

[Mr. Deputy-Speaker]

in respect of the Heads of demands entered in the second column thereof against Demands Nos 64 and 65 relating to the Ministry of Law and Justice".

The motion was adopted

15 12 hrs.

DEPARTMENT OF COMPANY AFFAIRS

MR DEPUTY SPEAKER The House will now take up discussion and voting on Demand No 91 relating to the Department of Company Affairs for which two hours have been allotted Shri Jyotirmoy Basu has tabled a cut motion for the Demands on Grants If he is present in the House I would like to know whether he desires to move his cut motion. He is not here and so it is not moved

DEMAND No 91 DEPARTMENT OF
COMPANY AFFAIRS

MR DEPUTY-SPEAKER Motion moved

"That a sum not exceeding Rs 1,02,99,000 be granted to the President to complete the sum necessary to defray the charges which will come in course of payment during the year ending the 31st day of March, 1973, in respect of Department of 'Company Affairs' "

SHRI G VISWANATHAN (Wandiwash): Mr. Deputy-Speaker, this Department of Company Affairs is supposed to be there to curb the monopolists in this country and also to act as a watch-dog in the affairs of the companies I want to deal mainly with the aspect of monopoly houses in this country and so far this Ministry has tried or achieved in curbing the monopolists in this country

15 14 hrs

[SHRI K N TIWARY in the Chair]

When the definition of monopoly houses was considered, the Monopolies Enquiry Commission put it at the total assets exceeding Rs 35 crores in 1964 and the same figure, I am told, is continuing still nowadays when taking into account whether it comes under large industrial houses or not This year, the Estimates Committee of which you are the Chairman, Sir considered this aspect and it has suggested that it should not be a static figure and again the Government has to keep the list under constant review and it should not be left to those houses to come and prove that they do not come under the monopoly houses

Let us see how these monopoly houses have fared in this so-called socialistic Government. The big 75 houses had total assets in 1963-64 of nearly 2,600 Crores and it increased to Rs 4,032 Crores in 1967-68 Let us come to 1969 In 1969 about 268 licences were issued to the same 75 big houses. Government might say that this was not the same Congress Party, it was controlled by old Congress and reactionaries Let us come to 1971 There was no hindrance, no hurdle, when the Party came under the effective control of Mrs Indira Gandhi. In 1971 out of the 159 licences issued in total, 114 had been given to the big monopoly houses, mainly Birlas, Thapars, Sri Ram, Sahu Jain, Tatas, etc I want to know from the Minister why should they have this double talk Why should you play this hoax on the people? You say that you want to curb monopolies And that is why you are having a Ministry, a Commission and many other things, and you do not have the same restrictions which were there before the division of the Congress Party. Mr. Nijalingappa is no more there; he is not a hurdle; Mr. Kamaraj is not there; Mr. Sanjoeva Reddy is not there; Mr. S K. Patil is not there Why do you then issue the same licences again to the people whom you call mono-

polists in this country? Even in 1972, the same is the position. After the massive mandate in 1972, 18 applications for expansion by bigger units were considered; the task force of the Ministry of Industrial Development disposed of 13 applications from larger industrial houses and foreign majority firms to increase their output by 200 to 300 per cent and liberalised the licensing policy in respect of 54 key industries. I want to know from the Government why should they have these tall talks and high-sounding slogans before and during elections, and once the elections are over how Government surrender at the feet of industrial magnates. You cringe and crawl before the industrial magnates and Birla houses and give licences to them. Is this not a fact? The Minister must clarify this.

When late Pandit Jawaharlal Nehru was there, he used to say that the tax-evaders would be meted out exemplary punishments and black-marketeters would be hung to the nearest lamp post. I want to know from the Minister how many industrial big houses were prosecuted for defiance of many rules for which this Ministry is responsible. Particularly, Sir, I want to know from the Minister regarding production in excess of licensed capacity, how many companies have been prosecuted. According to my statistics, during 1971 there were about 600 industrial houses which were producing in excess of the licensed capacity. For example, the Universal Electric Co., Ltd., Calcutta, produced 541.59 per cent more than the licensed capacity.

Larson and Tubro, Bombay, produced 966.05 per cent in excess of licensed capacity. What actions have been taken against them, how many companies have been prosecuted and what punishments have been meted out to them, I want to know from the Minister.

Again, diversion of funds from companies and industries is a perennial feature

in this country. This is going on for years together. I want to know from Shri Raghunatha Reddy, who is known for his progressive views, whether he is in a position to control these houses, to prosecute them. Or, he must tell this House frankly that he is not in a position to do this.

Again, inter-locking of capital has been pointed out very often in this House, but nothing has come out from the Government.

Very recently, Sir—you may know; you must have taken evidence in the Estimates Committee when a particular question was put to the Secretary of the Industrial Development Ministry whether licences can be given to the same monopoly houses, the Secretary in the Ministry of Industrial Development replied :—

“It is a question of political policy because we attach greater weight to growth of industries and greater employment irrespective of who is actually carrying out the growth or the type of persons who are engaged in that kind of activity.”

It means, still the Government is vacillating on this point, namely, curbing the monopoly houses; they have not taken a firm decision whether licences should be or should not be given to monopoly houses. I want a categorical answer from the Minister whether they are going to take a decision at least now that licences, further, will not be given to monopoly houses. Or, let them declare before the country that they are not for curbing the monopolies and that they will allow the industrial magnates and big houses to grow more and more at the cost of public interest.

Finally, I want to point out that when our foreign exchange position is in the red and we have more than Rs. 10,000 crores as foreign debts, all these foreign-owned companies are still expanding

[Shri G. Viswanathan]

and only this morning, during the discussion on the Petroleum Ministry's Demands it was pointed out that more licences have been given and their expansion programme is being liberalised. What action is this Ministry going to take which will be indicated to other Ministries so that these monopolies will be curbed in this country.

SHRI JAGANNATH RAO (Chatrapur) : While supporting the Demands of the Ministry, I would like to make a few observations.

The Annual Report of the Department did not enthuse me at all. It is a very short report, a brief report indeed, but the achievements of the Department seem to be nil. This Department is in charge of . . .

SHRI PILOO MODY (Godhra) : Then why do you support their Demands ?

SHRI JAGANNATH RAO : Last year also we supported them, this year also we will support them.

This Department is in charge of the administration of the Company Law, the MRTP Act, the Chartered Accountants Act and the Cost and Works Accountants Act. What has been done in the matter of administration of the Company Law ? The managing agency system was abolished say, some five years ago. So far it is good. But the same industrialists, the same large houses come up under various guises and they control these undertakings. They come now on salary basis as consultants, advisers sole-selling agents and so on.

SHRI PILOO MODY : It is not their fault.

SHRI JAGANNATH RAO : They come on high salaries irrespective the

profits the company makes. Therefore, the control of these larger houses is still there. The Minister is promising in the House and outside the House also that an amendment to the Company Law would be brought. Two years have passed. This Department has been made an independent one and nothing seems to come out. If the amendment is to come, it should be with retrospective effect from the date of the abolition of the Managing Agency system.

Then, these larger houses also acquire interests in the small companies. But, nothing has been done by this Department to prevent this practice. Here also, an amendment was promised by the Minister. I do not know when it is likely to come up.

These private companies are also receiving large deposits at high rates of interest. The restrictions of the Reserve Bank of India are not these, the result being that these companies are utilising large sums and large surpluses in the country which would have otherwise gone for economic development.

