

sustained by various sugar mills individually. The expenses incurred in exporting sugar are borne by the individual sugar mills. These are all restrictions that are imposed on the sugar mills. I feel that this type of restrictions should be imposed on the individual sugar mills.

There are certain other points in the present Bill which deserve to be objected to. One such provision is the protection given to the agencies. Under clause 12 of the Bill, total protection is given to the agency only and not to the individual sugar mills. These sort of restrictions are going to be wiped out, if this Bill is adopted. Therefore, I support the Bill.

[Translation]

SHRI DEVENDRA PRASAD YADAV : Mr. Chairman, Sir, this Bill is very clear. I was listening the feelings expressed by hon. Member. Whatever doubt are there in the mind of hon. Member, that will prove baseless because till now the export of sugar was done through canalised system from one company to another company. Besides, that, there wasn't any other company. Sugar was being exported under canalised system. If it is decanalised, then everyone be they are co-operative mill owners or other units of sugar production will get an opportunity for a free hand dealing. This will also increase the investment of the company. Good quality sugar will be produced in the country. Today India is known in the world as a sugar exporter country. So far as apprehensions expressed by the Hon. Member about its limitation, I want to tell him that the domestic requirement of sugar will be kept in mind. In our country there is consumption of 130 lakh tonnes of sugar and we shall export only the surplus sugar. We are decanalising that. Through Sugar Export Promotion Bill everybody will get a free hand in making exports. That's why I request the House that this Bill should be passed.

16.00 hrs.

[English]

MR. CHAIRMAN : The question is :

"That the Bill to repeal the Sugar Export Promotion Act, 1958, be taken into consideration."

The motion was adopted.

MR. CHAIRMAN : The House shall now take up clause by clause consideration of the Bill.

MR. CHAIRMAN : The question is :

"That clause 2 stand part of Bill."

The motion was adopted.

Clause 2 was added to the Bill.

MR. CHAIRMAN : The question is :

"That clause 1, the Enacting Formula and the Long Title stand part of the Bill."

The motion was adopted.

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

[Translation]

SHRI DEVENDRA PRASAD YADAV : Mr. Chairman, Sir, I beg to move "That the Bill be passed."

[English]

MR. CHAIRMAN : The question is :

"That the Bill be passed."

The motion was adopted.

16.02 hrs.

COMPANIES (AMENDMENT) BILL*

[English]

MR. CHAIRMAN : Now, item No. 20. The Finance Minister.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : Sir, I had mentioned in my Budget Speech on 22nd July, 1996 that the Companies Act, 1956 needs to be rewritten comprehensively. I have, therefore, already set-up a Working Group to re-draft the Companies Act with persons having knowledge of law, economic and company affairs. I intend to make available the redrafted version of the Companies Act for public debate before coming to the House with a new Bill.

I had also indicated in my Budget Speech that I propose to introduce some urgent amendments to the present Companies Act. Accordingly, I introduce the Companies (Amendment) Bill, 1996 in the Rajya Sabha on 10th September, 1996 and it was referred to the Standing Committee, which has already presented its report on the Bill to both the Houses of Parliament on 26th November, 1996.

The Bill was considered by the Rajya Sabha on 16th December, 1996. Considering the Report of the Standing Committee which recommended for dropping the provision (that is, Clause 6 of the bill) relating to introduction of Non-Voting Shares and the views of the Members expressed during the debate on the Bill in the

* Published in the Gazette of India, Extra-ordinary, Part-II Section 2, dated 19.12.96.

Rajya Sabha mainly suggesting that the concept of Non-Voting Shares may be considered after public debate at the time of the comprehensive revision of the Companies Act, I moved an official amendment in that House proposing the deletion of Clause 6 from the Bill. Rajya Sabha was gracious enough to accept the official amendment and passed the Bill with the deletion of Clause 6. Introduction of Non-Voting Shares is, therefore, no more part of this Bill.

