

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be passed."

The motion was adopted.

THE CAPITAL ISSUES (CONTINUANCE OF CONTROL) AMENDMENT BILL, 1956

THE MINISTER FOR REVENUE AND CIVIL EXPENDITURE (SHRI M. C. SHAH): Sir, I beg to move:

"That the Capital Issues (Continuance of Control) Amendment Bill, 1956, as passed by the Lok Sabha be taken into consideration."

Sir, this is a simple piece of legislation to permanently place the Capital Issues (Continuance of Control) Act, 1947, on the Statute Book. I do not think I need weary the House by taking undue time of the House either with the history of the control or the object underlying it in great detail. As the House is aware, Sir, the control was first imposed in May, 1943, as a war measure and has been extended from time to time. The objects of the control have also varied, more or less, according to the needs of the times. It must be recognised, however, that one of the objects, namely, to prevent the diversion of investible resources to non-essential projects has remained paramount through the years. To this extent, it must be admitted that the control is negative in character.

Apart from this main object of the control, it has been made to serve many other ancillary purposes; firstly the regulation of the issue of bonus shares; secondly, the regulation of capital reorganisation plans of companies, including mergers and amalgamations, which involve the use or re-issue of capital; thirdly, the regulation of the capital structure of companies with a view to discouraging undesirable practices, as for instance, the issue of shares with disproportionate voting rights and

encouraging the adoption of sound methods and techniques in company floatation; fourthly, the regulation of the terms and conditions of additional issues of capital, that is to say, the issue price of new shares, underwriting and brokerage charges; fifthly, the regulation of the timing of private issues of capital; and finally, the regulation of the issue of capital by banking and insurance companies.

Sir, during the four years since this control was extended, early in the year 1952, the number of cases in which capital issues were sanctioned varied from 254 in 1952, to 232 in 1953, 220 in 1954 and 289 in 1955. The total amount of issue involved in these sanctions, however, steadily rose from Rs. 39.8 crores in 1952, to Rs. 81.4 crores in 1953, Rs. 110.6 crores in 1954 and Rs. 125.4 crores in 1955. The total amount of capital involved in the applications for sanction which were rejected since 1952 was Rs. 154 crores. Of this, however, no less than Rs. 100 crores is accounted for in two erratic applications.

SHRI H. N. KUNZRU (Uttar Pradesh): Is the House not going to rise for lunch?

MR. DEPUTY CHAIRMAN: What time would you take to finish, Mr. Shah?

SHRI M. C. SHAH: Perhaps about fifteen minutes, Sir.

MR. DEPUTY CHAIRMAN: You can continue after lunch.

The House stands adjourned till 2:30 P.M.

The House then adjourned for lunch at one of the clock.

The House re-assembled after lunch at half-past two of the clock, MR. DEPUTY-CHAIRMAN in the Chair.

SHRI M. C. SHAH: Sir, when we adjourned for lunch, I was narrating as to how many applications were

[Shri M. C. Shah.]

received and the amount of capital involved, etc. I shall just repeat four or five sentences in order to give a continuity.

During the four years since this control was extended, early in the year 1952, the number of cases in which capital issues were sanctioned varied from 254 in 1952 to 232 in 1953, 220 in 1954 and 289 in 1955. The total amount of issue involved in these sanctions, however, steadily rose from Rs. 39.8 crores in 1952, to Rs. 81.4 crores in 1953, Rs. 110.6 crores in 1954 and Rs. 125.4 crores in 1955. The total amount of capital involved in the applications for sanction which were rejected since 1952 was Rs. 15.34 crores. Of this, however, no less than Rs. 100 crores is accounted for in two erratic applications. The amount of capital involved in the other applications which were rejected since 1952 was thus about Rs. 53 crores. If this is an indication of the quantum of investment in non-essential purposes which it would not have been possible to prevent but for the operation of this control, it would equally be a reason in favour of retaining this control permanently, particularly in the context of the Five Year Plan.