Fourthly, the audit of these houses has been concentrated in a few number of audit firms. They monopolies the whole thing. The report says that the appointment is being done on the advice of the Controller & Auditor General and he determines which audit firm should audit a particular company. This is not a satisfactory state of affairs. Young auditors are helpless. They are not getting business. Here also, the Minister promised a legislation, and I have yet to see the day when this proposed amending legislation comes up.

Then comes the administration of the MRTP Act. As the first speaker said, the idea of the MRTP Act is to curb monopolies and concentration of power and wealth. It was passed in 1969. So far nothing has been done. Licences are being issued

either as expansion or as fresh licences for larger houses mainly for the reason that we want more production. While more production is necessary, it is also necessary to have equitable distribution. Otherwise there will be no social justice. We want both economic growth and social justice. Unless there is equitable Distribution, more production alone will not help. One of the main reasons why this Department is not able to exercise an effective check or control over the larger houses is this. This is due to the definition of the term 'dominant undertaking' in Section 2. You will find the definition 'any house having control over not less than one-third of the goods produced.' What do you mean by 'goods'? It is very liberal in definition, unless you specify the particular kind of goods. For example, in case of motor spares, what is it? There are many things, springs gaskets, shock absorbers. Unless you do that how can you know whether a particular house is a dominant undertaking or not in respect of that particular item? There are 12 kinds of vitamins, vitamin A, vitamin C, Vitamin, B-12 and all that. Unless you define it properly how can you know whether it is a dominant undertaking in respect of this particular item? So, this Department has not taken care to re-define or to specify it in more clear terms, as to what the term 'goods' should mean, so that they can have better control and better check.

The prices of manufacture are fixed, cost plus 15 per cent. But what about the price that distributor charges? That is not fixed. The result is this. The consumer is required to pay exorbitant prices. This aspect has to be looked into by the department.

In Part A of the MRTP Act, action is taken to check monopolies and trade practices, in Part B. The report says 3,000 odd names were filed and 7,050 were registered. It is like registering a case in the court. In case a plaint is

filed in the court it is registered and continuous number is given. That is all. Have you disposed of any cases? Have you found out exactly in what way these manufacturers have been working? That is what is required. Section 37 gives you the power to examine and investigate into the scheme and come to decision. If it is restrictive trade practice, they should ask the firm to divest itself of such activities and take action accordingly. I would like to know whether they have got any such instances in their report. No. Another thing which is more important is this. Section 27 of the MRTP Act authorises the Government to divide the large houses. I will read Section 27. It says:

Notwithstanding anything contained in this Act or in any other law for the time being in force, the Central Government may, if it is of opinion that the working of an undertaking to which Part A of this Chapter applies, is prejudicial to the public interest, or has led, or is leading or is likely to lead, to the adoption of any monopolistic or restrictive trade practices, refer the matter to the Commission for an inquiry as to whether it is expedient in the public interest to make an order (a) for the division of any trade of the undertaking by the sale of any part of the undertaking or assets thereof, or (b) for the division of any undertaking or inter-connected undertakings into such number of undertakings as the circumstances of the case may justify.

In this case it is the Department of *Company Affairs* which is what is meant by the term 'Central Government'. Has this department taken initiative in asking the Monopolies Commission to enquire into the matter? What action has been taken in cases where the financial institutions have lent large sums of money? My information is this. I have made a study of this. Some of the private

[Shri Jagannath Rao]

companies finances to the extent of 40 per cent to 60 per cent are brought from the Government financial institutions. This money goes into the private companies and they are allowed huge profits. If the Government wants the joint sector, as the Prime Minister stated about this while addressing the FJCCI, the Government should have control not only in respect of majority shareholding but the management of the company also. Only then can you have control of the economy. Public sector can lead to commanding heights only when this sort of control is there over these private companies. The private companies are getting into monsters, please excuse me for saying this. The public sector is not able to get a control of the commanding heights of the economy. Because the economy is controlled by the black sector and the public sector, the latter is not able to march forward, and is not able to expand in a big way. Not one section of the MRTP Act has been applied, therefore, what is it that the Department in its two years of independent existence can claim. I know the Minister in charge has radical views. His speeches are radical. I want him to act in a radical manner, and show that he is a radical person.

SHRI K. BALADHANDAYUTHAM
(Coimbatore) The independent existence of the Department of company Affairs can be justified only if it is able to deal with the problem of monopoly houses dealt with already by previous speakers. Going through the report of the Department, the first problem to be tackled is the growth of fictitious capital. Many people are defrauded on this score and when you come to the performance of the Department with regard to inspection, it says:

"It has, however, not been possible to undertake inspection of all companies so far ordered."

I do not think there are more than 253—
"to be inspected due to inadequate strength of inspecting staff"

Are they going to strengthen the staff or are they thinking of dealing with this in other ways, if they cannot do the inspection ordered by themselves due to paucity of staff, it does not speak very well of the department, which has been created.

Coming to the question, of audit, there has been an allegation, admitted in the report, that there is concentration of audit in the hands, of a few firms of chartered accountants. They say they are having a comprehensive study of this question. I do not think any monopoly can be dealt with by mere studies or attempts at regulation or control. The only solution is nationalisation of audit. Government must take it over entirely and not leave it to a handful of companies controlling the whole audit activity.

On the question of monopoly, there was a Commission appointed called the Sarker Commission to go into the question of the Birla firms. I do not know what has happened to it, at what stage its work is, whether its report will be submitted to this Department or to the Ministry of Industrial Development.

While dealing with monopolies, there is also the question of the investigation ordered into the PTI. We do not know what has happened to that. With regard to diffusion of ownership, I suppose one aspect of the question has been referred to the Company Affairs Department for investigation and report. What has happened to all these inquiries? Has the Department been able to deal with this question: industrial monopoly, press monopoly etc. Is it equal to the task? There is also the question of monopolies getting themselves involved in many transactions not only involving foreign exchange but also involving so many underhand dealings with other foreign firms. For example, in

Amritsar, there is the OCM. They are selling the firm out to the Birlas. The Punjab Government had requested the Centre that they may be allowed to buy the shares of the OCM. Though it may not concern this Ministry and it may be a question of policy, still the Company Affairs Department can advise on these transactions because it involves not only foreigners and foreign exchange but also development of further monopolies. Similarly, Lord Cato is selling out 35 per cent of the shares in Andrew Yule & Co to Mr. Podar. These transactions must surely be in the knowledge of the company Affairs Department and they must be examining it more closely to see that development of monopoly is not there and the country is not cheated of its foreign exchange.

So, I had asked the question whether they have assessed the results of the Monopolies and Restrictive Trade Practices Act, 1969. This Act seeks to provide that the operation of the economic system does not result in concentration of economic power to the common detriment, and it also provides for the control of monopolies and for the prohibition of monopolies and restrictive trade practices. I would like to know from the hon. Minister the assessment of the implementation of this Act in terms of the objectives, not merely how many companies have been registered, how many have been advised or how many have been refused. The point is whether the objective of the Act has been achieved, and if not, I would like to know how they are going to do it and whether they are going to take the extra powers required for this purpose. The report of the Ministry talks about amendment of the Act and making some improvements. But I would like to know whether by an amendment of this Act, a gigantic task of this magnitude; namely of dealing with monopolies could be grappled with.

