Clauses 537-538.*—The following amendment was accepted:—

for "contract of copartnery", substitute "deed of partnership",
wherever they occur.

The Draftsman was directed to examine if references to Act of Parliament of the United Kingdom, Royal Charter and Letters Patent were at all necessary.

10. *Clauses 539-540.*—These clauses were adopted without any amendment.

11. *Clauses 541 to 549.*—The Draftsman was directed to examine if references to Act of Parliament of the United Kingdom etc. were at all necessary in these clauses.

Subject to this, the clauses were adopted.

12. *Clauses 550 to 556.*—These clauses were adopted without any amendment.

13. *Clause 557.*—The following amendment was accepted:—

In page 232, line 24,—

for "fifty rupees" substitute "hundred rupees".

The clause as amended was adopted.

14. *Clauses 558 to 561.*—These clauses were adopted without any amendment.

15. *Clauses 562 to 567.*—These clauses were held over.

16. *Clauses 568 to 570.*—These clauses were adopted without any amendment.

17. *Clause 571.*—The following amendment was accepted:—
In page 238, line 10,—

delete "section 570 or any other provision of".

The clause as amended was adopted.

18. *Clauses 572 to 574.*—These clauses were adopted without any amendment.

19. *Clause 575.*—This clause was held over.

20. *Clause 576.*—This clause was omitted.

21. *Clauses 577 to 580.*—These clauses were adopted without any amendment.

22. *Clause 581.*—The following amendments were accepted:—

(i) In page 240, lines 24-25,—

for "five thousand rupees" *substitute* "one thousand rupees".

(ii) In page 240, line 29,—

for "six months" *substitute* "two months".

The clause as amended was adopted.

23. *Clause 582.*—This clause was omitted.

24. *Clauses 583-584.*—These clauses were adopted without any amendment.

25. *Clause 585.*—It was decided that wilful omission of material facts should also amount to making false statement.

The Draftsman was directed to recast the clause accordingly.

26. *Clauses 586-587.*—These clauses were adopted without any amendment.

27. *Clause 588.*—It was decided to insert the words "Private Limited" also.

The Draftsman was directed to amend the clause accordingly.

28. *Clauses 589 to 591.*—These clauses were adopted without any amendment.

29. *Clause 592.*—This clause was held over.

30. *Clause 593.*—It was decided that the annual report should be laid before both Houses of Parliament within one year of the close of the year to which the report related.

The Draftsman was directed to recast the clause accordingly.

31. *Clause 594.*—This clause was held over.

32. *Clause 595.*—The clause was adopted without any amendment.

33. *Clause 596.*—It was decided that the rules should be laid on the Table of both Houses of Parliament.

The Draftsman was directed to add a new sub-clause to the above effect.


34. *Clauses 597 to 605.*—These clauses were adopted without any amendment.

35. *New Clause 605-A.*—A new clause 605-A as follows, was adopted:—

“605-A. Any reference to an extraordinary resolution in the articles of a company, or in any resolution passed in general meeting by the Company, or in any other instrument, in force immediately before the commencement of this Act shall, with effect on and from such commencement, be construed as a reference to a special resolution.”

36. *Clauses 606 to 612.*—These clauses were adopted without any amendment.

37. The Committee then adjourned to meet again at 10-30 A.M. on Monday, the 7th February, 1955.



LIII

Fifty-third Meeting

The Committee met from 10-30 A.M. to 1 P.M. on Monday, the 7th February, 1955.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman*.

MEMBERS

Lok Sabha

2. Shri Awadheshwar Prasad Sinha
3. Shri Ghamandi Lal Bansal
4. Shri Radheshyam Ramkumar Morarka
5. Shri B. R. Bhagat
6. Shri Narendra P. Nathwani
7. Shri Purnendu Sekhar Naskar
8. Shri K. T. Achuthan
9. Pandit Chatur Narain Malviya
10. Dr. Shaukatullah Shah Ansari
11. Shri Tekur Subrahmanyam
12. Col. B. H. Zaidi
13. Shri Mulchand Dube
14. Shri Ajit Singh
15. Shri Amjad Ali
16. Shri N. C. Chatterjee
17. Shri G. D. Somani
18. Shri Tridib Kumar Chaudhuri.

Rajya Sabha

19. Dr. P. Subbarayan
20. Dr. R. P. Dube
21. Shri Braja Kishore Prasad Sinha
22. Shri R. S. Doogar
23. Shri S. C. Karayalar
24. Shri Amolakh Chand
25. Shri M. C. Shah
26. Shri V. K. Dhage.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

1. Shri D. L. Mazumdar	}	<i>Officers on Special Duty, Department of Economic Affairs, Ministry of Finance.</i>
2. Shri K. V. Rajagopalan		
3. Shri R. Ganapathi Iyer		

SECRETARIAT

Shri P. K. Patnaik—Under Secretary.

2. The Committee took up consideration of the Schedules to the Bill.

3. *Schedule I—Regulation 1.*—The Committee adopted the following revised regulation in substitution of the original regulation:—

“Interpretation

1. In these regulations:—

(a) ‘the Act’ means the Companies Act, 1953.

(b) ‘the seal’ means the common seal of the company. Expressions referring to writing shall, unless the contrary intention appears, be construed as including references to printing, lithography, photography and other modes of representing or reproducing words in a visible form.

Unless the context otherwise requires, words or expressions contained in these regulations shall bear the same meaning as in the Act or any statutory modification thereof in force at the date at which these regulations become binding on the Company”.

The Draftsman was directed to check it up further.

It was also decided that a definition of ‘Secretary’ should be given in the body of the Bill.

4. *Schedule I—Regulation 2.*—The following amendment was accepted:—

In page 247, lines 19-20, delete “subject to the provisions, if any, contained in the memoranda of association of the Company, and”

The regulation as amended was adopted.

5. *Schedule I—Regulations 3 to 19.*—These regulations were adopted without any amendment.

6. At this stage, the Chairman suggested that a Sub-Committee should be appointed to examine the Schedules. He stated that such a procedure would both accelerate and facilitate the work of the Committee, since the examination of the Schedules require minute scrutiny which could be done better by a small sub-committee.

Accordingly, the Committee appointed a Sub-Committee consisting of the following members to examine the Schedules to the Bill and to suggest necessary amendments therein:—

1. Shri N. C. Chatterjee.—*Chairman.*
2. Pandit Chatur Narain Malviya
3. Shri Radheshyam Ramkumar Morarka
4. Shri Narendra P. Nathwani

5. Shri Mulchand Dube
6. Shri Ghamandi Lal Bansal
7. Col. B. H. Zaidi
8. Shri S. P. Jain
9. Shri S. C. Karayalar
10. Shri Tridib Kumar Chaudhuri
11. Shri M. C. Shah.

The Sub-committee were directed to examine all the Schedules with a view to see (i) if the provisions therein have been properly worded, (ii) if they were in conformity with the provisions of the Indian Companies Act, 1913 or the U.K. Companies Act, 1948, (iii) if changes, if any, made therein from the provisions of those of the said Acts were justifiable and (iv) if they were consistent with the earlier decisions of the Committee in respect of the clauses of the Bill already disposed of by the Committee.

The Sub-committee were further directed to complete the work entrusted to them on or before the 10th February, 1955, and submit their report on the 11th February, 1955.

7. The Committee then resumed clause by clause consideration of the Bill.

8. *Clause 267.*—This clause was omitted.

9. *Clause 268.*—The following Government amendment was accepted:—

In page 121, line 14, *after* "in India", *insert* "(not being less in number than the quorum fixed for a meeting of the Board or Committee, as the case may be,)"

The clause as amended was adopted.

10. *Clause 269.*—The clause was adopted without any amendment.

11. *Clause 270.*—The following amendment was accepted:—

In page 121, lines 26-27, *delete* "and where the company has a managing agent subject also to the provisions contained in Schedule VII".

The clause as amended was adopted.

12. *Clause 351.*—The Committee reviewed their earlier decision dated the 1st February, 1955, and restored this clause. This was considered necessary in view of the amendment made in clause 270 mentioned in the preceding paragraph.

13. *Clause 271.*—The following Government amendments were accepted:

(i) In sub-section (1) *delete* the first word "only"

(ii) *delete* the entire sub-clause (5).

The clause as amended was adopted.

14. *Clause 272.*—The following Government amendments were accepted:—

(i) In page 122, line 50,

for "subscribed capital" *substitute* "paid up capital".

(ii) In page 122, line 50,—

after “free reserves” insert “that is to say, reserves not set apart for any specific purpose”.

(iii) In page 123, line 2,—

after “charitable and other funds”, insert “not directly relating to the business of the company or the welfare of its employees”.

(iv) In page 123, line 22,—

after sub-clause (3) insert the following sub-clause:

“(3A). The acceptance by a banking company, in the ordinary course of its business, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise, shall not be deemed to be a borrowing of moneys by the banking company within the meaning of clause (d) of sub-section (1)”.

The following further amendments were accepted:—

(i) In page 122, line 49,—

after “borrowed by the company”, insert “(apart from temporary loans obtained from the companies bankers in the ordinary course of business)”.

(ii) In page 123, line 5,—

for “five thousand rupees or two per cent.”, substitute “ten thousand rupees or three per cent.”

The discussion of this clause was not concluded.

15. The Committee then adjourned to meet again at 10-30 A.M. on Tuesday, the 8th February, 1955.

Fifty-fourth Meeting

The Committee met from 10-30 A.M. to 1-5 P.M. and from 3-30 P.M. to 5-30 P.M. on Tuesday, the 8th February, 1955.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Awadheshwar Prasad Sinha.
3. Shri Ghamandi Lal Bansal.
4. Shri Radheshyam Ramkumar Morarka.
5. Shri B. R. Bhagat.
6. Shri Narendra P. Nathwani.
7. Shri Purnendu Sekhar Naskar.
8. Shri K. T. Achuthan.
9. Pandit Chatur Narain Malviya.
10. Col. B. H. Zaidi.
11. Shri Mulchand Dube.
12. Shri Amjad Ali.
13. Shri N. C. Chatterjee.
14. Shri G. D. Somani.
15. Shri Tridib Kumar Chaudhuri.
16. Shri C. D. Deshmukh.

Rajya Sabha

17. Dr. P. Subbarayan.
18. Shri Shriyans Prasad Jain.
19. Dr. R. P. Dube.
20. Shri Braja Kishore Prasad Sinha.
21. Shri S. C. Karayalar.
22. Shri Amolakh Chand.
23. Shri M. C. Shah.
24. Shri V. K. Dhage.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

- | | | |
|---------------------------|---|---|
| 1. Shri D. L. Mazumdar. | } | <i>Officers on Special Duty,
Department of Economic
Affairs, Ministry of Finance.</i> |
| 2. Shri K. V. Rajagopalan | | |
| 3. Shri R. Ganapathi Iyer | | |

SECRETARIAT

Shri P. K. Patnaik—*Under Secretary.*

2. The Committee resumed clause by clause consideration of the Bill.

3. *Clause 272 (contd.).*—In addition to the amendments accepted on the 7th February, 1955, the following amendments were also accepted:

- (i) In page 123, line 6,—
after “net profit” insert “as determined under provisions of section 330”
- (ii) In page 123, lines 23—25,—
delete the entire paragraph (a) of sub-clause 4.
- (iii) It was decided that the existing sub-clause 4(b) should be substituted by suitable provisions to the effect that parties advancing money to the company must prove that they advanced the money in good faith and without knowledge that the directors were exceeding their borrowing powers.

The Draftsman was directed to redraft the sub-clause accordingly. Subject to this, the clause as amended was adopted.

4. *Clause 273.*—The following Government amendments were accepted:—

- (i) In page 123, line 35,—
after “loan made by any other person to” insert “or to any other person by,”
- (ii) In page 123, lines 45—50,—
for the existing para. (e), substitute—
“(e) any body corporate, the managing agent, manager or directors of which are accustomed to act in accordance with the directions or instructions of any director of the lending company”
- (iii) In page 124, after line 6, add—
“(d) by a managing agent to a body corporate under its management”

The clause as amended was adopted.

5. The Committee rose at 1 P.M. and reassembled at 3-30 P.M.

6. *Clause 272.*—The Committee reopened consideration of this clause. In addition to the decisions of the Committee taken earlier this day, the Committee decided that the appointment of a sole selling agent must require the ratification by the general meeting. In case the directors of a company appoint a selling agent but the

appointment is not approved by the general meeting then the contract must end there. All existing agreements not below five years ought to come before the meeting for review.

The Draftsman was directed to add a suitable provision to the above effect in clause 272.

7. *Clause 274.*—This clause was adopted without any amendment.

8. *Clause 275.*—The following Government amendments were accepted:—

- (i) In page 124, line 41,—
for “goods or materials” substitute “goods, materials or services”
- (ii) In page 124, lines 42—44,—
for “underwriting either the subscription of the shares of the company or the purchase of any of its debentures”,
substitute “underwriting the subscription of the shares or debentures of the company”
- (iii) In page 124, lines 46-47,—
for “goods or materials” substitute “goods, materials or services”
- (iv) In page 124, line 48,—
after “regularly trades” insert “or carries on business”.
- (v) In page 124, line 49,—
for “goods and materials” substitute “goods, materials and services”.
- (vi) In page 124, line 50,—
for “one thousand rupees” substitute “five thousand rupees”
- (vii) In page 125, lines 1-2,—
omit sub-clause (b).