In this connection, Sir, I may be permitted to advert to one or two misconceptions which are current about the scope of this control. Doubts have been expressed in some quarters about the need for this control when the establishment of industries in the country is already regulated by the Industries (Development and Regulation) Act. But a licence under this Act is required only to—

(a) the establishment of a new undertaking;

(b) "substantial expansion" of an existing undertaking; and

(c) manufacture of new articles requiring a licence in respect of the industries enumerated in the First Schedule to that Act, provided that the number of workmen is more

than 50, if the undertaking is worked by power or more than 100 if not worked by power. These industries or groups of industries are only about 42 in number and the types of cases which cannot be dealt with by the Industries (Development and Regulation) Act but can only be dealt with by the Capital Issues Control are the following:—

- (i) industries not covered by the Schedule to the Industries Act;
- (ii) industries covered by the Schedule but the expansion of which is not "substantial expansion" within the meaning of that Act;
- (iii) plantation companies;
- (iv) banking and insurance companies;
- (v) other non-industrial companies; and
- (vi) issue of bonus shares by capitalisation of reserves.

Even where a licence has been granted, the case for consent to the issue of capital has to be examined from several points of view which are almost entirely of a financial nature. Some of these are, whether all the capital asked for is likely to be required in the immediate future or if there is any phased programme of expenditure; whether the company has already at its disposal adequate funds put away in less desirable improvements; the terms of issue of capital, whether at par or at premium, the amount of underwriting and brokerage charges etc.; whether the nature of the proposed issue is likely to cause an imbalance in the capital structure of the company as between the equity and fixed-dividend-bearing capital; whether the terms of the proposed issues are otherwise in conformity with the provisions of the Companies Act and so on and so forth. It will thus be seen that the existence of this control, *vis-a-vis* the Industrial (Development and Regulation) Act, is by no means redundant.

Another misconception which is fairly popular is that this control does not make for a sound national investment policy in so far as it has not been utilised as an instrument for the purposive direction of available funds for investment in approved lines. This would seem to imply (a) that it is possible to estimate in advance the total amount of investible funds that would be forthcoming within any given period; and (b) that if sanctions are refused for particular purposes the money would flow into lines to which higher priority is granted. It has always been recognised that, in the absence of any reliable estimate of resources available for investment in any year, it is not possible to formulate or work any scheme of quantitative control.

A doubt has been expressed as to the validity of this control imposing any condition to the consents granted by it. I have said enough to indicate that in the context of the Five Year Plan the role of this control, albeit negative, is important; and in effectively discharging its functions, it may be necessary sometimes to impose certain conditions on the consents granted. This, in fact is inherent in the working of the control as section 3(4) of the Act which provides that "the Central Government may qualify any consent or recognition accorded by it with such condition whether for immediate or future fulfilment, as it may think fit to impose....."

Government are also aware of the complaints made about delays. We have had occasion to investigate this matter in the past and Government came to the conclusion that while a few cases may not have been disposed of as promptly as one might wish, there has not been much avoidable delay to speak of. It must be appreciated, however, that in the working of this or any other Control, it is very often necessary to take a decision after consultation with other departments, and such "delays" as have occurred, are mainly due to the

time taken in obtaining the recommendations or comments of those who were consulted. I may be permitted here to take the opportunity of conveying Government's thanks to the members of the Advisory Committee, which is constituted under section 11 of the Act. This Committee, whose Chairman is a Member of this House—Shri Ramaswami Mudaliar—is a non-official body of persons of wide knowledge and experience and advises Government on all such major issues of policy relating to the administration of the control which Government refer to that body. The help and assistance which Government have received from the Committee have been invaluable.

In conclusion, I need only say that the Government will take due note of the helpful criticism made during the course of the debates in both Houses of Parliament and take such remedial action as is called for in improving the administration of this control.

Sir, I now beg to move that the Bill may now be taken into consideration.

MR. DEPUTY CHAIRMAN: Motion moved:

"That the Bill further to amend the Capital Issues (Continuance of Control) Act, 1947, as passed by the Lok Sabha, be taken into consideration."

