

Shri S. K. Dey: I am very grateful to the hon. Members for supporting this measure and for no one questioning the *bona fides* of the action taken by Government.

Shri S. M. Banerjee: May I know whether the market value of the assets will considerably increase as on the 13th September, 1966, due to devaluation and whether...

Mr. Chairman: That point has already been replied to. The hon. Member was not here at that time.

Shri S. K. Dey: I have answered that point already.

Shri Narendra Singh Mahida: May I know whether the Rajasthan Government have made any contribution towards this project in any form?

Shri S. K. Dey: I would say that there is no financial contribution by them, but certainly the Rajasthan Government will be expected to provide water that we require for the project, and electricity, and also help us in maintaining law and order and settling labour problems etc.

Mr. Chairman: The question is:

"That the Bill to provide for the acquisition of the undertaking of the Metal Corporation of India Limited for the purpose of enabling the Central Government in the public interest to exploit, to the fullest extent possible, zinc and lead deposits in and around the Zawar area in the State of Rajasthan and to utilise those minerals in such manner as to subserve the common good, be taken into consideration."

The motion was adopted.

Mr. Chairman: There are no amendments. So, I shall put all the clauses together to vote.

The question is:

"That clauses 1 to 18, the Schedule, the Enacting Formula and the Title stand part of the Bill".

The motion was adopted.

Clauses 1 to 18, the Schedule, the Enacting Formula and the Title were added to the Bill.

Shri S. K. Dey: I beg to move:

"That the Bill be passed".

Mr. Chairman: The question is:

"That the Bill be passed".

The motion was adopted.

14.09 hrs.

COMPANIES (AMENDMENT) BILL

The Minister of Law (Shri G. S. Pathak): I beg to move:

"That the Bill further to amend the Companies Act, 1956, be taken into consideration."

This Bill replaces with slight modification an Ordinance which was passed some time ago.

I shall very briefly give to this House a summary of the amendments which are sought to be made by this Bill and then I shall state with reference to a few provisions what the principles involved are.

Now, the broad features of the amendments are these:

(1) It has been made clear that it is only the blank form of transfer of shares which should be presented to the prescribed authority for date-stamping before it is executed by the transferor;

(2) A minimum period of two months from the date stamped by the prescribed authority has been provided for registering with the company the completed instrument of transfer of shares in case of 'listed shares'. This has been done to remove any hardship likely to be created by shortage of time before the closure of register of members of the company for completing the formalities connected with the registration of transfers;

(3) It has been made clear that the expression "commencement of the Companies (Amendment) Act, 1965" occurring in section 108(1B) refers only to the date of coming into force of the provisions of the relevant section of the Act, viz., 1st April, 1966;

(4) Transfers of shares effected on the transfer forms in vogue prior to 1st April, 1966 and during the period of six months thereafter (or upto the date of first closure of the register of members of a company after 1st April, 1966, whichever is later) have been validated;

(5) The scope of the existing exemptions has been enlarged so as to include cases of shares—

- (a) held by nominees within the ambit of section 40(2) and 49(3);
- (b) held in trust in respect of which a declaration has been made to the Public Trustee under section 153B of the Act;
- (c) held by a Corporation owned or controlled by the Central or a State Government in any other body corporate in the name of a director or nominee; and
- (d) deposited with the Central or a State Government or any corporation owned or controlled by the Central or a State Government.

It has also been provided that in the case of transfer forms relating to shares deposited with the authorities specified in the section or held by nominees or declared Trusts, the company, Public Trustee, the Bank, the Institutions, the Government or Corporation, should endorse the date on which the shares are released and such shares shall be delivered within a period of two months from the date of the endorsement, to the company for registration.

(6) Shares held by nominees of the President or Governor, in a company are exempted from the scope of the restrictions on blank transfer except that every instrument of transfer which is executed on and after 1st October, 1966 shall be in the prescribed form.

Further, the amendment also empowers Government to approve banking companies (other than scheduled banks) or financial institutions with effect from a retrospective date not earlier than 1st April, 1966.