The Bill seeks to carry out some urgent amendments in the Act in the interest of the depositors, employees in the case of winding up of a company and simplification of some procedural and legal requirements in the interest of the corporate sector. The proposed amendments will bring relief to these sections in the following manner :

1. The companies will no longer be required to seek confirmation of the Company Law Board for change in their object clauses in the Memorandum of Association.
2. Companies which are in default of repayment of deposit and interest thereupon, in respect of deposits raised under Section 58A of the Companies Act will be debarred from raising further deposits from the public. Such companies will also be debarred from making inter-corporate investments/loans.
3. Under the proposed amendment to Section 80(5A) the companies would be in a position to issue redeemable preference share for a period not exceeding 20 years as against present limit of ten years. With this amendment, the companies will be in a position to retain capital for longer time for deployment in long gestation projects, particularly in the infrastructure sector.
4. The proposed conferment of voting rights on mutual funds and venture capital funds in respect of share held by them in various companies will provides an opportunity to them to have a say in the working of the companies in order to maximise returns on investments made in these companies by such funds on behalf of small investors.
5. The proposal to enable the Government to notify, from time to time, the ceiling on payment of wages or salary to employees for getting preferential treatment in the event of winding of companies will be to the advantage of the employees, as the Government would be in a position to raise the ceiling periodically keeping in view the increase in the cost of living.
6. To permit companies to file their documents with the Registrar of Companies in computer

floppies/diskettes will provide them a technologically advanced alternative mode of filing the documents and would thereby reduce unnecessary paper work in Government as well as corporate offices.

The Standing Committee has recommended the Bill except for Clause relating to introduction of Non-Voting Shares, which, as I mentioned earlier, has already been deleted from the Bill. The Standing Committee has expressed some reservations about Clause 5 relating to redemption period of preference shares. Somehow an impression was wrongly created that what was being introduced was a mandatory provision under which companies would issue redeemable preference shares for a period of twenty years. After hearing my clarifications, the Members of the Standing Committee are satisfied that what is being introduced is only an enabling provisions and it enables companies to issue redeemable preference shares for a period not exceeding twenty years. The proposed amendment is thus only an enabling provision in the interest of raising long-term capital, particularly, for infrastructure projects which have a long gestation period.

I beg to move :

"That the Bill further to amend the Companies Act, 1956, as passed by Rajya Sabha, be taken into consideration."

MR. CHAIRMAN : Motion moved :

"That the Bill further to amend the Companies Act, 1956, as passed by Rajya Sabha, be taken into consideration."

MR. CHAIRMAN : The time allotted for this Bill is one hour.

THE MINISTER OF PARLIAMENTARY AFFAIRS AND MINISTER OF TOURISM (SHRI SRIKANTA JENA) : Sir, it was agreed that this Bill will be passed without any discussion.

JUSTICE GUMAN MAL LODHA (Pali) : The Bill which has been introduced by the hon. Finance Minister for consideration before this House, as amended by the Rajya Sabha, is not very material. But there are a few lacunae and a few points which I would like to mention should have been taken into consideration by the Finance Minister. At the moment under the name of guise of limited companies, big frauds or rackets are going on in India. Thousands and thousands of finance companies and chit fund companies are being floated overnight without their having any property, assets and having only a board and letterheads. These fraudulent companies are permitted to be floated by the Government. They cheat lakhs of investors mostly of middle income groups who invest thier hard earned money from their Provident Fund and their small savings in such companies.