SHRI KISHEN CHAND (Hyderabad): Mr. Deputy Chairman, Sir, I agree that in a planned economy it is very essential that there should be control regarding the floatation of new companies, enlargement of existing companies or in any other way the formation of corporate companies in any country; and more so in our country where we are embarking on big Five Year Plans and when our capital resources are limited, it is essential that there should be some sort of control. I do not disagree with the idea of control, but as the hon. Minister has just said, there are certain hardships. We know there are delays and certain difficulties in

(Continuance of Control)

[Shri Kishen Chand.]

the way of obtaining sanction to which I want to draw the attention of the hon. Minister with the hope that if he finds them genuine he may in the making of rules and regulations make certain provisions for remedying them. I submit, Sir, that this Capital Issues (Control) Act was passed in 1949 before we had really modified our Companies Act and before we had our Industries (Development and Regulation) Act. The hon. Minister in moving this Bill tried at length to point out the abuses that were made by persons who were floating companies before the new Companies Act comes into operation. He pointed out that there was interlocking, and that there were deferred and other types of shares introduced in which differential rates were given in the matter of dividends. Sir, now we are giving a further indefinite lease of life to this Bill in 1956 when we have already passed a very extensive Companies Bill which is going to come into operation on the 1st April. The question arises whether in the light of the new Companies Bill and in the light of the Industries (Development and Regulation) Act there is any need for such rigid control of capital issues. I submit that most of the defects pointed out by the hon. Minister have already been set right by the new Companies Bill and they have also been set right by the Industries (Development and Regulation) Act. There can be no abuse by the promoters by way of giving differential rates on account of the new Companies Bill. In such a situation, is it worth while that we control even small companies? You know that companies with a capital of Rs. 5 lakhs are even now exempted. The hon. Minister gave a long list and said that it does not apply to banking companies, to insurance companies and some other companies, but excepting these it applies to everything else. The hon. Minister pointed out that 600 applications were rejected, amounting to Rs. 53 crores. He has also admitted that there have been certain delays. With this back-

ground of the delays as admitted by the hon. Minister, with this background of the large number of applications which have been rejected, may I ask the hon. Minister whether there is any justification for giving an indefinite life to this Bill? In the case of big companies with capital of Rs. 50 lakhs and over, such a regulation may be essential because if large companies are floated, they take away from the market the surplus capital and when we are embarking on large Five Year Plans, capital is required very greatly in the public sector. But is it right that while restricting the large companies we should restrict the floatation of small companies also? The question will naturally arise as to what I mean by small companies. I submit that at the present time when capital cost has gone up tremendously, Rs. 5 lakhs is too low a figure. It should be raised at least to Rs. 10 lakhs, if not more, but if we do not want to take away from the market even Rs. 10 lakhs in one year it may be possible that initially the company may be floated with Rs. 5 lakhs without permission from the Government and then from year to year it may be permitted to increase its capital by one or two lakhs each year, without permission from the Government, subject to a maximum of Rs. 10 lakhs. My idea in making this suggestion is that I do not want any handicap to be placed in the way of the normal growth of industry and trade in our country. Sir, in the matter of expansion of industries, as far as it means the opening of new lines or a considerable increase in the output of the industry, permission is required under the Industries (Development and Regulation) Act. If the companies want to increase their capital, say, even by one lakh of rupees, they will have to go up for permission from the Government if their total capital happens to be Rs. 5 lakhs or more.

THE DEPUTY MINISTER FOR
FINANCE (SHRI B. R. BHAGAT): No.

SHRI KISHEN CHAND: I will give an example. There is a company

with a capital of Rs. 10 lakhs. Now, without increasing its output it may want to increase its capital by about Rs. 2 lakhs for adopting improved methods of production. Under the present rules, because its capital is Rs. 10 lakhs, it cannot increase and make it Rs. 12 lakhs without getting permission from the Government. The company will have to approach the Government for necessary sanction and it will naturally take time. So there will be delay. Is it fair that such a company should be deprived of the facility of increasing its capital? I do not see any reason for it.