It has also been clarified that applications to the Central Government for extension of time can now be made either before or after the expiry of the periods prescribed for presentation of the completed instruments of transfer to the company for registration.

All these amendments have been made with retrospective effect, that is, with effect from the 1st April, 1966.

By another provision in the Bill, Government has also validated the orders issued by the Chairman or any other member of the Company Law Board acting individually during the period prior to the 15th October, 1965, that is, the date on which the provisions of the Companies (Amendment) Act of 1965 (with the exception of sections 13 and 46) were brought into force.

[Shri G. S. Pathak]

This is a simple amending Bill which seeks to remove difficulties experienced after the introduction of sub-sections IA, IB, IC and ID in section 108 by the Companies (Amendment) Act of 1965. It also removes certain doubts and supplies some omissions. Some defects have also been removed.

It is not necessary for me to take each clause and explain the reasons. They are very clear, but in case it is necessary, I shall do it when speeches by Hon. Members are made and reference to these clauses is made.

Mr. Chairman: Motion moved:

"That the Bill further to amend the Companies Act, 1956, be taken into consideration".

Shri Dinen Bhattacharya (Serampore): I rise to oppose this amending Bill, whatever might have been stated in the statement of objects and reasons and whatever has been said by the hon. Minister in his speech just now. It is said that the amendment has been brought forward only to restrict and regularise blank transfers. But in reality, the provisions are so weak that it will allow the continuation of transfer of blank shares in a new form. The new company law has failed to stop malpractices by persons who control the companies.

In this context, I may refer here to what Shri D. L. Mazumdar, Secretary of the Department of Company Law Administration, said while dealing with the criticism of the absence of any effective provisions in the Companies Act against anti-social practices, namely, that no provisions in the Companies Act can deal effectively with this evil unless they are to be so drastic as to destroy the foundations of competitive market in the country.

By this amendment, nothing has been done to prevent the malpractices which are carried on in the stock

exchanges which are, so to say, the breeding ground for the malpractices indulged by the big companies. Before the Companies Act was amended, a Select Committee was set up to examine the matter on the basis of the recommendations of the Vivian Bose Commission. But the main point in the Vivian Bose Commission Report was concerned with blocking the way through which these big companies mint large amounts of black money and evade taxes. But the amendment that has been brought here is otherwise, to regularise blank transfers. Banks and financial institutions which are controlled by these big companies have been given the green signal through which they can get the same benefits which they were previously getting by way of blank transfers. This amendment will in no way check the minting of black money and surreptitious ways of evading taxes by the big companies. I would have preferred, and that should be the stand of the Government also, completely banning blank transfers, because this Bill will not change the malpractices so much prevalent, into which so many committees have enquired; it will not, in the ultimate analysis, in any way change the situation.

I know several companies about which some enquiry is going on, for instance Aminchand Pyarelal, whose capital only some years back was Rs. 10 lakhs, but now their total capital has come to more than Rs. 10 crores. From where did they get the money?

This is one of the sources of minting money, and they have adopted this method, and this will continue. The amendment which is meant for checking this misuse of blank transfers will not be effective in any way in this form. So, I would have liked the Government coming forward with a real measure by which this sort of making black money and this sort of giving ample powers to banks and financial institutions, which are also controlled by these big companies,

may be completely checked. So, if the Government wants to create a real atmosphere to stop these companies from making black money by the use of these blank transfers and other malpractices, they should come forward with a comprehensive amendment, so that these practices may be stopped. With these words, I oppose this amendment.

Shri V. B. Gandhi (Bombay—Central South): We welcome this Bill, and we also endorse the action taken by Government in having an ordinance promulgated on 21st September, 1966. That was prompt action taken and that was necessary, because what was involved was the unhindered operation of the stock exchanges in the country and the capital market. We had to ensure that this unhindered operation was continued.

The provisions of the last Act of 1965 were brought into force on 1st April, 1966, and within less than six months, i.e., on 21st September, 1966, Government has had an ordinance promulgated. That is commendable action, but what is it that made this ordinance and amendment necessary so soon after the passing of the 1965 Act?