SHRI S. N. MISRA (Kannauj) : I completely agree with my hon. friend Shri Jagannatha Rao in what he said by way of

complaint about the activities of the Company Affairs Department. Still, I support the Demands for Grants. At the same time, I would like to bring to the notice of the hon. Minister that improvements have to be made. After all, experience is necessary in every direction. My learned friend opposite has just pointed out that whatever may be done, there should be gagging of production, and every possible step should be taken for the gagging of production. I completely disagree. Now, we have got a massive mandate. What we need is more production. It is not enough to have distribution of a small production. But we must be able to meet the needs of everyone in the country. The first necessity of our country, therefore, is to produce more. If we are able to produce more, we shall be able to distribute also more.

SHRI G. VISWANATHAN : Is it the New Congress's theory or the old Congress's theory?

SHRI K. P. UNNIKRISHNAN : We do not agree with this.

SHRI G. VISWANATHAN : It is the same old Congress. It is again the motley crowd. It has no commitment.

SHRI S. N. MISRA : Let the hon. Member hear what I am saying . . .

SHRI G. VISWANATHAN : His own party is disowning him.

SHRI S. N. MISRA : My party is not disowning me at all.

SHRI PILOO MODY : That is because he does not see his comrades sitting behind his back.

MR. CHAIRMAN : The hon. Member may address the Chair. Other hon. Members need not interrupt him. The hon. Minister will reply to his points

SHRI S. N. MISRA : I am only objecting to my hon. friend saying that

[Shri S. N. Misra]

they have been allowed to produce in excess. And he says that that should not have been allowed. My personal views are that for the present what we require is that there should be excess of production. There should be absolutely no . . .

SHRI G. VISWANATHAN : Should they get licence again to produce more.

SHRI S. N. MISRA : I am putting forward my party's point of view.

SHRI G. VISWANATHAN : He is not speaking on a private Member's resolution now.

SHRI S. N. MISRA : The Company Affairs Department must be able to take more active interest in the affairs. If a particular company has got the capacity to produce and is in a position to produce more, it should be given licence to produce more, not for the purpose of gagging production under the Monopolies and Restrictive Trade Practices Act. We must have more production, and if we have more production, then distribution would be possible in a better manner, and the country's prosperity will go up.

I am sorry to mention that we have got a Commission—M RTP. Unfortunately, we have got a three-Member Commission. One of them happens to be a judge who is the Chairman and he is getting the salary of a Judge. Even over and above that he is getting an allowance of Rs. 20/- per day. I have not been able to find out in any other place where over and above the salary, he may be entitled to get Rs. 20/- per day which comes without payment of any tax to Rs. 600/-. That means that the further Rs. 2,000 that is being paid to him is not assessable to tax.

I am aware of the fact that the timings of the Commission are from 10.30 A.M. to 1 O' Clock. They are not working the whole day or whole week. Saturday is now declared a holiday. They do not

work on Saturdays or on Sundays. They are not Parliament and they are not High Court. They are only a Commission endowed with particular powers. In spite of all that they are in arrears. The cases are in arrears. The disposal is delayed. Delay in disposal means, we are not in a position to produce more even in respect of those companies for which the licence have been granted. Is it possible that the disposal can be made by the Commission by sitting only half the day? The result has been that we have been carrying on arrears. The arrears are there. It is necessary that the Company Affairs should take notice of it and the Commission should be directed to take immediate steps and immediate decisions on the matters that have been referred to.

Now, as far as the Company Affairs are concerned, I am sorry to say that the Company Affairs Ministry has taken upon itself dealing with the Management, dealing with the appointment of Directors, dealing with the sanctioning of the appointment of General Managers and other workers; other officers of the Company, but such an undue delay takes place. In some of the cases, even in one year the matter has not been disposed of. It is a necessary evil. If we have taken over to manage these affairs, it is also necessary that we should be able to devote more time, more attention and more control in respect of those matters which we have taken over.

I would, therefore, expect that the Ministry of Company Affairs will look into these matters and take early decisions on all those matters that have been referred to it. That is all. With this I support the Demand.

MR. CHAIRMAN : Mr. Piloo Mody.

SHRI PILOO MODY : There is no quorum in the House.

MR. CHAIRMAN : The Bell is being rung. Now, there is quorum. Mr. Piloo Mody may begin.

SHRI PILOO MODY (Godhra):

Mr. Chairman, Sir, now that the Members of the House are taking their duties a little more seriously, I feel that I should also perform my duty and talk about a subject which might educate the House, because, so far, I have been hearing nothing but a bunch of jargon that has been repeated over and over again by people who do not understand what they are talking about.

Sir, if I am not supporting these grants, it is not because the Minister in charge has not done his duty. I think that he has performed an excellent job, done good work, because for month and months, not, a single licence was issued to anybody, and for months and months, millions of tonnes of goods were not produced in this country, because the Minister would not just approve of any scheme. The loss to the country in terms of production is something that this Ministry, the members of his Ministry and officers of the Secretariat should all be asked to make good to the nation.

As far as his own performance is concerned, he has done an excellent job. He was put there for the specific purpose of stopping everybody from producing in this country. And he was going a very good job till the Prime Minister got panicky. Then she sent for him and gave him a raspberry, saying that whatever else you do, the fact of the matter is that the country has to produce. Otherwise, how can the *garibis* be *hotaed*. And it is in panic or rather in greed that 57 licences were issued almost overnight to all the large houses, and from every single one of them, a substantial amount of money was illegally acquired by his party for the purpose of fighting elections.

I do not see why Member after Member is getting up and accusing this poor Minister for having done his duty for which he was really put there, because, otherwise, I do not think that he has any qualification

to preside over the Department of Company Affairs. There may be other Ministries which he may be competent enough to preside over, but certainly not the Department of Company Affairs.

We have just now heard a little skirmish over here to my left. One speaker was concerned about the production in this country and immediately a whole host of them got up and started saying "We do not want production; we want power." Sir, I do not think that this party, this Government, these people, are at all interested in production. They think that manna comes from Heaven and that this manna that comes from Heaven will be put in their charge for distributing to all their followers and fellow travellers. It does not happen that way. If anybody has lived as long as you, Sir, in this country, he should know that you do not get anything for nothing and that you have got to work for it and working for it means production. If you take all the production in this country and all the wealth in this country and distribute it, you would not get anything at all, let alone the fellow in the street, the farmer, the landless labourer, the worker and the lowest echelons on the economic rung all of whom will get nothing at all.

Some Congressmen may fill their pockets, but nobody is getting anything out of the nationalisation of wealth and the nationalisation of property and the imposition of a ceiling and all the mess that they have made in the country. The fact of the matter is that the nation will have to gear up to produce, but it cannot do so in this fashion irrespective of the mandate that they got. The fact of the matter is that the country will not progress, economic reality will have to be faced, and it will be only then that you will be able to bring about production.

The argument of my comrade to my left is production is important but then it must all be done under social control, which

[Shri Piloo Mody]

means their control. I do not know how these two have been equated. Social control means their control! If the commanding heights of the economy have to be captured, it means that they have to capture them.

It is a great tragedy; the sad part of it all is that when they try to produce, they do not produce. As producers they are somewhat impotent. The fact of the matter is that they take over the productive units and make them non-productive. Why does it happen? It happens for two reasons : (a) They are very greedy. They want to plunder everything they have taken over. (b) They do not have the expertise and knowledge to produce. After all, not everybody can produce. This is the sad fact of life, which even our friends over here will have to accept, whether they like it or not. There are some who can produce and some who cannot. You have a collection of all the non-producing members of our society assembled over here. They are now passing judgment on production. It is very sad and the result of it is that this whole country has to go on getting worse and worse from day to day. When they find their GNP does not match up and their national income does not go up, they have now invented a new theory, by the kind courtesy of a Pakistani economist, which says that GNPs are not important; this is not the method by which one must judge the performance of the economy. If the economy is to be judged at all, it should be judged in terms of what they have produced in the sectors they have commanded!