Sir, the consent of the Government has been misleading some investors. Though by a regulation it is essential that in the prospectus it should be clearly stated that this sanction by the Government does not mean any guarantee about the suitability or the successful running of the industry, few people see the top lines. I submit that sometimes some investors are misled. Therefore, this sanction of the Government should be stated more clearly and the public should be clearly warned that a sanction by Government does not imply any sort of guarantee by the Government. In our country we find that capital is fairly shy, that by various methods the hon. Finance Minister is mopping up all the surplus purchasing power, all the savings from the public. In such a situation, I think, small industries and small traders do require some sort of encouragement. In 1939 I suppose a company of Rs. 2 lakhs or Rs. 3 lakhs would have been considered small. Now, the price of every article has gone up three or four fold and therefore what was considered to be a small company should now, on the same basis, cost nearly Rs. 8 to Rs. 10 lakhs. And, therefore, from that argument also we come to the conclusion that the exemption limit should be raised from Rs. 5 lakhs to at least Rs. 10 lakhs, or to the method that I have suggested, that is, initially it may be Rs. 5 lakhs and subsequently it may be raised by Rs. 1 lakh each year. With these words and with this suggestion I support the Bill.

SHRI H. P. SAKSENA (Uttar Pradesh): Sir, I never thought that such a simple measure which is obviously transparent and transparently obvious would fail to convince my very intelligent friend, Mr. Kishen Chand regarding its necessity and acceptance by the House. In fairness to him I must say that he gave more reasons for its being accepted than against its acceptance. As a matter of fact, he showed his approval of the measure that the Government have to control the issue of capital. And yet he thought that by some surreptitious means or some hidden and secret way the passage of this measure may do some harm to some imaginary companies. I am not in any manner haunted by those doubts and suspicions. I believe that if we are seriously, honestly and faithfully wedded to the implementation of our Second Five Year Plan, there is no alternative, there is no other choice but to save and save each and every penny, each and every rupee that is possible to be collected and taken care of in case of need. And the need is so clear that no amount of money will be too much for the purposes of the Plan. As we all know, we are relying, depending most wistfully and longingly to secure a very large amount of money from foreign sources. This is, again, a very undependable factor. Money from foreign sources may be arriving or may not be arriving and the best thing under these conditions is to try to stand on one's own legs. Now, if you have any iota of patriotism in you, if you love your country, if you love the progress that is being tried to be made regarding the reconstruction of India, if you want a prosperous society to grow in the course of the next five years, it is up to us to help the Government in all manner possible so far as the marshalling of the resources of the country is concerned. If it were in my power, I would entrust the Government of India with all treasures—all those treasures that have been spoken of of some legendary king who owned, forty houses full of treasure, and his name was Karoon. Karoon is suppose-

[Shri H. P. Saksena.]

and to have forty treasure houses full of treasure.....

DIWAN CHAMAN LALL (Punjab):
Is it *Kairoon* or *Karoon*?

SHRI H. P. SAKSENA: Not *Kairoon*, but it is *Karoon* as known in Persian. I do not know what his anglicised name is. *Karoon* used to have forty houses full of treasure in jewellery, wealth, riches and all that. But as we all know these legendary things have now become a thing of the past. We do not live in dreamland. We live in the world of reality and reality demands of us to earn the necessary funds for the implementation of the Plan by our own efforts, by our own endeavours. Fortunately, Sir, the numerical strength of our country is so much in our favour, it is a redeeming feature, we are thirtysix crores of people. And if each one of us saves only five rupees—at the rate of five rupees per head—millionaires, multi-millionaires, poor people, even beggars—who are going to form a society for themselves; struggle for existence is the slogan of their drive also and they are going to assist themselves in order that no Governmental action or no other agency shall be able to interfere in their profession of begging—if we save, collect and lay by at the rate of five rupees per head—whether rich or poor—it will come to about 180 crores of rupees. So, I am perfectly in agreement with the purpose of this Bill, the life of which is going to expire on the 31st of this month, and hope that it will be given a long lease of life. And I also pray and hope that it will achieve the object and the purpose for which it is being placed on the Statute Book.

SHRI H. C. DASAPPA (Mysore): Mr. Deputy Chairman, Sir, I rise to speak about two points which, I believe, merit consideration. One is more or less in answer to my friend, Prof. Kishen Chand. He said that all issues involving a capital of more than Rs. 5 lakhs should necessarily go

to the Capital Issues Committee for obtaining the necessary sanction. That is true. And I am inclined to agree that having regard to the value of money today, the Government may consider raising of the exemption limit from Rs. 5 lakhs to Rs. 10 lakhs. And my reason is obvious. In the context of the prices prevailing today, I think you cannot get a plant for Rs. 10 lakhs which you might have got for Rs. 5 lakhs at the time the exemption order came into effect. And to attach any kind of sanctity to the limit of Rs. 5 lakhs is not altogether correct.