The reason has already been given in the Statement of Objects and Reasons, and I must say that the reason has been given with admirable frankness. It states:

"These new provisions were brought into force on 1st April, 1966, but immediately thereafter questions arose as to whether the effect of these new provisions was only to regulate and control the currency of blank transfer of shares or to prohibit them altogether."

There is rather unusual candour in the statement, I therefore welcome it. It is more honest.

The question before us is that people had begun to wonder what exactly was the object of the Government in the 1965 Act. Was it simply to control and regulate the currency of blank transfers, or was it virtually to prohibit blank transfers, because it looked as if the provisions of the 1965 Act would lead to a virtual prohibition of blank transfers. Already, there is a general feeling prevailing in this House as well as outside that the company legislation is usually brought forward in haste and in a form which is half-digested. Only last week we had the Company Law (Second Amendment) Bill. This week we have this Bill before us. All this emphasises the desirability of seeing that the legislation in the matter of company law is brought forward after a little more mature deliberation, and it also emphasises the desirability that there should be consultations with the interests concerned. For instance, in the present case if there had been proper consultation with the authorities of stock exchanges and capital market in the country and other allied interests, probably we would have been saved the necessity of having to come before this House with the present Bill. Proper time should be taken in preparing these Bills and, as I said, there should be mature and deliberate thinking done on the subject. Now, I will come to some of the specific points on the subject. Let me in the first place begin by saying that we welcome this Bill because it is an improvement over the 1965 Act; it also liberalises the provisions in some respects. The provisions of the present Bill have enlarged the scope of the existing exemptions which now include various categories of shares such as shares held by nominees within the ambit of section 49(2) and (3) shares held in trust in respect of which a declaration has been made to the public trustee under section 63 of the Act, share held by corporations owned or controlled by the Centre or State Government, shares held in any other body corporate in the name of the

[Shri V. B. Gandhi]
 director or his nominee and shares deposited with Central or State Government or any corporation owned or controlled by the Central or State Government. I repeat that I welcome this element of liberalisation in the provisions.

There are two other small points to which I shall refer before I close. One is that to know that there are a number of trusts to which section 153 is not applicable and such trusts are in a great majority. I would plead that something should be done to so extend the scope of exemptions as to do something for these trusts. In fact section 153 (b) does not apply to any trust unless (i) the trust has been created by an instrument in writing and (ii) the amount of the trust money invested in the shares or debentures of any single company exceeds one lakh of rupees and where it exceeds one lakh of rupees, it does not exceed Rs. 5 lakhs or 25 per cent of the paid up share capital of the company whichever is less. As I have said this category of trusts is in a majority and therefore, I would plead that Government should give some consideration and see that some relaxation is made in their favour.

The last point is that the new provisions require that every instrument of transfer should be presented to a specified authority and that authority shall put his stamp or endorse the date of presentation on the instrument. One would easily concede that this would lead to quite a considerable difficulty because the officer in this case intended is the registrar of Companies. The Registrar of Companies will have a tremendous lot to do if all the instruments of transfer had to come before him for being endorsed or stamped by himself. The idea that I have in mind and which has been suggested in many other quarters is that it is not necessary that the registrar alone should be the authority vested with that function; it could be given to other authorities. One alternative can be to place the responsibility of date-stamping on the stock exchange or other authorities

duly authorised to undertake this work. I do hope that Government will seriously consider these suggestions that I have made.

Shri S. M. Banerjee (Kanpur): Mr. Chairman, I have heard patiently the speech of my hon. friend, the Minister in charge of company law. I am not yet convinced that the passage of this Bill could put a stop to some of the malpractices that go on.

श्री हुकुम चन्द कछवाय (देवास): मभा.पनि: महोदय, मेरा ध्येयवस्था सम्बन्धी प्रश्न है। यहाँ पर इतना अच्छा भाषण हो रहा है और सदन में गणपूर्ति नहीं है।

Mr. Chairman: The Bell is being rung.

Now, there is quorum. The hon. Member may continue.

