

ing to their suggestions and we give a reply whenever a point has been raised on which we feel we should give a reply and we do not reply if we feel that it does not call for a reply.

In regard to giving this assurance, how can I ask the Government of Madras to do this ? We asked the Madras Government, "Please give us two members, one nominated non-official." They said, "Yes." Hon. Members suggest that a labour representative should be taken. Well, if the Madras Government so chooses, it is for them to do so. It will be impolite and disrespectful if I were to ask them to do this. Well, Sir, when the Act is amended, it will be the proper time if someone were to say, "Give labour some more representation." I think then we are bound to listen to them, but the Act is not being amended. It is for the State Government to do what they liked. My approaching the State Government to do this or that will be more discourteous than my telling my hon. friends opposite that I cannot accept their suggestions.

MR. DEPUTY CHAIRMAN : The question is :

That the Bill be passed. The motion was adopted.

THE INDIAN COMPANIES (AMENDMENT) BILL, 1952

THE MINISTER FOR FINANCE (SHRI C. D. DESHMUKH) Mr. Deputy Chairman, Sir, I rise to move :

That the Bill further to amend the Indian Companies Act, 1913, as passed by the House of the People, be taken into consideration.

SHRI R A J A G O P A L NAIDU (Madras) : On a point of order. Sir, this was circulated as a supplementary list of business yesterday at about 5 p.m. and according to rule 121 of the Rules, of Procedure and Conduct of Business in the Council of States, two days' notice is necessary. I will read the rule Sir. It says :

"On the day on which the motion for consideration is set down in the list of business which shall, unless the Chairman otherwise

directs, be not less than two days from the receipt of the notice, the member giving notice may move that the Bill be taken into consideration."

"Unless the Chairman otherwise directs". I do not think that the Chairman has directed in this particular case that two days' time need not be given to us. I request that some time should be given to us to consider the Bill that is being moved. I suggest that this can be taken up after item No. 5[^] has been disposed of, as item No. 6 or 7.

MR. DEPUTY CHAIRMAN : It is under the direction of the Chairman that the papers have been circulated.

SHRI RAJAGOPAL NAIDU : I don't think the Chairman has directed that two days' notice need not be given.

SHRI J. R. KAPOOR (Uttar Pradesh): May I know whether the Chairman directed that, when the Bill was being circulated, two days' notice was unnecessary in this case or is it your pleasure just now, Sir, that we might proceed with it ?

MR. DEPUTY CHAIRMAN : It is under the direction of the Chairman that all papers are circulated.

SHRI H. N. KUNZRU (Uttar Pradesh) : Has the Chairman directed that the usual period of notice should be waived ? If he has not, then the House is entitled to 48 hours' notice. There is no reason why in this particular case more time should not be given. What is the reason for passing this Bill in such a hurry ?

SHRI C. D. DESHMUKH : I would suggest that I make my observations now. It is still 15 minutes to one and may be one or two other members also may make their observations. Then if you be good enough to relax the rules in regard to notice of amendments tomorrow, that would serve the purpose. Hon. Members can study the Bill in the meanwhile and maybe they might be assisted by such observations as might be made this morning.

PROF. G. RANGA (Madras) : That is all right.

MR. DEPUTY CHAIRMAN : That will be acceptable. We will relax the rules regarding notice of amendments.

SHRI C. D. DESHMUKH : Sir, we had a storm in a tea cup and although rubber is elastic, we have strained it to its limit. So I think now we are going on to a smooth and well-greased subject.

The object of this Bill is to amend Section 91-B of the Indian Companies Act. Before I explain why it is necessary to amend these salutary provisions which are contained in Section 91-B in order to make it inapplicable in certain specified cases with the approval of Government, I shall in brief mention the essential features of this particular section—Section 91-B. I shall not read it out. Its basic idea is to avoid a position in which the personal interest of a Director may be antagonistic to the best interests of the company on which he is serving in the nature of a trustee. Nevertheless a situation has arisen in view of our recent agreements with the Standard Vacuum Oil Company, the Anglo-Saxon Petroleum Company, Ltd. and the Burmah Oil Company Ltd. in which we find that it would not be in the public interest to apply rigidly the provisions of Section 91-B in the case of these companies and the reason is that the modern oil refineries which are to be set up in India in terms of these agreements necessitate the formation of Indian companies under the Indian Companies Act which would enable Indian investors to subscribe a portion of the capital in the form of cumulative preference shares. It is 25% in one case and it is Rs. 2 crores which can be raised to Rs. 3 crores out of Rs. 20 crores in the other case.

Now an-essential feature of the agreement in either case is that the promoting companies shall have a predominant voice in the management of the companies to be formed in India. It follows that the majority of Directors in the companies to be formed here have, of necessity, to be the nominees of the oil companies. If we apply the provisions of Section 91-B regarding these, the i day to day working of these companies '

will be impeded because in the nature of things the promoting companies may be expected to be entering into contracts with the Indian companies in which the majority of Directors of the Indian companies will be nominees of the oil companies and can therefore be said to be directly interested. I may mention that this matter arose in a general form before the Company Law Committee when they examined the subject and anticipating such a position arising in the future, they have suggest ed a provision to meet the contingent}' and they have proposed that the Central Authority for the administration of the Company Law which they have recommended in another place should be vested with the power to exempt any company from the operation of the Section if the Government informs the Central Authority that such an exemption is in the public interest. Their recommendation is contained towards the end of paragraph 98 of the Report at the top of page 73. I won't read it out because the gist of it is as I have stated. I will however emphasise that their recommendation is to vest this discretion to exercise the power with the Central Authority whereas here in this Bill it is proposed that the power be vested in Government. The reason is that we have to accept this recommendation of the Committee in advance of our implementation of the report. It is a very bulky report and it will take us some time before we examine it thoroughly and then bring it forward in the form of a comprehensive legislation.

