has also jurisdiction to legislate. The relevant item there is 33 and I would like to draw special attention to that. It reads: "Trade and commerce in, and the production, supply and distribution of,—

(a) the products of any industry..." Obviously, this is not the product of any industry.

"(b) foodstuffs, including edible oilseeds and oils;" But in this Bill they are not dealing with foodstuffs; they are dealing with the production, distribution and sale of seeds.

"(c) cattle fodder, including oilcakes and other concentrates;"

This is not cattle fodder, nor oilcake but only seeds.

"(d) raw cotton, whether ginned or unginned, and cotton seed;"

Nor is this cotton, whether ginned or unginned. Certainly, they have power to deal with cotton seeds, under the jurisdiction given by the Concurrent List; but they have not power to deal with the production, distribution and sale of other seeds at all. If they had that power, it would have been specifically mentioned, as is done in the case of cotton seed. This power cannot be taken by inference; it must be express statement. So, I think the objection is well taken and I humbly submit that this House is really not competent to discuss this Bill at all.

Shri C. K. Bhattacharyya: Sir, in the present circumstances, I would suggest that the Minister of Law may be called and his opinion obtained.

Shri R. S. Pandey (Guna): I suggest that it may be referred to a Select Committee.

Shri Gauri Shankar Kakkar: When it has been passed by Rajya Sabha how can you refer it to a Select Committee?

Shri Rane (Buldava): I beg to move:

"That further discussion on the Bill be postponed to a covenient date".

Dr. Chandrabhan Singh (Bilaspur): What about the point of order that has been raised?

Mr. Deputy-Speaker: I do not want to give any ruling on the point of order raised now. I will hold it over.

Now, the motion has been made that the further discussion on the Bill may be postponed.

The question is:

"That further discussion on the Bill be postponed to a convenient date".

The motion was adopted.

16:15 hrs.

COMPANIES (SECOND AMENDMENT) BILL

The Minister of Finance (Shri T. T. Krishnamachari): Mr. Deputy-Speaker, Sir, I beg to move:

"That the Bill further to amend the Companies Act, 1956, as reproted by the Joint Committee, be taken into consideration."

As the hon. Members are aware, the report was presented to this House on the 23rd February, 1965. The Committee, after considering the evidence given before them, have made certain changes in the Bill. The observations of the Committee with reagard to the principal changes proposed in the Bill are detailed in their report. I do not, therefore, propose to go

[Shri T. T. Krishnamachari]

into details of these changes. I would, however, briefly touch on some of them.

Clause 5 of the Bill providing for clear definition of the main and subsidiary objects of a company in its Memorandum of Association has been amended so as to make it clear that this new provision will apply only to companies incorporated after the Amendment Act is brought into force.

The new provision in clause 13 relating to the proposed restrictions on blank transfers is intended to remove any possible hardships in relation to the blank transfers circulating at the commencement of the Amendment Act. It has been provided that an instrument of transfer executed before the coming into force of this measure but which is not in conformity with the proposed restrictions should also be accepted by a company upto a period of six months from the date of such commencement. To remove any possibility of doubt, it has further been provided that nothing in the proposed provision shall be deemed to prevent any person from depositing any share with the State Bank of India or any scheduled bank or any financial institution approved by the Government by a notification in the official gazette, by way of security for the repayment of any loan advanced to or the performance of any obligation undertaken by such person. Further, in order to avoid hardship in individual cases, the Government is being empowered, on an application made to it in that behalf, to extend the period within which instruments of transfer are required to be delivered to companies for such further time as the Government might deem fit. It has also been suggested by the Committee that information relating to the number of extensions so granted and the period of each such extension should be shown in the Annual Report laid before the Houses of Parliament under section 638 of the Companies Act.

16.17 hrs.