The story of what they have produced is so dismal—look at your public sector; look at your private sector—because of the havoc you are playing through controls which this department exercises.

You talk about monopolies. But the most insidious monopoly of all is the monopoly of State, which has no sanctions on it and no economic laws functioning on

it. Take what happened at Bokaro. It will not finally produce steel, but it will produce gold. They find that in spite of the fact that they have pumped in all the money they possibly can, it cannot even pay the interest on its loans. So, now they have come before Parliament saying, there should be a moratorium on the payment of interest, whereas what they should do is to give more loan so that it can pay the interest. This way you cannot juggle figures for ever. You have to face up to the reality. You have a Monopoly Commission which does not even understand the basic dictionary meaning of the word "Monopoly". Monopolies are bad. If they are bad in Tata's hands or Birla's hands, they are much worse in your hands. Monopolies are bad because no market forces operate on monopolies. No economic laws operate on monopolies, with the result that ultimately the consumer has to pay higher prices for the product. If there is any social justice to be brought about in this country, it can only be done if we aim our economy at what is known as the consumers' benefit, because after all, what is the consumer? It is the common man. The only scientific definition of the common man is consumer. Till they look upon the consumer as king, whose wishes and needs should be the subject on which the policies of this Government should be framed, I do not see any hope for this country. Why one company department? Let them create five company departments; it will just mean that much less production. Therefore, Sir, you would be doing me a great favour if you recommend to the Prime Minister and to the members of this House not to pass these demands and to abolish this department altogether.

SHRI AMRIT NAHATA (Barmer) :
Sir, I thought I was transported a century and a half back when I was listening to Mr. Piloo Mody. The economic theories that he flaunted about are as out-dated and obsolete as he himself is. He talked of the sovereignty of the consumer. He says, the common man means the con-

samer Does he know that 75 per cent of India's population does not consume anything and does not buy anything at all? So, according to Mr Mody's theory 75 per cent of India's population does not constitute the common man or human being

SHRI PILOO MODY Every single man, women and child is a consumer. Even animals and insects are consumers. But the hon. Member says that 77 per cent of human beings are not consumers

SHRI AMRIT NAHATA I was pained to listen to one of our own colleagues, with whom Shri Piloo Mody was in complete agreement, that production is supreme. Production of what? Production of air-conditioners, refrigerators, pressure cookers and cosmetics? The private sector whose mouth piece Shri Piloo Mody is, what is its condition? What is the position of the textile industry and the sugar industry? Having amassed profits all these years the entire textile industry is in shambles now. What do they produce? They do not produce coarse cloth for the common farmer, they produce fine and superfine cloth and synthetic yarn. They produce for profit and not for the needs of the society. Herein lies the difference between the public and private monopoly. Shri Piloo Mody refuses to make a distinction between the two. There is a basic difference between State monopoly and private monopoly.

Private monopolies are inevitable in capitalist societies. The MRTP Act, with all the best intentions behind the law, even though it aims at regulating the development of capitalism in India, is bound to fail, as the anti-trust laws have failed in America and the United Kingdom. Through various devices like mergers these laws are side-tracked and capitalism inevitably leads to the growth of monopoly houses. The MRTP Act does not liquidate monopolies; it does not even impose a moratorium on monopolies. It only says that if any big business house or monopoly house wants

further expansion, it can do so only with the permission of the government. So, the passage which Shri Viswanathan was quoting was very correct. It is a matter of policy to be followed by the government. It is only an empowering or enabling law. The object can be achieved only by the economic policies of the government.

We are very much concerned with the recent developments. Shri Piloo Mody was talking about the dawn of sanity. Actually, it is a distortion and deviation from the accepted policies of this government and the industrial policy resolution passed by this sovereign Parliament. Now these business houses have been given free expansion permissions and even foreign capital is coming. Now the foreign companies control 25 per cent of the investments in the corporate sector. If you calculate the profits that are repatriated by them it comes to crores of rupees every year. So, at least the foreign companies in the country must be nationalised. Further growth of big business houses should not be allowed because we are convinced that these monopolies obstruct the growth of the economy, they are stumbling blocks in the production of the country. If monopolies are allowed to grow, production will not increase in the country. So, the monopolies must be checked. They must be taken over by the State and run in the interests of the country.

SHRI PILOO MODY Including the monopoly of the state

16 hrs.

श्री राजरत्न शर्मा (बाँवा) : समापति जी, मैं सब से पहले डिपार्टमेंट आफ् कम्पनी प्रफेसर्स के उद्देश्यों की तरफ् आपका ध्यान आकर्षित करना। इस के आर्ग्युमेंट्स हैं :—

[श्री रामरतन शर्मा]

"To check concentration of economic power and to curb restrictive trade practices."

इसके प्रोग्राम्ज़ और एजेन्सीज़ हैं—

"To check concentration of economic power to the common detriment and check monopolistic and restrictive trade practices and for matters connected therewith or incidental thereto."

इस कांग्रेस के 25 वर्षों के कुशासन में देश के बड़े व्यापारी, धनवान और अधिक धनवान हुए हैं, गरीब और अधिक गरीब हुए हैं, देश की आर्थिक रीढ़ टूट गई है। लेकिन जब उस तरफ के बक्सा बोलते हैं तो इसी बात को कहते हैं। मैं पूछना चाहता हूँ कि आज तक आप क्या करते रहे? मैं तमाम बातें जो आप के प्रोजेक्टिभ्ज़ और प्रोग्राम्ज़ में लिखी हैं, उन पर काम क्यों नहीं हुआ? युक्त को तो ऐसा महसूस होता है कि देश का शासन कांग्रेस पार्टी नहीं चलाती है, बल्कि देश के 11-12 बड़े उद्योगपति चलाते हैं, जिन के हाथ में आप सब लोग कठपुतली हैं, मैं जिस तरह से चाहते हैं पाबिन्दी को डिफ्टेट कराते हैं।

श्रीमन्, देश की आबादी का बहुत बड़ा भाग गरीबी और भुखमरी के कगार पर है.....

समापति महोदय : आप सब लोग पब्लिक स्पीच बिये जा रहे हैं। कोई भी सब्सय एम० धार० टी० पी० का जो बकिंग है, जो काम यह कर रहा है, उस में जो डिफेन्ड्स हैं, उस के बारे में नहीं बतलाता है।

SHRI R. R. SHARMA : This is the introduction to my speech without which nobody can understand what I want to say.

