THE DEPUTY CHAIRMAN: How can I reply when you are standing? Please sit down. Then I will reply. After you have staged a walk-out, the Prime Minister wanted to speak for three minutes. I have permitted him to speak. I think I am within my right to permit the Prime Minister to speak. ...*(Interruptions)*...

THE PRIME MINISTER (SHRI H. D. DEVE GOWDA): You have dragged my name. That is why I am clarifying. ...*(Interruptions)*...

SHRI SIKANDER BAKHT: Do you want us to walk out again?

THE DEPUTY CHAIRMAN: It is entirely up to you.

(At this stage some hon. Members left the Chamber)

श्री वसीम अहमद: आप लोग यही करते रहिए।

THE DEPUTY CHAIRMAN: The Prime Minister has a right to speak. If he wanted to speak at any time, it is his right to speak.

SHRI H. D. DEVE GOWDA: In 1998, as per this decision, if there is no expression of consensus decision, even at that time, we can take our own stand whether to walk out or to vote against it, against 127 countries single-handedly, as one nation. Nobody can take away from us that right. So, under the given situation, we will try our best to convince G-15 countries to cooperate with us on this so that at least a modified solution can be found which will be in the best interest of the country. That is what I have to say. Thank you very much.

SHRI ASHOK MITRA: You have been wrongly advised.

SHRI H. D. DEVE GOWDA: If somebody advises me, you can also advise me. I am not an expert. Who is going to advise what, I know.

THE COMPANIES (AMENDMENT) BILL, 1996

THE MINISTER OF COMPANY AFFAIRS (SHRI P. CHIDAMBARAM): Madam Deputy Chairman, I move:

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

I had mentioned in my Budget Speech on 22nd July, 1996 that the Companies Act, 1956 needs to be re-written comprehensively. I have therefore, already set-up a Working Group to re-draft the Companies Act with persons having knowledge of law, economics and company affairs. I intend to make available the redrafted version of the Companies Act for public debate before coming to the House with a new Bill. I would like to emphasise that re-writing of the Companies Act is an extensive exercise covering all aspects of the Act. Thus, the recodification exercise is likely to take time before the new Act comes into operation.

I had also indicated in my Budget Speech that I propose to introduce some urgent amendments to the present Companies Act, Accordingly, I introduced the Companies (Amendment) Bill, 1996 in the Rajya Sabha on 10th September, 1996 and it was referred to the Standing Committee on House Affiars, which has already presented its report on the Bill to both the Houses of Parliament on 26th November, 1996. I assume that hon. Members had an opportunity to read the Report of the Standing Committee.

The Bill seeks to carry out some urgent amendments in the Act in the interest of the depositors, investors, employees in the case of winding up of a company and simplification of some procedural and legal requirements in the interest of the corporate sector. The proposed amendments will bring relief to these sections in the following manner.

(i) The companies will not longer be required to seek confirmation of the Company Law Board for

change in their object clauses in the Memorandum of Association.

(ii) Companies which are in default of repayment of deposit and interest thereupon, in respect of deposits raised under Section 58A of the Companies Act will be debarred from raising further deposits from the public. Such companies will also be debarred from making inter-corporate investments/loans

(iii) Under the proposed amendment to Section 80(5A) the companies would be in a position to issue redeemable preference shares for a period not exceeding twenty years as against present limit of ten years. With this amendment, the companies will be in a position to retain capital for longer time for deployment in long gestation projects, particularly in the infrastructure sector.

(iv) Introduction of non-voting shares will help companies to raise capital from the market without diluting management control and also help investors in earning higher rate of dividend as a trade off for the loss of the voting rights.

(v) The proposed conferment of voting rights on mutual funds and venture capital funds in respect of shares held by them in various companies will provide an opportunity to them to have a say in the working of the companies in order to maximise returns on investments made in these companies by such funds on behalf of small investors.

(vi) The proposal to enable in Government to notify, from time to time, the ceiling on payment of wages or salary to employees for getting preferential treatment in the even of winding of companies will be to the advantage of the employees, as the Government would be in a position to raise the ceiling preiodically keeping in view the increase in the cost of living.

(vii) To permit companies to file their documents with the Registrar of Companies in computer floppies/diskettes will provide them a technologically advanced alternative mode of filing the documents and would thereby reduce unncessary paper work in Government as well as corporate offices.

Madam Vice-Chairman, the Committee has recommended the Bill. But it has expressed reservations about two clauses. In a meeting convened by the Deputy Chairman, I had the opportunity to clarify to the Chairman as well as the leading Members of the Committee about these two clauses. I told them that I would take the opportunity to explain these two clauses to the House and I would abide by the wishes of the House.

Firstly, on preference shares, an impression was apparently created that what was being introduced was a mandatory provision under which companies would issue redeemable preference shares for a period of 20 years. I wish to piont out that it is not so. Section 80(5A) is an enabling provision and it enables companies to issue redeemable preference shares for a period not exceeding 10 years. What we intend to do by this amendment is to extend that period to 20 years. Because of long gestation projects, companies may wish to issue redeemable preference shares for a longer period of 20 years. And such shares will be picked up only by a shareholder who is willing it invest his money for a period of 20 years. So, I think, one has to understand the text of section 80(5A) as well as the nature of the amendment that was sought to be introduced. I would urge hon. Members to agree to the amendment. I think the Committee Members were by and large satisfied that this was only an enabling provision in the interest of raising long-term capital, particularly, for infrastructure projects which have a long gestation period.

The other clause on which there appears to be some reservation is the clause to introduce non-voting shares. Let me make my position very clear. It is not my case that it is absolutely necessary to introduce such a provision at this stage. However, such a provision has been introduced in response to long-standing demands of the industry. It is the industry which wants non-voting shares to be introduced. After the report of the Committee was made available to the Government, I consulted the three apex chambers and I wish to share with this House briefly the views of the three apex chambers. The Confederation of Indian Industry, CII, has welcomed the introduction of non-voting shares. According to them, it would enable the industry to raise the much-needed funds in the corporate sector. The CII is of the view that non-voting shares would enhance the sources for further investment, diversification, expansion and modernisation and that it would be an attractive instrument of saving for those investors who hardly exercise their voting rights, but would like to earn a larger dividend. The FICCI is of the view that the introduction of non-voting equity shares will be of great utility to various constituents in the capital market. The FICCI also feels that if a company fails to pay dividends continuously for three years, the non-voting shareholder should be automatically entitled to voting rights. That is an improvement which the FICCI has suggested. The ASSOCHAM has welcomed the introduction of non-voting shares subject to authorisation by articles and approval by special resolutions. The Chamber has, therefore, strongly suggested that non-voting shares should be retained.

Now, hon. Members will kindly see the Bill. the provision that has been made for non-voting shares reads as follows:

I refer to section 86 and 86A which are being introduced by the Bill—clause 6. The provision requires that the following conditions be satisfied.

Firstly, there shall be a mention in the Articles of Association of the company. Unless the non-voting share is provided for in the Articles of Association, it cannot be introduced. The second condition is, the Members shall, by a Special Resolution, authorise the issue of non-voting shares. A Special Resolution requires a majority of three-fourths. Therefore, unless three-fourths of the shareholders agree, non-voting shares cannot be introduced. The third condition is that the Special Resolution should also specify the price at which non-voting shares shall be issued, which means, the Directors of the company cannot issue a non-voting share at any price. The price itself must be approved by a Special Resolution, whcih means, three-fourths of the members must support it. The fourth condition is that the Special Resolution must mention the higher rate of dividend which the non-voting share will carry.

It is only company which satisfies all these four conditions, namely, mention in the Articles of Association, authorisation by a Special Resoultion, determination of price by the Special Resoution and determination of the higher rate of dividend in the Special Resolution that can issue non-voting shares.