श्री हुकुम चन्द कछवाय : सभापति महोदय, अभी कोरम नहीं है। क्या कार्रवाई बिना कोरम के चलेगी।

Mr. Chairman: Will you please sit down? Order, order. Carry on, Mr. Banerjee. There is quorum.

Shri S. M. Banerjee: Mr. Chairman, Sir, what I was referring to was, whether this particular amendment will serve the purpose for which it is being enacted. All these amendments to the company law are being brought before the House in pursuance of the recommendation of the Vivian Bose Commission. You know some of the recommendations of the Vivian Bose Commission were just to plug the loopholes in the present law so that the malpractices indulged in by the various companies may not be there.

About the transfer of shares, if you really consider the big concerns—I do not want to name them—they go on transferring shares and sometimes benami shares are also transferred to hoodwink the shareholders. Sometimes it is done with the connivance of the shareholders, and sometimes the shareholders do not know what it is and what is done. According to the Vivian Bose Commission's report,

everything except the wife belongs to the company; they have been able to build so much in the name of the company; in the name of the company, they possess cars; in the name of the company they buy pieces of land. With the exception of the wife, everything belongs to the company. So, naturally, when we discuss the company law, we discuss the various kinds of things which have come to our notice and we have before us the various malpractices committed by the various companies.

My hon. friend Shri Dinen Bhattacharya has mentioned something about Messrs. Aminchand Pyarelal. What was the financial condition of this concern in 1955? They had a paid-up capital of only Rs. 10 lakhs to Rs. 15 lakhs. What is it today? They are the owners of so many big concerns, and they have a paid-up capital—I do not know to how many crores it runs—definitely today, a property of movable and immovable to the tune of Rs. 10 crores to Rs. 15 crores. How did they manage to get so much within these six to seven years? They manipulated and manipulated, and sometimes with the help of the government agencies, they manipulated to build up a fortune.

When I speak on this Bill, during the stage of the general discussion, I have before me some of the concerns which certainly are mismanaging not because of anything else but because of their own creation. The hon. Minister also comes from the same State from which I come. I come from a city of poverty and plenty, and I know what is happening in some of the big business houses belonging to some concerns. I want to take this opportunity to mention before the hon. Minister, through you, the poor plight of the editor of a weekly newspaper called *Citizen*, and how this gentleman has suffered at the hands of big industrialists—Shri Ram Rattan Gupta—and the company law could not decide this case even after the lapse of six to 10 years. Mr. Mehra is now the

victim of Shri Gupta and the company law administration. I would request the hon. Minister kindly to see that his machinery, which should be like Caesar's wife, above suspicion, should not be utilised by big industrial bosses. What did Shri Ram Rattan Gupta do? Why I am bringing forward these things is this. He indulged in the transfer of shares because he is afraid that his concern, Lakshmi Ratan Cotton Mills, is likely to be taken over by the Centre. So, there is a fear in his mind; he is suffering from a fear psychosis, and rightly so. That is why he will manipulate and transfer all his shares and ultimately this Government will be left scrap and a big boundary wall in the Lakshmi Ratan Cotton Mill. The Chief Minister of Uttar Pradesh has recommended taking over of this concern but the Central machinery has not started functioning as yet. Only the other day I came to know that the committee under the Industries (Development and Regulation) Act has been appointed and the committee visited Lucknow, and had a talk with the Chief Minister and other people and later on visited Kanpur also. They said it would take three months to take over this mill. This particular industrialist has committed so many mismanagements. In the matter of income-tax, in respect of the Lakshmi Ratan Cotton Mill, Shri Gupta has admitted before the Income-tax Investigation Commission that they had up to 1950-51 paid a tax on an income of Rs. 1.25 crores, for which they were required to pay about Rs. 51 lakhs by way of taxes. They have made a big fortune from war supplies and blackmarketing. What happened? You remember that there was a furore in both the Houses when it was declared by the Finance Minister either here or in the other House that Rs. 31 lakhs of income-tax was remitted—

Shri Hukam Chand Kachhviya:
There is no quorum.

Mr. Chairman: The bell is being rung.—

[Mr. Chairman]

Now there is quorum. Shri Banerjee may continue.