3 P.M.

This is a thing which the Government can very well modify by means of an Executive Order. I think that they have got ample powers vested under the Act to pass an order increasing the exemption limit.

Another point is that this refers not only to the floatation of new companies—I am speaking of this exemption—but it also applies to other bigger companies, but only on this condition that the issue should not amount to more than Rs. 5 lakhs. Supposing a company has got a share capital of Rs. 50 lakhs or even a crore, if it, the new issue, does not exceed Rs. 5 lakhs, it need not come before the Government to obtain sanction.

SHRI KISHEN CHAND: It is not correct. If the total capital is over Rs. 5 lakhs, they have got to ask for permission even for a few thousand rupees.

SHRI H. C. DASAPPA: I do not know. I wish to read the Exemption Order that is in my hands:—

“The following shall be exempt from all the provisions of sections 3, 4 and 5 of the Act:—

(a) The issue of securities other than bonus shares by any company not being a banking company or an insurance company or a provident society incorporated as a company and all transactions

relating to such securities issued by any such company provided that the value of the consideration involved in such issue together with the value of the consideration involved in any previous issue of securities not being an issue covered by clause 4, made by such company within the 12 months next preceding such issue shall not exceed five lakhs of rupees".

That is how I interpret it. Well, it may be that the Professor who is an expert more or less.....

SHRI KISHEN CHAND: Has he read about a previous issue? Then it would be all right.

SHRI H. C. DASAPPA: I quoted the previous issue. I was going to explain the matter. This is what it says: ".....together with the value of the consideration involved in any previous issue of securities, not being an issue covered by clause 4, made by such company within the 12 months next preceding such issue....." If within the 12 months next preceding the issue they had made, say, up to the limit of Rs. 5 lakhs, then they cannot issue any more within the period of 12 months. But supposing it was within that period of 12 months that they had issued up to the extent of Rs. 2½ lakhs, it will be open for them, even within the 12 months, to issue securities to the tune of Rs. 2½ lakhs which together do not exceed Rs. 5 lakhs. But if it is that the period of 12 months has elapsed, then it will be open for any company, however big it may be, to issue securities to the extent of Rs. 5 lakhs. That is my interpretation and it is, of course, for the hon. Minister to appreciate my interpretation or accept Mr. Kishen Chand's interpretation or have his own interpretation.

The other thing which I want to refer to is this. The hon. Minister himself has admitted that there have been delays. A lot of delays have come to my notice also. So, I would

beg of him to see that there are no delays in a matter like this, because, so often, these delays have meant a complete recasting of the original estimates. A group of entrepreneurs will have got a whole scheme and a project ready before them. But, unfortunately, there is this delay in the capital issue with the result that they will not be able to get the plant and machinery at the cost at which they would have bargained. So, that is one general inconvenience often felt by industrialists. The hon. Minister himself has given an assurance and I hope that he will see that that assurance is kept.

I am thinking of another set of industrialists—State Governments launching different industries. I think that this Capital Issue Committee should be much more sympathetic with such schemes as come to them from the State Governments themselves. Sir, I have talked about this matter in another connection. But I feel that the State Governments ought to take to industrial enterprises more and more, to be in conformity with the objectives that we have got as well as to promote industries when there are not sufficient private enterprises coming forward. Now, in such a case as this, I would not like the Centre to restrict the consideration of the issue of licences to them in spite of whatever schemes they may have themselves. They must be sympathetic so as to give more and more encouragement to the State Governments, instead of trying to do everything themselves. There are a number of things like that. I can also quote some instances. But it is not necessary for the purpose. I request the hon. Minister to give as much encouragement as possible to the State Governments to start industries by way of participating in the capital to the extent that they can—it may be 10 per cent. or 51 per cent. or even a little more. But the idea is that it must be a co-operative venture between the industrialists and the State Governments. It would not be right for a Government to invest the

[Shri H. C. Dasappa.]
whole of the capital by themselves because their resources do not permit such a thing and that is one of the ways by which the hon. Minister can really not only satisfy that the right type of men come up to these enterprises, but also advance the great social object which the country has got.