The clause as amended was adopted.

9. *Clause 276.*—The clause was adopted without any amendment.

10. *Clause 277.*—The following Government amendment was accepted:—

- In page 125, lines 39-40,—
for “where the director becomes concerned or interested in a contract or arrangement after it is made”,
substitute “in the case of any other contract or arrangement with the company in which the director becomes concerned or interested,”.

Besides the following amendment was also accepted:—

- In page 126, line 15,—
for “prohibiting”, substitute “restricting”.

The clause as amended was adopted.

11. *Clause 278.*—The following Government amendment was accepted:—

- In page 126, line 25,—

for "not a subsidiary" substitute "neither a subsidiary nor a holding company"

The clause as amended was adopted.

12. *Clause 279.*—The following Government amendments were accepted:—

(i) In page 127, line 6,—

In the heading, after "contracts" insert "and of companies and firms"

(ii) In page 127, line 20,—

after sub-clause (2), insert the following as sub-clause (3) and re-number sub-clauses (3) and (4) as sub-clauses (4) and (5) respectively:—

"(3) The register aforesaid shall also specify, in relation to each director of the company, the names of the bodies corporate and firms of which notice has been given by him under sub-section (3) of section 277"

(iii) In page 127, line 22,—

for "(1) or (2)", substitute "(1), (2) or (3)".

Besides the following amendments were also accepted:—

(i) In page 127, line 8,—

for "section 277" substitute "sections 275 and 277"

(ii) In page 127, line 16,—

for "section 277" substitute "sections 275 and 277"

The clause as amended was adopted.

13. *Clause 280.*—The following Government amendments were accepted:—

(i) In page 128, after line 13, insert the following sub-clause (3A):

"(3A) Where a director becomes concerned or interested as aforesaid in any such contract as is referred to in sub-sections (1), (2) or (3) after it is made, the abstract and memorandum, if any, referred to in the said sub-sections shall be sent to every member of the company within twenty-one days from the date on which the director becomes so concerned or interested"

(ii) In page 28, lines 14—21, omit sub-clause (4).

The clause as amended was adopted.

14. The Committee then adjourned to meet again at 10-30 A.M. on Wednesday, the 9th February, 1955.

LV

Fifty-fifth Meeting

The Committee met from 10-30 A.M. to 12-30 P.M. and from 3 P.M. to 5-15 P.M. on Wednesday, the 9th February, 1955.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Awadheshwar Prasad Sinha.
3. Shri Ghamandi Lal Bansal.
4. Shri Radheshyam Ramkumar Morarka.
5. Shri B. R. Bhagat.
6. Shri Narendra P. Nathwani.
7. Shri Purnendu Sekhar Naskar.
8. Pandit Chatur Narain Malviya.
9. Shri Mulchand Dube.
10. Shri Ajit Singh.
11. Shri C. D. Deshmukh.
12. Shri N. C. Chatterjee.

Rajya Sabha

13. Dr. P. Subbarayan.
14. Shri Shriyans Prasad Jain.
15. Dr. R. P. Dube.
16. Shri Braja Kishore Prasad Sinha.
17. Shri S. C. Karayalar.
18. Shri Amolakh Chand.
19. Shri M. C. Shah.
20. Shri V. K. Dhage.
21. Shri S. Banerjee.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

- | | | |
|---------------------------|---|---|
| 1. Shri D. L. Mazumdar | } | <i>Officers on Special Duty,
Department of Economic
Affairs, Ministry of Finance.</i> |
| 2. Shri K. V. Rajagopalan | | |
| 3. Shri R. Ganapathi Iyer | | |

SECRETARIAT

Shri P. K. Patnaik—*Under Secretary.*

2. The Committee resumed clause by clause consideration of the Bill.

3. *Clause 281.*—The following amendments were accepted:—

- (i) In page 129, lines 1-2,—
delete “director, managing director,”
- (ii) In page 129, line 8,—
delete “director, managing director”
- (iii) In page 129, lines 21-22,—
delete “(whether an individual, a body corporate or a firm)”
- (iv) In page 129, line 50,—
after “fifty rupees”, *add* “for every day during which the default continues”

The clause as amended was adopted.

4. *Clauses 282 to 284.*—These clauses were adopted without any amendment.

5. *Clause 285.*—The following Government amendments were accepted:—

- (i) In page 130, lines 37—41,—
delete the proviso.
- (ii) In page 131, line 20,—
for “bank holiday”, *substitute* “public holiday”.
- (iii) In page 131, lines 46-47 and in page 132, lines 1-5,—
for the existing paragraph (a), *substitute* the following:—
“(a) any person in accordance with whose directions the directors of a company are accustomed to act, shall be deemed to be a director of the company.”

The clause as amended was adopted.

6. *Clause 286.*—The clause was adopted without any amendment

7. *Clause 287.*—This clause was held over.

8. *Clause 288.*—The clause was adopted without any amendment.

9. *Clause 289.*—The following Government amendments were accepted:—

- (i) In page 133, line 34,—
for “district”, *substitute* “state”
- (ii) In page 133, lines 34-36,—
delete “and such an appointment shall not be deemed to be an assignment of the office of director within the meaning of section 288”
- (iii) In page 133, line 38,—
for “district”, *substitute* “state”
- (iv) In page 133, line 41,—
for “no provision”, *substitute* “any provision”,

(v) In page 133, lines 42-43,—

for “shall apply to the alternate director”, *substitute* “shall apply to the original, and not to the alternate, director”

The clause as amended was adopted.

10. *Clause 290.*—The following Government amendments were accepted:—

(i) In page 134, line 11,—

after “managing director”, *insert* “managing agent”.

(ii) In page 134, line 12,—

after “banker”, add “trustee for the holders of debentures in the company”

(iii) In page 134, lines—16—18,—

delete the proviso.

(iv) In page 134, lines 20-21,—

delete “other than that of a managing agent or of a trustee for the holders of debentures in the company”

The clause as amended was adopted.

11. *Clause 291.*—The clause was adopted without any amendment.

12. *Clause 292.*—The following amendments were accepted:—

(i) In page 134, line 41,—

for “special notice”, *substitute* “specific notice”

(ii) In page 134, line 41,—

for “members” *substitute* “directors”.

(iii) In page 134, line 45,—

for “one month”, *substitute* “one year”

The clause as amended was adopted.

13. *Clause 293.*—The following Government amendments were accepted:—

(i) In page 135, lines 8-9, after “office or place of profit under the company” add “other than that of a managing agent”.

(ii) In page 135, line 30, for “office and place of profit” *substitute* “office or place of profit”.

(iii) In page 135, line 31, for “as they have” *substitute* “as it has”.

The clause as amended was adopted.

14. *Clause 294.*—The following Government amendments were accepted:—

(i) In page 135, line 33, after “or”, add “after the expiry of six months from such commencement”.

(ii) In page 135, line 34, for “or body corporate” *substitute* “body corporate or association”.

The clause as amended was adopted.

15. *Clause 295.*—The Committee adopted the following revised clause in substitution of the original clause:—

“295...Certain persons not to be appointed managers.—No company shall, after the commencement of this Act, appoint or employ, or continue the appointment or employment of, any person as its manager who—

- (a) is an undischarged insolvent; or has been adjudged an insolvent at any time within the preceding five years; or
- (b) suspends, or has at any time within the preceding five years suspended, payment to his creditors, or makes, or has at any time made, a composition with them; or
- (c) is or has at any time within the preceding five years, been convicted by a Court in India of an offence involving moral turpitude.”

The Committee further decided that in the case of a managing director this limitation of five years would not apply. In other words, a person should be debarred from being appointed as a managing director if he has at any time been adjudged an insolvent. The Draftsman was directed to make suitable provision to this effect under clause 252 or elsewhere.

16. *Clause 296.*—The following Government amendment was accepted:—

In page 136, lines 2 and 3,—

for “manager or any other officer or employee of a company”,
substitute “any officer or employee of a company, not being a director, the managing agent or the manager”.

It was also decided that the commission payable to a manager should be calculated on the basis of the percentage of profit and not on production or sale.

The Draftsman was directed to recast the clause accordingly.

17. *Clause 297.*—The following Government amendments were accepted:—

- (i) In page 136, lines 13 and 14,—
delete “except with the leave of the Court by which he was adjudged insolvent”.
- (ii) In page 136, lines 23 to 29,—
delete sub-clause (2).
- (iii) In page 136, lines 29,—
Renumber sub-clause (3) as sub-clause (2).

The clause, as amended, was adopted.

18. *Clause 298.*—The following Government amendment was accepted:—

In page 137, after line 35, add the following new sub-clause (8):—

“(8) The provisions of this section shall be in addition to, and without prejudice to the operation of, any other provision contained in this Act.”

The clause, as amended, was adopted.

19. *Clause 299.*—The clause was adopted without any amendment.

20. *Clause 300.*—The Committee adopted the following revised clause in substitution of the original clause:—

"300. Compensation for loss of office not permissible except to managing directors and directors who are managers.—(1) Payment may be made by a company, except in the cases specified in sub-section (3) and subject to the limit specified in sub-section (4), to a managing director, or a director holding the office of manager or the whole time employment of the company, by way of compensation for loss of office, or as consideration for retirement from office, or in connection with such loss or retirement;

(2) No such payment shall be made by the company to any other director;

(3) No payment shall be made to a managing or other director in pursuance of sub-section (1), in the following cases, namely:—

(a) where the director resigns his office in view of the reconstruction of the company, or of its amalgamation with any other body corporate or bodies corporate, and is appointed as the managing director, managing agent, manager or other officer of the reconstructed company or of the body corporate resulting from the amalgamation;

(b) where the director resigns his office otherwise than on the reconstruction of the company or its amalgamation as aforesaid;

(c) where the office of the director is vacated by virtue of section 258, or any of the clauses, (a) to (j), of section 261 or section 298;

(d) where the company is being wound up, whether by or subject to the supervision of the Court or voluntarily, provided the winding up was due to the negligence or default of the director;

(e) where the director is guilty of fraud or breach of trust in relation to, or of gross negligence in or gross mismanagement of, the conduct of the affairs of the company or any subsidiary or holding company thereof;

(f) where the director has instigated, or has taken part directly or indirectly in bringing about the termination of his office.

(4) Any payment made to a managing or other director in pursuance of sub-section (1) shall not exceed the remuneration which he would have earned had he been in office for the unexpired residue of his term or for three years whichever is shorter, calculated on basis of the average remuneration actually earned by him during a period of three years immediately preceding the date on which he ceased to hold the office, or where he held the office for a lesser period than three years, during such period:

Provided that no such payment shall be made to the director in the event of the commencement of the winding up of the company, whether before, or at any time within twelve months after, the date on which he ceased to hold office, if the assets of the company do the winding up, after deducting the expenses thereof, are not sufficient to repay to the shareholders the share capital (including the premium, if any) contributed by them.

(5) Nothing in this section shall be deemed to prohibit the payment to a managing director or a director holding the office of manager of any remuneration for services rendered by him to the company in any other capacity."

21. *Clause 301.*—The following Government amendment was accepted:—

In page 138, line 30,—

for "for in connection with his retirement from office", substitute "for retirement from office, or in connection with such loss or retirement".

The Clause, as amended, was adopted.

22. *Clause 302.*—The following Government amendments were accepted:—

(i) In page 139, line 11,—

for "for or in connection with his retirement from office", substitute "for retirement from office, or in connection with such loss or retirement".

(ii) In page 139, line 35,—

after "other holders of shares of the same class" insert "(other than shares already held at the date of the offer by, or by a nominee for, the offeror, or where the offeror is a company, by, or by a nominee for, any subsidiary thereof)".

(iii) In page 139, lines 42 to 49,—

delete sub-clause (5).

(iv) In page 140, line 1,—

renumber sub-clause (6) as sub-clause (5).

The Clause, as amended, was adopted.

23. *Clause 303.*—The following Government amendments were accepted:—

(i) In page 140, lines 28 and 29,—

for "or in connection with his retirement from office", substitute "retirement from office or in connection with such loss or retirement".

(ii) In page 140, line 32,—

for "or in connection with his retirement from office", substitute "retirement from office or in connection with such loss or retirement".

The clause, as amended, was adopted.

24. *Clause 304.*—The following Government amendments were accepted:—

(i) In page 140, line 44,—

for "elsewhere" substitute "otherwise".

(ii) In page 141, lines 5 to 9,—

delete the whole of clause (a) of the proviso and “(b)” at the commencement of the clause.

(iii) In page 141, line 15,—

delete “clause (b) of”.

The Clause, as amended, was adopted.

25. *Clauses 305 and 306.*—These clauses were adopted without any amendment.

(The Committee rose at 12-30 P.M. and reassembled at 3 P.M.)

26. *‘Cumulative Voting’ by shareholders in the election of directors.*

The Committee discussed this point. Mainly, two views were expressed.

One view was that some representation of the minority on the board of directors was essential and so the system of ‘cumulative voting’ or any other suitable method should be evolved to give effect to it.

The other view was that the analogy of a majority or minority should not be brought in in the case of company management as such a thing would destroy the homogeneity of the board of directors and would make the working of companies impossible.

In the end, the Finance Minister evolved a *via-media* formula with the following propositions which was accepted by the Committee:—

(1) Government may be given power to nominate not more than two directors to the board of directors of a company, on the application of at least ten per cent. of the shareholders, if Government are satisfied that the affairs of the company are being conducted in a manner prejudicial to the interests of the company or in a manner oppressive to some part of the members.