Finally, and this is self-evident, it is not enough to issue non-voting shares. There must be somebody to take non-voting shares. Nobody can impose non-voting shares upon members of the public or even upon existing shareholders unless there is a demand. Unless there is a response on non-voting shares, no company can issue non-voting shares. But if the non-voting shares of a company which satisfies these four conditions, are accepted by the market, are accepted by shareholders, in my view, reflecting the demand of industry, there is no harm in making a provision for non-voting shares even now. But let me make it very clear. This is in response to industry's demand. Industry believes that it can raise capital without losing control. Industry wants to retain control of companies and I heard

various Members speaking at various times that Indian Industry must be helped to retain control of the companies and the companies should not be easily taken over—either a friendly take over or a hostile take over. But I would abide by the sense of the House on non-voting shares. In all fairness, I must say that the Committee members feel that non-voting shares should be introduced when a comprehensive Bill is introduced. I will leave it to the sense of the House. If this House agrees with industry's demand that non-voting shares should be introduced now. I will press this clause. But if this House feels that this can wait for the Companies Bill. I will not press this clause. I have no strong view on the matter. It can either be done now or it can be done, say six, seven months later. But all other clauses are non-controversial. I would urge the hon. Members to discuss it briefly, of course, but support the Bill and pass it today. Thank you.

[Vice Chairman (Miss Saroj Khaparde) *in the chair*]

SHRI N. GIRI PRASAD: You better defer it.

SHRI P. CHIDAMBARAM: Defer it for what? (*Interruptions*) Let us see. I have given both views.

The question was proposed

SHRI SATISH AGARWAL: Mr. Minister, what is your idea about the comprehensive Bill?

SHRI P. CHIDAMBARAM: I have already stated that the Bill is being drafted and a group is working round the clock. I expect the Bill to be available for public debate in January 1997. I intend to give six months for public debate and then bring a Bill in this House in the Monsoon Session next year.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): You see, the time allotted for this purpose is two hours. Therefore, I would request all the hon. Members to be very brief.

SHRI P. CHIDAMBARAM: Madam, it may not be necessary.

SHRI VEDPRAKASH P. GOYAL (Maharashtra): Madam vice-Chair person, thank you very much. Madam, the corporate sector is a vital sector of Indian economy. I think next to agriculture. The economy rests on the shoulders of the corporate sector—industry and trade. The Companies Act, 1956 is a very comprehensive Act that guides and controls the working of the corporate sector. In 1969, the MRTP Act was also added for healthy growth and wider participation of smaller entrepreneurs.

It was after 30 years, in 1985 and 1988, some amendments were taken up. At that time some minor amendments were brought in. It is stated in the Statement of Objects and Reasons that while considering the amendment of 1988, a decision was taken for a comprehensive review of the existing laws. After five years, the Companies Bill, 1993 was introduced in the Rajya Sabha. But that was never taken up for discussion. After that three years have elapsed. Six years after liberalisation, it seems to be the basis for reconsideration of many of the clauses of the Companies Act. But what you are getting this time is some minor changes in two or three clauses. I do not see any emergency to amend these clauses when a comprehensive Bill is coming within one month, as the hon. Minister has said, for public debate. The hon. Minister has assured this House just now that within six or seven months a comprehensive Bill, which will encompass all the requirements or changes, will be brought in. I don't see any reason for this great hurry, this emergency, in having these two or three small unimportant amendments passed during this session. As the hon. Minister has said, a working group has now been formed. It will complete its work within one month and the subject will come for debate. I would like to know from the hon. Minister whether representatives of professional bodies like Institute of Chartered Accountants, Insti-

tute of Company Secretaries, etc. are members of this group and whether representatives of trade and industry organisations like, CII, Chambers, FICCI, etc., are also members of the group. They should be included in the group so that at the initial stage itself, when a comprehensive study is being done, their views can be taken care of. Nothing has been done about the issuance of fake shares and such other things which are taking place in recent months. I would like to knwo what he will do to take care of those things. Because of time-limit I don't want to repeat things as the hon. Minister has already given an assurance that a comprehensive Bill will be brought within six or seven months.

With regard to clause 8 on page 3 relating to a company which has defaulted in the repayment of deposit or interest, I want a clarification. I want a clarification whether it will also make any loan or guarantee to sister-companies or other companies of a group or a friend's company or a relative's company prohibitive so that they will not circumvent this.

It is said about the non-voting shares that they will carry high dividend. Most of the people in the country buy shares for dividends. They are not interested in the management of the company. They don't want to interfere in the management. But they definitely want to make sure that the companies in which they invested their money are not taken over surreptitiously. There is no incentive in the system for one to buy large amounts of shares. Since it is only an enabling provision, I don't see any reason for any hurry. If within six or seven months a comprehensive Bill is coming, more studies can be made and more thinking can go into it at that time than at this time. The hon. Minister has already given an assurance to the House that a comprehensive Bill will be brought within six or seven months. Therefor a conclude my speech. Thank you.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Mr. Rahman Khan. Not here. Mr. Som Pal.

SHRI SOM PAL (Uttar Pradesh): Madam, thank you for giving me this opportunity to speak on this very important Bill seeking to amend the original Companies Act, 1956. Madam, the two Acts, i.e. the Companies Act and the Income Tax Act have been amended so many times that the amendments outnumber and outweigh the original enactments. The present amendment is one more in that series. As the hon. Minister has already informed the House, he made an announcement for bringing a comprehensive Companies Bill. He made this announcement during his Budget speech last time. Following that he has already come out with a decision to appoint a working group which is on its way for drafting a comprehensive Bill. As he has already mentioned, the work is progressing fast. We hope that the report would be available by the end of January, as he had mentioned in his speech. he had specified a timeframe also. Hopefully the report would be available by the end of January and them a comprehensive Bill would come before Parliament for discussion and enactment. But in the meantime, as the hon. Minister has observed, some urgency was felt regarding certain amendments which could not wait till the new Bill came up. Therefore, this amendment Bill has been brought before the House for consideration and passing.

Clause 2 of the Bill seeks to amend the earlier provision whereby any amendment of the memoranda of articles of association in its objects was to be referred to the Company Law Board. But experience showed that this was not required. The point is once a majority decision was taken with the approval of the Board of Directors, and later by the shareholders why should it every time be referred to the Company Law Board? the second clause which was there for amending or changing the registered office of the company has been retained because it would entail certain judicial problems and juris-

dictional problems. Rightly so he has retained that clause. So far as the aims and objects are concerned, they can be amended by the Board of a company and that could be sent to the Company Law Board and an automatic approval would come within a specified time-frame. The Minister has brought a very important amendment which should be welcomed by the whole House, i.e. amending Section 58 of the original Act. This amendment seeks to put a bar on the companies on seeking fresh deposits unless the earlier deposits which have fallen due have not been cleared. A tendency has been observed by Government and by the investing public that companies, without clearing the earlier deposits, come out for fresh deposits. it is a very good amendment which is in the interest of the depositors because unless earlier deposits including the interest are fully paid, the company would not be allowed to raise fresh deposits. This is a very important amendment and it is in the interest of the investing public. I welcome it and I hope the whole House would welcome it. Clause 5 of the Bill seeks to raise the locking period of the preferential shares from 10 years to 20 years.

because it has been felt for a long time that the kind of investments which are required in the infrastructural sector would require a longer lock-in period. Sometimes an apprehension is expressed that if the lock-in period is enhanced to 20 years, the company concerned may not repay the amount of the shares or it may not be able to redeem the investment. But I think this apprehension is not rightly placed because it is left to the option of the investor. Anybody investing in such shares will make an option. The fact that such shares carry preferential dividends is an added advantage to the investors. So, there is no harm in this. Gestation period in such infrastructural projects is long. Therefore, this enhancement is there. This is an enabling clause, making 20 years as the limit, last limit. It is not that in all the cases it will be 20 years. Such investments can be for lesser periods also. It is left to the option of the company as well as the investors.

