

**GOVERNMENT OF INDIA  
CORPORATE AFFAIRS  
LOK SABHA**

UNSTARRED QUESTION NO:4938  
ANSWERED ON:09.12.2010  
DECLARATION OF DIVIDEND  
Alagiri Shri S. ;Singh Rajkumari Ratna

**Will the Minister of CORPORATE AFFAIRS be pleased to state:**

- (a) whether Government has taken note of the general tendency on the part of companies including those in which Government have substantial interest to declare dividends much below the level of earning per share which affects the shareholders interest;
- (b) if so, the details thereof;
- (c) whether the Government proposes to make suitable changes in the company law to address the problems;
- (d) if so, the time by which it is likely to be done; and
- (e) if not, the reasons therefor?

**Answer**

THE MINISTER OF CORPORATE AFFAIRS (SHRI SALMAN KHURSHID)

(a) to (b) As per provisions of the Companies Act, 1956 a company may declare dividend out of profits after providing for depreciation and after transfer of profits to reserves as provided under Companies (Transfer of Profits to Reserves) Rules, 1975. Subject to compliance with such requirements, the dividend is declared by the shareholders of the company in the general meeting on the recommendation of Board of directors of the company.

(c) to (e) The Companies Bill, 2009, which seeks to replace the existing Companies Act, 1956 was introduced in the Lok Sabha in August, 2009 and was referred to Hon'ble Parliamentary Committee on Finance for examination and report. The said Committee submitted its report in the Parliament on 31st August, 2010. The Government is examining the provisions of the Bill keeping in view the various recommendations of the Parliamentary Standing Committee on Finance and suggestions received from the stakeholders.