(2) Discretionary powers may be vested in a company to have the system of ‘cumulative voting’ if such a provision has been incorporated in the articles of association of the company.

The Draftsman was directed to prepare a draft clause on the above lines and place the same before the Committee for further consideration.

27. The Committee then adjourned to meet again at 10-30 A.M. on Thursday, the 10th February, 1955.

LVI

Fifty-Sixth Meeting

The Committee met from 10-30 A.M. to 1 P.M. on Thursday, the 10th February, 1955.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Awadheshwar Prasad Sinha
3. Shri Ghamandi Lal Bansal
4. Shri Radheshyam Ramkumar Morarka
5. Shri B. R. Bhagat
6. Shri Narendra P. Nathwani
7. Shri Purnendu Sekhar Naskar
8. Shri Mulchand Dube
9. Shri Amjad Ali
10. Shri C. D. Deshmukh.

Rajya Sabha

11. Shri Shriyans Prasad Jain
12. Dr. P. Subbarayan
13. Dr. R. P. Dube
14. Shri Braja Kishore Prasad Sinha
15. Shri S. C. Karayalar
16. Shri Amolakh Chand
17. Shri M. C. Shah
18. Shri V. K. Dhage
19. Shri S. Banerjee.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

- | | |
|---------------------------|---|
| 1. Shri D. L. Mazumdar | } <i>Officers on Special Duty,
Department of Economic
Affairs, Ministry of
Finance.</i> |
| 2. Shri K. V. Rajagopalan | |
| 3. Shri R. Ganapathi Iyer | |

SECRETARIAT

Shri P. K. Patnaik—*Under Secretary.*

2. The Committee took up consideration of the clauses, which were held over after some discussion at their previous sittings or

subsequently proposed to be further discussed. The references of the meetings, at which the said clauses were discussed earlier, have been given against each clause in the succeeding paragraphs.

3. *Clause 37 (vide Minutes, dated the 14th July, 1954—11th Meeting).*—The clause was adopted without any amendment.

4. *Clause 44 (vide Minutes, dated the 4th and 6th September, 1954—23rd and 24th Meetings).*—No further change was made.

5. *Clause 117 (vide Minutes, dated the 20th August, 1954—22nd Meeting).*—The clause was adopted without any amendment.

6. *Clauses 150 and 151 (vide Minutes, dated the 5th November, 1954—31st Meeting).*—These clauses were adopted without any amendment.

The Draftsman was, however, directed to examine the clauses with a view to see if any drafting amendments were necessary to be made therein and if so, to bring that to the notice of the Committee.

7. *Clause 155 (vide Minutes, dated the 5th November, 1954—31st Meeting).*—The clause was adopted without any amendment.

8. *Clause 202 (vide Minutes, dated the 13th November, 1954—36th Meeting).*—In addition to the amendments accepted on the 13th November, 1954, the following amendment was accepted:—

In page 91, line 25,—

delete “whether as a member of another company or otherwise”.

Sub-clause (5) of clause 202 was adopted.

It was further decided that a proviso to the following effect should be suitably incorporated in this clause:—

“Provided further that in any proceedings against a person in respect of an offence under sub-section (1), it shall be a defence to prove that he had reasonable ground to believe and did believe that a competent and reliable person was charged with the duty of seeing that the provisions of that sub-section were complied with and was in a position to discharge that duty.”

The Draftsman was directed to incorporate such a proviso and effect necessary consequential changes in the clause.

Subject to this, the clause was adopted.

9. *Clause 209 (vide Minutes, dated the 27th November, 1954—37th Meeting).*—No further change was made.

10. *Clauses 210 and 211 (considered on the 29th November, 1954—vide Minutes of 38th Meeting).*—No further change was made.

11. *Clause 239 (vide Minutes, dated the 3rd December, 1954—41st Meeting).*—The clause was adopted without any amendment.

12. *Clause 240 (vide Minutes, dated the 3rd December, 1954—41st Meeting).*—The following Government amendments were accepted:—

(i) In page 110, line 27,—

for “vacated office”, substitute “vacancy”.

- (ii) In page 110, lines 29 to 38,—
for sub-clause (4), *substitute* the following:—

- “(4) (a) If the place of the retiring director is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place.
- (b) If at the adjourned meeting also, the place of the retiring director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring director shall be deemed to have been re-appointed at the adjourned meeting, unless—
- (i) at that meeting or at the previous meeting a resolution for the reappointment of such director shall have been put to the meeting and lost; or
- (ii) the retiring director has expressed in writing addressed to the company or the board of directors his unwillingness to be so reappointed; or
- (iii) he is not qualified or is disqualified for appointment; or
- (iv) a special resolution is required for his appointment or re-appointment in virtue of section 243 or sections 258 and 259.
- (5) Where a director is to retire at any annual general meeting both in virtue of sub-section (2) and in virtue of sub-section (2) of section 258, he shall be deemed, for the purposes of this section, to retire in virtue of sub-section (2) of this section.”

The clause, as amended, was adopted.

13. Clause 241 (vide *Minutes, dated the 3rd December, 1954—41st Meeting*).—The clause was adopted without any amendment.

14. Clause 242 (vide *Minutes, dated the 3rd December, 1954—41st Meeting*).—The following Government amendments were accepted:—

- (i) In page 110, line 50,—
for “section 239”, *substitute* “sections 236 and 239”.
- (ii) In page 111, line 2,—
after “directors”, add “within the limits fixed in that behalf by the articles”.

The Clause, as amended, was adopted.

15. Clause 243 (vide *Minutes, dated the 3rd December, 1954—41st Meeting*).—The following Government amendments were accepted:—

- (i) In page 11, lines 36 to 41,—

delete sub-clauses (g), (h) and (i) and re-letter sub-clause (j) as (g).

(ii) In page 111, line 46,—

for the letter “(j)”, substitute the letter “(g)”.

(iii) In page 112, line 2,—

for the letter “(j)”, substitute the letter “(g)”.

(iv) In page 112, line 6,—

after sub-clause (3), add the following new sub-clause:

“(4) Nothing in this section shall be deemed to prevent any director holding office immediately before the commencement of this Act from continuing to hold the office upto the next annual general meeting of the company.”

The Clause, as amended, was adopted.

16. *Clause 244 (vide Minutes, dated the 3rd December, 1954—41st Meeting).*—The Draftsman was directed to redraft this clause on the lines of section 83-B of the Indian Companies Act, 1913 and place it before the Committee.

17. *Clause 245 (vide Minutes, dated the 3rd December, 1954—41st Meeting).*—The following amendment was accepted:—

In page 113, lines 15 and 16,—

delete sub-clause (4).

The Clause, as amended, was adopted.

18. *Clause 287 (vide Minutes, dated the 9th February, 1955—55th Meeting).*—This clause was held over again pending redraft.

19. *Clause 575 (vide Minutes, dated the 5th February, 1955—52nd Meeting).*—This clause was held over again pending consideration of new Part XII-A.

20. *Clauses 592 and 594 (vide Minutes, dated the 5th February, 1955—52nd Meeting).*—These clauses were held over again pending examination by the Chairman.

21. *Clauses 79 to (considered on the 4th November, 1954—vide Minutes of 30th Meeting).*—No further change was made.

22. The Committee then adjourned to meet again at 10-30 A.M. on Friday, the 11th February, 1955.

LVII

Fifty-Seventh Meeting

The Committee met from 10-30 A.M. to 1-10 P.M. on Friday, the 11th February, 1955.

PRESENT

Shri Hari Vinayak Pataskar—Chairman.

MEMBERS

Lok Sabha

2. Shri Awadheshwar Prasad Sinha
3. Shri Ghamandi Lal Bansal
4. Shri Radheshyam Ramkumar Morarka
5. Shri B. R. Bhagat
6. Shri Narendra P. Nathwani
7. Shri Purnendu Sekhar Naskar
8. Pandit Chatur Narain Malviya
9. Dr. Shaukatullah Shah Ansari
10. Shri Mulchand Dube
11. Shri Radhelal Vyas
12. Shri Ajit Singh
13. Shri Amjad Ali
14. Shri C. D. Deshmukh.

Rājya Sabha

15. Dr. P. Subbarayan
16. Shri Shriyans Prasad Jain
17. Dr. R. P. Dube
18. Shri Braja Kishore Prasad Sinha
19. Shri R. S. Doogar
20. Shri Amolakh Chand
21. Shri M. C. Shah
22. Shri V. K. Dhage
23. Shri S. Banerjee.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

- | | | |
|---------------------------|---|---|
| 1. Shri D. L. Mazumdar | } | <i>Officers on Special Duty,
Department of Economic
Affairs, Ministry of
Finance.</i> |
| 2. Shri K. V. Rajagopalan | | |
| 3. Shri R. Ganapathi Iyer | | |

SECRETARIAT

Shri P. K. Patnaik—*Under Secretary.*

2. The Committee took up consideration of draft Part XII-A (Appendix XIV) proposed by Government to be inserted in the Bill. The Finance Minister explained to the Committee that this draft chapter was an attempt to give form to the assurance given by him in the House when the House discussed establishment of a Committee of the Parliament for going into Government enterprises.

The Committee accepted the following principle:—

So far as Government companies are concerned, it will be inappropriate to apply to them the clauses of the Bill imposing penalty in respect of failure to do certain things by directors, managers, etc. But clauses prescribing routine things like supplying information to shareholders, filing returns, issuing prospectus, etc, should be made applicable to them like any other company.

3. Having accepted the principle as stated in the preceding paragraph, the Committee started examining the different clauses of the draft Part XII-A. But after some discussion it was felt that the scheme of the existing clause 575 with certain amendments would be a more suitable one for the purpose than this draft Part XII-A. So the Committee reverted to consider clause 575.

4. *Clause 575.*—The following Government amendments were accepted:—

(i) In page 239, line 14,—

for “four-fifths”, substitute “fifty-one per cent.”.

(ii) In page 239, line 15,—

delete “paid-up”.

(iii) It was decided that any notification issued under this section shall be laid on the Table of both Houses of Parliament within a specified time.

(iv) It was also decided that Government companies formed after this Bill is passed and the enactment comes into effect, shall not appoint managing agents.

The Draftsman was directed to insert suitable provisions to the above effect.

Subject to this, the clause was adopted.

5. *New Clause 575-A.*—A new clause as follows was adopted:—

“575-A. *Application of sections 209 to 218.*—(1) In the case of a Government Company the following provisions shall apply notwithstanding anything contained in sections 209 to 218.

(2) The Comptroller and Auditor General of India shall have power—

(a) to direct the manner in which the company's accounts shall be audited by the auditor appointed in pursuance

of sections 209 and 210 and to give such auditor instructions in regard to any matter relating to the performance of his functions as such;

- (b) to conduct a supplementary or test audit of the company's accounts by such person or persons as he may authorise in this behalf.
- (3) The auditor aforesaid shall submit a copy of his audit report to the Comptroller and Auditor-General of India who shall have the right to comment upon, or supplement, the audit report in such manner as he may think fit.
- (4) Any such comments upon, or supplement to, the audit report shall be placed before the annual general meeting of the company in the same manner as the audit report is placed before it."

6. The Committee thereafter resumed consideration of the pending clauses.

7. *Clause 1.*—The following amendments were accepted:—

- (i) In page 1, line 5,—
for "1953", substitute "1955".

- (ii) In page 1, line 6,—

for "on the first date of April, 1955", substitute "such date as the Central Government may, by notification in the Official Gazette appoint."

Sub-section (3) was held over pending examination regarding the applicability of the Act to Jammu and Kashmir.

8. *Clause 2.*—The following Government amendments were accepted:—

- (i) In page 2, after line 37, add the following proviso:— •

"Provided that, in relation to an insurance company, 'financial year' shall mean the calendar year referred to in sub-section (1) of section 11 of the Insurance Act, 1938 (IV of 1938);"

- (ii) In page 3, after line 49, insert the following new sub-clause:—

"(31A) 'relative' does not include, with reference to any person, any one who is not related to such person in any of the ways specified in section 5A;"

- (iii) In page 1, lines 19 to 34, and in page 2, lines 1 to 4,—
for sub-clause (2), substitute the following sub-clause:—

"(2) 'associate of the managing agent' means any of the following, and no others:—

- (a) where the managing agent is an individual any partner of such individual; any firm in which such individual is a partner; any private company of which such individual

or any such partner or firm is a managing agent, director or manager; any body corporate at any general meeting of which not less than one-half of the total voting power in regard to any matter may be exercised or controlled by any one or more of the following, namely, such individual, any such partner or partners, and any such firm or firms; and any relative of such individual;

- (b) where the managing agent is a firm, any member of such firm, any partner of any such member, and any other firm in which any such member is a partner; any private company of which the firm first mentioned, or any such member, partner or other firm is a managing agent, director or manager; and any body corporate at any general meeting of which not less than one-half of the total voting power in regard to any matter may be exercised or controlled by any one or more of the following, namely, the firm first mentioned, any such member or members, partner or partners, and other firm or firms; and any relative of any such member;
- (c) where the managing agent is a body corporate, any subsidiary or holding company thereof; any managing agent, director, manager or officer of the body corporate or of any subsidiary or holding company thereof; and any other body corporate at any general meeting of which not less than one-half of the total voting power in regard to any matter may be exercised or controlled by any one or more of the following, namely, the body corporate, any subsidiary or subsidiaries thereof, and any holding company or holding companies thereof;
- (d) where the managing agent is a private company, in addition to the persons mentioned in sub-clause (c), any member of the private company.