Clause 6, amending section 86A, is purportedly to introduce the concept of non-voting shares, the rationale being given in the objectives of the amendment is that since foreign investors are coming in a big way, introduction of the concept of non-voting shares is necessitated. Secondly, these non-voting shares would carry an additional dividend also. But, in the view of the Committee, which examined many experts—we went to Bombay and other places in connection with some meetings—somehow this concept does not find favour with us. Along with the Finance Committee and other Committees, we communicated with the Bombay Stock Exchange people. We spoke to the SEBI Board, including its Chairtman. We also spoke to some bankers including the Governor of the Reserve Bank of India. Somehow this concept does not find favour with them. So, the Committee tried to impress upon the Government and the hon. Minister that this amendment should not be rushed through at this stage. Some informed debate at the national level must precede the amendment. I think this can wait till a comprehensive Bill on this subject is brought forth in the House. I am grateful to the hon. Minister that he has taken note of the view of the Committee as well as the experts. I think he took the sense of the House also even though he again reiterated the rationale behind it. I would again request the hon. Minister to wait till a new comprehensive Bill is introduced because the sense of urgency which is being shown in this case has not been seen at least by the Committee in its collective wisdom. I again express my gratitude to the hon. Minister because he has taken note of it in right earnest.

As far as other amendments are concerned, one relates to introduction of voting rights for the mutual funds and venture capital funds. According to my information—I do not know whether I am correct—earlier this was introduced to

put a check on the voting rights of such funds floated by the major holders or the original owners of the company concerned. But since a number of such mutual funds are coming into the market, they should have a say in the affairs of the company. So, it is an amendment which should be welcomed by all.

Clause 10, which seeks to amend section 530 of the original Act, the principal Act, is regarding filing of the returns with computer floppies, on internet and other technologically advanced modalities. It again is a welcome amendment and it should be accepted by the House. This is only to facilitate filing of the returns because now sending mail and other things take a long time. With this amendment, such things can be registered on the computers and other equipment which are available because of technological advancement.

One more amendment which has been introduced is regarding payment of compensation to the employees of a company which is sought to be wound up.

The original Act said that Rs. 1,000/- will be paid as compensation and this was embodied in the main Act. So, everytime amendment of the Act is not easy. It is a cumbersome process. It has to be brought to the Parliament. So, the Minister has brought in an amendment to take it out of the main Act and embody it in the rules and regulations which are to be framed under the main law. The Committee has tried to send message that these rules and regulations, guidelines, should be reviewed periodically to take care of the price movements because the clause pertaining to Rs. 1,000/- was instituted a long time back and since then the price levels have altered so much that it has been reduced to peanuts or it is no compensation. So, these rules and regulations can be suitably amended after a periodical review.

With these words, Madam, I welcome all the amendments and request the House to support these and pass all the amendments as proposed by the hon. Minister.

SHRI VAYALAR RAVI (Kerala): Madam, this is another piecemeal legislation on the basis of the Sachar Committee's report. Of course, as stated in the Statement of Objects and Reasons, the earlier amendments were carried out in 1985 and 1988. The Minister has also given an assurance just now that a comprehensive Bill, which had already been introduced in 1993, will be brought back again, maybe with certain amendments in the changed circumstances. Anyhow, as he has rightly said, there is nothing controversial about it. It is basically to help the investor. It is also to help proper functioning of the companies. Now, the Minister mentioned about voting rights of equity share holders. There was a craze and even today there is this craze for takeover of companies. Anybody can take over a company and shift its registered office to another place. This has now been restricted, I think, or it may now require some permission under the Companies Act. It is a good amendment. But at the same time, how can we prevent it? Without investing anything in infrastructure, without investing anything in projects worth hundreds and crores of rupees, one can take over a company by simply purchasing a few shares. We must discourage it. This has naturally created apprehensions in the minds of many industrialists because in times of financial crisis, the companies may lose. So, the Minister, with his good intentions—or maybe at the suggestion of some companies—might have thought that 25% of equity shares without voting rights is a good situation. But I believe that provision requires to be further debated and examined to see as to how it will help. But I really wish he had taken the other positive step, that is, about the indiscriminate take-over. As you know, recently many companies have been taken over for a song.

SHRI P. CHIDAMBARAM: That is being taken care of. You might have read

in the papers that there is a committee under Justice Bhagwati. The draft Takeover Code has been prepared. It has been circulated for discussion. Once the draft Takeover Code is approved by SEBI, it will be notified. So, that has been taken care of.

SHRI VAYALAR RAVI: I am very glad that the Government has already taken note of this situation. Madam, so far as SEBI is concerned, there is one point that I want to make. Of course, I don't want to repeat because about the Mutual Fund, Capital Fund, etc. much has already been said. But I want to draw the attention of the hon. Minister. The Stock Exchanges have been playing an important role. Now, the Sensex is an indication of the strength of the company, the industry and the economy of this country. You must have also seen the report. One thing is that the corporate profit has gone down from 42% to 21%. It means that it is not running at a loss. On the one side, the profit margin has come down; on the other side, the Sensex has gone up with a big jump. Even one statement of the Prime Minister increased it by 143 points. So, there is a tendency in the stock market to come down. It is being interpreted as a weakness of the economy. I think the Minister would agree with me. Though it may be an interpretation of the Media or whatever it may be, the hon. Minister must examine as to why it comes down. Madam, once upon a time, there way a big scam in our country when there was a deliberate attempt to show decline in production and productivity. There was a manipulation to push the Sensex up. Now the reverse process has started. It needs a kind of regular watch and proper implementation of rules and regulations. There should be some watch-dog agency to regulate it. In this connection, I would like to say the new policy being adopted by the hon. Minister is creating a kind of respectable gambling in the stock market. There is an investment of rupees one crore in the National Stock Exchange and it has terminals in different cities. In these terminals, instead of making any investment, there is purchase and selling. It is like a trade. Our purpose is to encourage investment, but these centres are just like gambling centres. I know their purpose. Their purpose is more than investment.

SHRI P. CHIDAMBARAM: Vayalarji, the primary issue is investment: the secondary market is only trade. .....*(Interruptions)*..... Everywhere, secondary market is only a trade market. You ask Pranabda .....*(Interruptions)*.....

SHRI VAYALAR RAVI: I agree with you. I understand that.

SHRI SATISH AGARWAL (Rajasthan): He has some grievances about Kerala.

SHRI VAYALAR RAVI: Madam, my point is that even if it is trade, it is not an investment. The same people protect the money. I am arguing on a different point. We have to regulate them through the regional stock exchanges. This is the point I am making. This large number of terminals would lead to the position which I have already explained. These same people trade every day. Instead of that, the SEBI must regulate it properly. Such regulations are already there, but certain changes have come. The present Government made some changes and as per those changes the NSE has been allowed to have terminals throughout the country. At the same time, it is competing with regional stock exchanges as done by the BSE. The BSE has laid a condition that it must be under a MOU with the regional exchanges. But, my point is that these terminals have become a kind of gambling place. I am not saying anything about the stock exchanges. I am not making any allegation against them.

SHRI P. CHIDAMBARAM: The NSE was introduced in the previous Government of which I was a part .....*(Interruptions)*.....

SHRI VAYALAR RAVI: I only wish that the Minister should find out whether there is some truth in it or not. I want to know whether he would give encouragement to regional stock exchanges or he would give encouragement to the National Stock Exchange and the terminals. This is a positive suggestion which I am making. You please examine it.

SHRI P. CHIDAMBARAM: Okay.