[SHRI KHADILKAR *in the Chair*]

As the hon. Members may recall, the provision in clause 15 which seeks to prohibit a company from commencing any business in relation to its objects without obtaining the prior approval of the shareholders by a special resolution was the subject matter of considerable discussion when the motion for referring the Bill to the Joint Committee was adopted in this House. In the light of this discussion and the evidence given before the Joint Committee, the clause has been suitably modified. In terms of the amended clause the proposed restrictions would not apply to any existing company except when it commences any new business which is not germane to the business which it is already carrying on at the time of enforcement of the new measure. Secondly, in the case of a new company, the proposed restrictions will not apply except when it commences any business in relation to its objects which are not its main objects or objects incidental or ancillary thereto. Even if it is not possible to pass a special resolution as required by this clause, a company can commence a new business with the approval of the Government provided the resolution has been passed by the shareholders by a simple majority. Hon. Members will also notice that the private companies will continue to be excluded from the purview of this section as at present.

Another important change effected in the Bill relates to the original clause 26 which seeks to provide certain facilities to Inspectors appointed under this Act to investigate various aspects of company matters. It may be recalled that under the original

clause the Inspector was empowered, with the previous approval of the Central Government, to call for information or production of books and papers for the purpose of his investigation not only from anybody corporate but also from any firm or individual. The Joint Select Committee have suggested that the power of the Inspector should be restricted to caling for information etc. only from any body corporate and not from any firm or any individual. The Committee has also proposed that the Inspector should return the books and papers obtained by him from a company after a period of six months. He may, however, call for the books and papers again if they are needed.

In the light of the representations made to the Joint Committee, it is now proposed to exclude private companies which are not subsidiaries of public companies, from the operation of the proposed restriction regarding age limit of directors.

I should also like to refer to the modifications made by the Joint Committee in the original clause 46 (the revised clause 44) of the Bill seeking to impose restriction on inter-company loans. In the clause as amended by the Committee, the approval of the shareholders by means of a Special Resolution will not be necessary in the case of loans made by companies to other bodies corporate not under the same management as the lending company, when the aggregate of such loans does not exceed 10 per cent of the aggregate of the subscribed capital of the lending company and its free reserves. Though the Joint Committee have not made any modification to the original percentage limits up to which inter-company loans may be made without the approval of the Government, they have, with a view to facilitating the smooth working of business, suggested that, if a Special Resolution has been passed by the lending company authorising the making of loans upto the prescribed percentage limits, no further Special Resolution or Resolutions shall be necessary for the making of loans within such limit.

Hon. Members will notice that there was no provision in the original clause for regulating loans, guarantees or securities given or provided by a company before the enforcement of the proposed measure. This omission has been rectified by the Committee by adding a sub-clause requiring companies to enforce the repayment of the loans made or revoke the guarantees given or securities provided, notwithstanding any agreement to the contrary, within six months from the date of enforcement of the new measure. Government have also been empowered to extend the said period of six months in suitable cases.

Before I conclude, I may also refer to the omission of original clauses 17 and 42 from this Bill as the Committee felt that it would be difficult for the companies to note beneficial holders of more than five per cent of the equity share capital unless the concerned shareholders themselves intimate such holdings.

Sir, I do not wish to take up the time of this House by dealing in greater detail with the various other provisions of the Bill. I hope the Members will readily agree with me when I say that there is a general consensus of opinion in favour of accepting this measure and I commend it for acceptance by the House.

Sir, I move.

Mr. Chairman: Motion moved:

> "That the Bill further to amend the Companies Act, 1956, as reported by the Joint Committee, be taken into consideration."

Shri Morarka (Jhunjhunu): The total time allowed is only five hours?

Shri N. Dandekar (Gonda): We also suggest that the time for such [illegible]

[Shri N. Dandeker]

important Bill be extended. Five hours are not sufficient to cover the whole thing.

Mr. Chairman: It is left to the discretion of the Speaker.

I shall indicate that there was a desire expressed on the floor of the House for extension of time.

Shri Morarka: What is the distribution of the time?

Mr. Chairman: Three hours and two hours will be all right.

Shri Alvares (Panjim): I suggest that all the five hours should be devoted for the First Reading and another two hours......