SHRI M. C. SHAH: Sir, I am thankful to the hon. Members who have supported this Bill.

My friend, Shri Kishen Chand had raised one point about Rs. 5 lakhs being allowed to be raised in one year to any company having a share capital of Rs. 5 lakhs or more. My friend, Shri Dasappa has replied to that point. I think that he is a lawyer; perhaps, his interpretation is correct. But I do not know if my friend, Shri Kishen Chand is a lawyer; if he is a lawyer, his interpretation is not correct. We have powers to make rules for exemption from permission for raising capital and we have made a rule that Rs. 5 lakhs capital can be raised in any year without referring the matter to the Controller of Capital Issues. Therefore, even if a company has a capital of Rs. 5 lakhs, in the first instance, that company can raise up to Rs. 5 lakhs in any one year without referring the matter to the Controller of Capital Issues. Even if the company has an authorised capital of Rs. 10 lakhs or Rs. 50 lakhs or a crore of rupees, still, if that company wants to raise a fresh capital issue to the extent of Rs. 5 lakhs—even in instalments of Rs. 2 lakhs or Rs. 1 lakh, but total Rs. 5 lakhs—then, that company has not to come to the Controller of Capital Issues. Therefore, I am sure that my friend, Shri Kishen Chand's doubts are now dispelled.

There is another point to which both hon. Members have referred and that is raising the limit from Rs. 5 lakhs to Rs. 10 lakhs. I am afraid that that will not be possible for the Government to accept, because though

it may be that Rs. 5 lakhs value may now be very much less when compared to the values in 1949 as quoted by my hon. friend, Shri Kishen Chand, the fact will still remain that, if the exemption limit is raised to Rs. 10 lakhs, it will apply to all the companies and all the capital issues that may be raised during one year. Suppose a concern has a capital of Rs. 10 lakhs. Then they can raise Rs. 10 lakhs every year and thereby within five years, they can raise Rs. 50 lakhs.

SHRI H. C. DASAPPA: Not necessarily, Sir. They can have two limits.

SHRI M. C. SHAH: If they want to, without referring to the Controller of Capital Issues. Now, the main purpose of the Control of Capital Issues is to canalise the investable resources into the desired channels, and therefore we have to see as to whether the resources which are available in the country are invested in an orderly and proper manner so that we may be in a position to develop the country on the right lines and in the right directions. Therefore, though the suggestion is a very valuable one, I am afraid I cannot accept it. However, if necessary, the Advisory Committee may recommend it and we may consider it. Therefore I hope that that point will not be stressed further.

About delays, I have already said that there are certain complaints about delays. I have already stated in my opening remarks that we have to refer the matter to so many Ministries and Departments, and there is naturally delay. I accept that there are delays, but it is our intention to see that there is no delay whatsoever. My friends may take the assurance from me that we shall take all possible steps to see that there are no delays in sanctioning applications for capital issues or in rejecting them, if necessary.

My friend, Mr. Kishen Chand, spoke about small companies. We had considered the case of the small com-

panies and we have exempted companies having a capital up to Rs. 5 lakhs from the control of Capital Issues, and therefore I think he must be satisfied. We have had the First Five Year Plan and I think that the results of the administration of Capital Issues have been very beneficial in canalising the investable resources into proper channels. We are having the Second Five Year Plan and we will have the Third Plan and so on, and therefore it becomes necessary to have a law permanently on the Statute Book. We had first considered extending the life of this to the Second Plan period. We discussed this and then we were advised that we must have this permanently on the Statute Book, as we are going to have successive Five Year Plans. So, it is absolutely necessary to have this law. The small industries are not at all affected by this.

Another point was raised by my hon. friend, Mr. Dasappa. He was pleading the cause of State Government launching new industries. I can assure him that there will be no delay whatsoever. He went further and said that Government should consider the question of participating in the capital to be invested by the State Governments. I think that is beside the point. We are not concerned with it here.