SHRI VAYALAR RAVI: Madam, in today's condition these companies have to improve their performance. I think something is going wrong with the industry. It is not showing any sign of better performance. Even the Minister was compelled to make a statement yesterday saying, "I will review the MAT." These stock exchanges have played havoc on you. There was a repor that because of MAT, the sensex has gone down. The Minister said it in a panic reaction. I don't want to make comments on MAT, but you reacted in panic. and said that you will review it. You do whatever you want, but when you introduce a new tax or a new method of taxation can you allow these stock exchanges and share market to react adversely?

The share market reacted adversely and made the Government to bow before it by reducing the sensex .....*(Interruptions)*.....

SHRI SATISH AGARWAL: Mr. Pranab Mukherjee introduced the MAT .....*(Interruptions)*.....

SHRI VAYALAR RAVI: I am not opposing MAT I am only telling about the panicky reaction of Mr. Chidambaram.

SHRI P. CHIDAMBARAM: No panic reaction. ...*(Interruptions)*... Neither panic reaction nor non-panic reaction .....*(Interruptions)*.....

SHRI VAYALAR RAVI: Madam, I want to make a point about the multinational companies which have come to our country because of liberalisation. But, so far as the Indian industry is concerned, it is not strong enough to compete with the multinationals. This is the point which we have to take into account. We have to strengthen our own industry, our own private sector. Definitely, we should strengthen it. In this connection, I would like to know the status of the MRTP Act because the MRTP Act has come to a particular situation. Now it needs some changes. Recently, the MRTP issued notices to some consumer industries also. I do not know what is going on in their head. The MRTP Act has necessitated some kind of amendments which go in tune with the liberalised policy. But, they have not brought forward any proposal or amendment in this respect. It should not be a free-for-all. But, at the same time, we have to protect our national interests when the multinational companies enter into our arena. It is the duty of the Government to protect the national interests in economic and industrial matters. This protection can be given through various methods. I hope the Minister will look into this matter. Another point that I want to make is with regard to the financial position which has been there due to glut in the money market. It is also being said that you are going in for a massive borrowing of Rs. 35,000 crores--please correct me

if I am wrong to fill up the gap. Is it advisable to go in for such a massive borrowing to the tune of Rs. 35,000 crores? I think it shows to the world how weak our economy is. This impression may never accelerate the direct foreign investment. Madam, I appeal to the Government that such a thing should not be done because it will affect the direct foreign investment. There should be more foreign investment. Our contribution, of course, should also be there. The present financial position which is very gloomy has to be removed with our own efforts. We have to strengthen our capital market also which flows the investment into the industry. I hope the Minister will withdraw this amendment. With these words, Madam, I support the Bill. Thank you.

SHRI ASHOK MITRA (West Benga!): Madam Vice-Chairman, I shall be very, very brief. The Finance Minister has showm the courtesy of discussing some of the features of the Bill with us. Even so I am puzzled by the purpose of the Bill. He himself says that this working group is in session, working out a comprehensive amendment of the total Act, to report next month and in the next six or seven months an amending legislation would be presented to the House. Why bother with this particular legislation? I know, at least, what he mentioned to us and what he repeated today; primarily he is interested in two amendments—amendment to section 80 and section 86. Through one amendment, he wants to extend .....*(Interruptions)* .....Pardon!

SHRI P. CHIDAMBARAM: Section 58 (A) is also very important .....*(Interruptions)*.. .....

SHRI ASHOK MITRA: I am speaking broadly about what he said about the preference shares. He wants to extend the redemption period up to 20 years and to introduce the new instrument of non-voting shares. I do not want to go into the details. But, I would like to know from him whether he will be able to elicit more investment through these devices.

You think you have the support as you mentioned— of the FICCI and other trade organisations in regard to your line of thinking; I am a little amused. Only this morning, the FICCI came out with a statement that they were opposing this by-now-famous Singapore Declaration. Would Mr. Chidambaram go along with this statement? No. Madam, there is always a slight problem when you quote others in support of your position. I think you are sufficiently strong to defend your position. Forget about the FICCI. I told even the Prime Minister today. Forget about newspaper comments.

Anyway, let us come to the basic issue. You think that as a result of these two important amendments, there would be a total transformation of what is happening in the capital market. But Madam, both in the capital market, the primary market, and the share market, things are very, very bad. It is a crisis situation. Nobody is bothered to buy shares. Nobody is bothered either to buy old shares in the secondary market, or, invest in new shares in the primary market. This is a fact.

You have talked about investors' confidence, etc., etc. Let us not go into that. That is also a basic problem. Appeals are made, inviting in-

vestment in shares. Obviously; the appeal is to the affluent class, the upper class, the middle class, the middle-middle class. But then, Mr. Finance Minister, you were also inviting the same class to shop. You made a statement about three weeks back, a very beautiful statement. I felt like writing a letter to you. You were exhorting the countrymen to shop and shop and shop.

SHRI P. CHIDAMBARAM: You are misquoting.

SHRI ASHOK MITRA: Anyway, if people go on shopping and shopping and shopping until they drop dead, they would not have any money to buy the shares with. This is the crisis we are facing. This is a crisis of domestic savings. You are appealing to the same, narrow, section, i.e. the upper class, to buy and, at the same time, asking them to save. This is an impossible arithmetic match. Therefore, I do not think the purpose would be served.

All right; go ahead with these two amendments. Go ahead with it if it pleases your soul. I would not want to come in the way. But six months hence, if I meet you in the corridor, in the lobby, of Parliament House, I would check up with you as to how many extra shares were bought or sold, as a consequence of these two amendments.

Madam, there is one final point. With all these things, if you think that within the next six months, things would improve, you are wrong. Things cannot improve. Things cannot improve if the present Government continues to follow the economic policy of the previous Government. On the other hand, you would go down into the very nadir of ruin. This is what would happen.

Therefore, Mr. Finance Minister, go ahead with this legislation. But at the same time, let me point out that you would not see the end of the road, so far as the share market is concerned, so far as the economic situation is concerned.

Thank You.

SHRI SATISH AGARWAL: To whom should the Finance Minister appeal for shopping? To Dr. Ashok Mitra? He never buys anything.

DR. BIPLAB DASGUPTA: To his wife.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Dr. Gopalsinh G. Solanki.

DR. GOPALSINH G. SOLANKI: Is my name there?

SHRI SATISH AGARWAL: Shri Narendera Mohan would be speaking.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Shri R.K. Kumar

SHRI R.K. KUMAR (Tamil Nadu): Madam Vice-Chairman, as has been explained by the hon. Finance Minister, this is a very simple Bill, intended to provide protection to depositors and protection of employees' interests in the case of winding up, besides making some procedural changes and legal requirements in the corporate sector.

Madam, I would not go into the working of stock exchanges or other matters. Briefly, I would confine myself to the Bill. Basically, I do not find anything objectionable in any of the clauses of this Bill, excepting clause 6. This is in regard to the introduction of non-voting shares by companies.

The hon. Finance Minister has been a very competent lawyer and he knows company law and how the companies operate. Madam Vice-Chairman the rule of majority is the cardinal principle of company law but, more often than not, this cardinal principle of company law has been made into an ordinary principle of oppression and mismanagement. Leave alone the minority shareholders, today even the promoters or those who are at the helm of affairs of a company, those who manage the day-to-day affairs of a company, have a very, very little stake in the company, It is either the financial institutions of the Government or the large volume of small shareholders who put in their money required by the company and they hold the Majority share holding. Now, by the introduction of these non-voting shares, the interests of these two groups are affected. First I would request the hon. Finance Minister to study what its impact would be. Many of the shares in the companies which operate—if not 51 per cent, at least 35 to 40 per cent—are held by the financial institutions owned by the Government of India. What would be the impact of non-voting shares being introduced by these companies? What effect would it have on the management of a company and how would the control of the Government, through the financial institutions which have invested in the company, get diluted?