Shri S. M. Banerjee: Shri Ram Rattan Gupta influenced the Finance Ministry to the extent that a sum of Rs. 31 lakhs or Rs. 32 lakhs which was the arrears of income-tax from him were written off. It was said that he has no capacity to pay. But his affairs are known to the company law administration. Several representations have been made both to the Minister and the Secretary of the particular Department. Both Mr. Ram Rattan Gupta and his brother Mr. Ram Gopal Gupta claim to be 'poor'. And, on the basis of this feigned poverty they got the Government of India in the Finance Ministry to write off Rs. 32 lakhs income-tax arrears. Shri Ram Rattan Gupta stated his annual income to be less than Rs. 5500 and Shri Ram Gopal Gupta stated his annual income to be only Rs. 12,000. It is for the company law department to appoint a special officer to investigate into this concern. They almost purchased a seat in the Rajya Sabha. Shri Ram Gopal Gupta has publicly claimed to have contributed Rs. 1 lakh to the Swatantra Party.

They are going to transfer their shares and ultimately declare that they have nothing to pay, but what are their profits? In the year ended 30-9-60....

Mr. Chairman: Wherefrom he is reading?

Shri S. M. Banerjee: From the memorandum submitted to the Chief Minister of UP and the Prime Minister by some Members of Parliament and MLAs. I can produce the document, if you like. These are the figures.

In the year ended 30-9-60, their sales were Rs. 3,16,78,918; their Selling Agency Commission was Rs. 17,73,874 and their profits were Rs. 15,66,449. For subsequent years, the

profits are as follows:

Year ended	Profits
30-9-61	.. 20,89,254
30-9-62	.. 14,04,879
30-9-63	10,40,796
30-9-64	.. 20,70,167

These concerns have not paid the dues of the workers for the last 3 months. Even the officers' salaries have not been paid for the last 3 months. Still, even after the recommendation of the Chief Minister, the Central Government has not taken over this concern because he has appointed the brothers of Governors and brothers of Ministers in his own concern. I do not want to name them because they are not here to defend themselves. I would urge upon the Minister to send a team of company law officers—I am sure they are impartial—to investigate into these affairs. When we interfered in these concerns, the net result was he took out a leaflet against us and circulated it to all Members of Parliament telling that we are indulging in goondaism and corrupt practices and we do not want the workers to go and work. Today this all-powerful Central Government are unable to take over this concern. The Metal Corporation of India was taken over by a stroke of the pen. Why can't they take over this concern of a man who has cheated the State Bank and the workers, who has not paid their provident fund and ESI dues, and also the electricity and water dues? It is high time Government immediately took action against this man who has polluted the politics of UP with the help of Mr. C. B. Gupta and has polluted the politics of Kanpur with the help of the District Congress Committee President. I want to sound a note of caution to my Congress brethren. If Shri Ram Rattan Gupta is supported even after this, there is going to be a land-slide defeat for the Congress in the coming elections. He is not fighting against me and I have nothing to fear. I want him to fight against me...

Mr. Chairman: All this is part of the Bill?

Shri S. M. Banerjee: These are facts before the company law department, Sir.

What are the political donations he has paid? I am reading from the balance-sheets:

Year ended	Amount Rs.
30-9-81	2,61,776
30-9-82	47,919
30-9-83	21,145
30-9-84	8,556

He can make political donations and earn profits, but he is not paying wages to the workers.

I support this Bill, but I request the Minister to institute an impartial inquiry into the conduct of this person, so that he may be put behind the bars and the country may be saved from the corrupt politics initiated by him.

Shri G. N. Dixit (Etawah): Sir, my friend, Mr. Banerjee, has talked about things which have no relevance.

Shri S. M. Banerjee: These are facts.