Mr. Chairman: We shall consider it at that stage.

Mr. Dandeker.

Shri Dandeker: Mr. Chairman, Sir. I rise to oppose this motion for reasons which I have already made clear to some extent in earlier discussions of this Bill as well as during the course of discussions before the Joint Committee. Before I deal with some of the more objectionable clauses, I would like to say at the outset that I accept that the Bill has come from the Joint Committee considerably improved and many of its objectionable features have been either eliminated or to some extent reduced. Nevertheless, I would like, first of all, to state the main case against the consideration of this Bill.

Sir, the Indian Companies Act, the consolidated Act, which is under consideration for amendment, namely, the Companies Act, 1956, was passed after years of examination by special committees and also after a prolonged examination by a joint committee of the House.

After it was passed, there have been, I think, six amendments, some of them very lengthy and important, in the years 1960, 1962, 1963 and 1964, and now, this is, I think, the seventh attempt to amend this Act comprehensively. Now, I do suggest for the consideration of the House that legislation of this kind which goes to the root of the organisational structure of a very important and lively part of the economy of this country ought not in principle to be tampered with and messed around and amended and reamended in this fashion. I believe that it is wrong. Every year when they come across some difficulty, immediately, in the following year, they feel that it is necessary that the Act should be amended. I myself have had something to do with various other Acts, and the practice, a good practice, that used to prevail was that over a period of years, the working of an Act was watched, various difficulties were noted and considered, and legislative proposals were considered, but the process took a considerable time, a number of years, before the Government ventured to come forward with any major amendments to the law. Now, the contrary is the practice. For legislation of this kind, as I have said, there have been amendments every year from 1960 onwards until those who are familiar with the administration of companies know that they do not know what the company law is.

I believe that many companies quite unwittingly are contravening every day provisions of the Companies Act, not because they wish to contravene them but simply because the law keeps on changing so rapidly and so frequently that it is impossible to know at any moment of time what the law is, and what the rules are, and what the forms are and what the prescribed things are and so on because they always keep changing.

Admittedly, the main purpose of the present attempt to amend the law on the vast scale that is attempted here is to implement the recommendations of the two commissions which have had to deal with the Dalmia-Jain group of cases; one was the Vivian Bose Commission, and its recommendations were further considered by a committee known as the Daphthary-Sastri Committee. The main burden of the amendments sought to be made both in substance as well as in procedure are connected with an attempt, as it is said, to plug the loopholes. I have been endeavouring to understand the meaning of that proposition. As I understand it, I take it that it means this, that but for the proposed amendment, frauds of the kind that were possible under the old Companies Act and that were perpetrated—let us assume they were perpetrated—and that were exposed by the Vivian Bose Commission are today, in the present state of the law, technically possible in a legal way. That is to say, it is possible to drive a coach and four not only through the Companies Act but also through numerous associated Acts, so that the present legal structure presumably is such that one can still legally commit those frauds. But if one no longer legally commit those frauds, that is to say, if the offences that were the subject-matter of investigation by the Vivian Bose Commission were such that they are and can be caught under any of the existing laws of this country, then, I submit that there is no case for the amendment of the Companies Act. No one suggests, for instance, that because the present Companies Act, does not provide that if the managing director of a company is murdered by his chairman, there should be any penalty provided in that Act for hanging the chairman.

The proper penalty is provided in the Indian Penal Code.....

Shri T. T. Krishnamachari: It might be the other way round also.

Shri N. Dandeker: Consequently, my first submission is this that today in the totality of the law as it exists in this country I shall presently mention what those laws are—offences of the kind that were exposed by the Vivian Bose Commission are not capable of being committed, and that, therefore, an amendment of the company law is no longer required.