No. 2: No doubt, a congent argument has been given by the hon. Finance Minister in this regard, that the introduction of non-voting shares would have to be specified in the Articles of Association and it should be approved by a special resolution which requires 75 per cent of the shareholders present and voting. And, after all, the third condition is the condition of the market. We know the market, and recently we had an occasion to discuss the havoc played by the non-banking financial companies in the unincorporated sector, particularly in Tamil Nadu.

So here is an instrument and, through aggressive marketing, you will be able to market these non-voting shares. But what happens to the people? It is specified that by a resolution what higher percentage of dividend these non-voting shares would get would be decided. But, suppose, the voting rights shares are to get zero dividend, it is not clear as to what higher rate of dividend those shares other than the voting rights shares would get. So this requires a lot of study, a lot of consideration, to protect a large volume of not only small shareholders but also institutional shareholders. Actually, Government money is involved through the IDBI, ICICI, UTI and LIC. They have all invested a lot of money in shares, and how this is going to affect their interests also has to be studied.

Therefore, I humbly submit to the hon. Finance Minister not to go ahead with this amendment. Clause 6 need not be pressed. Rest of the Bill is welcome. Thank you.

SHRI SATISH AGARWAL: The consensus of the House is, generally, for dropping clause 6. You go by the consensus.

SHRI P. CHIDAMBARAM: I said I will go by the consensus.

SHRI SATISH AGARWAL: I have to go by 5.30.

SHRI P. CHIDAMBARAM: you can go on the basis that we will withdraw it.

SHRI SATISH AGARWAL: Thank you very much.

श्री जलालुदीन अंसारी (बिहार): उपसभाध्यक्ष महोदया, यह जो कम्पनी अधिनियम, 1956 में और संशोधन करने वाला कम्पनी (संशोधन) विधेयक, 1996 हमारे वित्त मंत्री जी ने पेश किया है, मैं इसका समर्थन करता हूं। अपना बिल पेश करते हुए उन्होंने बताया है कि एक कम्प्रहैंसिव बिल वह जल्दी ही लाने वाले हैं। उन्होंने यह भी बताया कि बहुत अरजेंसी है, आवश्यकता है, अत्यंत आवश्यकता है। इसलिए कम्पनी अधिनियम, 1956 की कुछ धाराओं में संशोधन आवश्यक है। इसके दो मुख्य उद्देश्य रखे गये हैं। पहला यह है कि जो शेयर होल्डर हैं, वर्कर हैं और

इंपलाइज़ है, उनके इंट्रेस्ट को सुरक्षित रखना। अच्छी बात है। यह बिल पास हो जाना चाहिए। आपको इसकी आवश्यकता है। मैं भी इसका समर्थन करता हूं। लेकिन कुछ उदाहरण है जो हम मंत्री जी से कहना चाहेंगे कि जो गैर कानूनी तरीके से काम हो रहे हैं तो इन गैर कानूनी वर्क्स को रोकने के लिए आपने कौन सी व्यवस्था की है। उसके उदाहरण आपके सामने एक नहीं अनेक हैं। आप चाहते हैं कि प्राइवेट कारपोरेट सेक्टर को बढ़ावा दिया जाए, बिल्कुल बढ़ावा दिया जाए लेकिन इसमें गड़बड़ियां हो रही हैं। इसका उदाहरण है इंडियन केबुल, आई० टी० सी०, शा वालेस। मारूति उद्योग के अंदर भार्गव की बात आई और उन्होंने भी सदन में कहा था। तो ये जो गड़बड़ियां हो रही है और गैर कानूनी तरीके अपनाये जा रहे हैं कंपनियों में इनको अगर आप नहीं रोक सके तो जो आब्जेक्टिव लेकर यह अमेंडमेंट करने जा रहे है क्या वह आब्जेक्टिव आप पूरा कर पाएंगे। मेरा कहना यह है कि इन गैर कानूनी तरीकों को आप जब तक बंद नहीं करते है—इस नये कारपोरेश सेक्टर को जो आप बढ़ावा देना चाहते हैं—तब तक इनके शेयर खरीदने के लिए कौन तैयार होगा, ओर शेयर की सुरक्षा ही नहीं होगी तो शेयर कौन खरीदेगा। इसलिए हम माननीय वित्त मंत्री जी से कहना चाहेंगे कि अब यह संशोधन हम लोग पास करने जा रहे हैं, आपको बहुत अरजेंसी है पास कर लीजिए लेकिन आपके सामने कई एक उदाहरण है। उन गड़बड़ियों को अगर आप नहीं रोक सके, गैर कानूनी तौर तरीके जो अपना जाते हैं, तो आपका यह आब्जेक्टिव शायद पूरा नहीं होगा और अभी जो आपकी हालत है—स्टाक एक्सचेंज कंपनियों की-वही हालत अगर इस कारपोरेट सेक्टर के अंदर भी हो जाएगी, कंपनियों के अंदर हो जाएगी तो इनकी सुरक्षा आप कैसे कर पाएगे। लक्ष्य आपका ठीक है।

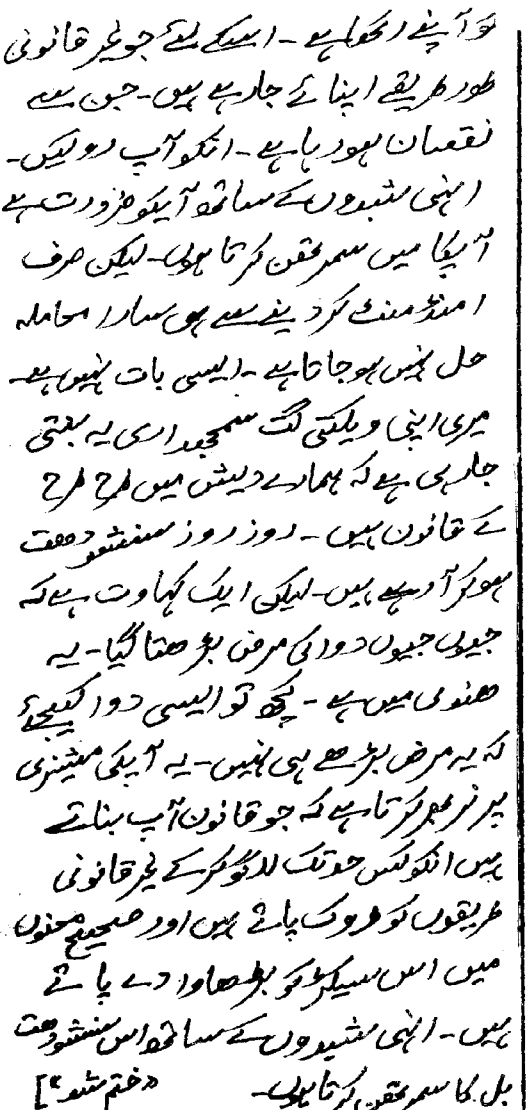
मेरा एक दूसरा सुझाव है। इसकी अरजेंसी है आप कर लीजिए। लेकिन गैर कानूनी तौर-तरीके जो अपनाए जा रहे हैं जिनसे नुकसान हो रहा है उनको बंद करने की आप निश्चित कार्यवाही कीजिए। मैं तो समझता हूं कि बहुत अरजेंसी है इसलिए आप लाए हैं। तो 2-4-6 महीने में इसका कुछ लाभ मिलता है या नहीं, यह भी देख लेंगे। आपने सदन को भी कहा है कि हम एक कंप्रीहेंसिव बिल लाने जा रहे हैं तो उसके सारे आस्पेक्ट्स को सारे पहलुओं पर विचार करके लाएं क्योंकि आप चाहते हैं कि कारपोरेट सेक्टर को हम बढ़ावा दें और वह फले फूले, उसका रोल कंपटीटिव हो सके। लेकिन जिन लक्ष्यों को आपने रखा है इसके लिए जो गैर कानूनी तौर तरीके अपनाए जा रहे हैं, जिनसे नुक्सान हो रहा है उनको आप रोकें। इन्हीं शब्दों के साथ आपको जरूरत है, आपका मैं समर्थन करता हूं। लेकिन सिर्फ अमेंडमेंट कर देने से ही सारा मामला हल हो जाता है ऐसी बात नहीं है। मेरी अपनी व्यक्तिगत समझदारी यह बनती जा रही है कि हमारे देश में तरह तरह के कानून रोज रोज संशोधित होकर आ रहे हैं लेकिन एक कहावत है कि ज्यों ज्यों दवा की मर्ज बढ़ता गया यह हिंदी में है। तो कुछ ऐसी दवा कीजिए कि यह मर्ज बढ़े ही नहीं। यह आपकी मशीनरी पर निर्भर करता है कि जो कानून आप बनाते हैं उनको किस हद तक लागू करके गैर कानूनी तरीकों को रोक पाते है और सही मायनों में इस सेक्टर को बढ़ावा दे पाते हैं। इन्ही शब्दों के साथ इस संशोधित बिल का मैं समर्थन करता हूं।