मैं कह रहा था कि भारत में औद्योगिक विकास की गति धीमी हुई है। 1962 में औद्योगिक विकास की गति 9.6 प्रतिशत थी, लेकिन 1971 में घट कर 2 प्रतिशत ही रह गई है। आखिर इस के क्या कारण हैं? देश में स्टील की कमी है और स्टील की कमी के कारण जितने इन्जीनियरिंग उद्योग हैं, उन का प्रोडक्शन घटा है। इस कमी को पूरा करने के लिये सरकारी क्षेत्र में जितने इस्पात के कारखाने हैं, अपनी स्थापित क्षमता को पूरा करने के लिये उन को बाध्य किया जाना चाहिये।

इण्डस्ट्रीयल पाबिन्दी रेजोल्यूशन 1956 में पास हुआ था, जिस में तीन मुख्य बातें थी—1. एक्सक्लूसिवली स्टेट के मातहत हो, 2. स्टेट मोनरशिप प्रोप्रीसिबली हो तथा 3. कुछ कारखाने निजी क्षेत्र में होने चाहिये। इसी प्रकार सरकारी क्षेत्र में जो कारखाने होने चाहिये उन में आम्बं, हीवी इलैक्ट्रिकल्ज़, प्रोसेसिंग आफ़ डीज़ल इन्जिनज़, प्रोडक्शन आफ़ टेलीफोनिक बायर्स एण्ड इन्वियमेंट्स तथा जेनरेशन एण्ड डिस्ट्रीब्यूशन आफ़ इलैक्ट्रिसिटी आदि को इस से शामिल किया गया था। मेरा कहना है कि इन कारखानों को भी निजी क्षेत्र में दे दिया गया। जैसा उस रेजोल्यूशन में तय किया गया था, उस के विरुद्ध पहले और दूसरे कारखाने भी निजी क्षेत्र वालों को दे दिये गये। इसी कारण से देश का अहित हुआ और गरीबी बढ़ी, क्योंकि निजी क्षेत्र में ज्यादा कारखाने धा गये। इन्हीं सब कारणों से प्रगष्टाचार बढ़ा है और तरह-तरह की कठिनाइयां देश के सामने आई हैं।

मैं अन्त में यही निवेदन करूँगा कि यह विमान व्यर्थ का विमान है, इस से कोई फायदा नहीं है, इस को खत्म कर दिया

जाना चाहिये और इस को किसी भी तरह की कोई श्रान्त नहीं दी जाय ।

SHRI VAYALAR RAVI (Chirayinkil) :
 Mr. Chairman, Sir, the Ministry is presenting a very small report. By presenting a small report the Ministry may think that its duty or function is very little. The Ministry is functioning through the Companies Act, MRTP Act and a few more. I may like to ask the Minister what is the purpose of these Acts, whether these Acts are meant for the growth of monopoly or for multi national companies to come to the country more and more and eat away all our wealth ? If we examine the whole concept of monopoly in this country, we can very easily say that in the last ten years these houses have grown up like anything inspite of these Acts. The other day Shri Hiren Mukerjee narrated the whole story here, how horribly they are coming up in the private sector. While enacting these laws, we are not checking the monopoly but we are regulating it, we are making the monopoly houses more honourable, respectable and acceptable. By these Companies Act and MRTP, you are not able to check the growth of monopolies. 75 big houses have come up in the last ten years. In 1960-1964 the capital of these companies was Rs. 2,609 crores and in 1969-70, it had gone up to Rs. 4,039 crores. Here also we see that Mafatlal has gone up by 96 per cent, Birlas by 100 per cent and Parry & Co. by 360 per cent. It is evident that, with these laws, we are unable to check the growth of monopolies. I would like to know what you propose to do to arrest the growth of monopolies in this country.

I do agree that this is the necessary evil of the mixed economy in this country. Mixed economy can be characterised, as somebody said, as the mixture of black and white money. More than Rs. 7,000 crores of black money are there, they

are running a parallel economy in this country. It is an evil that has been produced by the mixed economy. It is high time that we may think in other terms. We have to review the whole economic conception and bring about necessary changes. We cannot carry on with the concept of mixed economy. It gives rise to monopoly houses and big houses. They are running a parallel economy in this country.

I now come to multi-national firms. I do not want to take much time, but may I draw your attention to the article that has appeared in the *Financial Express* of April 18 ? It is a summary report of UNCTAD. The Fire Stone, the Good Year, IBM and Burmah-Shell are looting the wealth of our country. As far as IBM is concerned they are manufacturing electronic equipment, making a crime on humanity. These weapons are exported through American Defence Department to Vietnam to kill the people there. They are using computers for waging the war in Vietnam. The same persons are manufacturing computers here. And you are allowing these multi-national firms to loot the wealth of this country.

Even in a new field like the shipping industry which is coming up, this is the position. Our Government has given loan to the extent of 75 to 95 per cent to private firms. By giving such huge financial assistance you are allowing new monopoly groups to grow in the shipping industry also. The South India Corporation has been given a loan of Rs. 19 crores. A total of Rs. 60 crores has been given to the private sector in the shipping industry. The foreign loan comes to Rs. 14 crores. I want to know why the Ministry is not coming forward to check the growth of monopoly in the shipping industry.

So far as investigations are concerned, you are giving only one paragraph. I would like to know what you propose to

[Shri Vayalar Ravi]

do to continue the investigations, especially against Geenkas. Two cases have been stayed by different High Courts. What do you propose to do there? In regard to investigations into monopoly houses, always the court comes in and the cases are stayed. You are unable to proceed. You have to make some laws to plug the loop-holes in the present order about investigations.

In conclusion, I would like to say that these big business houses, using their subsidiary export houses, are getting into the fishing industry. They do the biggest manipulations in foreign exchange through this. I have written to you; the Minister, drawing attention to this. The big houses like DCM, Tatas, Karnatic Mills and Union Carbide are coming into the fishing industry and they are expanding their monopolies into the fishing industry and crushing the small groups. It is only to fish in the foreign exchange that they are doing it. They all have foreign collaborations. You have not taken any action against them. That is why I am drawing your attention to that again. I have to inform you that Tatas in Cochin are purchasing fish for more than 10% of international market value. I know they are not taking interest in my people of Kerala. It is only for the foreign exchange manipulation. So, Sir, I request you to use your good offices—I know Mr. Piloo Mody is against you and he spoke against you because his masters are against you—to check the growth of the monopoly houses, especially, these multi-national firms as also the monopoly houses.

SHRI C. C. DESAI (Sabarbantha) : Having had an opportunity of watching the company practices in the private sector from within and the working of the Company Law Department from without, I am sure that the Company Law as well as the Monopolies and Restrictive Trade Practices Act require drastic revision.

The hon. Minister has been constantly promising us that he will bring forward an amending Bill but, as Mr. Jagannath Rao said, the Bill has not seen the light of day. Company Law is a complicated Law, and if he wishes to bring about what he calls a comprehensive legislation, then I am afraid that the life of the present Parliament will be over by the time the Bill comes up for consideration. I would, therefore, suggest for his consideration that these amendments should be divided into two groups, one which consist of urgent requirements which have been observed and noticed in the light of the working of the Companies Act and the other which can wait a little longer and which may be subjected to the scrutiny of a Joint Select Committee of both Houses of Parliament and passed within a year or so. If all the amendments are to be taken up together, then I am afraid, it would take a year or two before the amendment sees the light of day and it will take another year or two before the Select Committee, and then the Bills will lapse.

That there are lacunae in the Companies Act is patent and nobody can deny that fact. I would like to mention the provisions which require urgent attention, and they are things like differentiation between private and public limited companies. The private limited companies today get away with murder almost, whereas there is a considerable amount of discipline imposed on the public limited companies. The result is that more and more companies are coming within the category of private limited companies and escaping the attention both of the Company Law and the general public. This distinction is based on the practice of the British times when there were private limited companies intended for their own people. Therefore, this distinction ought to be removed as early as possible, and I suggest that this should be one of the subjects for consideration in the present Parliament, that is, an amending Bill in the present Parliament.

Then there are things like appointment of the Managing Directors, remuneration of Managing Directors, requiring the Directors to obtain the consent of the share-holders. These requirements are not there in the working of the private limited companies and I suggest that the private limited companies should be brought on par with the public limited companies in these matters.