Sir, it is found next morning that these finance companies disappeared and the poor investors run from pillar to post. The Registrar of Companies and the Government shamelessly take no steps to get the credentials of such finance companies examined with the result that lakhs and lakhs of investors are being defrauded every day. Earlier, there was a provision that there used to be a controller of Joint Stock Companies. He used to scrutinise every application whether the person who wants to formulate and float a Joint Stock Company has got some funds or not, property or not and whether he has got some building, project and real estate or not. But, now, Sir, in the name of liberalisation, in the name of free economy, in the name of globalisation and in the name of leaving people free, a loot is going on and in that loot, the poor people are exploited. I would, therefore, submit that the hon. Finance Minister should not only take interest in the uplift of those who are already rich but make some such provisions by which these fraudulent finance companies and chit fund companies are stopped and rigorous provisions are made for the purpose of screening their credentials, their assets and regulation is done so that investors are not exploited. It is all right that the Rajya Sabha has already excluded the non-voting share rights which were there, we need not have any controversy on that. Other provisions are innocuous, I would not say anything on them. But I would only emphasise that the poor investor's money must be safeguarded. SEBI must be in a position to safeguard it. SEBI has got various dynamic and manifold duties like its duties at the Stock Exchanges, etc. Therefore, some provision like appointing of Controller of Joint Stock Companies for floating new companies after strict scrutiny and for regulating them should be made. If that is made, then lakhs of investors would be saved. I thank, the hon. Finance Minister would take care of the poor also.

SHRI SANAT MEHTA (Surendra Nagar) : Mr. Chairman Sir, I would not have made any speech on this Bill if the situation for the investors in the market was as it was earlier.

We are bringing this Bill for two purposes, as it has been mentioned in the Statement of Objects and Reasons, i.e. to provide protection to the depositors and the employees and to simplify some procedural and legal requirement in the interest of the corporate sector.

Sir, our Finance Minister is a very learned man and when he became the Finance Minister, at least I had hoped that the market will prosper, more deposits will be mobilised and that the industry will grow. But if we look at the situation today, the real issue today is that we want to give protection to our investors. But where are the investors? The real issue is, will these amendments really serve the aims and objects in the present circumstances?

The hon. Finance Minister knows that the **Sensex** had dropped to a three low this year. Even the Indian GDR has slumped to an all time low. So a situation has arisen in the country that through shares and securities we are not able to mobilise money. I have also my fear that this disinvestment which the Government of India wants to do will be an uphill task. I want to know from the Minister of Finance what measures are they taking for reviving the stock market and for reviving the confidence of the investors? Otherwise it would be that, 'when horses have left the stable, we are closing the door of the stable'. The point is, to revive the capital market before it is too late.

Sir, the total number of securities listed in the Bombay Stock Exchange is 5,350. Out of this, the number of below par value shares, when the original value of the share has gone below, is 3,122. These are such securities where the price has gone below the par value, which forms nearly 58.36 per cent. This means that more than half are offered below par value. Sir, see the depressing picture, 35.74 per cent securities are offered at a rate of less than Rs. 5, covering the listed securities, numbering 1912. There are 431 listed securities, almost amounting to eight percent at the BSE, which are listed below Rs. 2; and 78 are such securities where the value is even less than a rupee. It does not cover even the cost of the printing of shares and those shares have become simple papers.

I do not want to criticise the companies because no data is available on the position of the companies.

Sir, what are we to do in this situation? It means that before taking the measures for strengthening the confidence of the investor, the protection of the investor will be of no use. Everybody knows that this is not only happening as far as our securities are concerned but also the same is happening as far as GDR is concerned. Not only that, today's newspaper has given the figures that even the NRIs who were one of our valuable investors and who were helping the liberalisation of the economy have also withdrawn that.

The figures are very alarming. I would quote the figures. We started it in the year 1991-92. In 1994-95, the total number of public issues were 1,343, where a part of the issues was offered to the NRIs and to the OCBs. At that time, out of these 1,343 issues, 410 were offered to the NRIs and the contribution came nearly to 31 per cent. And today, Sir, in the latest report of 1996-97 (April-December), 354 preferential issues were offered to the NRIs and the number of issues subscribed was zero.

Sir, what I want to appeal to the hon. Finance Minister is that this is a very serious situation. I am happy that he has withdrawn the amendment for the non voting shares. If that had come, this would have opened the flood gates and some of the foreign

companies, whom we have permitted up to 50 percent equity, would have brought their foreign money and got into the non voting shares. Now, it is good that he has withdrawn this. Otherwise, the idea was to attract more capital from the market. Sir, this is not possible as far as the Indian investors are concerned because the confidence of investors is no more.