†[شری جلال الدین انصاری (بہار): اپ سبھا ادھیکش مہودے - یہ جو کمپنی ادھینیم ۳۵۶ میں اور سنشودھن کرنے والا کمپنی (سنشودھن) ودھیئک ۱۹۹۶ ہمارے وت منتری جی نے پیش کیا ہے - میں اسکا سمرتھن کرتا ہوں - اپنا بل پیش کرتے ہوئے انھوں نے بتایا ہے کہ ایک کمپری ہینسیو بل وہ جلدی ہی لانے والے ہیں - انھوں نے یہ بھی بتایا کہ بہت ارجینسی ہے - آوشیکتا ہے - اتینت آوشیکتا ہے - اس لئے کمپنی ادھینیم ۱۹۵۶ کی کچھ دھاراؤں میں سنشودھن آوشیک ہے - اسکے دو مکھیہ کارن دیکھے گئے ہیں پہلا یہ ہے کہ جو شیئر ہولڈر ہیں - ورکرس ہیں - اور امپلائز ہیں - انکے انٹرسٹ کو سرکشت رکھنا اچھی بات ہے - یہ بل پاس ہو جانا چاہئے آپکو اسکی آوشیکتا ہے -

†[ ] Transliteration in Arabic Script.

میں بھی اسکا سمرتھن کرتا ہوں - لیکن کچھ ادھرن میں جو ہم منتری جی سے کہنا چاہیں گے کہ جو غیر قانونی طریقے سے کام ہو رہے ہیں تو ان غیر قانونی ورکس کو روکنے کیلئے آپنے کون سی فریم سمجھائی ہے - اسکے ادھرن آپکے سامنے ایک نہیں انیک ہیں آپ چاہتے ہیں کہ پرائیویٹ کارپوریٹ سیکٹر کو بڑھاوا دیا جائے - بالکل بڑھاوا دیا جائے لیکن انمیں گڑبڑیاں ہو رہی ہیں - جیسا کہ ادھرن ہے انڈین کیبل - آئی - ٹی - سی - شا ویلیس - ماروتی ادھیوگ کے اندر بھاری گھوٹ کی بات آئی - اور انھوں نے بھی سدن میں کہا تھا - تو یہ جو گڑبڑیاں ہو رہی ہیں اور غیر قانونی طریقے اپنائے جا رہے ہیں کمپنیوں میں انکو اگر آپ نہیں روک سکتے تو جو آبجیکٹیو لیکر یہ امینڈمنٹ کرنے جا رہے ہیں - کیا وہ آبجیکٹیو آپ پورا کر پائیں گے میرا کہنا یہ ہے کہ ان غیر قانونی طریقوں کو آپ جب تک بند نہیں کرتے ہیں - اس نئے کارپوریٹ سیکٹر کو جو آپ بڑھاوا دینا چاہتے ہیں - تب تک انکے شیئر خریدنے کیلئے کون تیار ہو گا - اگر شیئر کی سرکشا ہی نہیں ہو گی تو شیئر کون خریدیگا - اسلئے ہم مانئے وت منتری جی سے کہنا چاہیں گے - کہ اب یہ سنشودھن ہم پاس کرنے جا رہے ہیں - آپکو بہت ارجینسی ہے پاس کر لیجئے - لیکن آپکے سامنے کئی ایک ادھرن ہیں - ان گڑبڑیوں کو اگر آپ نہیں روک سکتے - غیر قانونی طور طریقے جو اپنائے جاتے ہیں - تو آپکا یہ آبجیکٹیو شاید پورا نہیں ہو گا - اور ابھی جو آپکی حالت ہے - اسٹاک ایکسچینج کمپنیوں کی وہی حالت اگر اس کارپوریٹ سیکٹر کے اندر بھی ہو جائیگی - کمپنیوں کے اندر ہو جائیگی تو انکی سرکشا آپ کیسے کر پائیں گے - للکشیہ آپکا ٹھیک ہے -

میرا دوسرا سجھاؤ ہے - اسکی ارجینسی ہے - آپ کر لیجئے - لیکن غیر قانونی طور طریقے جو اپنائے جا رہے ہیں جن سے نقصان ہو رہا ہے - انکو بند کرنے کیلئے آپ نشچت کارروائی کیجئے - میں تو سمجھتا ہوں کہ بہت ارجینسی ہے - اسلئے کر آپ لائے ہیں - تو دو چار چھ مہینے میں اسکا کچھ لابھ ملتا ہے یا نہیں - یہ بھی دیکھ لینگے - آپنے سدن کو بھی کہا ہے کہ ہم ایک کمپری ہینسیو بل لانے جا رہے ہیں تو اسکے سارے اسپیکٹس کو سارے پہلوؤں پر وچار کرکے لائیں - کیونکہ آپ چاہتے ہیں کہ کارپوریٹ سیکٹر کو ہم بڑھاوا دیں - اور بھلے چھوٹے اسکا رول کمپیٹیٹو ہو سکے - لیکن نکشیوں



SHRI NARENDRA MOHAN (Uttar Pradesh): Madam, our eminent Finance Minister is an eminent economist also. It would have been better if he had brought a comprehensive company law. With short measures, I don't think that the health of the corporate sector is going to improve.

The basic problem that the corporate sector is facing is due to the money market which is very very shy. Perhaps he thinks if there are non-voting shares, the money will flow. He feels if non-voting shares are there, perhaps it is going more to the interest of the multi-nationals and foreign investors. I doubt this very much. Firstly the money, which the investor will be putting in the company in the shape of non-voting shares is likely to be misused more. You are aware how in Tamil Nadu, the non-banking companies, which are having deposits of thousands of crores of rupees, are using that depositors' money. Here you want to protect the depositors as you said in your speech...

SHRI P. CHIDAMBARAM: Please sit down for a minute. I thought I clarified it in answer to a question. I do not blame you. There is a popular misconception which does not keep a distinction between a non-banking finance company and *Nidhi* or a Mutual Fund under section 630 and unincorporated finance companies, whatare known as "blade com apnies" in Kerala. These go by the name "finance companies". They are not companies registered under the Companies Act. So, one must keep this distinction in mind. Non-banking financial companies have to observe prudential norms and are under the control of the Reserve Bank Nidhis are also governed by the Companies Act and the Reserve Bank guidelines, but the guidelines deserve to be strengthened. I have already indicated that action is being taken. What you are talking about and what Mr. Ravi mentioned, are unincorporated bodies, which are not companies, which are *Nidhi*. It is just people coming together and collecting money. It is these which are creating havoc. I have already promised action in this House. It is in an advanced stage of examination. If there is time, I said, a Bill will come. Otherwise I will do it as an ordinance. So, action is being taken to control all these unincorporated bodies. When you say NBFCs, I wanted you to

know the difference between NBFCs and these unincorporated bodies.