Explanation.—If one person is an associate of another within the meaning of this clause, the latter shall also be deemed to be an associate of the former within its meaning.”

- (iv) In page 2, *after* line 6, *insert* the following new sub-clause:—

“(3A) ‘board’ means the board of directors of the company”.

- (v) In page 2, lines 11 to 17,—

for sub-clause (6), *substitute* the following new sub-clause:—

“(6) ‘branch office’ means any establishment described as a branch by the company, not being an establishment specified in an order passed by the Central Government in pursuance of section 6A.”

- (vi) In page 3, line 2,—

after “body corporate”. *add* “to which the prospectus relates”.

- (vii) In page 3, line 4,—

after “subject to the”, *insert* “superintendence”.

(viii) In page 3, lines 9 to 14,—

for sub-clause (20), *substitute* the following new sub-clause:—

“(20) ‘managing agent’ means any individual, firm or body corporate entitled, subject to the provisions of this Act, to the management of the whole, or substantially the whole, of the affairs of a company by virtue of an agreement with the Company, or by virtue of the memorandum or articles of association of the Company, and includes any individual, firm or body corporate occupying the position of a managing agent, by whatever name called”;

(ix) In page 3, lines 16 and 17,—

for “by the Company or its”, *substitute* “by the Company in general meeting or by its”.

(x) In page 3, after line 21, add a new sub-clause as follows:—

“(21A) ‘member’, in relation to a Company, does not include a bearer of a share-warrant of the Company issued in pursuance of section 108”.

(xi) In page 3, line 27,—

for “of the form”, *substitute* “in the form”.

(xii) In page 3, line 29,—

for “and 581”, *substitute* “581 and 520”.

(xiii) In page 3, line 45, sub-clause (30) should be renumbered (28A), inserted after sub-clause (28) and amended to read as follows:—

“(28A) ‘prospectus’ means any prospectus, notice, circular, advertisement or other document inviting offers from the public for the subscription purchase of any shares in, or debentures of, a body corporate”.

(xiv) In page 3, after line 44, *insert* the following sub-clause after sub-clause (29):—

“(29A) ‘public holiday’ means a public holiday within the meaning of the Negotiable Instruments Act, 1881 (XXVI of 1881):

Provided that no day declared by the Central Government to be a public holiday shall be deemed to be such a holiday, in relation to any meeting, unless the declaration was notified before the issue of the notice convening such meeting.”

(xv) In page 3, after new sub-clause (29A), *insert* the following new sub-clause:—

“(30) ‘recognised stock exchange’ means a stock exchange, whether in or outside India, which is notified by the Central Government in the Official Gazette as a recognised stock exchange for all or any of the purposes of this Act.”

(xvi) In page 3, line 48,—

after “or”, insert “an”.

(xvii) In page 4, line 10,—

after “that matter”, insert “on a poll”.

The clause as amended was adopted.

9. *New Clause 5-A.*—The following new clause was adopted:—

“5A. *Meaning of ‘relative’.*—Two persons shall not be deemed to be ‘relatives’ unless they are husband and wife, or unless the one or the spouse of the one is related to the other or the spouse of the other, whether by legitimate or illegitimate descent or by adoption and whether by full blood or by half blood, in any of the following ways, namely:—

- (i) as parent and child;
- (ii) as grand-parent and grand-child;
- (iii) as brothers or sisters, or as brother and sister;
- (iv) as uncle, or aunt, and nephew or niece;
- (v) as first cousins, that is to say, as persons having a common grand-parent.”

10. *Extension of time for the presentation of the Report of the Sub-Committee.*—Extension of time for the presentation of the Report of the Sub-Committee appointed for the examination of the Schedules to the Bill, was granted upto the 12th February, 1955.

11. The Committee then adjourned to meet again at 10-30 A.M. on Saturday, the 12th February, 1955.

LVIII
Fifty-Eighth Meeting

The Committee met from 10-30 A.M. to 1-30 P.M. on Saturday, the 12th February, 1955.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Awadheshwar Prasad Sinha.
3. Shri Ghamandi Lal Bansal.
4. Shri Radheshyam Ramkumar Morarka.
5. Shri B. R. Bhagat.
6. Shri Narendra P. Nathwani.
7. Shri Purnendu Sekhar Naskar.
8. Pandit Chatur Narain Malviya.
9. Dr. Shaukatullah Shah Ansari.
10. Col. B. H. Zaidi.
11. Shri Mulchand Dube.
12. Pandit Munishwar Dutt Upadhyay.
13. Shri Radhelal Vyas.
14. Shri Ajit Singh.
15. Shri Amjad Ali.
16. Shri N. C. Chatterjee.
17. Shri C. D. Deshmukh.

Rajya Sabha

18. Dr. P. Subbarayan.
19. Shri Shriyans Prasad Jain.
20. Dr. R. P. Dube.
21. Shri Braja Kishore Prasad Sinha.
22. Shri R. S. Doogar.
23. Shri Amolakh Chand.
24. Shri M. C. Shah.
25. Shri V. K. Dhage.
26. Shri S. Banerjee.

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

- | | |
|----------------------------|---|
| 1. Shri D. L. Mazumdar | } <i>Officers on Special Duty, Department of Economic Affairs, Ministry of Finance.</i> |
| 2. Shri K. V. Rajagopalan | |
| 3. Shri R. Ganapathi Iyer. | |

SECRETARIAT

Shri P. K. Patnaik—*Under Secretary.*

2. The Report of the Sub-Committee for the examination of Schedules to the Bill was presented by Shri N. C. Chatterjee, Chairman of the Sub-Committee.

3. The Committee thereafter took up consideration of two new draft clauses on 'cumulative voting' by shareholders in the election of directors. The drafts were in pursuance of the decision of the Committee taken at their meeting on the 9th February, 1955 (*vide* para. 26 of the 55th meeting dated the 9th February, 1955). After some discussion, two new clauses in the following form were adopted:—

"Clause —. Notwithstanding anything contained in this Act the articles of a company may provide for the appointment of not less than two-thirds of the total number of the directors of a public company or of a private company which is a subsidiary of a public company, according to the principle of proportional representation whether by the single transferable vote or by a system of cumulative voting or otherwise, the appointments being made once in every three years, interim casual vacancies being filled in accordance with the provisions, *mutatis mutandis*, of section 244."

"Clause —. Notwithstanding anything contained in this Act, the Central Government may appoint not more than two persons, being members of the company, to hold office as directors thereof for such period not exceeding three years as it may think fit, if the Central Government, on the application of members of the company holding not less than one-tenth of the total voting power therein, is satisfied that it is necessary to make the appointment or appointments in order to prevent the affairs of the company being conducted either in a manner which is oppressive to any members of the company or in a manner which is prejudicial to the interests of the company."

The Draftsman was directed to insert these clauses in the appropriate places in the Bill and allot necessary number to each.

4. The Committee then reverted to the definition clause (clause 2) and added a new definition as follows:—

"(33-A) 'secretary and treasurer' means any firm or body corporate (not being the managing agent) which, subject to the superintendence, control and direction of the board of directors, has the management of the whole, or substantially the whole, of the affairs of a company; and includes any firm or body corporate occupying the position of a secretary and treasurer, by whatever name called, and whether under a contract of service or not."

5. *New Clause 359-A.*—Thereafter a new clause 359-A as follows was adopted:—

“359-A. Appointment, remuneration and conditions of service of secretaries and treasurers.—(1) A Company having no managing agent may, subject to the provisions of this section, appoint a secretary and treasurer.

(2) All the provisions of this Act applicable to a managing agent which is a firm or a body corporate shall also apply to the secretary and treasurer subject to the following exceptions and modifications:—

(a) Section 311 (which provides for the termination of existing managing agencies on the 15th August, 1960) shall not apply to the secretary and treasurer.

(b) Section 329 (which regulates the remuneration of managing agents) shall apply to the secretary and treasurer subject to the modification that for ten per cent of the net profits occurring in the section seven-and-a-half per cent shall be substituted.

(c) Section 314-A to 314-E (which limit the number of companies which may be managed by a managing agent) shall not apply to the secretary and treasurer.

(d) Section 359 (which regulates the right of the managing agent to appoint directors) shall not apply to the secretary and treasurer; and the secretary and treasurer shall have no right whatever to appoint any director of the company.”

6. *New Clause 286-A.*—The Committee also adopted a new clause 286-A as follows:—

“286-A. Overall maximum remuneration payable to directors, managing agent or secretary and treasurer and manager.—(1) Save as otherwise expressly provided in this Act, in the case of a public company or a private company which is a subsidiary of a public company, the total remuneration payable by the company to its directors, its managing agent or secretary and treasurer, if any, and its manager, if any, shall not exceed eleven per cent of the net profits of the company, computed in the manner laid down in sections 330, 331 and 332, except that the remuneration of the directors shall not be deducted from the gross profits.

(2) The percentage aforesaid shall be exclusive of any fees payable to directors for board meetings attended by them and also of any monthly payment made, by way of remuneration, to any director or directors including the managing director, and the manager.

(3) Nothing contained in this section shall be deemed—

(a) to prohibit the payment of a monthly remuneration to directors in accordance with the provisions of section 287 or to a manager in accordance with the provisions of section 287-A; or

- (b) to affect the operation of sections 333, 334, 335, 336, 338, 339, 340, 341 or 342."

7. *Clause 287.*—The Committee then considered clause 287 of the Bill and accepted the following Government amendments to the same:—

- (i) In page 132, line 31,—
after "the provisions of" insert "section 286-A and".
- (ii) In page 132, line 40,—
delete the inverted commas from "net profits".
- (iii) In page 132, line 41,—
after "for any" insert "one".
- (iv) In page 132, line 42,—
after "director," insert "ten".
- (v) In page 132, line 46,—
after "authorise" insert "subject to the provisions of 286-A,".
- (vi) In page 133, lines 1-2,—
for the existing paragraph (a), *substitute* the following:—
 "(a) If the company has a managing or whole-time director, a managing agent or secretary and treasurer, or a manager, of a commission not exceeding one per cent of the net profits of the company;"
- (vii) In page 133, line 3,—
for "if the company has no managing agent," *substitute* "in no other case".
- (viii) In page 133, line 4,—
delete the inverted commas from "net profits".
- (ix) In page 133, lines 5-10,—
for the existing sub-clause (5), *substitute* the following:—
 "(5) The net profits referred to in sub-sections (3) and (4) shall be computed in the manner referred to in section 286-A, sub-section (1)."
- (x) In page 133, line 12,—
delete "a director who is".
- (xi) In page 133, line 14,—
after "any commission", insert "or other remuneration",
- (xii) In page 133, line 22,—
after "commencement of this Act" add—
 "~~or~~ where such commencement does not coincide with the end of the financial year of a company, with effect from the expiry of the financial year immediately succeeding such commencement".

The clause as amended was adopted.

8. *New Clause 287-A.*—A new clause 287-A as follows was adopted :

"287-A. Remuneration of Manager.—(1) The remuneration payable to the manager or managers of a company shall be determined in accordance with the provisions of section 286-A and this section.

(2) A manager may receive remuneration either by way of a monthly payment or by way of a percentage of the net profits of the company or partly by the one way and partly by the other.

(3) The percentage of the net profits payable to a manager shall not exceed three, or where there is more than one manager, five for all of them together.

(4) For the purposes of sub-sections (2) and (3), net profits shall be computed in the manner laid down in sections 330, 331 and 332, except that not only the remuneration of the directors but also that of the managing agent or the secretary and treasurer, if any, shall be deducted."

9. The Committee then took up consideration of the Report of the Sub-committee presented today, and accepted the amendments suggested by the Sub-committee and adopted all the Schedules to the Bill as amended accordingly.

10. *Schedule XI—Part I.*—The Draftsman was directed to examine if this Part should not be suitably amended to make it applicable to (i) secretary and treasurer; and (ii) manager.

11. *Schedule XI—Part VI.*—The Committee considered this Part as the Sub-Committee had recommended as follows:—

"The Sub-committee feel that this is an important provision involving some principle and should be discussed and disposed of by the Joint Committee only".

The following Government amendments were accepted: --

(i) In page 323, line 19,—

for "may", substitute "shall".

(ii) In page 323, line 20,—

for "three", substitute "five".

The Part (Part VI) to Schedule XI as amended was adopted.

12. *Clauses 592 and 594.*—The Draftsman was directed to recast these clauses in consultation with the Law Secretary in order to bring them on lines with the recommendations contained in the First and Second Report of the Committee on Subordinate Legislation. The Chairman stated that he had in the meantime discussed about it with Law Secretary.

13. *Sub-clause 3 of clause 1.*—The Committee discussed regarding the applicability of the Act to Jammu and Kashmir. The Chairman stated that he had had a discussion with the Law Secretary on this point also. The Draftsman was directed to have further discussion with Law Secretary and let the Committee know about the legal and constitutional position with regard to this.

14. *Clauses 3-4.*—These clauses were adopted without any amendment.

15. *Clause 5.*—The following Government amendment was accepted:—

In page 6, line 40,—

after “knowingly”, insert “and wilfully”.