In this situation, let the Bill be passed. I do not oppose the Bill but I want to know from him what concrete measures we are likely to take to revive the capital market before it is too late. If we fail in that, perhaps we will have to face a very serious situation for mobilising capital for industrialisation, mobilising capital for infrastructure sectors.

Sir, you know that he has increased the limit of the years for redeemable debentures only with a view to attract more money in the areas where the return is low and the gestation period is long. He wanted that amendment. In such a situation of the capital market where the NRIs have become sky and our own investors are running away from the market, I am failing to understand what benefit these amendments are going to bring as far as the mobilisation of more capital is concerned. I heartily appeal to my hon. Finance Minister that immediate measures may be taken to strengthen the sentiments of the capital market. Otherwise, we will have to face very severe difficulties during the new Budget, which is likely to be presented.

I only wanted to bring this aspect to the attention of the hon. Finance Minister. With these words, I conclude.

SHRI P. CHIDAMBARAM : Sir, I am grateful to both Justice Lodha and Shri Sanat Mehta for raising the issues which are very vital and material although I must say, with great respect, that they do not arise from the Bill under consideration. But, having regard to the high esteem in which I hold both of them, I shall take a couple of minutes to answer the main points raised by them.

I assume, Sir, that there is a broad and general support for this Bill and, therefore, I should not say anymore on the Bill.

Mr. Lodha pointed out that a large number of mushroom organisations were cheating the people and they have vanished with the moneys of the public.

Mr. Guman Mal Lodha will concede to me that there is nothing which our Government did or did not do which caused such a situation. There are different kinds of finance companies. One is non-banking financial corporations. Non-banking financial corporations are companies registered under the Companies Act and are controlled by the provisions of the Reserve Bank of India Act as well as the directions issued by the Reserve Bank to regulate the functioning of non-banking financial companies.

Then there are *nidhis* or mutual funds. These are companies which are notified as *nidhis* under Section 620 A of the Companies Act. These were not earlier governed by any elaborate regulations but on 4-10-1995, regulations were issued. These *nidhis* are governed by regulations. After I took over, after this Government took over, further restrictions have been placed. We have placed restrictions on these *nidhis* also, particularly, restrictions regarding the interest rate that they can offer and we have banned them from advertisement.

Then there is a third group of organizations. This is what you have in mind. They are misconstrued for non-banking financial corporations and mutual benefits societies. These are unincorporated bodies. What is Kerala are called 'blade' companies. These are unincorporated bodies. They are only governed by Chapter III C 3 (c) of the Reserve Bank of India Act. The only restriction upon them was that they shall not accept deposits from a certain number which is a multiple of the number of partners or associates they may have. Nevertheless, towards the end of last year, Reserve Bank issued a public advertisement cautioning people from putting their money in such organization and bodies.

After I took over, after this Government took over, we have gone into the matter in a great detail. Restrictions were placed on every kind of financial institution and we are now ready with the law which will cure substantially the malady that we have witnessed in the last one year. I have already announced it. I do not recall whether it was in this House or not. But I have announced it is the Rajya Sabha that if legislative time is granted to me, the Bill will be introduced in this House. But if legislative time is not made available because of pressing work, I will do so by an Ordinance. Therefore, it is at an advanced stage. An Ordinance will be made, if we cannot introduce the Bill before tomorrow. So I assure Shri Lodha that I am fully seized of the matter.

When the law is passed, he will be more than satisfied that I have addressed the matter which I have agitated for the last one year.

As regards Shri Sanat Mehta's points, they are valid points. Again, let me say that the Sensex reached an all time low of 2820 in January this year when I was not in office. This Government was not in office. On the 16th of June, the Sensex touched a new high of 4004 when we had not done anything, when we had not even announced the Budget. Why did the Sensex touch 2820 when the Congress Party was having full authority and everything looked good and growth was about six-and-a-half per cent? Why did the Sensex touch 4004 when this Government had not even announced the Budget? These are matters on which there are no definitive answers. All I can say is that the market is influenced

by sentiments. The market discounts a number of political factors. I need hardly say what these political factors are.