Then, there is the question of inter-corporate investment or, as some Members said, interlocking of funds. I know how did the Mundhra empire grow up. You first taken loans from financial institutions. You use these loans for acquiring interests in the shares of other companies and after acquiring those shares, you pledge the shares with the bankers and take out fresh loans, and with those loans you acquire or buy another company and so on and so forth. Thus, you have the acquisition of companies through the inter-corporate investment of funds. I can give you example after example where a small company has started operating on this basis and has developed into an empire within the last three or four years during which I have been watching them.

In regard to the MRTTP Act, a lot of friends have said that monopolies have not been curbed and the rich have become richer and the poor have become poorer. That is quite true. The reason is this. It is not the fault of the Minister, if I may say so, it is the fault in the working of the provisions of the Act. Reference was made to a particular clause relating to inter-connection which was based at that time on the concept of the Managing Agency system. That Managing Agency system has now been abolished, with the result that this inter-connection has become loose and the companies, even like Century Rayons, which everybody knows is a Birla company, and Talca, which everybody knows is a Tata company, do not come within the purview of the Birlas or the Tatas. This

is because of the lacunae in the operation of the inter-connection of companies. That ought to be remedied as early as possible.

Then, the whole-time managing directors and executive directors should be debarred from joining the Boards of other companies or drawing any remuneration or commission or drawing other benefits from other companies. If a remuneration is fixed for working as whole-time managing director or executive director he should be required to work as such whole-time managing director or executive director and he should not be whole-time director of one company and be a director in a number of other companies drawing remuneration from them and more or less not paying whole-time attention to the company from which he is drawing his main remuneration.

Then; under the MRTTP Act, Company Law Department has issued a Notification. It has taken a group of industries for purposes of defining what is a dominant undertaking. They have defined it in such a manner that very few companies which are obviously dominant do not fall within the purview of the term dominant undertaking, because they have taken up huge groups as one overall umbrella. This notification requires immediate attention and revision.

Finally, Sir, everybody has taken about audit and dispersal of audit, wider distribution of audit work and so on. And then there is the other question of company secretaries and the Institute of Company Secretaries. There is no reason why public sector companies which are large companies, which are big companies, should not appoint company secretaries when the intention of the Minister is that private sector companies I do not mean private limited companies, but private sector companies, — are going to be required to appoint recognised company secretaries.

[Shri C. C. Desai]

I do not have the time at my disposal. Otherwise I could have pointed out cases where the company law has lacunae and defects which ought to be made good. But, I hope that the hon. Minister, earnest as he is—and on that I have no doubt whatsoever,—will bring forward legislation even before the end of this session of Parliament to see that the necessary amendments are made.

SHRI SOMNATH CHATTERJEE (Burdwan): The Department of Company Affairs has functioned in a manner that by and large it has failed to achieve its two main objectives namely; containment of monopoly capital in the country and getting the companies comply with the provisions of the companies Act. On 31-3-70 there were 90 companies with total assets of Rs. 20 crores and over. Out of them 57 were non-Government companies. 11 had assets over Rs. 60 crores. 23 ranged between Rs. 20 to Rs. 29 crores, and 17 between Rs. 30 to Rs. 39 crores and one between Rs. 40 to Rs. 49 crores, and over Rs. 50 to Rs. 55 crores there were 5 companies. It is a sad commentary that after 25 years of independence we are allowing these non-Government companies to acquire more and more assets. They are diverting funds for purposes in a manner contrary to the provisions of law. I will give you instances how the companies divert their funds, assets and profits. Benami transactions take place. The companies are sent into liquidation to deprive the share holders. One instance is that of the Britannia Engineering Company Limited. We know why this problem has not been tackled in a more serious manner. These are the companies which have been making donations to the party in power. Even after the last amendment of the Companies Act these companies have been making contributions in one form or another, in the personal name of directors after taking out sizeable sums of money from the companies. From the report

of the Department for 1971-72 we find that investigation was directed under section 235 and section 247 of the Companies Act only in two cases. These are some of the very salutary provisions made in the Act, but hardly taken recourse to. There are ample instances of companies not preparing their balance-sheets in time and not holding the annual general meetings in time under one excuse or the other and the prosecutions launched in this regard so far have all become a mere farce only because they are fined Rs. 5 or Rs. 20 or Rs. 500 and they are eager to pay the fine but they do not hold the annual general meetings or prepare the balance-sheets in time. Therefore, I suggest that if necessary, the Companies Act will have to be amended. The Company Law Board may if necessary issue directions *suo motu* if the annual general meetings are not called that they must be called. Under section 167 of the Act, the Company Law Board or the Government have been given the power to call general meetings which could be called as annual general meetings, but that can be done only on the application of some member. If the Company Law Board is going to function as the watch-dog for proper functioning or proper implementation of the Companies Act, then Government must have the power to force annual general meetings to be called and also appoint auditors, so that the balance sheets are prepared in time and they are filed.

I would like to say a word also about the intervention of the Government in section 397 proceedings. We all know that is the provision dealing with oppression of the minority. We find from experience that Government's decisions or the Company Law Boards decisions to intervene in such proceedings have on rational basis behind them. In some matters they intervene in the proceedings, but in many matters they do not. What are the criteria, and what are the guidelines on which a decision is taken by

the Company Law Board to intervene in such proceedings ?

I would like to say a word about the vote by the public trustee Under the Companies Act, in cases of trust, the votes in respect of the shares held by a trust will have to be exercised by the public trustee or on the basis of a proxy given by the public trustee In many cases, I find from the report that the public trustee has given the proxy in favour of the old trustees of those trusts themselves In many cases, the public trustee abdicates his powers and functions with regard to exercising his vote and gives the power to the old trustees to exercise votes Then, what is the good of having a provision like this ? Under the Companies Act when the public trustee is to exercise his vote, he is not to exercise his vote on behalf of the old trustees but he has to exercise it as a public trustee himself after looking into the facts of each case, or through his own nominee and not the old trustees.

The last point which I would like to make is in regard to the question of concentration of audit work in some of the firms of auditors, I suggest that it should be more broad-based and the services of more and more auditors should be utilised It is necessary to see that there is no concentration of audit work in the hands of a few individuals or few firms

In conclusion, I would say a word about the Company Law Advisory Committee Under section 410 the advisory committee has to be set up to advise the Government Although it has been set up, we find that it had held only one meeting during the year 1971 What is the real purpose of this committee ? What are the matters referred to it ? What is the object of its functioning if it is going to meet only once in the whole of the year ? What was the result of their deliberations. The report which has been submitted or prepared by this

committee is really sketchy and contains only some bare particulars and bare data No real materials have been given to us and we do not know the real functioning of this committee With these words, I oppose the Demands

SHRI K P UNNIKRISHNAN (Badagara) I do not want to argue with Shri Piloo Mody like my friend Shri Nahata For me it was a very amusing experience listening to him I know that despite Shri Piloo Mody the caravan of history will march on and rejected as his party has been by the electorate his ideas will also be buried in the dustbin of history Social development or progress cannot be arrested by Piloo Modys and if this MRTP Act has entered the statute book it is mainly because of certain political developments in the country because of the struggle of the masses I am one of those who firmly believe that it is not an accident that it is there in the statute book but I would only request the Ministry and the Department who have done excellent work to keep vigilance because there might be attempts from not only sections belonging to Shri Piloo Mody's way of thought but also saboteurs from within I would ask him to be careful about this aspect because bureaucrats in this country and this Government can sabotage anything, however well-intentioned others might be I would also tell Shri Viswanathan that this Department cannot be held as a scapegoat for the retardation of industrial development.

