

(h) whether inspection of the books of accounts of the five companies has been completed; if so, what are the findings thereof; and

(i) if not, what are the reasons for the delay?

THE MINISTER OF LAW JUSTICE AND COMPANY AFFAIRS (SHRI SHANTI BHUSHAN): (a) Yes, Sir.

(b) and (c) The investigation report is under examination.

(d) Investigation has been ordered under Section 237(b) in one company namely M/s. Balapur Sugar and Allied Industries Limited and under Section 247 in another company namely M/s. W.H. Brady and Company Limited. Investigation reports have been received in both the cases and are under examination.

(e) Government had appointed directors under section 408 of the Companies Act, 1956 in the following five companies of the Group;

1. Belapur Sugar and Allied Industries Ltd.
2. Nasik Deolali Electric Supply Co. Ltd.
3. Poona Electrical and Industrial Supply Company Limited.
4. Shree Changdeo Sugar Mills Ltd.
5. W.H. Brady and Co. Ltd.

(f) and (g) A statement giving the information is annexed.

(h) and (i) Inspections ordered in all cases in this group have been completed except in 3 cases *viz.*, Kapesb Transport and Finance Co. Pvt. Ltd., Madhya Bharat Trading Co. Ltd. and Rajputana Textile (Agencies) Pvt. Ltd. as they were not traceable. Since names of 5 companies have not been indicated by the Hon'ble Member it is not clear in respect of which (5 cases) five companies the findings have been asked for.

#### Statement

The Company Law Board appointed two directors under section 408 of the Companies Act, 1956 in M/s. Shree Changdeo Sugar Mills Limited with effect from 19-11-1973 for a period of three years and in M/s. Nasik Deolali Electric Supply Co. Ltd. and M/s. Poona Electrical and Industrial Company Limited w.e.f. 9-11-1973 for a period of three years. However, the companies filed writ petition in the Bombay High Court in December, 1973 against the orders passed by the Company Law Board and obtained *ad-interim* stay order restraining the Company Law Board and particularly the two directors so appointed from taking any action in furtherance or implementation of the order passed by the Company Law Board. The writ petitions have not so far been heard and *ad-interim* stay granted by the Bombay High Court continues to be in operation. However, in case of M/s. Shree Changdeo Sugar Mills Co. Ltd. on a Notice of Motion filed by the Morarkas in the Bombay High Court on 3-11-1977 to permit them to hold Board's meeting to appoint Directors on the Board of the company, the High Court by its order dated 15-11-1977 directed the Company Law Board to appoint two directors on the Board of the company under section 408 for a period of three months. Accordingly the Company Law Board by its order dated 17-11-1977 has appointed two directors for a period of three months.

#### Companies Failure to Pay Provident Fund

551. SHRI BIR CHANDRA DEB BURMAN: Will the Minister of LAW, JUSTICE AND COMPANY AFFAIRS be pleased to state:

(a) whether Government have gone into the question as to how many *at* the companies which applied for loans or for provisions of security to the Directors or their relations during 1976 and so far during 1977 have fail-

ed to pay provident fund and other statutory dues to workmen;

(b) if so, what are the details thereof; and

(c) if the answer to part (a) above be in the negative, what are the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS (SHRI NARSINGH YADAV): (a) to (c) In pursuance of an assurance given by the then Deputy Minister to the House on 22nd March, 1976 while giving answer to a Starred Question No. 275, the question whether companies having arrears of provident fund and other statutory dues should be given permission for the grant of loan or provision of security to Directors or their relatives was examined and it was decided on 8th July, 1976 that the companies having arrears of provident fund shall not be granted approval of the Government in future. Since that date none of the companies which applied for the grant of such loans has reported any arrears of provident fund dues to the workers. In regard to other statutory dues, it was felt that it would be fair and appropriate to leave the matter to the respective administrative authorities for enforcing the provisions of law.

#### **Compulsory Cost Audit of Industries**

552. SHRI KALYAN ROY: Will the Minister of LAW, JUSTICE AND COMPANY AFFAIRS be pleased to refer to the answer to Starred Question 3 given in the Rajya Sabha on the 14th November, 1977 and state:

(a) the number of units in the textile and other industries that have been subjected to cost auditing system so far; and

(b) when was the auditing introduced and what are the findings thereof?

THE MINISTER OF LAW, JUSTICE AND COMPANY AFFAIRS (SHRI SHANTI BHUSHAN): (a)(i) Cost Accounting Records (Cotton Textile) Rules, 1977 have been brought into force on 1st July 1977 and hence no unit in Cotton Textiles has so far been subjected to cost auditing in respect of their financial year commencing on or after 1-7-1978.

(ii) As regards units in other industries, orders for cost auditing have been issued to 732 companies during the period 1-1-69 to date, covering 23 classes of industry.

(b) The provisions relating to cost auditing were introduced by the Companies (Amendment) Act, 1965 (31 of 1965) which came into force on 15-10-1965. Under these provisions orders for cost auditing were issued in respect of 23 classes of companies at different times after 1-1-1969. Broadly the findings of the cost auditing as per reports received so far are as indicated below:

(1) Deficiencies in the system of maintaining cost accounting records and system of costing.

(2) Under-utilisation of capacity in some cases and impact thereof on costs.

(3) Imbalance in production facilities in some cases.

(4) Bottlenecks militating against achievement of optimum capacity in some cases.

(5) Unsatisfactory financial position and continued losses in some cases.

(6) High profitability in some cases.