The clause as amended was adopted.

16. *Clause 6.*—The clause was adopted without any amendment.

17. *New Clause 6-A.*—A new clause 6-A as follows was adopted:—

“6-A. Power of Central Government to declare an establishment not to be a branch office.

The Central Government may, by order, declare that in the case of any company, not being a banking or an insurance company, any establishment carrying on either the same or substantially the same activity as that carried on by the head office of the company, or any production or manufacture, shall not be treated as a branch office of the company for all or any of the purposes of this Act.”

18. *Clauses 7-8.*—These clauses were adopted without any amendment.

19. *Memorandum submitted by Shri Tulsidas Kilachand.*—The Chairman invited the attention of the Committee to the said memorandum and wanted to know if the Committee would like to reopen discussion of any clause or clauses of the Bill in view of the observations contained in the memorandum. The opinion of the Committee, however, was not to reopen discussion of any clause.

20. The Committee then adjourned *sine die*.

LIX

Fifty-ninth Meeting

The Committee met from 9 A.M. to 10-50 A.M. on Friday, the 22nd April 1955.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri N. M. Lingam
3. Shri Dev Kanta Borooah
4. Shri Ghamandi Lal Bansal
5. Shri Radheshyam Ramkumar Morarka
6. Shri B. R. Bhagat
7. Shri Narendra P. Nathwani
8. Shri Purnendu Sekhar Naskar
9. Shri T. S. Avinashilingam Chettiar
10. Dr. Shaukatullah Shah Ansari
11. Shri Tekur Subrahmanyam
12. Shri Mulchand Dube
13. Shri Ajit Singh
14. Shri Kamal Kumar Basu
15. Shri Amjad Ali
16. Shri N. C. Chatterjee
17. Shri Tulsidas Kilachand

Rajya Sabha

18. Dr. P. Subbarayan
19. Dr. R. P. Dube
20. Shri Braja Kishore Prasad Sinha
21. Shri S. C. Karayalar
22. Shri Amolakh Chand
23. Shri M. C. Shah
24. Shri V. K. Dhage
25. Shri B. C. Ghose

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar	} <i>Officers on Special Duty, Ministry of Finance, Department of Economic Affairs.</i>
Shri K. V. Rajagopalan	
Shri R. Ganapathi Iyer	

SECRETARIAT

Shri N. N. Mallya—*Deputy Secretary.*

2. At the outset the Chairman announced that the Report of the Joint Committee would be presented on the 2nd May, 1955.

3. The Committee decided that Minutes of Dissent, if any, should be sent to the Lok Sabha Secretariat so as to reach them by 12 noon on the 29th April, 1955.

4. The Committee then considered the draft Report and the Bill as amended.

5. *Clause 2.*—(i) The Committee felt that the word “associate” in sub-clause (2) should relate to associates of managing agents or Secretaries and Treasurers.

The Draftsman was directed to suitably amend this sub-clause.

(ii) *sub-clause (19).*—The Committee felt that the explanation to this sub-clause was not necessary and should be omitted.

6. *Clause 273.*—Based on the Company Law Committee's recommendation the following new sub-clause (2A) was placed before the Committee:—

“(2A) Where any loan made, guarantee given or security provided by a lending company and outstanding at the commencement of this Act could not have been made, given or provided, without the previous approval of the Central Government, if this section had then been in force, the lending company shall, within six months from the commencement of this Act, either obtain the approval of the Central Government to the transaction or enforce the repayment of the loan made, or in connection with which the guarantee was given or the security was provided, notwithstanding any agreement to the contrary.”

The Committee felt that the period of six months specified in this sub-clause might not be sufficient in all cases and that the Central Government should be vested with power to extend it to a further period not exceeding six months wherever necessary. Accordingly in this sub-clause, after the words “commencement of this Act” the words “or to such further time not exceeding six months as the Central Government may grant for that purpose” were inserted.

7. *Clause 189A.*—The Committee re-opened the discussion regarding the remuneration payable to the directors, managing agent, Secretaries and Treasurers and manager provided for in this clause.

The discussion was not concluded.

8. The Committee then adjourned to meet again at 9 A.M. on Saturday, the 23rd April, 1955.

LX

Sixtieth Meeting

The Committee met from 9 A.M. to 10-35 A.M. on Saturday the 23rd April 1955.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Dev Kanta Borooah
3. Shri Ghamandi Lal Bansal
4. Shri Radheshyam Ramkumar Morarka
5. Shri B. R. Bhagat
6. Shri Narendra P. Nathwani
7. Shri Purnendu Sekhar Naskar
8. Shri T. S. Avinashilingam Chettiar
9. Shri K. T. Achuthan
10. Shri Kotha Raghuramaiah
11. Dr. Shaukatullah Shah Ansari
12. Shri Tekur Subrahmanyam
13. Shri Radhelal Vyas
14. Shri Kamal Kumar Basu
15. Shri Amjad Ali
16. Shri N. C. Chatterjee
17. Shri Tulsidas Kilachand

Rajya Sabha

18. Dr. P. Subbarayan
19. Dr. R. P. Dube
20. Shri Braja Kishore Prasad Sinha
21. Shri S. C. Karayalar
22. Shri Amolakh Chand
23. Shri M. C. Shah
24. Shri B. C. Ghose

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar	}	<i>Officers on Special Duty, Ministry of Finance, Department of Economic Affairs.</i>
Shri K. V. Rajagopalan		

SECRETARIAT

Shri N. N. Mallya—*Deputy Secretary.*

Shri P. K. Patnaik—*Under Secretary.*

2. The Committee resumed consideration of the draft Report and the Bill as amended.

3. *Clause 189A.*—The Committee felt that the overall maximum remuneration of eleven percent of net profit payable to directors, managing agents etc. under this clause should be inclusive of any monthly payments made by way of remuneration to directors, managing agents etc. but should be exclusive of any fees for attending meetings of Board of Directors. Accordingly in sub-clause (2) the following words were omitted:—

“and also of any monthly payment made by way of remuneration, to any director or directors including the managing directors and the manager.”

4. The Committee felt that a provision should be made in the Bill providing that if in any financial year a company earned no profits or the profits were inadequate it might pay to any director including managing or wholetime director, Secretaries and Treasurers, if any, and its manager a minimum remuneration not exceeding Rs. 36,000.

The Draftsman was directed to insert a suitable provision in this regard on the lines of clause 334 relating to managing agents.

5. *Clauses 562—567* (*Vide Minutes dated the 5th February, 1955*).—These clauses were adopted without any amendment.

6. *Clause 334.*—In this clause the following amendments were effected:—

- (i) that in sub-clause (1) of this clause the words “a sum calculated at such a rate” were omitted; and
- (ii) in sub-clause (2) of this clause the words “if necessary” were omitted.

7. *Clause 592.*—The Committee decided that the list of sections under which the Central Government shall not delegate its powers or functions should also find mention under this clause.

The Draftsman was directed to recast this clause accordingly and place the redraft before the Committee.

8. The Committee then adjourned to meet again at 9-15 A.M. on Monday, the 25th April, 1955.

LXI

Sixty-first Meeting

The Committee met from 9-15 A.M. to 10-10 A.M. on Monday the 25th April, 1955.

PRESENT

Shri Hari Vinayak Pataskar—*Chairman.*

MEMBERS

Lok Sabha

2. Shri Awadheshwar Prasad Sinha
3. Shri N. M. Lingam
4. Shri Shriman Narayan Agarwal
5. Shri Ghamandi Lal Bansal
6. Shri Radheshyam Ramkumar Morarka
7. Shri B. R. Bhagat
8. Shri Narendra P. Nathwani
9. Shri Purnendu Sekhar Naskar
10. Shri K. T. Achuthan
11. Dr. Shaukatullah Shah Ansari
12. Shri Mulchand Dube
13. Shri Kamal Kumar Basu
14. Shri M. S. Gurupadaswamy
15. Shri N. C. Chatterjee

Rajya Sabha

16. Dr. P. Subbarayan
17. Dr. R. P. Dube
18. Shri Braja Kishore Prasad Sinha
19. Shri S. C. Karayalar
20. Shri Amolakh Chand
21. Shri M. C. Shah

REPRESENTATIVES OF MINISTRIES AND OTHER OFFICERS

Shri D. L. Mazumdar	}	<i>Officers on Special Duty, Ministry of Finance, Department of Economic Affairs.</i>
Shri K. V. Rajagopalan		

SECRETARIAT

Shri P. K. Patnaik—*Under Secretary.*

2. The Committee resumed consideration of the Bill as amended.

3. *Clause 189-A.*—In pursuance of the Committee's decision dated the 23rd April, 1955, the Draftsman had placed a fresh draft of the clause before the Committee.

Finally, the following revised clause was adopted.

"189-A. Overall maximum managerial remuneration and minimum remuneration in the absence or inadequacy of profits.—(1) Save as otherwise expressly provided in this Act, in the case of a public company or a private company which is a subsidiary of a public company, the total remuneration payable by the company to its directors, its managing agent or secretaries and treasurers, if any, and its manager, if any, shall not exceed eleven per cent. of the net profits of the company, computed in the manner laid down in sections 330, 331 and 332, except that the remuneration of the directors shall not be deducted from the gross profits.

(2) The percentage aforesaid shall be exclusive of any fees payable to any directors for meetings of the Board attended by them.

(3) Nothing contained in sub-sections (1) and (2) shall be deemed—

(a) to prohibit the payment of a monthly remuneration to directors in accordance with the provisions of section 287 or to a manager in accordance with the provisions of section 359-J; or

(b) to affect the operation of sections 333, 334, 335, 336, 338, 339, 340, 341 or 342.

(4) Notwithstanding anything contained in sub-sections (1) to (3), if in any financial year, a company has no profits or its profits are inadequate, the company may pay to any director including a managing or whole-time director, its managing agent or secretaries and treasurers, if any, and its manager, if any, or if there are two or more of them in the company, to all of them together, by way of minimum remuneration such sum not exceeding fifty thousand rupees per annum as it considers reasonable."

4. *Clause 334.*—The following revised clause was adopted.

"334. Minimum remuneration payable to managing agent to be provided for in articles or in resolution passed at annual general meeting.—(1) Notwithstanding anything contained in section 329 and subject to the provisions of section 189-A, if in any financial year, a company has no profits or its profits are inadequate, the company may pay to its managing agent for that financial year, by way of minimum remuneration, a sum calculated at such rate not exceeding fifty thousand rupees per annum as it considers reasonable.

(2) The minimum remuneration payable to the managing agent of a company, where a company has no profits or its profits are inadequate, shall be provided for either by an amendment of the articles of the company made after the commencement of this Act, or by a resolution of the company passed at an annual general meeting held after such commencement and in either case, the managing agency agreement shall be suitably-modified."

5. *Clause 359-J.*—A new clause 359-J as follows was adopted:—

“359-J. *Remuneration of manager.*—The manager of a company may, subject to the provisions of section 189A, receive remuneration either by way of a monthly payment or by way of a specified percentage, not exceeding five, of the ‘not profits’ of the company calculated in the manner laid down in sections 330, 331 and 332 or partly by the one way and partly by the other.”

6. *Clause 592.*—In pursuance of the decision of the Committee dated the 23rd April, 1955, the Draftsman placed before them a revised clause 592 as follows which was adopted by the Committee:—

“592. *Delegation by Central Government of its powers and functions under Act.*—(1) The Central Government may, by notification in the Official Gazette, delegate any of its powers or functions under this Act other than those specified in sub-section (2) to such authority or officer and subject to such conditions, restrictions and limitations, as may be specified in the notification.

(2) The Central Government shall not delegate its powers or functions under the following provisions of this Act, namely, sections* 10, 88(4), 210(3) and (4), 211, 212, 225, 234, 236, 238, 240, 241, 242, 243, 244, 246, 247, 248, 249, 258, 267, 268, 294, 299, 309, 310, 323, 325, 327, 328, 331, 342, 344, 345, 348, 351, 369, 372, 395, 398(4) and (5), 400, 407, 408, 409, 446, 604, 614, 632 and 633.

(3) A copy of every notification issued under sub-section (1) shall, as soon as may be after it is issued, be placed before each House of Parliament.

7. *Clause 272-A.*—Referring to para. (a) of sub-clause (3), the Committee *deleted*:—

“1st day of May, 1955”.

8. The Committee then adopted the following new clauses:—

“11-A, 24-A, 51-A, 52-A, 107-A 133-A, 189-B to 189-G, 242-A, 242-B, 246-A, 247-A to 247-C, 272-A, 287-A, 287-B, 356-A, 359-A to 359-K, 377-A to 377-H, 478-B, 487-A, 493-A, 514-A, 575-B, 575-C, 590-A.”

9. The Committee adopted the Bill as amended.

10. The Committee thereafter considered the draft Report.

11. A new para. recommending that the Bill should be passed into law at an early date was added.

12. It was also decided to add another new para. to the Report suggesting setting up of proper administrative machinery for administering Company Law matters. The Chairman was authorised to add a suitable paragraph to this effect,

13. The Committee also authorised the Chairman to effect necessary consequential changes in para. 75 of the draft Report in respect of clause 189-A.

*Refer to revised numbering.

The Chairman was further authorised to insert a new para. in the draft Report in respect of clause 592.