SHRI VAYALAR RAVI: There are new companies coming in a new form. They say things like teak etc. So, instead of money, other kinds also come in. Will you look into that also?

SHRI P. CHIDAMBARAM: Yes, action is being taken.

SHRI NARENDRA MOHAN: Mr. Ministers, you are very kind to explain the whole thing, but there are companies, which are genuinely corporate companies and are still misusing funds. You are an expert on corporate companies. You know how the corporate sector will behave if there is no control of the investors on the management of the corporate sector. Actually non-voting share may be a good thing in Europe or in America, but that real and genuine financial culture is yet to come in India. Here things are altogether different. Here we have to go very slow in these areas. There are good areas, where perhaps, you can mop up a lot of funds and the money can be available for the development of the infrastucture and for the industry, but the whole problem is about the safeguard for that money. If there are some such companies which are able to get a lot of money, then what is the safeguard? There is absolutely no safeguard for the non-voting shares. Since you are yourself perhaps going to withdraw that clause, I feel that is a good gesture. But, still I feel you have to do something once you are going to bring in a new Companies Act, because a lot many things are to be done to change the whole climate in the corporate sector. The present climate is full of many such odds as well as, I would say, pollution. Unless you are able to clear it, neither the industry is going to grow, nor the share market is going to improve. The average investor has lost confidence in the corporate sector. That is the crux of the whole thing. If every investor loses his confidence in the corporate sector, I do not know how the industry is going to flourish and how the money would come in. The Minister just can't say, let the market conditions prevail and things would improve. It is not going to prevail that way. The situation would only improve if there is a genuine safeguard for the investors.

With these remarks, I agree with your remaining amendments except the controversial clause which you have promised to withdraw.

SHRI P. CHIDAMBARAM: Madam Vice-Chairperson, I do not want to take more than a minute or two to give a reply. As I said, on non-voting shares, there are two views. It was my duty to place before this House, the views of the industry as well as the views of the Standing Committee. I think that I have discharged my duty by placing the two views. I said, I will go by the sense of the House. Since all those who have spoken seem to think that clause 6 should not be moved now and should await a more comprehensive Bill, I accept their view. I have already given notice of an official amendment not to press clause 6.

I just want to respond to Mr. Ashok Mitra. He is not here. It is good to see a life-long Communist Member lamenting the state of the stock market. It is good to see a confirmed Marxist speaking in favour of the capital market investors ...*(Interruptions)*...

DR. BIPLAB DASGUPTA (West Bengal): You see, to destroy capitalism, we must understand it.

SHRI P. CHIDAMBARAM: It is good to have Mr. Ashok Mitra speaking for 20 million investors in the capital market. I hope that 20 million investors would take his advice and reject his ideology while investing.

Madam, there is no need to think that the corporate sector will not conduct itself responsibly. In fact, much of the speculation about the state of the corporate sector, in my view, is misplaced. In

the capital market there will be peaks and troughs. In January, 1996 when Mr. Narasimha Rao's Government was in full authority and the economy was expected to do very well—at least 6½ per cent growth—the sensex dropped to 2820. Three days after our Government won a vote of confidence and we had not even presented Budget, on the 16th June, the Sensex rose to 4004. Clearly the Sensex was not reflecting the economic fundamentals of January or the economic fundamentals of June. The Sensex is not driven by any arithmetic equations. The Sensex is driven by market sentiments and how the investor discounts a number of factors, the corporate performance being just one factor. The corporate sector has done well. Profit before depreciation, interest and taxes was higher in the first six months of this year than in the corresponding period of last year. Profit after tax is 2 percentage points lower and the reason is clearly because interest costs have risen by 43 per cent. Therefore, I do not think that we should draw such quick-fire conclusions. Business goes through cycles. Industry goes through cycles. I believe that the corporate sector will do well this year. With interest costs coming down, in the second half of this year the corporate sector should do better. The CII took a survey of business confidence about expected industrial growth. About 370 odd business-men predicted that the industry will grow at 10 per cent this year. I do not see any reason why we should either be pessimistic or spread pessimism. Both Mr. Narendra Mohan and my friend here, Mr. Jalaludin Ansari, lamented the state of the corporate sector and the conduct on the part of certain corporates which is not very praiseworthy. But please tell me, other than the joint-stock company, is there any instrument which can promote growth? Growth, in all economies, has been led by the joint-stock company. There does not seem to be a substitute for the joint-stock company. In any event, we have not found a substitute. It is true that some corporates do not behave in the manner they should behave. That is why I have advocated the evolution of a code of governance. The Government is not doing anything in that behalf. But have urged the financial institutions to interact with industry associations to evolve a code of corporate governance. I believe a draft code is ready and they are discussing it. And I hope that they will be able to announce the code of corporate governance very soon. It is not as though thousands of companies behave badly. Please remember that there are 7,000 companies which are listed on the stock exchange.

SHRI NARENDRA MOHAN: I want a clarification. Are you going to take Parliament into confidence about the code of governance?

SHRI P. CHIDAMBARAM: It is not statutory. But we can discuss it. It won't be a statutory code. But we can discuss it when they form the code. It will be a self-imposed code. About 7,000 companies are listed in the market. Yes, there have been some examples in recent years, ten years ago, twenty years ago, of bad corporate behaviour. But I do not think it is fair or correct to tarnish all corporates with the same brush. There are corporates who behave; there are corporates who have led the growth in this country. And we must find ways in which we can strengthen the corporate sector even while punishing erring corporates.

There is some good news. Mr. Mitra was here. He will be happy. The BSE index increased by 78 points today. And the NSE index increased by 28 points today. Don't be in a hurry to congratulate me because if tomorrow the index dips, you will blame me.

All I am saying is, I am taking steps to ensure that confidence and buoyancy are restored in the capital market.

SHRI VAYALAR RAVI: Why are they sentimental? There are 20 million investors.

SHRI P. CHIDAMBARAM: I understand your point. I am not an expert. But I can understand that. I think what is happening is this. I gave some reasons yesterday in Bombay. I will not repeat all that now. They are discounting the economic and political factors. If he opens the newspaper on a particular day and finds a scam or a raid or an arrest, surely, the investor is discounting that. I have no control over all that.

Please tell me, apart from MAT, which is again controversial—I have got powerful supporters for MAT—...*(Interruptions)*...

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): I think there should not be a running commentary. Let the Minister reply.

SHRI P. CHIDAMBARAM: Please tell me one step which the Government has taken in the six months that we have been in office which is perverse or plainly wrong or anti-reforms or against the interest of the shareholder. There is not one step, Mr. Narendra Mohan. There is not one step. You may say that we have not taken some steps. You may urge me to take those steps. But there is not one step that I have taken or over Government has taken which can be regarded as investor-unfriendly or corporate-unfriendly or anti-reforms or a preverse step. We have taken a number of steps in the direction of reforms. And we will continue to take steps in the direction of refroms. What I am doing today is aimed at investor protection.