Shri G. N. Dixit: But they should be relevant to the Bill before the House. Howsoever strong the suspicion might be, unless it is tested after due investigation, no assertion can be made whether it is correct or not. I can appreciate whatever is relevant to the Bill; for instance, if Mr. Banerjee makes a plea to the Law Minister that an inquiry should be made, I think every member will endorse him. But where he makes an assertion that something wrong has already been done and wants the House to assume that something wrong has been done about the income-tax matter, which is not relating to the Law Minister, there he goes out of the realm of the present Bill. Rightly or wrongly this country under the leadership of Gandhiji and Nehruji has accepted mixed economy as the economy of this country. We accepted a middle path, we did not accept controlled economy and we also did

not accept free trade like America. Therefore, the position which Shri Banerjee desires is not acceptable to this country or to this House because in the Constitution itself we have guaranteed freedom of trade and business with reasonable restrictions. Therefore, in our mixed economy we have encouraged private sector and public sector.

15 hrs.

Shri Shinkre (Marmagoa): This is equally not relevant to the Bill.

Shri G. N. Dixit: Every word I am uttering, I shall show, is relevant to the present Bill, because it is a question whether there should be some relaxation in the matter of blank transfers or not.

श्री हुक्म चन्द कछवाय : अध्यक्ष महोदय,
मैं आपकी व्यवस्था चाहता हूँ, सदन में
गणपूर्ति नहीं है।

Mr. Chairman: The hon. Member, Shri Dixit, may resume his seat. The Bell is being rung.

There is quorum now. He may continue his speech.

Shri G. N. Dixit: Mr. Chairman, I was making my submission that in this country by virtue of the provisions of article 19 and also our Industrial Policy resolution where we have accepted private sector and public sector both, it is the policy of this country to nourish both the sectors, and when we want to nourish both sectors, obviously, we have to see that the public sector as well as the private sector get all those facilities which will be required for that nourishment, that prosperity, that growth. Therefore, I congratulate the Law Minister for having considered a point which was creating difficulty. I was on the Joint Committee which considered the previous Bill, and even when we were passing that section we were feeling that one time or the other there are bound to be difficulties in the matter of implementing those provisions. Those difficulties

[Shri G. N. Dixit]

have now been realised and the Company Law Administration and the Law Minister have now brought this Bill before us to remove those difficulties. It is just a relaxation that is being done, it is not a Bill which in any way will support blank transfers to be done.

श्री हुकुम चन्द कछवाय : सभापति महोदय, सदन में गणपूर्ति नहीं है।

सभापति महोदय : इस तरह से मखोल नहीं बनाना चाहिए।

श्री हुकुम चन्द कछवाय : मखोल की बात गलत है, गणपूर्ति नहीं है।

Shri G. N. Dixit: It is not a Bill....

श्री हुकुम चन्द कछवाय : सभापति महोदय, मैंने गणपूर्ति का सवाल उठाया है

Mr. Chairman: Please go on.

Shri G. N. Dixit: The principles which were laid down by the Vivian Bose Commission in order to see....

Mr. Chairman: There is no quorum in the House. I have to adjourn the House for half-an-hour.

15.05 hrs.

The Lok Sabha then adjourned till Thirty-five Minutes Past Fifteen of the Clock.

The Lok Sabha reassembled at Thirty-five Minutes Past Fifteen of the Clock.

[MR. SPEAKER in the Chair]

Shri G. N. Dixit: Mr. Speaker, I was making my submission that this bill has given a relaxation to the industry, because absolute ban on blank transfers has created a lot of difficulties. Because, blank transfer is nothing but a way or weapon to

the industry to raise immediate money. No individual in this country can carry on business, whatever may be the amount of money in his hand, unless he has got the power to borrow money from all quarters possible. Thus, this blank transfer is a weapon, a source through which money is raised. Therefore, I congratulate the Law Minister for having made a relaxation. I support the Bill.

Shri Narendra Singh Mahida (Anand): On the recommendation of the Vivian Bose Inquiry Commission, section 108 of the Companies Act relating to transfer of shares and debentures was amended by the Companies (Amendment) Act of 1965. The object of that amendment was to regulate and control the currency of blank transfer of shares. For this purpose, certain sub-sections were inserted in section 108. Soon after the amended provisions were brought into force on 1st April 1966 their working disclosed a number of practical difficulties and doubts were also expressed as to the intentions underlining these provisions. The stock exchanges which have been recognised under the Companies Act raised objections, along with some others, that the enforcement of these provisions would result in complete prohibition of blank transfers, even though the intention was to regulate and control the currency of blank transfers. The other day when another amendment to the Companies Act was being discussed, I referred to this Bill.