SHRI H. C. DASAPPA: I did not refer to the Central Government participating. I referred to the State Governments participating in the capital.

SHRI M. C. SHAH: So far as delay is concerned, I can assure him that these things will be disposed of as expeditiously as possible.

There is no other point made by the speakers. I thank the Members for the support that they have given, and I hope that this Bill will be taken into consideration.

MR. DEPUTY CHAIRMAN: The question is:

14 R.S.D.—3.

"That the Bill further to amend the Capital Issues (Continuance of Control) Act, 1947, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

MR. DEPUTY CHAIRMAN: We shall now take up the clause by clause consideration of the Bill. There are no amendments.

Clauses 2 and 3 were added to the Bill.

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

SHRI M. C. SHAH: I move that the Bill be passed.

MR. DEPUTY CHAIRMAN: Motion moved:

"That the Bill be passed."

SHRI KISHEN CHAND: Mr. Deputy Chairman, the hon. Minister has given an explanation to the objection that I had raised. I consider that, if the interpretation that has been given by the hon. Minister is correct, it will be against the interests of the country. I do not want that permission for Rs. 5 lakhs should be given every year, because that will defeat the purpose of the Bill. The aim is to control, while according to this interpretation, one can go on year after year increasing the capital by Rs. 5 lakhs.

SHRI M. C. SHAH: That is the interpretation of the exemption rules.

SHRI KISHEN CHAND: If that is the interpretation, I submit that we should change the interpretation.

MR. DEPUTY CHAIRMAN: You may change the Act, not the interpretation.

SHRI KISHEN CHAND: I mean the rule. Is the rule part of the Act or is it a rule laid down by the Government?

MR. DEPUTY CHAIRMAN: The rules have to be made in consonance with the Act.

SHRI KISHEN CHAND: Sir, if according to this, the exemption limit is Rs. 5 lakhs and one can go on increasing it by Rs. 5 lakhs every year and thus increase it to Rs. 25 lakhs, I submit that this is not in the interests of the country. I submit that the limit should be Rs. 10 lakhs. That would be the maximum amount, and if any company tries to increase it beyond that, then it becomes a big company, and in that case I would like an application to be made to Capital Issue Control for permission. We frame a law for a certain purpose. Our purpose here is this: We have our Five Year Plans, and we want money; we want capital; we want to take capital from the public, but here a company may go on increasing its capital by Rs. 5 lakhs every year without coming to the Government. So, I would request the hon. Minister that, in the rules made by him, he should see that a company is not able to increase its capital beyond Rs. 10 lakhs without approaching the Capital Issue Control, because we want to restrict this privilege only to small companies.

SHRI M. C. SHAH: I have nothing further to add. The position taken up by my friend, Mr. Kishen Chand, will defeat the purpose, viz., that the small companies should be treated well and should be beyond the scope of this. Now, for that purpose, we have said, "All right, if there is a small industry with Rs. 5 lakhs capital, then, let that not come to the Controller of Capital Issues. If that industry flourishes and wants to have

more capital, then for the next Rs. 5 lakhs also it may not come to the Controller of Capital Issues." With regard to the bigger companies also, we don't want to fetter their expansion if it is only to the extent of Rs. 5 lakhs. We say that if there is a big company and if they want Rs. 5 lakhs more capital, then we don't want them to be harassed in this way that they should come for the sum of Rs. 5 lakhs again to the Controller of Capital Issues in one year. Therefore I feel that the objective that he first advocated will be defeated immediately we make a rule to his liking, viz., that it will be up to Rs. 5 lakhs only or Rs. 10 lakhs only and then nothing doing and then, for every Rs. 5,000 or Rs. 10,000 or Rs. 2 lakhs, they should come to the Controller of Capital Issues.

I am sorry that it is not a fair proposition so far as the industries are concerned.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be passed."

The motion was adopted.

MR. DEPUTY CHAIRMAN: There is no other business.

The House stands adjourned till 11 A.M. on Monday.

The House then adjourned at twentyone minutes past three of the clock till eleven of the clock on Monday, the 12th March 1956.