14. Subject to these, the Committee adopted the draft Report.

15. The Committee authorised Shri M. C. Shah to lay the Report of the Committee in the Rajya Sabha.

16. The Committee then adjourned.

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APPENDIX I

(Vide para. 9 of Minutes of the Eleventh Meeting)

225. BY SHRI C. D. DESHMUKH:—

For sub-clauses (1) and (2), *substitute* the following:—

“(1) All Investments made by a company otherwise than as a nominee of some other person shall be made and held by it in its own name; and where any such investments are not so held at the commencement of this Act, the company shall, within a period of six months from such commencement, cause them to be transferred to and hold them in its own name:

Provided that where the company has a right to appoint any person or persons, or where any nominee or nominees of the company has or have been appointed, as a director or directors of any other body corporate, shares in such other body corporate to an amount not exceeding the nominal value of the qualification shares which are required to be held by a director thereof, may be registered or held by such company jointly in the names of itself and of each such person or nominee:

Provided further that nothing in this sub-section shall be deemed to prevent the company from holding any shares in a subsidiary thereof in the name or names of any nominee or nominees of the company:

Provided also that nothing in this sub-section shall be deemed to prevent the company from transferring to any person any shares or securities held by the company by way of security for the repayment of any loan advanced to the company or the performance of any obligation undertaken by it.

(2) The certificate or letter of allotment relating to the shares referred to in the first and second provisos to subsection (1) shall be in the custody of the company referred to therein or of its bankers.”

266. BY SHRI N. C. CHATTERJEE:—

In page 20,—

after line 26, add—

“Provided that this section shall not apply to shares and securities the buying and selling whereof are done in the ordinary course of business or to any deposits or transfers of any shares or securities held by a company (i) with any bank for collection of interest or dividends or (ii) with any person by way of security or earnest money for the repayment of any loan advanced to the company or the due performance by the company of any obligation undertaken by it:

Provided further that the company shall maintain a register stating the particulars of all its shares and securities standing in the name of any person other than that of the company and also stating the purpose for which it is so held and the nature of the obligation and the amount if any, outstanding in respect thereof.”

APPENDIX II

(Vide para. 2 of Minutes of the Twelfth Meeting)

Under the heading "prospectus", insert the following as new clause 49-A:

"49-A. *Interpretation of 'issue' of prospectus in this Part.*—All references to the issue of a prospectus in this Part shall be deemed to include references to its publication."

APPENDIX III

(Vide para. 8 of Minutes of the Twelfth Meeting)

"44. Investments of company to be held in its own name.—(1) Save as otherwise provided in sub-sections (2) to (5) and subject to the provisions of sub-sections (6) to (8)—

(a) all investments made by a company otherwise than as a nominee of some other person shall be made and held by it in its own name; and

(b) where any such investments are not so held at the commencement of this Act, the company shall, within a period of six months from such commencement, **either* cause them to be transferred to and hold them in its own name **or dispose of them.*

(2) Where the company has a right to appoint any person or persons, or where any nominee or nominees of the company has or have been appointed, as a director or directors of any other body corporate, shares in such other body corporate to an amount not exceeding, the nominal value of the qualification shares which are required to be held by a director thereof, may be registered or held by such company jointly in the names of itself and of each such person or nominee.

(3) Where a subsidiary of a company is **wholly owned by it*, the company may hold any shares in the subsidiary in the name or names of any nominee or nominees of the company, **if it is necessary so to do, to ensure that the number of members of the subsidiary is not reduced, where it is a public company, below seven, and where it is a private company, below two.*

(4) Sub-section (1) shall not apply to investments made by an investment company, that is to say, a company whose business
* * (consists exclusively) of the buying and selling of shares or
 (consists mainly) other securities.
 (consists)

(5) Nothing in this section shall be deemed to prevent a company—

(a) from depositing with a †*Scheduled Bank, being the bankers of the company*, any shares or other securities for the collection of dividend or interest payable thereon; or

(b) from depositing with, or transferring to, any person any shares or securities, by way of security for the repayment of any loan advanced to the company or the performance of any obligation undertaken by it ‡(or by way of earnest).

*Addition made now.

* *Alternatives.

†Substituted for "its bankers" tentatively.

‡The words in brackets are not necessary.

(6) The certificate or letter of allotment relating to the shares or securities in which investments have been made by a company shall, except in the cases referred to in sub-sections (4) and (5), be in the custody of such company or with a Scheduled Bank, being the bankers of the company.

(7) Where, in pursuance of sub-sections (2), (3), (4) or (5), any shares or securities in which investments have been made by a company are not held by it in its own name, the company shall forthwith enter in a register maintained by it for the purpose—

(a) the nature, value, and such other particulars as may be necessary fully to identify the shares or securities in question; and

(b) the bank or person in whose name or custody the shares or securities are held.

(8) The register to be kept under sub-section (7) shall be open to the inspection of any member or **debenture holder* of the company without charge, during business hours, subject to such reasonable restrictions as the company may by its articles or in general meeting impose so that not less than two hours in each day are allowed for inspection.

(9) If default is made in complying with any of the requirements of sub-sections (1) to (8), the company, and every officer of the company who is in default, shall be punishable with fine which may extend to five thousand rupees.

(10) If any inspection required under sub-section (8) is refused, the Court may, by order, direct an immediate inspection of the register.

Nothing in this sub-section shall be construed as prejudicing in any way the operation of sub-section (9)".

*This is for consideration.

APPENDIX IV

(Vide para. 8 of Minutes of the Sixteenth Meeting)

Kinds of share capital

"79. *Two kinds of share capital.*—(1) "preference share capital" means, with reference to any company limited by shares, whether formed before or after the commencement of this Act, that part of the share capital of the company which fulfils, or is declared by the Central Government substantially to fulfil, the following two requirements, namely:—

- (a) that as respects dividends, it carries or will carry no right to participate beyond a fixed amount which may be either free of, or subject to, income-tax; and
- (b) that as respects capital, it carries or will carry no right to participate beyond the amount paid up together with any fixed premium or premium on any fixed scale, as specified in the memorandum or articles of the company.

(2) "equity share capital" means, with reference to any such company, all share capital which is not preference share capital.

(3) The expressions "preference share" and "equity share" shall be construed accordingly.

(4) The share capital of a company limited by shares formed after the commencement of this Act or issue after such commencement shall be of two kinds only, namely:—

- (a) equity share capital; and
- (b) preference share capital."

APPENDIX V

(Vide para. 5 of Minutes of the Seventeenth Meeting)

For clause 80, substitute the following:

"80. Voting rights.—(1) Subject to the provisions of section 81, section 82 and sub-section (3) of section 85:—

- (a) every member of a company limited by shares and holding any equity share capital therein shall have a right to vote on every resolution placed before the company; and
- (b) his voting right on a poll, shall be in proportion to his share of the paid up equity capital of the company.

(2) (a) Subject as aforesaid and save as provided in clause (b), every member of a company limited by shares and holding any preference share capital therein shall not, in respect of such capital, have a right to vote on any resolution placed before the company, which does not directly affect the rights attached to his preference shares.

Explanation.—Any resolution for winding up the company or for the reduction of its share capital shall be deemed directly to affect the rights attached to preference shares within meaning of this clause.

(b) A member of a company limited by shares and holding any preference share capital therein shall be entitled to vote on every resolution placed before the company at any meeting held during any period in which the amount agreed to be paid, whether conditionally or unconditionally, by way of dividend on the preference shares, or any part of such amount, remains unpaid, in the case of cumulative preference shares for a period comprising not less than one year, and in the case of non-cumulative preference shares for a period comprising not less than two consecutive years, from the end of the year, half year or other period in respect of which the amount was so agreed to be paid.

Explanation.—"Cumulative preference share" means a preference share in respect of which any amount agreed to be paid, whether conditionally or unconditionally, by way of dividend, or part of any such amount, which remains unpaid during one year, half-year, or other period remains due and is payable in the next or in any succeeding year, half-year, or other period; and "non-cumulative preference share" means any other preference share.

(c) Where any preference shareholder has a right to vote on any resolution in accordance with the provisions of this sub-section, his voting right on a poll shall, subject to the provisions of section 81, section 82 and sub-section (3) of section 85, be in the same proportion as the capital paid up in respect of his preference shares, bears to the total paid up equity capital of the company."

APPENDIX VI

(Vide para. 2 of the Minutes of the Ninteenth Meeting)

For clause 82, substitute the following:

"82. Termination of disproportionately excessive voting rights in existing companies.—(1) If at the commencement of this Act any shares, by whatever name called, of any existing company limited by shares carry voting rights in excess of the voting rights attaching to equity shares under sub-section (1) of section 80, the company shall, within a period of three years from the commencement of this Act, reduce the voting rights in respect of the shares first mentioned so as to bring them into conformity with the voting rights attached to equity shares under sub-section (1) of section 80 aforesaid.

(2) Before the voting rights are brought into such conformity, the holders of the shares in question shall not exercise in respect thereof voting rights in excess of what would have been exercisable by them if the capital paid up on their shares had been equity share capital, in respect of the following resolutions placed before, the company, namely:—

- (a) any resolution relating to the appointment or reappointment of a managing agent or to any variation in a managing agency agreement;
- (b) any resolution relating to the appointment of buying or selling agents;
- (c) any resolution relating to the grant of a loan or the giving of a guarantee or any other financial assistance, to any other body corporate having the same managing agent as the company or having a managing agent who is an associate of the managing agent of the company.

(3) If by reason of the failure of the requisite proportion of members of any class of the company to agree, it is not found possible to comply with the provisions of sub-section (1), the company shall, within one month of the expiry of the period of three years mentioned in that sub-section, apply to the Court for an order laying down the manner in which the provisions of that sub-section shall be complied with; and any order made by the Court in this behalf shall bind the company and all its shareholders.

(4) The Central Government may exempt any company from the requirements of sub-sections (1), (2) and (3), wholly or in part, if, in its opinion, there are sufficient grounds for granting the exemption.

(5) If default is made in complying with sub-section (3) the company, and every officer of the company who is in default be punishable with fine which may extend to one thousand rupees."

APPENDIX VII

(Vide para. 4 of Minutes of the Twentieth Meeting)

For clause 85, *substitute* the following:

"85. Power of company to accept unpaid share capital although not called up.—(1) A company may, if so authorised by its articles, accept from any member the whole or a part of the amount remaining unpaid on any shares held by him although no part of that amount has been called up.

(2) Upon all or any of the moneys so accepted and until the same would, but for such acceptance, become presently payable, the company—

(a) may pay interest at such rate not exceeding (unless the company in general meeting shall otherwise direct) six per cent. per annum as may be agreed upon between the directors and the member paying the moneys; but

(b) shall not pay any dividend on such moneys.

(3) The member shall not be entitled, where the company is one limited by shares, to any voting rights in respect of the moneys so paid by him until the same would, but for such payment, become presently payable.

*85-A. Payment of dividend in proportion to amount paid up.—*A company may, if so authorised by its articles, pay dividends in proportion to the amount paid up on each share, where a large amount is paid up on some shares than on others, except in the case referred to in sub-section (2) of section 85."

APPENDIX VIII

(Vide para. 2 of Minutes of the Twenty-third Meeting)

REDRAFTS OF CLAUSES 11(a), 17(2), 21 (6) (c), 26 AND 27 OF THE COMPANIES BILL, 1953

Clause 11(a)

Extract from the Minutes of the Proceedings of the Joint Committee, dated the 12th July, 1954

"6. Clause 11.—The Committee decided that the name of a company should specify whether it was a private company or a public company, and accordingly directed that the provisions of this clause should be such as to require that the name of a private company shall end with the words, 'private limited'."

Clause 11(a) may be recast as follows:—

"11 (a).—The name of the company with, "Limited" as the last word of the name in the case of a public company limited by shares or by guarantee and "Private Limited" as the last words of the name in the case of a private company limited by shares or by guarantee,"

Clause 17 (2)

Extract from the Minutes of the Proceedings of the Joint Committee, dated the 12th July, 1954

"12 Clause 17.—On a motion moved by Government the Committee agreed that suitable amendment should be made in this clause to specify the categories of names under which a company ought not to be registered without the consent in writing of Government".

Redraft

"17 (2) Without prejudice to the generality of the foregoing power, the following names may be deemed to be undesirable by the Central Government within the meaning of sub-section (1):—

- (a) a name which is either identical with, or too nearly resembles, the name by which a company in existence has been previously registered;
- (b) a name which contains any of the following words, 'Union', 'State', 'Federal', 'Reserve Bank', 'Bank of Bengal', 'Bank of Madras', 'Bank of Bombay', 'Imperial', 'Empire', 'Emperor', 'Empress', 'Crown', 'Royal', 'King', 'Queen', or any word which suggests or is calculated to suggest to patronage of, or any connection with, any Government in India or in any other country or a department of any such Government, or any member of the Royal Family of the United Kingdom, or of any other country; and
- (c) a name which contains the word 'Municipal' or 'Chartered' or any word which suggests or is calculated to suggest connection with any municipality or other local authority or with any society or body incorporated by Royal Charter."

Clause 17 (2).—The new additions made are underlined and have been included tentatively subject to the approval of the Joint Select Committee.

2. The present Act prohibits the use of "State" and "Federal" but not that of "Union". It seems desirable to extend the prohibition to "Union" also.

3. The present Act prohibits only words suggesting or calculated to suggest any connection with His Majesty's Government or any department thereof. Words suggesting connection with *any department of the Union or State Government* should also be barred.