When investors open the newspapers and read bad news, they discount bad news. When they read good news, they put a premium on good news. I am not generating bad news. You know how bad news is generated and who generates bad news. All I am saying is I am fully with you that the market must show buoyancy. We must restore the confidence of the investor in the market. Shri Mehta pointed out to the thousands and hundreds of issues which came in the years 1994-95 and 1995-96. It is because of those issues. They were not fly-by-night operators. But those are poor quality issues and those poor quality issues came to the market and after they were listed, the investor found that he was not getting a return. Therefore, the investor is shying away from the market. I have repeatedly said that I must lure the small investors back to the market.

In reply to the debate on my Budget, I announced a set of measures. Then again, about eight weeks ago, SEBI announced a set of measures. The market, I believe, is now discounting political factors. If political factors are not there, I think the market will look up. In fact, if you look at the last four days, on 13th of December, the market went up by one point, on Monday, the 16th December, it went up by 78 points, on Tuesday, the 17th December, it went up by 25 points and on Wednesday, the 18th December, it went up by 17 points. And today, since Shri Sanat Mehta has made a powerful intervention - and once I have joined him - I sincerely hope that the market will go up today also. But I am doing my best to ensure that the small investor returns to the market. All that we are doing in this Bill is to restore the investor's confidence. We are now plugging the loopholes which are there in the Companies Act. This cannot wait for the comprehensive Bill. Comprehensive Bill, I promise you, will be made available for public debate in January. We must have six months of public debate throughout the country and then the Bill will be introduced formally in this House in the Monsoon Session of Parliament. The work is going on round-the-clock. Therefore, please cooperate with me. I will bring a comprehensive Bill and I will throw it open to a public debate in the month of January, 1997...*(Interruptions)*

SHRI SANAT MEHTA : What about the NRIs?

SHRI P. CHIDAMBARAM : Sir, it is wrong to assume that the NRIs are not investing in India. In the current financial year, the amount of the NRI flow has already touched \$ 2.2 billion. The NRIs may not be investing in shares but they are investing in other instruments. Take, for example, the private sector.

SHRI SANAT MEHTA : They were investing earlier.

SHRI P. CHIDAMBARAM : They were investing but these were poor quality shares which came into the market in 1994-95 and 1995-96.

Sir, we have done a complete analysis of this. Many of shares were of poor quality. Today, when a good quality paper comes - I am not accusing them of being fly-by-night, but the quality of paper was poor - when the IDBI comes out with the paper, it is fully subscribed, when the ICICI comes out with the paper, it is fully subscribed, the Bank of Baroda issues has been fully subscribed, the Dena Bank's issue has been fully subscribed...*(Interruptions)* Sir, I do not think that we should get into a debate on stock market on the Companies Bill. I accept what the hon. Member says and I am responding to that.

Today, if a good quality paper comes in the market, I have no doubt that the investor will pick up the paper. But if a poor quality paper comes, the investor is not sure about the credentials of the issuer. So, he is staying away from the market. At the same time, the private sector, through private placement, has raised almost Rs. 17,000 crore this year. Through private placement, they have been able to raise money. It is not that the investor is not willing to put his money. He is willing to put his money in good instruments, whether they are shares or securities. What we must do is to ensure that only good quality paper comes into the market. Like bad money drives out good money, it is the bad quality paper which frightens the investor and he shies away even from good quality paper. Anyway, I agree with what the hon. Member says. We must do more to restore the confidence of the market and I will do my best to take whatever steps are necessary to be taken to restore the confidence of the market...*(Interruptions)*

AN HON. MEMBER : Political developments are beyond your control.

SHRI P. CHIDAMBARAM : They are beyond my control. What is that I can do, tell me. If a Party undergoes convulsions, can I deal with that? I cannot deal with that. If a Party is divided, can I deal with that? I cannot deal with that...*(Interruptions)*

SHRI SANAT MEHTA : You seem to be expressing satisfaction at the things which are not realities. There are a lot of economic journals and they say that FII also has remained away from India.