I would like certain clarifications from the Minister about the administration of the MRTP Act and related matters There are reports to the effect that there are some basic differences within the Monopolies Commission and between the Commission and the Department It has come in the press specifically on the question of the TELCO case There were, as Shri C. C. Desai referred, requests for expansion from Cenjury Rayon and TELCO I would also say that the Commission as envisaged is

[Shri K. P. Unnikrishnan]

not a court of Law but is an investigative body. It cannot abdicate its investigative functions. I do not think the Commission should have overlooked this. If chapter three is the kernel, that is, investigative functions, it is this function of the Commission which will enable Parliament and people to know how concentration is being built into the economy and how it is growing. If it abdicates this function, in one way it is sabotaged.

I would also say that the Commission should not interpret sec. 62 of the Act in a very narrow sense because Parliament cannot be kept in the dark. Section 62 says :

“The Central Government shall cause to be laid before both Houses of Parliament an annual report and every report which may be submitted to it by the Commission pertaining to the execution of the provisions of this Act”.

This thin volume issued by the Department is not what we want, and what was intended was a report of the specific cases into which the Commission has gone. It is absolutely vital that Parliament be informed as to what is going on in the jungle world of the Indian private sector. This can also create interest in data and documentation of concentration of economic power.

As has been said by Shri Baladhandayutham, there have been takeover bids by Indian monopolies of English and other firms. I would particularly like to refer to Shaw Wallace and Andrew Yale. Is it Government's intention to substitute foreign monopolies by Indian monopolies? Or would give Government give a chance— I want an answer to the extent a satisfactory answer can be given—to the employees to take over such concerns by creating the necessary conditions? Or would Government themselves take them over? If so, have Government any definite formulations in this regard?

I support the plea made by Shri Baladhandayutham for nationalisation of audit. I do not know whether it is immediately feasible or whether the Department is thinking on these lines. I hope soon enough legislation will be brought forward to this effect.

MR. CHAIRMAN : Mr. K. C. Pande—absent. The Minister.

SHRI M. RAM GOPAL REDDY (Nizamabad) : Sir, my name is there.

MR. CHAIRMAN : I am calling the Members who are on the list.

SHRI M. RAM GOPAL REDDY : My Whip has sent my name.

MR. CHAIRMAN : That is true. But I have called the Minister.

श्री हुकम चंद कछवाय (गुरेना) : सभा-पति महोदय, सदन में गणपूर्ति करना दीजिए। गणपूर्ति नहीं है।

MR. CHAIRMAN : The Bell is being rung—Now, there is quorum. The hon. Minister may continue.

THE MINISTER OF COMPANY AFFAIRS (SHRI RAGHUNATHA REDDY) : I am extremely grateful to the hon. Members who have participated in the debate on the Demands of Grants for the Department of Company Affairs. Though some of them have made critical remarks, I am again grateful to them because they have also made very useful suggestions.

Some of the hon. Members have recommended various amendments to the Companies Act. My friend Shri C. C. Desai has recommended that the amendments to the Companies Act must be brought forward in two instalments. I have already considered this matter and we have decided to bring the amendments in two instalments, though his suggestion has come very usefully now.

About the take-over bids, I would like to dispose of this problem earlier. References were made to Andrew Yule and Shah Wallace. I might tell the hon. Members of the House that the take-over bids have been stopped. B P Poddar has been prevented from buying the shares of both Shah Wallace as well as Andrew Yule.

Another question which has been raised on the floor of the House is about audit. This is a very delicate and intricate problem which the hon. Members would have to consider with a lot of attention and understanding. We have to deal with human beings who have certain profession and who are specialists in their profession. Therefore, when we deal with this profession of audit, we will have to go a little slowly, though necessary changes will have to be brought about, ultimately, whether it is nationalisation or whether it is slow elimination of the monopoly control by a few large houses. So, some kinds of changes in the structural content of the operation of the audit system and some method should be adopted. But it must be done slowly, and steadily. The progress will have to be achieved. Keeping this also in mind, we are trying to bring in certain changes in the Companies Act itself so that the changes can usher in a gradual process of elimination of the monopoly control in the audit system.

At this stage, I may mention the nature of the amendments we are thinking of or which are almost ready. As far as the amendments to the Companies Act are concerned, they are almost final, and I hope that in a short time, we will be able to come before the House for the introduction of the first instalment of the amendments.

With regard to the amendment of the Monopolies and Restrictive Trade Practices Act also, I am more than fully conscious, than any other hon. Member here about the various amendments that are necessary in the context of the various

provisions of this Act, because the working of this Act has been made a little difficult by the abolition of the managing agency system which was itself an inter-connecting link in the definition of inter-connected undertakings under section 2 (g). For re-enforcing the definition of the inter-connected undertakings also, we are introducing a certain definition in the Companies Act itself. That also would help us to strengthen the functioning of the MRTP Act and some of its provisions.

Another important and wide question has been raised by many hon. members about the growth of monopoly houses and big business houses in this country. Figures have been quoted. Illustrations have been placed how various big business houses have grown, notwithstanding the operation of the Companies Act and MRTP Act which is expected to regulate the growth of monopolies. Contentions have been raised that concentration of economic power has increased. In regard to this aspect, I would like hon. members to kindly appreciate that we are operating these laws within the framework of a mixed economy and the MRTP Act is meant to regulate the operations of a mixed economy. By no stretch of imagination will I be able to assert that the operation of the MRTP Act itself would directly take us to the road of elimination of monopolies or capitalistic structures in this country. It cannot. By its very nature, the MRTP Act is only meant for regulating economic institutions from further becoming institutions of economic power. Therefore, this limited object with which the MRTP Act is operating will have to be kindly appreciated before we think whether it is an instrument for a socialist transformation or an instrument for regulating economic institutions from running amuck or developing into institutions of concentration of economic power. If we make this distinction, our

[Shri Raghunatha Reddy]

appreciation of the operation of the Act would be clear

Notwithstanding this, what are the instruments of de-concentration we are employing for de-concentration of economic power and the stranglehold of big business? It may not be apparent on the face of it, but by the dilution of equity, by the insertion of the convertibility clause for the loans taken from financial institutions and by providing that inter-connected undertakings of business houses should not contribute beyond a particular percentage in a particular undertaking or corporate body, we are trying to reduce the concentration of economic power in a very invisible manner. We are trying to achieve this by not allowing inter-connected undertakings to contribute more than particular percentage which will not by itself give them a controlling power, by enabling the financial institutions to contribute to equity as a result of which public financial institutions themselves would get the power over the running of the company and also through public investment itself. Public investment in the public sector is to be understood as a countervailing force for the growth of monopoly in this country. The public sector must not only reach commanding heights but, if I may say so with your permission, the public sector must reach the lucrative heights of the economy. If we can reach that stage, the growth of monopoly can be effectively controlled and that would pave the path for socialist transformation. The existing instruments the Capital Issues Control Act, Industries (Development and Regulation) Act, the MRTP Act and other allied legislation—will have to be used as instruments for regulation and the public sector must be used for the purpose of growth of our economy. I quite agree with Mr. Nahata when he made a point in theory that monopoly and growth are contradiction in terms. Growth of monopoly does not necessarily mean growth. At a particular

point of growth, when the profit rate does not go up according to the rate of investment they make, naturally they would put restraints on production itself in order to maintain the profit rate. Therefore, growth of monopoly or economic power at a particular point of time, at a particular point of production, may become a disincentive for growth itself. Well, we are conscious of that. Therefore, government is using the de-concentration methods for the purpose of diluting the concentration of economic power and controlling the monopoly, like the concept of the joint sector, the concept of holding company and even the acquisition of some of the undertakings wherever it is necessary. Therefore, selective nationalisation, the introduction of the concept of joint sector into the working of the industrial undertakings and also the concept of holding companies, which is going to be introduced in certain aspects of the economy, these are the various instruments of de-concentration for the purpose of dealing with the concentration of economic power.