Having regard to the present status of the country, which is one of Independence, it is for consideration whether reference to other Governments is not necessary in the clause. There is no reason, in any case, to discriminate between the Government of the U.K. and that of any other Commonwealth country. The undesirability of the use of "Pakistan" may also be borne in mind in this connection.

4. Similarly, reference to the Royal family not only of the U.K. but also of other countries has been made in the redraft. This addition is also subject to approval.

Clause 21 (6) (c)

Extract from the Minutes of the Proceedings of the Joint Committee, dated the 13th July, 1954

"4. **Clause 21.**—It was argued that the exemption granted to charitable or other companies from sending the lists of members to the Registrar under sub-clause (6) (c) will make it difficult for anyone to discover the members of such an institution. It was pointed out that the exemption was granted in the original Act to the non-profit making and charitable companies so as to save them from bother of submitting cumbersome returns and also to keep the names of their members confidential.

A suggestion was made that it may be left to the Government to grant exemption to deserving charitable companies from submitting the lists of their members. This suggestion was put to the vote of the Committee and was accepted. The Draftsman was directed to redraft this sub-clause (6) (c) accordingly."

Clause 21(6) (c) may be recast as follows:—

"(c) If the Central Government so directs and to the extent specified in the direction, the obligation laid on the company to send lists of its members to the Registrar, and".

Clause 26

Extract from the Minutes of the Proceedings of the Joint Committee, dated the 13th July, 1954

"8. **Clause 26.**—The clause was adopted with the following Government "amendments";

(2) In sub-clause (1) omit the words 'or' and 'to'.

(3) In sub-clause (2) omit the word 'or' 'addition'.

(4) Insert new sub-clause (4) '(4) In this section, the expression 'alter' includes the making of additions or omissions'.

The Draftsman was also directed after consideration of all the provisions of this Bill, to add the definition of the word 'alter' under the head 'Definitions' in clause 2 of the Bill."

Note

It may finally be necessary to have a definition not only of the expression 'alter' but also of the expression 'modify'. A suitable definition clause of these two expressions will be submitted to the Joint Committee when it takes up clause 2 (Definitions) of the Bill.

Clause 27

Extract from the Minutes of the Proceedings of the Joint Committee, dated the 13th July, 1954

"9. Clause 27.—It was pointed out that this clause was based on section 67 of the Indian Companies Act, 1913, and an attempt had been made to widen its scope without any cogent reasons. The Committee directed the Draftsman to recast the clause so that it may conform to section 67 of the Indian Companies Act, 1913".

Note

I submit that the purpose of the Joint Committee will be served by omitting the words "as an unlimited or" from sub-clause (1) (a), and the words "or as an unlimited" from sub-clause (1) (a), of the clause.

Sub-clause (1), with the above amendments, will read as follows:

Subject to the provisions of this section—

- (a) A company registered as unlimited under this Act or under any previous companies law may re-register or register under this Act as a limited company; and
- (b) a company registered as a limited company under this Act or under the previous companies Law may re-register under this Act as a limited company; and pany.

No change seems to be necessary in sub-clause (2) and (3).

Clause 27 refers to a company, registered not only under this Act but also under a previous companies law. This brings out the intention clearly and may, I respectfully submit, stand.

APPENDIX IX

(Vide para. 2 of the Minutes of the Twenty-third Meeting)

REDRAFTS OF CLAUSES 28, 37 AND 79 OF THE COMPANIES BILL, 1953

Clause 28

Extract from the Minutes of the Proceedings of the Joint Committee, dated the 13th July, 1954

"10. Clause 28.—It was pointed out that there could be only one Registrar for whole of the State, and not a number of them for parts of it as envisaged by this clause. There might be a number of Assistant Registrars, Deputy Registrars etc. The Committee accepted this view and directed that the words 'or part of State' be omitted from this clause.

It was also suggested that sub-clause (2) of clause 30 which required that a declaration of having complied with the requirements of the Act shall be filed with the Registrar ought to form part of this clause.

The Committee accepted the suggestion and directed the Draftsman to add sub-clause (2) of clause 30 to this clause.

It was also suggested that copies of managing agency agreements or where such agreements were still under consideration at the time of preparation of articles, drafts of such agreements should be printed and affixed to the articles of association as recommended in the Report of the Company Law Committee. The Committee accepted the suggestion and directed the draftsman to provide accordingly."

Note

The following redraft of clause 28 is submitted for the consideration of the Joint Committee:—

"28. *Registration of memorandum and articles.*—(1) There shall be presented for registration to the Registrar of the State in which the registered office of the company is stated by the memorandum to be situate—

- (a) the memorandum of the company;
- (b) its articles, if any; and

- (c) the managing agency agreement, if any, which the company proposes to execute, or if the terms of such an agreement are under consideration, although they have not been settled finally, a copy of the draft of the agreement in the form which may then have been reached.

(2) There shall also be presented to the Registrar at the same time a declaration made by any of the persons referred to in subsection (3), that all the requirements of this Act have been complied with in respect of registration and matters precedent and incidental thereto, and that the *company is one which is authorised association is a company

*Alteration of consideration of Joint Committee.

to be registered under this Act.

(3) The declaration aforesaid shall be made by—

- (a) any of the following persons who is engaged in the formation of the company, namely, an advocate of the Supreme Court or of a High Court, an attorney or a pleader entitled to appear before a High Court, or a chartered accountant practising in India; or
- (b) a person named in the articles as a director, managing agent, manager or secretary of the company.

(4) The Registrar may accept a declaration made as aforesaid as sufficient evidence of compliance by the company with the requirements referred to in sub-section (2).

(5) If the Registrar is satisfied that all the requirements aforesaid have been complied with by the company and that it is authorised to be registered under this Act, he shall retain and register the memorandum, the articles, if any; and the managing agency agreement or draft managing agency agreement, if any."

The recommendation that the managing agency agreement or draft managing agency agreement should be affixed to the articles cannot be implemented, as the articles are not obligatory and it may well be that a company has no articles. In that case, the agreement or draft agreement should according to the spirit of the Joint Committee's recommendation, be required to be affixed to the memorandum. But such a requirement may, I am afraid, lead to results which are unexpected or inconvenient. It seems to be better to treat the agreement or draft agreement as an independent document, and if necessary, make it subject to any of the legal consequences to which the articles are subject.

APPENDIX X

(Vide para. 2 of Minutes of the Twenty-third Meeting)

44. *Investments of company, to be held in its own name.—*(1)
"Save as otherwise provided in sub-sections (2) to (5) and subject to the provisions of sub-section (6) to (8)—

(a) all investments made by a company otherwise than as a nominee of some other person shall be made and held by it in its own name; and

(b) where any such investments are not so held at the commencement of this Act, the company shall, within a period of six months from such commencement *either cause them to be transferred to and hold them in its own name* or dispose of them.

(2) Where the company has a right to appoint any person or persons, or where any nominee or nominees of the company has or have been appointed, as a director or directors of any other body corporate, shares in such other body corporate to an amount not exceeding the nominal value of the qualification shares which are required to be held by a director thereof, may be registered or held by such company jointly in the names of itself and of each such person or nominee.

(3) Where a subsidiary of a company is *wholly owned by it, the company may hold any shares in the subsidiary in the name or names of any nominee or nominees of the company, *if it is necessary so to do, to ensure that the number of members of the subsidiary is not reduced, where it is a public company, below seven, and where it is a private company, below two.

(4) Sub-section (1) shall not apply to investments made by an investment company, that is to say, a company whose business ^{***}(consists exclusively) of the buying and selling of shares or other securities.

consists (mainly)
(consists)

(5) Nothing in this section shall be deemed to prevent a company—

(a) from depositing with a †Scheduled Bank, being the bankers of the company, any shares or other securities for the collection of any dividend or interest payable thereon; or

(b) from depositing with, or transferring to any person any shares or securities, by way of security for the repayment of any loan advanced to the company or the performance of any obligation undertaken by it ‡(or by way of earnest).

(6) The certificate or letter of allotment relating to the shares or securities in which investments have been made by a company shall, except in the cases referred to in sub-sections (4) and (5), be in the custody of such company or with a Scheduled Bank, being the bankers of the company.

*Addition made now.

***Alternatives.

†Substituted for "its bankers" tentatively.

‡The words in brackets are not necessary.

(7) Where, in pursuance of sub-sections (2), (3), (4) or (5), any shares or securities in which investments have been made by a company are not held by it in its own name, the company shall forthwith enter in a register maintained by it for the purpose—

(a) the nature, value, and such other particulars as may be necessary fully to identify the shares or securities in question; and

(b) the bank or person in whose name or custody the shares or securities are held.

(8) The register to be kept under sub-section (7) shall be open to the inspection of any member of **debenture holder* of the company without charge, during business hours, subject to such reasonable restrictions as the company may by its articles or in general meeting impose so that not less than two hours in each day are allowed for inspection.

(9) If default is made in complying with any of the requirements of sub-sections (1) to (8), the company, and every officer of the company who is in default, shall be punishable with fine which may extend to five thousand rupees.

(10) If any inspection required under sub-section (8) is refused, the Court may, by order, direct an immediate inspection of the register.

Nothing in this sub-section shall be construed as prejudicing in any way the operation of sub-section (9).

*This is for consideration.

APPENDIX XI

(Vide para. 3 of Minutes of the Thirtieth Meeting)

Clause 79

Extract from the Minutes of the Proceedings of the Joint Committee Meeting held on the 13th August, 1954

Clause 79.—The Government proposed the substitution of this clause by a new clause 79 (Appendix IV).

It was suggested during the discussion of this clause that the power to decide whether any share capital was preference share capital or not ought to be vested in a court of law and not in the Government. The Committee finally decided that to avoid expensive litigation, this power should be vested in the Central Government; if a company did not feel satisfied with Government's decision, it should have the right of appeal to a court of law.

The Draftsman was directed to incorporate this decision in the new clause.

Redrafts by Draftsman.—(1) Sub-clause (1) of clause 79 may be recast as follows:—

Kinds of share capital

"Two kinds of share capital.—(1) "preference share capital" means, with reference to any company limited by shares, whether formed before or after the commencement of this Act, that part of the share capital of the company which fulfils, or is declared by the Central Government substantially to fulfil, the following two requirements, namely:—

- (a) that as respects dividends, it carries or will carry no right to participate beyond a fixed amount *or an amount calculated at a fixed rate*, which may be either free of, or subject to, income-tax; and
- (b) that as respects capital, it carries or will carry no right to participate *on a winding up*, beyond the amount paid up together with (i) *any money remaining unpaid, in respect of the amounts specified in clause (a) up to the date of the winding up*; and (ii) any fixed premium or premium on any fixed scale, as specified in the memorandum or articles of the company.

Explanation 1.—A participating preference share, that is to say a preference share which as respects dividends, in addition to the right to participate in a fixed amount or an amount calculated at a fixed rate as aforesaid, is further entitled to participate, whether full or to a limited extent, along with shares not entitled to the right first mentioned shall be deemed to be a preference share within the meaning of this clause.

Explanation II.—A share which as respects capital, besides being entitled on a winding up to the payment, in preference to other shares, of the money and the premium, if any, specified in clause (b), is also entitled to participate with those shares, whether fully or to a limited extent, in any surplus which may remain after the entire capital has been repaid shall be deemed to be a preference share within the meaning of this clause, if it fulfils the requirements of clause (a), read with Explanation I.

2. Add the following new sub-clause after sub-clause (1) existing sub-clauses (2) and (3) being renumbered as (3) and (4) respectively.

“(2) Any person aggrieved by a declaration of the Central Government made in pursuance of sub-section (1), or by the refusal of the Central Government to make such a declaration, may within ninety days of the making of, or the refusal to make, the declaration, appeal to the High Court; and the High Court may, after giving notice of the application to the Central Government and the company and also in such manner as may be prescribed, to the shareholders of the company, and giving a reasonable opportunity to the Central Government, the company and the shareholders to make their representations, if any, either dismiss or allow the appeal.

Where the appeal is allowed, the High Court shall, as the case may require, cancel the declaration made by the Central Government, or make a declaration that any part of the share capital of the company specified in the order passed by the High Court substantially fulfils the requirements laid down in clauses (a) and (b) of sub-section (1) read with the Explanations thereto, and a declaration so made by the High Court shall have effect as if it had been made by the Central Government in pursuance of sub-section (1).”

3. New Sub-clauses (3) and (4) will be mere reproductions of sub-clauses (2) and (3) of the clause as in Government Amendment No. 185 at page 16. They will therefore be as follows:—

(3) “equity share capital” means, with reference to any such company, all share capital which is not preference share capital.

(4) The expressions “preference share” and “equity share” shall be construed accordingly.

4. Existing sub-clause (4) in Government Amendment 188 may be a separate clause.—It may be numbered for the moment as clause 79-A:—

79-A. New issues of share capital to be only of two kinds.—The share capital of a company limited by shares formed after the commencement of this Act or issued after such commencement shall be of two kinds only, namely:—

“(a) equity share capital; and

“(b) preference share capital”.