It is a common practice for many shareholders and stock exchanges to have blank transfers, not for manipulating finances but for matter of convenience. One buys shares and, soon after, when the price of those shares starts rising one would like to sell them back. Therefore, it can very easily be done by merely putting one's signature, without mentioning the name of the buyer or seller. I do not think it is the intention of the Bill to create difficult-

ies to those honest people. This measure is primarily intended to check irregularities whereby black money come into circulation.

It was pointed out that there would be serious practical difficulty if the register of the members of the Company were closed within a short time after the presentation of the instrument of transfer in the prescribed authority. There was considerable force in the representations made by various stock exchanges and others and, therefore, it was urgently necessary to clarify the intention underlining these provisions, before the expiry of the transitional period, that is, between 1-4-1966 and 30-9-1966. In order to avoid needless hardship and unintended deadlock in the working of the stock exchange and capital market, an Ordinance was passed by the President, and to replace this Ordinance a Bill is being brought before the House. It was, therefore, felt that an immediate clarification was necessary regarding the date of commencement for the purpose of this sub-section. It was also necessary urgently to clarify the position, as also to validate the blank transfers effected during the transitional period on forms other than the prescribed form.

Now there is some vagueness about the prescribed form, because the term "prescribed form" is yet to be decided in future. So, on the whole, the Bill is a welcome measure, and the Central Government will have to deal with the details of rules. I am sure the hon. Minister will attend to these details of rules. With these words, I commend the Bill for the acceptance of the House.

Shri Shinkre: Mr. Speaker, although I support the Bill for being some improvement on the existing situation, and also for obviating some of the difficulties which have been pointed out after the experience that we gathered from the operation of the Act, as amended, I cannot help

expressing some misgiving because, irrespective of the control which Government might be exercising on the transfer of shares of public limited companies, I am very much doubtful whether that by itself would be enough to curb the malpractices and corrupt behaviour by these companies. My doubt starts from doubting the *bona fide*, up to a certain extent, of the administration as to whether they really want to ensure the establishment of completely pure and above suspicion public limited companies, or they merely want to introduce some piece-meal measures, whereby they might give some satisfaction to the critics on the one side and, simultaneously, leave the public limited companies enough margin of chances and opportunity to indulge in their usual practices. Because, I do not think it is really difficult to introduce such amendments in the company law that will effectively curb such malpractices.

Even at random some suggestions could be made to the Law Minister so that he might consider them for inclusion at the time when he brings the next amendment to the company law. The amendments to the company law should be brought forward in toto rather than piece-meal. One of the suggestions would be to impose some sort of restriction on money invested by shareholders, other than company directors in both new and old companies. Some measures should be introduced whereby the Government can compel both old and new companies to give a return equivalent to the prevalent bank rate to the ordinary shareholders right from the time of the subscription. This would go a long way to prevent or curb some of the malpractices.

After all, what is the aim and purpose of these malpractices? It is only to get this money from the poor shareholders in the larger public and misuse it at their free will. So, if

[Shri Shinkre]

you introduce some legal or statutory measure whereby you force the public limited companies to launch shares to the public only against a definite and certain return as from the date of subscription, you will definitely have ensured some success in this regard.

I do not think the hon. Law Minister also does not know that these big business and industry tycoons of the country freely indulge in launching and floating new companies without any real capital of their own with the simple hope of attracting capital from the larger public of the country on the strength of their big names in the industry and commerce of the country. It is not any news that there are companies which had been floated 10, 15 or 20 years ago and which up till now have not paid a single paisa by way of return to the shareholders. All their needs are very comfortably managed. Everything is being done by the directors and managers of the company. Crores and crores of rupees are being spent by them under one pretext or the other, but the poor shareholder does not get any return because all the time these people are successful in showing that the company actually did not make any profit.