SHRI P. CHIDAMBARAM : Sir, again it is not a correct statement.. Just read the analysis published by the *Economic Times* yesterday. Just read the editorials on FIIs today. Please read the *Economic Times* analysis. They have done a regression analysis. We can have different conclusions but we ought not to say that only my conclusion is correct. I am only putting forward a

point of view. My learned friends says that FLIs are deserting the market. That is not correct. FII investment in India has already crossed cumulatively \$ seven billion. This year alone.. FII's are net purchasers for \$ two billion. Please read the regression analysis in yesterday's *Economic Times*. If you see the graph which was published yesterday, with regard to gross purchases, gross sales and net purchases and the regression analysis with the stock index, you will come to the conclusion that the FII's have done nothing which can be said to be frightening the market. Read the first editorial in today's *Economic Times*. We can have different points of view and we can reach different conclusions.

We have done nothing in this Government which is anti-investor or anti-corporate sector. In fact, every step that we are taking is to restore confidence. I agree with you I must do more. I am willing to take suggestions from you. I am willing to listen to you. I am willing to talk to everybody. But we must do everything possible to restore confidence in the capital market. This Bill will help restore confidence of the investor. I humbly appeal to the hon. Members to kindly pass this Bill.

Thank you. I thank Shri Lodha and Shri Sanat Mehta for participating in the debate.

SHRI SOMNATH CHATTERJEE : I would request that you expedite the decisions.

SHRI P. CHIDAMBARAM : Yes.

SHRI SANAT MEHTA : Sir, this is my difficulty. I should have been given more time.

MR. CHAIRMAN : You were given seven minutes.

The question is :

"That the Bill further to amend the Companies Act, 1956, as passed by Rajya Sabha, be taken into consideration."

The motion was adopted.

MR. CHAIRMAN : The House will now take up clause-by-clause consideration of the Bill.

The question is :

"That clauses 2 to 10 stand part of the Bill."

The motion was adopted.

Clauses 2 to 10 were added to the Bill.

MR. CHAIRMAN : The question is :

"That clause 1, the enacting Formula and and the Long Title stand Part of the Bill."

The motion was adopted.

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

SHRI P. CHIDAMBARAM : Sir, I beg to move :

"That the Bill be passed".

MR. CHAIRMAN : The question is :

"That the Bill be passed".

The motion was adopted.

16.33 hrs.

MAHATMA GANDHI ANTARRASHTRIYA HINDI VISHWAVIDYALAY BILL*

[English]

THE MINISTER OF HUMAN RESOURCE DEVELOPMENT (SHRI S.R. BOMMAI) : Sir, I beg to move. ...*(Interruptions)*

[Translation]

SHRI SHATRUGHAN PRASAD SINGH (Balia) (Bihar) : Mr. Chairman, Sir, I object to presentation of Hindi Vishwavidyalay Bill in English.

SHRI SHIVRAJ SINGH (Vidisha) : Mr. Chairman, Sir, this should be presented in Hindi.

[English]

MR. CHAIRMAN : There is no point of order in that. Please do not disturb. Let the hon. Minister speak.

[Translation]

SHRI SHIVRAJ SINGH : This should be presented in Hindi language. Hon. Minister speak in Hindi, please.

MR. CHAIRMAN : While replying to debate on the Bill he will speak in Hindi.

SHRI SHIVRAJ SINGH : Hon. Minister knows Hindi very well. He can speak in Hindi. Please understand my feelings. That's why I say that if you could table this Bill in Hindi then it would be far better.

SHRI S.R. BOMMAI : Please, let me move the Bill. I assure you that I will reply to debate in Hindi.

Sir, I beg to move :

"That the Bill to establish and incorporate a teaching university for the promotion and development of Hindi language and literature, through teaching and research, with a view to enabling Hindi to achieve greater functional efficiency and recognition as a major international language and to

* Published in the Gazette of India, Extraordinary Part-II, Section 2, dated 19.12.96.