The laws I have in mind are the Companies Act as it is, the Indian Penal Code, the licensing rules and Exchange Control, the Act, rules and regulations connected with Foreign Exchange Control, the Act, rules and regulations connected with Import Control, the Act, rules and regulations connected with capital issues control, in particular the Industries (Development and Regulation) Act and a whole number of other regulatory Acts, notifications, rules and regulations. And I have tried to see whether, despite this formidable legal structure that already exists, it is possible for anybody to commit offences of the kind that were exposed, that were admittedly committed, under the old Companies Act when the total legal structure was very different from what it is today.

I do not merely stop at making a theoretical statement of that kind. I ventured to write to the Minister in the Ministry of Finance, Shri Bhagat, to enquire whether any offences of the kind mentioned in the Vivian Bose Commission report had, in fact, been committed and could not be looked or could not be prevented by the total law as it stands today. I wrote this letter to him at the commencement of the joint committee's sittings. I have had a reply, but it evades the issue. I therefore assume that he agrees with me that it is not possible to commit offences of that kind, nor indeed have any offences of that kind been committed since the new Companies Act came into force.

If that is the case, my submission is that apart from the undesirability of

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repeated amendments to legislation of this kind, it is unnecessary and undesirable to amend this particular Act. I go further. I have sufficient acquaintance with the industrial and commercial world both in this country and abroad to say that this kind of repeated legislation brings this country into utter contempt and dispreute in the organisation of its affairs. People, both in this country and abroad, think that we just do not know a thing about how to organise companies, that this country is full of a lot of rascals, that this country is also full of company law administrations, company law departments and officialdom who do not know their own business and are unable to draft laws that are reasonably competent to achieve the purpose for which those laws are intended. I know quite a number of cases in which people from other parts of the world, considering possibilities of collaboration or new developments and further developments in this country have been deterred by the number and complexity of legislations that has been enacted in this country over the last year or two, the number of amendmets to various laws that have been going on over the past years, and in particular this formidable set of amendments to the Companies Act.

Having said that concerning the general proposition as to why I believe it is not yet too late—if what I say is correct, it is not yet too late—to drop this piece of legislation, I will now proceed to deal with some of the more obnoxious clauses that have still not been amended by the Joint Committee adequately. I will deal with only a few of them; the rest will be dealt with during the course of the clause by clause consideration, unless in the meanwhile this Bill is withdrawn from consideration.

The first obnoxious provision is contained in sub-cl. (b) of cl. 21 (original cl. 22). It is concerned with conferring upon the Central Government what virtually amounts to legislative powers to prescribe additional things to be done by auditors. I do not want to go into details now, but if anybody cares to look up sec. 227 of the principal Act, as already sought to be amended by cl. 21(a) of the amendment Bill, they will find that over a period of years the duties, obligations and responsibilities of the auditors have been steadily expanding both in range and depth. In general this is quite properly so, but the important point to note is this, that these extensions of the duties and responsibilities of auditors have been specified by statutory provisions to that effect. But this sub-clause 21 (b) to which I am objecting is one which is concerned with conferring upon the Central Government further unlimited law-making powers concerning additional responsibilities that may be cast upon auditors. I think that an uncertainty of that kind, apart from the impropriety and ridiculousness of it, is something that ought to persuade this House to condemn this clause altogether.

I come to perhaps the most obnoxious clause which, in the discussion in the Joint Committee, or rather as a result of consideration by the Joint Committee has not, I regret to say, emerged with any adequate change in terms of the amendments proposed.

Dr. M. S. Aney (Nagpur): You have written a Minute of Dissent.

Shri N. Dandeker: I refer to Clause 23, (original Clause 24) which proposes the most unthinkable proposition, not existing in any part of the world at all, that there must not merely be compulsory maintenance of some kind of cost accounts (dealt with in some other clause), but that there must also be statutory auditing of cost accounts. I have been myself concerned with taxation affairs; and I have also been concerned with mana-

gement of industrial affairs. But it seems to me an astonishing proposition that cost accounts ought to be the subject of a statutory audit. It is even more astounding that it should be so subject to audit in this country when the most sophisticated countries in the world do not apparently consider it necessary or practicable. And it is even more absurd when one considers all this in the light of the fact that cost accounts of a quality that is sustainable in terms of audit is the feature only of a highly sophisticated industrial structure such as may exist and can only exist where industrial development has advanced considerably, and which only exists in this country in so far as something like 15 to 20 per cent of the companies is concerned, and that 15 or 20 per cent being large companies. The fact is that the vast majority, something like 90 per cent of the small scale and middle scale companies have no cost accounting, cannot afford to have cost accounting, and to suggest that they should have compulsory audit of cost accounting is, indeed, to prescribe a good deal of nonsense.