The other suggestion that also I would like to offer at random to the hon. Law Minister and which he should also examine although it does not strictly belong to his portfolio, is the immediate introduction of expenditure tax. As I stated on an earlier occasion, this expenditure tax should be reasonably high and should place before these big companies and the magnates these alternatives—either develop the habit of sound savings in the company or run the risk of paying expenditure tax on whatever monies belonging to the public they freely squander.

Sir, you know very well that in the report of the Monopolies Commission and the other report that was given to us more or less at the same time,

there is not a single individual in this country who, according to official statistics, has an earned income of even Rs. 5 lakhs. Where does all this money in crores of rupees which we see being spent and squandered every day by these big tycoons come from? I would not be disclosing any secret if I say to you that these people spend the money in such a manner that even the most rash spendthrift would think twice before doing. This is the way they are spending money.

Last season I paid a visit to Mussoorie. I went to a very costly hotel where every suite would cost you something like Rs. 125 a day for a couple and I found that something like 13 or 14 suites had been taken for the entire season by one textile magnate under three, four or five different names, but one could easily find out that all the names belonged to the same magnate or to the same textile firm. Only the lodging charges of these 13 or 14 suites for a season in that hotel for that firm would easily amount to something like Rs. 2 lakhs.

Where does this money come from? You think that it comes from their pockets. No, it usually comes from the millions and millions of poor shareholders spread over the country who are attracted by the big and attractive names of the big guns of business and industry and who think that their money would give them a better or at least a reasonable return than the commercial banks give.

I think, if these two things are duly taken into consideration by the Law Minister, much better results would have been achieved than whatever result he might be anticipating through a legislation like this, although I support it as I said in the beginning.

Shri G. S. Pathak: Sir, I thank hon. Members who have supported this Bill, and all the hon. Members, who

have spoken, have supported it; only one hon. Member has opposed it.

Blank transfers have been in vogue for a very long time in this country. Business in blank transfers has been engaged in both by those who enter into the transactions honestly with a view to acquiring money and satisfying their needs quickly and also by those who obtain unfair advantages by entering into these transactions.

This matter was fully considered by the Vivian Bose Commission and the Vivian Bose Commission arrived at the conclusion that there should be a limited restriction on the currency of these transfers. It did not recommend that there should be abolition of blank transfers because abolition would have resulted in affecting credit facilities and in seriously affecting the capital market. If restrictions further than those which are imposed under this Bill are put upon blank transfers, the liquidity and negotiability of blank transfers will be seriously affected.

I would recall to the Members of this House what the Vivian Bose Commission said. They recommended that restrictions should be imposed relating to the period of currency of blank transfers by making statutory provision with a view to permitting shares being held on blank transfers only for a limited period. This period, which we have fixed in this Bill, is only two months. After two months fresh transactions might be entered into but the negotiability on blank transfer of the original transaction will cease.

This is the best that could be done under the circumstances. The suggestions that have been made here deserve the consideration of Government and I am sure we will consider them at the proper time. The Companies Act is one of those Acts which having regard to the nature of the

legislation has been amended from time to time both here and in the United Kingdom.

Mr. Speaker: The question is:

"That the Bill further to amend the Companies Act, 1956, be taken into consideration."

The motion was adopted.

Mr. Speaker: The question is:

"That clauses 2 to 4 stand part of the Bill."

The motion was adopted.

Clauses 2 to 4 were added to the Bill.

Clause 1—(Short title).

Amendment made:

Page 1, line 3,—

for "Companies (Amendment) Act, 1966" substitute—

"Companies (Second Amendment) Act, 1966" (1).

(Shri G. S. Pathak)

Mr. Speaker: The question is:

"That clause 1, as amended, stand part of the Bill."

The motion was adopted.

Clause 1, as amended, was added to the Bill.

The Enacting Formula and the Title were added to the Bill.

Shri G. S. Pathak: Sir, I move:

"That the Bill, as amended, be passed."

Mr. Speaker: The question is:

"That the Bill, as amended, be passed."

The motion was adopted.