I would also draw the attention of the House to the fact that the amendment leaves unaltered the substantive provision of the law which is based on the salutary principle which I have already mentioned and it only vests the Central Government with the power of exemption and this power of exemption is to be exercised only when the public interest justifies such an exemption and for the specific purpose of the establishment or promotion of any ndustry, trade or business. So I think all the safeguards that one could reasonably isk for have been provided in the exer-ise of this power of exemption.

During the debate in the House of the People certain apprehensions were voiced and certain points of view were raised with regard to the limited scope of the Bill and in my reply I endeavoured to answer these criticisms and I would like now to reiterate some of the assurances I gave. I would like to say that there need be no misapprehension as to the application of this piece of legislation in any quarter. Firstly, I would mention that currently negotiations are going on with a third company and that when they are completed—it is for the same purpose viz., for the establishment of a refinery—then we might be in a position, after some interval, to inform both the Houses of the terms of agreements entered into with these companies and then, I have no doubt, that if either House so wishes, they will have the opportunity of discussing any matter connected with these agreements. I would like to say at this stage that we are not withholding the publication of these agreements because there are any political strings attached to them and the House may rest assured that there is nothing in these agreements—there are two of them—which jeopardise the national interests.

Then, in the course of the debate in the House of the People, certain comments were made about the alleged policy of certain foreign companies replacing their highly qualified Indian employees by less qualified but more highly paid foreign staff and about the necessity of the Government intervening to set matters right. Now I pointed out in the House that there is a clause in these agreements which ensures that Indians will be trained and entertained at all levels and I need only repeat what I said in the other House that we are seized of the situation and we shall take care of it.

Then there was a third point. Some hon. Members were rather particular of the control over the proposed Indian companies being retained in foreign hands by their holding the majority of the shares. Now, in this matter too I made it clear that we were guided by practical considerations and those are,

the availability of Indian capital. It would be remembered that the capital that is required for the setting up of refineries is very large, and in view of our current needs of capital for other purposes, I should not be surprised if even this moderate share which is reserved for our nationals is not taken up immediately.

PROF. G. RANGA : How much is it ?

SHRI C. D. DESHMUKH : As I said, in one case it is Rs. 20 crores of which Rs. 2 crores has been set apart which could be raised to Rs.. 3 crores. In the other the capital is of about the same order and 25 per cent, is reserved for our nationals which comes to about Rs>. 6 or 7 crores. In circumstances where capital is difficult to find, I think possibly, practically it does not make much difference whether we reserve 25 per cent, or 50 per cent. ; and if, fortunately, we find that we have during the currency of these agreements expectations of surplus capital in this country—I find it very difficult to contemplate such an occurrence, but it may be that we might get on much better than we expect—well, in that case, we can at least try to persuade these companies to open up the field for further Indian contribution. Till then it would be accepted that especially for specialised business like this the control has necessarily to rest with the foreign companies.

And then, I have noted already r. desire expressed in the Lower House that whenever power will be exercised, powers that are now proposed to be vested are exercised, then the matter should be reported to Parliament in some form or other. I have given an assurance that that would be done and so I reiterate that it is the intention of Government to abide by this assurance.

With these words, I commend the Motion to the Council.

MR. DEPUTY CHAIRMAN J
Motion moved :

That the Bill further to amend the Indian Companies Act, 1913, as passed by the Hous of the People, be taken into consideration!

SHRI H. D. RAJAH (Madras) : Sir, before we proceed further, may I submit that this is a matter which raises very fundamental issues of the policy of the Government of India. We would not like to be hustled over this Motion but would like to study it and understand the implications of the speech that the hon. Finance Minister has made just now, and also to move amendments to the Motion. This is a matter concerning foreign companies and we know the temperament of this House with regard to foreign investments, especially British investments. Therefore I would in all humility suggest that at least a day's time may be given to us before we take up this matter again. Now the Finance Minister has finished his speech and it is already 1 o'clock and we may rise now and let us have time till tomorrow during which to move amendments and then we shall

MR. DEPUTY CHAIRMAN : Time-limit as regards amendments is already fixed as 5 o'clock today, and the debate to continue tomorrow.

PROF. G. RANGA : Kindly extend this time from 5 o'clock today to tomorrow morning, i.e., till the Council commences.

MR. DEPUTY CHAIRMAN : What does the Minister say ?

SHRI C. D. DESHMUKH : I have no objection if it is taken up the day after. I don't know how it fits in with other business of the Council, but I have no wish to hurry it.

MR. DEPUTY CHAIRMAN : Then this motion will be taken up the day after tomorrow.

PROF. G. RANGA : Sir, if it is at all possible, let the hon. Minister be good enough to circulate among the Members a precis or summary of the agreements that he had reached so that we may be in a better position to take part in the discussions.

SHRI C. D. DESHMUKH : Sir, I gave reasons why it is not possible to circulate the agreements. And so far as a precis is concerned, it was already circulated in two Press Communiques which were issued some time ago. But for the convenience of hon. Members I will also have copies made available although I cannot undertake to circulate them to the whole House. I will have copies placed on the Table of the House if that will suit the convenience of hon. Members.

SHRI H. D. RAJAH : Yes, that will be quite sufficient.

SHRI J. R. KAPOOR : Now that the order of business has been changed, will you be pleased to direct that amendments to the other measures coming up for tomorrow may be accepted till five o'clock today ?

MR. DEPUTY CHAIRMAN : No, they have already been notified. Amendments to this Bill will be received till 12 tomorrow and the general debate will take place day after tomorrow.

The Council now stands adjourned till 8.15 a.m. tomorrow

The Council then adjourned till a quarter past eight of the clock on Wednesday, the 23rd July 1952.