Mr. Mitra mentioned two clauses. I regret he did not mention my amendment to section 58A. That is the most important clause of this Bill. It is to protect the investor, to protect the depositor. After this Bill becomes an Act, an erring company which does not return the deposit of the depositor, cannot give an inter-corporate loan, cannot give an inter-corporate guarantee. It will not be entitled to avail of sections 370 and 372. That is a major advance. We are taking a major step to ensure that in the case of winding up, the worker will get much more than Rs. 1,000/- that was fixed in 1956. What is it worth today? We are taking a number of steps which will strengthen the corporate behaviour, which will restore the investors' confidence. I would like to take this opportunity to appeal to investors, that apart from other saving instruments, share and debt instruments, which are available in the capital market, are very important saving instruments, and people who have savings, who have surpluses, must return to the capital market. My Government and I will do everything that is possible to restore confidence in the capital market, to restore buoyancy in the capital market. We are not going to do anything in a knee-jerk way. We will examine what needs to be done and we will do it. We cannot address all problems through fiscal concessions. I am sometimes surprised that demands for fiscal concessions are made day after day. If I Give away fiscal concession, I need money for other things—education, health and for infrastructure. We cannot give away fiscal concessions. Fiscal concession is not the answer to all the problems of the capital market. Anyway, fiscal concession cannot be given every second Monday of the month. Fiscal concessions, if at all, can only be dealt with when we present a Budget. I think this Bill is important and I am grateful for the wide support that this Bill has received.

DR. BIPLAB DASGUPTA: I would like to seek one clarification. I saw this news-item in the newspapers—the mention of fiscal concessions. Are you having rethinking about MAT?

SHRI P. CHIDAMBARAM: No. I will explain. All that I said was why MAT was occasioned. MAT was occasioned because you can declare profits and huge dividends by working a balance-sheet under the Companies Law. At the same time, you can declare that you have no profits on which taxes have to be paid under the Income-tax Law

because the provisions of the two laws have not been aligned with each other. I said, since the two laws are being redrafted now, both the Companies Law and the Income-tax Law, when we bring about a better alignment between the two laws, the cause for MAT may disappear. That is all I said. That statement was right. When the two laws are aligned, I think the cause for MAT might disappear. After all, the goal is that people who make profit, must pay tax. If that goal is achieved through MAT or in any other manner, I don't think you can cavil. It is not the route which is important. It is the goal which is important. A company which makes profit must pay tax. That can be achieved by amending the Companies Law and Income-tax Law and aligning them. But I have not come to any conclusion. All I said was that the two laws are being redrafted. Let us wait to see the draft of the two laws. *(Interruptions)*

SHRI R.K. KUMAR: Sir, I am thankful to you for having done this. This was what I spoke during my Budget speech when you introduced MAT that different rates of depreciation under the Companies Act and the Income-tax Act is creating this situation. I am thankful to you for having taken care of the point.

SHRI P. CHIDAMBARAM: I am happy that people agree with me. In fact, I said this in my reply to the Budget debate that it is because the two laws are not aligned with each other. I think we can address ourselves to this question later. For the time being. I think we should pass this Bill and give a clear signal that the Governments stand by investors' protection, stands for good corporate behaviour, and would like to strengthen the corporate sector and advance the capital market also. Thank you.

THE VICE-CHAIRMAN (MISS. SAROJ KHAPARDE): The question is:

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

The motion was adopted.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): We shall now take up clause by clause consideration of the Bill.

Clauses 2 to 5 were added to the Bill.

Clause 6—Substitution of new sections for section 86.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Now we shall take up clause 6 for consideration. There are two amendments.

SHRI P. CHIDAMBARAM: Madam, the first amendment has now become irrelevant. Now I am moving an amendment to delete the whole of clause 6. I move:

That at page 2, lines 30 to 45

and

at page 3, lines 1 to 16 be *omitted.*

The question was put and the motion was adopted

Clause 6 was dropped from the Bill.

Clauses 7 to 11 were added to the Bill.

Clause 1, the Enacting formula and the Title were added to the Bill.

SHRI P. CHIDAMBARAM: Madam, I beg to move:

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

The question was proposed.

SHRI VAYALAR RAVI: Madam, I want only one minute. The Minister has given an assurance on the floor of the House. A message has gone to the investors and the corporate sector. There are certain inconsistent laws like MRTP, FERA, etc., which are existing. I would like to know whether these Acts would be amended only when demands come from the industry or whether they would be amended to suit the present economic situation. Did you apply your mind to it? Did you think about it?

SHRI P. CHIDAMBARAM: Madam, I don't wish to give an answer or

assurance at the moment. At the moment my hands are full with the company law and the income-tax law.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Now I shall put the motion to vote. The question is:

That the Bill, as amended, be passed.

The motion was adopted.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Now I shall take up the Zero Hour submissions.

AN. HON. MEMBER: Nobody is here.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): What can I do? The Zero Hour submissions are there.

PROF. VIJAY KUMAR MALHOTRA: Madam, can we take it tomorrow?

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Then we will take up the special Mentions.

DR. BIPLAB DASGUPTA: Madam, before you take up the Zero Hour submissions, I want to mention one thing.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): If you don't want to take up the Zero Hour submissions and the Special Mentions, let us take up the Coal India (Regulation of transfers and validations) Bill, 1995.

DR. BIPLAB DASGUPTA: Madam, I want to make a submission on this Bill. Before you allow this Bill to be moved, I have a very strong objection to it.

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): What is your objection?

PROF. VIJAY KUMAR MALHOTRA: Madam, what happened to the Zero Hour submissions?

DR. BIPLAB DAS GUPTA: Madam, this Bill has gone to the Standing Committee and the Standing Committee came to a conclusion that this Bill transfers the rights of the states and, therefore, this Bill should not get through. That is the opinion of the Standing Committee. What I am suggesting is this. If the Minister agrees, this Bill should be referred to the Law Ministry. Let the Law Ministry go through it. *(Interruptions).*

THE VICE-CHAIRMAN (MISS SAROJ KHAPARDE): Mr. Dasgupta, in that case I would like to take up Zero Hour submissions. *(Interruptions).*

DR. BIPLAB DASGUPTA: Madam, if the hon. Minister grees to my suggestions, you can dispose it of in two minutes. *(Interruptions)*

श्रीमती कमला सिन्हा (बिहार): मंत्री जी, इस विधेयक को चूंकि स्टैंडिंग कमेटी ने रिजेक्ट किया था और हमारे सदन की यह राय है और कई साथियों ने इस बात को उठाया। राय यह है कि इसको लॉ मिनिस्ट्री में रैफर कर दीजिए। लॉ मिनिस्ट्री जो भी राय देगा उसके बाद विधेयक लाइएगा। इसलिए आज इसको वापिस कर लीजिए।...**(व्यवधान)**

उपसभाध्यक्ष (कुमारी सरोज खापर्डे): बोलिए न आप हिन्दी में ही बोलिए।

श्री गुरुदास दासगुप्त (पश्चिमी बंगाल): मेरी तरफ से आपके पास सुझाव यही है कि जो बिल मैडम् मिनिस्टर ला रही है, मेहरबानी करके यहां इस बिल की आलोचना न करके इनको लॉ मिनिस्ट्री को भेजना चाहिए। लॉमिनिस्ट्री से हमको जानना चाहिए कि यह बिल कानून के मुताबिक है या नहीं, यह बिल हमारे स्टेट गवर्नमेंट के पॉवर के ऊपर एंक्रोचमेंट है या नहीं, यह सुनने के बाद हम फिर आलोचना करेंगे।

उपसभाध्यक्ष (कुमारी सरोज खापर्डे): मंत्री जी आप कुछ कहना चाह रही हैं।

कोयला मंत्रालय की राज्य मंत्री (श्रीमती कांति सिंह): अगर सभी सदस्यों की यह राय है कि इस बिल को मैं लॉ मिनिस्ट्री को दे करके फिर से इस पर जो त्रुटियां होंगी उनको दूर करके मैं फिर इसे दोबारा से ले आऊंगी।

उपसभाध्यक्ष (कुमारी सरोज खापर्डे): सदन की यही इच्छा है, मुझे लगता है कि यह लॉ मिनिस्ट्री को रैफर कर देंगे और दोबारा वह बिल पेश करेंगी।

अब मैं अगर जीरो आॅवर लेती हूं तो कोई आपत्ति नहीं होनी चाहिए।