One or two other clauses I shall mention and then I shall close. The first is the abolition of the Company Law Advisory Commission—Clause 51. It is a most extraordinary proposition that the Company Law Advisory Commission—the proposal concerning which was examined with care by the Joint Committee which considered the Companies Bill, subsequently enacted as the Companies Act of 1956, a proposal that was approved and accepted by this House and supported by the then Finance Minister in very strong terms, a proposal which was concerned with establishing an institution designed to evolve a set of agreed principles of company practice. . . .

May I request the Finance Minister. . . . .

Shri T. T. Krishnamachari: I am listening.

Shri N. Dandeker: I am also able to listen to his conversation.

Shri T. T. Krishnamachari: My hearing is not very good, but still it is good enough.

Shri N. Dandeker: I am not complaining that you are not listening to what I am saying. I am complaining that I am able to listen to your conversation and it interrupts me.

This institution of the Company Law Advisory Commission was adopted by this House after, as I said, careful examination by the Joint Committee and supported in the strongest terms by the then Finance Minister at the time of moving the Companies Bill as it then was, and which became the 1956 Act. We have now had some considerable working knowledge of the Company Law Advisory Commission for the past several years. Suddenly, out of the blue comes a proposal that this whole agency, brought in after careful consideration should be abolished. There is not a single statement to the effect that nothing of which was expected of the Commission has come to pass. What was expected of it was this, according to the then Finance Minister:

> "I should say that the chances are that in almost all cases we shall be guided by the advice of the advisory commission. What I foresee is that a body of case law will grow as a result of the close working of the advisory commission and the central authority. Both of them will learn;. . . . . what I expect is as a result of these discussions, a body of case law and philosophy will grow, and we shall jointly regulate the affairs of the companies in these respects which are in controversy today."

That was what he said in 1956. There is not a single line of explanation that none of these expectations have been realised that all the hopes in

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this advisory commission have been belied. All that we have is the proposed clause 51 which throws this Advisory Commission out of the window and brings in an Advisory Committee which the Government may consult if they chose to. Here again, speaking from a certain amount of experience,—not that I have always been able to persuade the Commission to my point of view; I have appeared before them several times and more often than not they have disagreed with me,—but the fact remains that over the years the Company Law Advisory Commission had developed an approach to the cases that have been going to them (for advice and guidance and consultation and so on), an approach that was at any rate gradually becoming acceptable to the industry and to the Government. It was therefore a great surprise to be suddenly given to understand that it was not acceptable to the Government and that the Government felt that this Commission should be thrown overboard.

The last clause which I consider most objectionable in this Bill is clause 56 which is concerned with two things. In the first place in so far as it is concerned with immunity to officers doing things in good faith, there could be no objection. It is necessary that officers acting in good faith, even though they happen to be acting on the basis of wrong information which they did not know was wrong, although they may be climbing up the wrong tree, so long as they acted in good faith, they ought to be protected. But extraordinarily this clause goes further. It seeks to protect any person and the name of that 'any person', other than the officers will not be disclosed. It refers not merely to officers but to other persons also, and their names may not be disclosed, not even to a tribunal or to a court. If this kind of immunity is let loose on the public,—corresponding to the provisions in the revenue law, income-tax law and customs law, where you cannot disclose the name of informers, which is another kind of thing altogether for there is some justification in those cases involving officers against the State—to say that the informers' name may not be disclosed, if that kind of immunity is let loose here also, one cannot accept it. Here one is concerned with company administration. To give protection to informers and blackmailers in the same terms as to the officers of the Government acting in good faith seems to me preposterous.

