

The company's appeal against the decision of the Appellate Tribunal is now before the Calcutta High Court in an Income Tax Reference. The Appellate Tribunal has drawn up the statement of the case for the High Court in November, 1976. Further developments in this regard, may be watched by the Company Law Board.

The loans advanced by the company to Bihar Alloy Steels Ltd. have been with the approval of the Company Law Board. The advances made to Assam Jute Supply Co. Ltd., a wholly owned subsidiary of this company is exempted under section 370 of the Companies Act. The Inspectors have not been able to find anything unusual about the advances made by the company to various sister companies. Such advances were for supply of goods or services.

The expenses on foreign travel were necessary and were properly incurred by the company in respect of its executives and directors but as regards the expenses met by the company on the travels of the wives of executives and directors of the company who accompanied them on such tours, the Inspectors feel that both from a commercial angle and sound business practice the Inspectors find it necessary that a dividing line should be drawn whereby the company is obliged to spend only on their executives' and directors' travel alone and not on account of their wives who accompany them on foreign travel. In this view of the matter, it may be considered whether the expenses incurred on Smt. Priyamvada Devi Birla, wife of Shri M. P. Birla director and Chairman would come under the purview of Section 309/ 310 of the Companies Act, 1956.

#### Statement II

*Findings and irregularities reported  
by the Inspectors in the case of India  
Linoleums Limited*

The three lady employees who were appointed in the show-rooms

and in the Artistic Division of the company and who are also related to two of the chief executives in this company or in the holding company no longer continue their employment in the company. The evidence tendered by these three ladies before the Income-tax authorities have been examined at length by the Income-tax Appellate Tribunal, Calcutta which held that these three ladies rendered services to the company and that the emoluments paid to them should be allowed in full as an expenditure. It was also held by the Tribunal that their relationship with the chief executives had invested them with a sense of authority conducive to better service resulting in advantage to the company. In the absence of any other evidence, the Inspectors are not in a position to differ from this decision of the Tribunal. The Income-tax authorities have not appealed against this decision of the Tribunal. This gives a note of finality as regards these appointments and their propriety at least so far as the Income-tax Act is concerned.

The Inspectors have not found anything improper or against the provisions of the Companies Act, 1956 as regards the payments made to Advertising & Sales Promotion Company for the company's advertisement & publicity charges. Advertising & Sales Promotion Company is a unit of Indian Press Exchange Limited which does a substantial business in advertising for the companies in the Birla Group and various Government agencies.

The company has squarely contravened the provisions of section 37 of the Companies Act, 1956 in the matter of investment in the shares of Hindustan Gum & Chemicals Limited. This contravention continued from 3rd August, 1962 to 31st March, 1966 on which date, as a result of capitalisation of reserves, the paid up capital of the company was increased to Rs 50 lakhs from Rs. 25 lakhs and consequently the total investments can

within the limits of section 372 of the Act.

The loan to Birla Jute Manufacturing Company Ltd. was granted with the approval of the Central Government under section 370 of the Companies Act, 1956 and the company had also complied with the conditions stipulated in the approval granted by the Government to the company by recovering the loans granted to Biris Jute Manufacturing Company Limited in full. The loan granted subsequently to Birla Jute Manufacturing Company Limited is within the limits prescribed under section 370 of the Companies Act, 1956.

The donations made to the Several trusts by the company are within the powers contained in the Memorandum of Association and also with the consent of the shareholders under section 293(1)(e) of the Companies Act, 1956. As regards the public character of these trusts to whom donations have been made, it has been proved before the Inspectors that they are public trusts and that the donations given to them also qualified for exemption under the Income-tax Act.

The examination of the selling agency agreement entered into by the company with several persons in different areas contain such provisions as would support the company's contention that there is no selling agency as such coming within the purview of section 294 of the Companies Act. In the light of actual arrangements made by the company for the distribution of its linoleum products and the legal implications of the agreement entered into for such arrangement, the Company Law Board may examine the applicability of section 294 of the Act.

The shareholding pattern and the constituted of the Board of Directors of Narendra Udyog Private Limited, one of the distributors of the company, do not show any connection with the directors of India Linoleum Limited. There has been no dual agency arrangement either in respect of the appointment of distributors, viz. Narendra Udyog Private Limited, and sub-distributors, viz. Dossa Harjee. Further Narendra Udyog Private Limited ceased to be the distributors of the company with effect from 1-4-75.

### Statement III

Name of the company	Action initiated	Progress of investigation and steps taken to get the investigation expedited
1. Jyajeerao Cotton Mills Limited.	Investigation under sec. 237(b) ordered on 7-12-1967.	The company challenged the investigation order by filing a writ petition No. 558 of 1967 on 21-12-1967. Madhya Pradesh High Court quashed the investigation order on 16-1-1969. On 17-3-1969 the company Law Board made an application to High Court for leave to appeal to Supreme Court. Certificate of fitness was granted on 24-12-1970. The petition of appeal was filed by the Company Law Board on 15-2-1971 in Supreme Court. In June, 1973 the Company Law Board made an application to Supreme Court for early hearing. The case is still pending in Supreme Court.