APPENDIX XII

•(Vide para. 20 of Minutes of Thirty-first Meeting)

In Clause 156—

- (i) In sub-clause (1), *between* “and” & “all annual returns” *insert* the words “copies of”.
 - (ii) In sub-clause (1), *between* “the” & “certificates” *insert* the words “copies of”.
 - (iii) In sub-clause (2), *between* “returns” and “certificates and other documents” *insert* the words “and copies of”.
 - (iv) In sub-clause (2), *between* “index” and “certificate”, *insert* the words “or copy referred to in sub-section (1)”.
 - “(v) In sub-clause (2)(b), for “document”, *substitute* “register, index or copy”.
-

APPENDIX XIII

(Vide para. 5 of Minutes of the Thirty-second Meeting)

Clause 160

For sub-clauses (1) to (4) *substitute* the following six sub-clauses:

- "(1) The directors of a company shall, on the requisition of such number of members of the company as is specified in sub-section (4), forthwith proceed duly to call an extraordinary general meeting of the company.
- (2) The requisition shall set out the matters for the consideration of which the meeting is to be called, shall be signed by the requisitionists, and shall be deposited at the registered office of the company.
- (3) The requisition may consist of several documents in like form, each signed by one or more requisitionists.
- (4) The number of members entitled to requisition a meeting in regard to any matter shall be—
 - (a) in the case of a company having a share-capital, such number of them as hold at the date of the deposit of the requisition, not less than one-tenth of such of the paid-up capital of the company as at that date carries the right of voting in regard to that matter;
 - (b) in the case of a company not having a share capital, such number of them as have not less than one-tenth of the total voting power of all the members having at the said date a right to vote in regard to that matter.
- (5) Where two or more distinct matters are specified in the requisition, the provisions of sub-section (4) shall apply separately in regard to each such matter; and the requisition shall accordingly be valid only in respect of those matters in regard to which the condition specified in that sub-section is fulfilled.
- (6) If the directors do not, within twenty-one days from the date of the deposit of a valid requisition in regard to any matters, proceed duly to call a meeting for the consideration of those matters, the meeting may be called—
 - (a) by the requisitionists themselves or
 - (b) in the case of a company having a share capital, by such of the requisitionists as represent either a majority in value of the paid-up share capital held by all of them or not less than one-tenth of such of the paid-share capital of the company as is referred to in clause (a) of sub-section (4), whichever is less, or

- (c) in the case of a company not having a share capital by such of the requisitionists as represent either a majority in voting power of the aggregate voting power possessed by all of them, or not less than one-tenth of the total voting power of all the members of the company referred to in clause (b) of sub-section (4), whichever is less."

Explanation.—For the purposes of this sub-section, the directors shall, in the case of a meeting at which a resolution is to be proposed as a special resolution, be deemed not to have duly convened the meeting if they do not give such notice thereof as is required by sub-section (2) of section 181.

APPENDIX XIV

(Vide para. 2 of Minutes of the Fifty-seventh Meeting)
COMPANIES BILL, 1953.

DRAFT PART XII—A.

Application of Act to companies in which Government have majority interest.

Clause 573A. Definition of Government Company.—In this part, "Government company" means a company, whether private or public, in which not less than 51 per cent. of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments.

Clause 573B. Application of Act to Government Companies.—The provisions of this Act shall apply to a Government company with the exceptions, modifications and adaptations specified in this Part.

Clause 573C. Application of section 8.—(1) The Court having jurisdiction under this Act in respect of any Government company shall be the High Court having jurisdiction in relation to the place at which the registered office of the company is situated; and no District Court shall exercise any jurisdiction conferred by this Act upon the Court in respect of a Government Company.

(2) Section 8 shall apply in respect of a Government company with the modifications specified in sub-section (1).

Clause 573D. Application of sections 14 to 16.—Sections 14 to 16 shall apply to a Government company with the substitution for the word "Court" wherever it occurs of the words "Central Government."

Clause 573E. Application of section 39.—Clause (b) of sub-section (1) and sub-sections (2) to (5) of section 39 shall not apply to a Government Company.

Clause 573F. Section 40 not to apply.—Section 40 shall not apply to a Government Company.

Clause 573G. Sections 50 to 68 not to apply.—Sections 50 to 68 shall not apply to a Government Company.

Clause 573H. Application of Section 73.—(1) Sub-sections (1) and (2) of section 73 shall apply to a Government company with the substitution for the word "Court" wherever it occurs of the words "Central Government".

(2) Sub-section (3) of Section 73 shall not apply to a Government Company.

Clause 573I. Section 75 not to apply.—Section 75 shall not apply to a Government Company.

Clause 573J. Sections 108 and 109 not to apply.—Sections 108 and 109 shall not apply to Government Companies.

Clause 573K. Application of section 139.—The proviso to sub-section (2) of section 139 shall not apply to a Government Company.

Clause 573L. Section 142 not to apply.—Section 142 shall not apply to a Government Company.

Clause 573M. Application of section 159.—The proviso to clause (c) of sub-section (1) of section 159 shall apply to a Government Company with the substitution for the word "Registered" of the words "Central Government".

Clause 573N. Application of section 160.—(1) Sub-section (4) of section 160 shall apply to a Government Company with the substitution for the words "the meeting may be called" of the words "a complaint may be made to the Central Government".

(2) Sub-section (5) of section 160 shall not apply to a Government Company and in lieu thereof the following sub-section shall apply thereto, namely:—

"(5) (a) The Central Government may on receipt of a complaint in pursuance of sub-section (4), issue a direction to the directors, or authorise such other person as the Central Government may think fit to nominate in that behalf, to call the meeting.

(b) A meeting called under clause (a) by any person authorised as aforesaid shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by the directors."

(3) Sub-section (7) of section 160 shall apply to a Government Company with the substitution for the words "the requisitionists" in the first place where they occur of the words "the person authorised by the Central Government to call the meeting in pursuance of sub-section (5)"; and for the words "the requisitionists" where they occur for the second time of the words "such person".

Clause 573O. Application of section 162.—Sub-section (2) of section 162 shall apply to a Government company with the omission therefrom of clauses (i) and (ii) and the proviso, and the insertion instead of the words "by the Central Government" after the words "if consent is accorded thereto".

Clause 573P. Application of section 178.—Section 178 shall apply to a Government company with the substitution for the words "Court" wherever it occurs of the words "Central Government".

Clause 573Q. Application of sections 194 to 208.—In the case of a Government Company, notwithstanding anything contained in sections 194 to 208, the Central Government, or where the Central Government is not a member of the company, the State

Government or all the State Governments concerned together, as the case may be shall have power,

- (a) to call for such accounts, reports and information from the company as such Government or Governments may think fit;
- (b) to modify the form of the accounts to be submitted by the directors of the company at its annual general meetings.

Clause 573R. Application of sections 209 to 218.—(1) In the case of a Government Company the following provisions shall apply notwithstanding anything contained in sections 209 to 218.

(2) The Comptroller and Auditor-General of India shall have power,

- (a) to direct the manner in which the company's accounts shall be audited by the auditor appointed in pursuance of sections 209 and 210 and to give such auditor instructions in regard to any matter relating to the performance of his functions as such;
- (b) to conduct a supplementary or test audit of the Company's accounts by such person or persons as he may authorise in this behalf.

(3) The auditor aforesaid shall submit a copy of his audit report to the Comptroller and Auditor-General of India who shall have the right to comment upon, or supplement the audit report in such manner as he may think fit.

(4) Any such comments upon, or supplement to, the audit report shall be placed before the annual general meeting of the company in the same manner as the audit report is placed before it.

Clause 573S. Application of section 220.—Section 220 shall apply to a Government company with the omission of clauses (a), (b) and (c) therefrom.

Clause 573T. Sections 221 and 222 not to apply.—Sections 221 and 222 shall not apply to a Government Company.

Clause 573U. Applications of sections 223 and 224.—(1) The powers conferred upon an inspector under clause 223 shall in the case of a Government company, be exercisable with the approval and subject to the control of the Central Government.

(2) In addition of the powers conferred on an inspector by sections 223 and 224, an inspector appointed by the Central Government to investigate the affairs of any Government company shall have such additional powers as the Central Government may, by order, confer upon him.

Clause 573V. Application of section 229.—(1) Sub-sections (1) to (5) of section 229 shall not apply to a Government company and in lieu thereof the following provision shall apply namely—

“The expenses of and incidental to an investigation of the affairs of a Government company by the inspector

appointed by the Central Government under section 220 shall be defrayed by the Central Government:

Provided that the Central Government shall have power to direct that the whole or any portion of those expenses shall be defrayed by the company, body corporate, managing agent or associate dealt with by the report".

(2) Sub-section (6) of section 229 shall apply to the expenses to be defrayed by the Central Government under the foregoing provision.

Clause 573 W. Section 231 not to apply.—Section 231 shall not apply to a Government company, provided that nothing contained in this section shall be deemed to prevent the application of the provisions of section 231 to cases falling under clause (a) of sub-section (1) of section 233.

Clause 573X. Application of section 234.—Section 234 shall apply to a Government company with the omission of the reference to section 231 contained in sub-section (1) of that section.

Clause 573Y. Sections 238 to 251 not to apply.—Sections 238 to 251 shall not apply to a Government company.

Clause 573Z. Application of section 261.—Clause (a) of sub-section (1) and sub-section (3) of section 261 shall not apply to a Government company.

Clause 573AA. Application of section 287.—Sub-sections (2) to (5) and (7) of section 287 shall not apply to a Government company.

Clause 573BB. Application of section 290.—Section 290 shall not apply to a Government company unless, and except in so far as, the articles may otherwise provide.

Clause 573CC.—Application of sections 300 to 303.—Sections 300 to 303 shall not apply to a Government company unless, and except in so far as, the articles may otherwise provide.

Clause 573DD. Application of section 308.—Section 308 shall apply to a Government company with the substitution for the words and figures "sections 309 to 314" of the word and figures "section 309".

Clause 573EE. Restrictions on appointment of managing agents and application of sections 309 to 350 and 352 to 359.—(1) No managing agent shall be appointed to a Government company unless the Central Government for special reasons permits the appointment of such an agent.

(2) The term of office of the managing agent shall be regulated by the provisions of section 309.

(3) The appointment of the managing agent shall be made on such terms and conditions as may be agreed upon between the managing agent and the Government and may be subsequently approved by a resolution of the company in general meeting.

(4) The agreement with the managing agent may provide for the imposition of any of the conditions, restrictions and prohibitions contained in sections 310 to 350 and 352 to 359, or such other

conditions, restrictions and prohibitions as may be deemed to be desirable.

(5) Sections 310 and 350 and 352 to 359 shall not apply in relation to the managing agent of a Government company unless, and except in so far as, the agreement aforesaid entered into with the managing agent otherwise provides.

Clause 573FF. Sections 367 to 377 not to apply.—Sections 367 to 377 shall not apply to a Government company and in lieu thereof the following provisions shall apply:—

(1) Any member of a Government company may complain to the Central Government that the affairs of the company are being conducted either in a manner oppressive to any member or members of the company (including himself) or in a manner prejudicial to the interests of the company.

(2) The Central Government may, after such investigation or inquiry as it may think fit, direct the company or its board of directors to take such action as may, in the opinion of the Central Government, be necessary to give the applicant the relief to which the Central Government considers him to be entitled.

(3) The Central Government shall have power to grant the Applicant any relief which he might have got from a Court on an application referred to it under sub-section (1) of section 367 or clause (a) of sub-section (1) of section 368.

Clause 573GG. Application of section 396.—Section 396 shall apply to a Government company with the substitution for the words “by special resolution” in clause (a) of the words “by a resolution” and the omission of clauses (b), (c) and (d).

Clause 573HH. Application of section 397.—Section 397 shall apply to a Government company with the substitution for the words “for three weeks thereafter neglected” occurring in clause (a) of the words “for three months thereafter neglected”.

Clause 573II. Sections 398 to 401 not to apply.—Sections 398 to 401 shall not apply to a Government company.

Clause 573JJ. Application of section 402.—Section 402 shall apply to a Government company with the following modifications:—

(a) Clause (a) of sub-section (2) shall be omitted;

(b) in sub-section (3), for the words “grounds specified in clauses (b), (c) and (e)” the words “ground specified in clause (e)” shall be substituted, and in the second proviso the words “on any of the grounds aforesaid” shall be omitted;

(c) Sub-section (5) shall be omitted.

Clause 573KK. Application of section 403.—Section 403 shall apply to a Government company with the omission therefrom of clause (b) of sub-section (1).

Clause 573LL. Application of section 450.—Section 450 shall apply to a Government company with the substitution for the words

"a special resolution" occurring in clauses (b) and (c) of sub-section (1) of the words "a resolution".

Clause 573MM. Section 519 not to apply.—Section 519 shall not apply to a Government company.

Clause 573NN. Report on working of Government companies to be placed before Parliament etc.—(1) In addition to the general annual report referred to in section 593, the Central Government shall cause an annual report on the working and affairs of each Government company to be prepared and laid before both Houses of Parliament together with a copy of the audit report and any comments upon, or supplement, to the audit report, made by the Comptroller and Auditor-General of India.

(2) Where any State Government is a member of a Government company, the annual report on the working and affairs of the company, the audit report, and the comments upon or supplement to the audit report referred to in sub-section (1) shall be placed by the State Government before the State Legislature or where the State Legislature has two Houses, before both Houses of that Legislature.

Clause 573OO. Regulations 41 to 44 and 67 of Table A in Schedule I not to apply.—Regulations 41 to 44 and regulation 67 of Table A in Schedule I shall not apply to a Government company.

Clause 573PP. Schedules II to IV not to apply.—Schedules II to IV shall not apply to Government companies.