I do not want to take any further time. I have touched upon some of the highlights of the Bill as it has emerged from the Joint Committee. It still remains highly objectionable in many respects. But my main objection is that I really, honestly and sincerely feel that this Bill is altogether unnecessary and undesirable; that there is now no scope, in any major way, for any of the sort of frauds that were committed by the Dalmia-Jain group to be committed in the state of law as it exists today; that to amend the law in these circumstances is to bring ridicule and contempt upon ourselves apart from causing confusion in company law administration, and to destroy economic stability. It will have considerable adverse effect upon technical collaboration and capital collaboration developments with foreign enterprises, it being remembered, as the Finance Minister himself at one time observed, that it would be far better if we could attract foreign equity participation in this country than rely upon Government to Government borrowing.

I feel that in the light of all the things that we still hope for, and earnestly look for,—in the dreadful current state of affairs,—where foreign exchange is in a terrible state, prices are in a terrible state, the capital market is in a terrible state, the general administration is in a terrible

state, when the whole wretched economy is in a dreadful state,—to come along and mount yet another offensive of this kind against the most active sector in the economy today would be lamentable indeed. I suggest that careful thought ought to be given to the question whether this House should proceed further with this Bill at all.

Shri Himatsingka (Godda): Sir, in connection with the amendments that have been proposed to the Companies (Amendment) Bill, I would like the House to judge the Bill from the different angles for which the law may be reasonably expected to be introduced. The company law, as the House knows, and as has been mentioned, has been amended from time to time; the whole Act was remodelled in 1956, and there were very heavy amendments in 1960 and there were other amendments from year to year, almost every year. Now, the amendments that are proposed are very good because they will remove a number of difficulties that were being experienced by companies in their day-to-day working.

But there are some provisions in the Bill which are not only not necessary for the purpose of preventing any fraud or any wrong practice by the companies or by the management, but will create a lot of difficulties in the way of the proper functioning of the companies. A provision will be welcome and will be necessary if it serves the purpose of stopping some wrong practice that may be prevalent in the management of companies or if it otherwise helps in creating a favourable climate for foreign investment or otherwise. If we want to judge it from that angle, we will find that some of the provisions will stand in the way of proper functioning of the companies.

In this connection, I may mention clause 5 which provides that when a company is formed, the main objects have to be separated from the other objects. The company has to mention the main objects of the company to be pursued by the company on its incorporation and objects incidental or ancillary to the attainment of the main objects. And then, separately it has to mention other objects of the company not included in that clause. I have not been able to follow how that will be of any importance or how that will help in the better management of the company.

Then there is another clause, sub-clause (c) which says as follows:

> "in the case of companies (other than trading corporations), with objects not confined to one State, the States to whose territories the objects extend.".

As you know, sometimes, a company which wants to start a big industry forms itself into a corporation with another company, and they have their registered office in a particular State. They cannot be definite in the beginning as to which State they will be able to find a suitable site in, or the suitable climate for the industry that they intend to start. This provision requires them to state in the memorandum itself the State or States to whose territories the objects will extend. It is very difficult in the beginning for any entrepreneur to decide to which State the working of the industry will extend. I do not understand how that will be of any use to anybody or how that is necessary in order to improve the working of any company or in any other way beneficial to the working. So, this provision in clause 5(e) is absolutely unnecessary and will merely create difficulties.

Clause 15 provides that before a company can start a business, a special resolution must be passed by the shareholders. As you know, when a company goes to the market for raising money for share capital, the prospectus is issued and the objects for which the company has been formed and the business that it intends to

[Shri Himatsingka]

start are mentioned in the prospectus at great length. Still, when the company gets money and wants to start business, again a special resolution is necessary to be passed before it can commence business. The select committee has made certain modifications in the requirements of passing a special resolution. I have not been able to understand the purpose of this clause 15. As Mr. Morarka so ably mentioned, if some person wants to stand in the way of a company functioning properly—maybe he is a competitor or a person who does not look friendly towards the company—he may collect a number of shareholders or purchase a number of shares sufficient to enable him to stand in the way of the company being able to pass such a resolution. What will be the fate of the company if certain persons who want to create trouble manage to hold those shares? I have not been able to understand the reasons behind this provision.

Similarly, there are other provisions in the Bill which to my mind will stand in the way of the proper functioning of the companies. Clause 35 states that a person who has attained the age of 75 will not be entitled to remain a director of a company. As you know, there is no provision in any law preventing a person aged above 75 from becoming an M.P. or an MLA or a minister or even the Prime Minister. But if a person is aged 75 he cannot be allowed to manage a company which probably he himself floated! I have not been able to follow the reason behind this. The existing provision—even that is unnecessary—is that if a person is aged 65 and if the company passes a special resolution stating that the age limit will not apply to a particular director, he can be allowed to remain a director. There is no such enabling provision in the present amending Bill. There is an absolute bar to a person who attains the age of 75 from remaining a director of any company, even though the company is being managed by him, started by him, and he is all in all in that company. I feel either the provision in section 281 should be altogether dropped and there should be no provision about age-limit, or if age-limit is going to be retained, the enabling provision, as it exists in section 281 which is intended to be deleted by clause 36, should be continued, so that if a company in its wisdom or if the shareholders feel that the services of a particular director are necessary and beneficial for the proper management of that company, that company should be able to elect such a person to be a director. I do not understand the reasons why this absolute bar should be provided. Such a provision does not exist in any part of the world. So far as I know, there is no provision anywhere prohibiting any person simply because he has attained a particular age from functioning as a director of a company. Therefore, I feel that either the enabling provision should be there or both the sections, sections 280 and 281 should be done away with.

Another provision that is now being introduced is clause 44. At the present moment there is no bar or inter-company loans. The fiscal policy of the Government wants that there should be inter-company loans; one company should be able to help another. But, Sir, the previous provision was only applicable to companies under the same management. There was a bar on companies under the same management lending more than 10 per cent of their paid-up capital and free reserves to any other company under the same management. But the words "under the same management" are being removed. The result is that one company which has funds cannot lend more than 10 per cent of its funds to any other company and the total amount that it can lend, even if it has more money, is limited to 30 per cent of its paid-up capital and free reserves. I do not

understand the reason behind such a provision

As you know the money market is so bad at the present moment that no company for the last two years, I feel, has been able to raise any equity capital in the market. The stock market has practically collapsed. Since the budget that was introduced in April more than 10 per cent of the prices have gone down. If you take about two years, I think more than 30 per cent of the value has gone down in equity shares. At present, all the companies that have been floated, on account of the fiscal policy of the Government, are in a very bad way. No new companies are being floated on account of the various provisions in the Companies Bill that are being introduced from time to time. They are standing in the way of even any foreigner, any outsider, coming in and investing any money in the country. No provision should be made like this which will stand in the way of the proper functioning of companies or their being able to meet temporary difficulties in times of need. At present that is the position, because the money market is very bad. If this provision as proposed in clause 44 is enacted into law, then whatever little help one company can get from another company will also come to a stop and it will be very difficult for companies to manage. The result has been that on account of the monetary difficulties the companies cannot get funds and as a result production is falling. That is why in spite of attempts the price line is not being held. The price line can be held only if there is production. On account of the difficulties that are being created by various legislations, the companies are finding it more and more difficult to be able to carry on their business. Therefore, I feel that the provision like the one that is in clause 44 should not be passed. The provision as it existed before was quite sufficient. No case has been pointed out of any misuse of the provisions that exist before the present amendment Bill was introduced.

Mr. Chairman: The hon. Member may continue his speech tomorrow.

17.01 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Thursday, August 19, 1965/Sravana 28, 1887 (Saka).

GMGIPND—LS II—867(Ai) LSD— 2-9-65—974.