I am fully conscious of the facts given by Shri Viswanathan and also Shri Amrit Nahata, Shri Ravi and others in relation to the growth of big business houses. Wherever the problem of economic power has to be considered, the growth can not be sacrificed. Therefore, we will have to balance the growth and the reduction of the concentration of economic power. While trying to achieve de-concentration of economic power, at the same time we have to achieve a rate of growth in the economic development. So, we have to strike a balance. In the context of a mixed economy, this is a continuous process and, if I may use that expression, an arduous process of balancing the two aspects.

AN HON. MEMBER : The result is very often fruitless

SHRI RAGHUNATHA REDDY : That is why we get compliments from Shri

Piloo Mody and also some others. While we are ensuring production on one side, we are also ensuring that there is no concentration of economic power on the other side. The very fact that both sides are criticising us is itself a guarantee that we are in the correct path of balancing development with reduction of concentration of economic power. While we are promoting production, at the same time, de-concentration methods are employed in the internal mechanics of the working by the joint sector or control of the particular corporate body itself.

Another aspect which has been referred to is the disposal of cases under the MRTP Act. I would like to give some figures about the disposal of these cases for the consideration of the House. In all, 229 cases under sections 21 and 22 of the MRTP Act were received up to 1st May 1972. Out of these 229 cases, 149 cases have been disposed of. Though I may attract some criticism from my own friends, I may say for the benefit of the hon. Member, Shri Piloo Mody, that the rejections under the MRTP Act are only 5 so far. As far as expansion under section 21 and setting up new undertakings under section 22 are concerned, the rejections are only five. To the criticism that we are holding up industrial development and we are not allowing production to come up, my answer is that we have so far rejected only five cases. If the rejection of five cases is holding up the entire industrial development of the country, then we will have to put up with it.

It is my humble submission that the stagnation lies with the big business because they do not want economies of scale. Where economies of scale are required, they are insisting on proliferation and diversification in various fields because it provides more profits. They only indulge in proliferation and inter-corporate investments. They are not interested in going for higher production and achieving economies of scale.

I am quite conscious of the evils that prevail in the corporate sector. To the extent possible, the Department of Company Affairs is not only trying to mend them but, if possible, end all the evil practices by bringing in necessary amendments to both the legislations, namely, the Companies Act and the MRTP Act.

SHRI JAGANNATH RAO: Why do you not break up these larger houses under section 27?

SHRI RAGHUNATHA REDDY: Shri Jagannath Rao is a very eminent lawyer and he knows the interpretation of law. Section 27 has certain requirements. Only in cases in which these requirements are satisfied section 27 can be invoked and the matter can be referred to the Monopolies Commission. I may say in all humility that we need a more drastic remedy than section 27 itself. Therefore, the Department of Company Affairs is actively considering in what manner even section 27 has to be amended in order to achieve the result which is sought for and which has been suggested so eminently by Shri Jagannath Rao himself.

Coming back to the figures, out of the remaining 80 cases pending as on 1st May, 1972, 32 cases are in an advanced stage and orders are expected during the course of the next few days.

I am explain the way in which these applications are dealt under the MRTP Act so that hon. Members may be able to appreciate why some time is taken. When an application is filed we will have to refer it to the various departments and get their comments. Then, there is an advisory committee to which an application has to go and the advisory committee consisting of various officers has to consider the fact whether this application has to go to the MRTP Commission for any enquiry or not. If the Minister in charge of the department disagrees with the advisory Committee's opinion or recommendation, the matter will have to go to

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the Cabinet Sub-committee on economic co-ordination and the matter will have to be decided by it

SHRIS N MISRA What is the minimum time taken in this process ?

SHRI RAGHUNATHA REDDY

The statutory limits prescribed by section 30 are not mandatory but are directory. We are trying our best to dispose of these applications as early as possible though some applications may take little more time because sometimes the companies themselves want time for hearing. It is not as if the delay is the department's or the Government's, the applicants themselves want time to be heard, because the procedure prescribed under the MRTP Act is more or less quasi-judicial and before we pass an order under the MRTP Act we will have to give ample or reasonable opportunity to the parties concerned. So, under section 29 there must be a hearing. As in the case of courts, the parties sometimes take long adjournments or do not turn up. We have to satisfy ourselves that the principle of natural justice has been amply observed by the Department before we pass any order.

After the Department takes a view in the matter, the matter will have to go to the Cabinet Committee on Economic Coordination for final decision. The final decision of the Government under the MRTP Act is taken by the Cabinet Committee on Economic Coordination and not by the Department of Company Affairs. The Department of Company Affairs processes the whole thing, places the matter before the Cabinet Committee on Economic Coordination and they pass the final order.

Out of the remaining 48 cases, six cases stand referred to the MRTP Commission and 26 cases have already been considered by the advisory committee and hearings under section 29 have also been

completed in respect of many of them. Thus, only 16 cases are pending but 14 of them were received only during the last two months. This is the nature of disposal of cases as far as the position under the MRTP Act is concerned.

As far as inspections under the Companies Act are concerned, it is true that we are not in a position to inspect all the companies however much we would like to inspect them because of want of personnel. It is not a small problem if we want to inspect all the companies. Nevertheless we have taken a decision that at least all the companies belonging to the twenty larger industrial houses should be inspected at least once in a year. For achieving this purpose we are taking necessary steps for getting sanctions for recruitment etc. We are taking necessary steps so that once in a year all the companies belonging to these twenty industrial houses should be inspected by the inspectors of the Department of Company Affairs so that constant vigilance can be kept on the working of these companies or corporate bodies belonging to these twenty industrial houses which in fact had been suggested by Shri Jagannath Rao, Shri C. C. Desai and some other hon. friends who participated in the debate.

As far as managerial remuneration is concerned, Hon. Member Shri S N Misra had made certain observations that there is inordinate delay. I will give the figures for your consideration. There may be one or two cases where disposal of applications may be delayed. Out of the total number of applications of 2895, 2552 applications have been disposed of, and there are only a few applications which are pending because either the companies do not cooperate in giving information or there are certain legal problems for which we need proper legal advice. For example, we may need some information regarding qualifications of the person who is to be given remuneration—who is a foreigner. Because of such or similar reasons only,

these applications are pending and not because of any other reason. The figures I have quoted would amply prove that the Department of Company Affairs had disposed of, out of 2895 applications, 2552 applications. I hope Mr S N Misra would agree that there is considerable progress as far as the disposal of these applications is concerned.

Mr. C C Desai has also referred to the problem of Company Secretaries. We are anxious that qualified persons should be appointed as Secretaries of companies that persons who satisfy certain requirements, certain qualifications should work as Secretaries of Companies. And in this direction also necessary amendments to the Law are being considered.

SHRI C. C. DESAI : I said that they should be appointed in the first instance in the public sector.

SHRI RAGHUNATHA REDDY : This aspect also will be considered.

Now, the hon member from the CPM had said about Britannia Engineering. As far as Britannia Engineering is concerned, we have filed the first information report with the CBI, and after filing the first information report, the CBI had undertaken investigations into the matter, and the persons concerned have gone up in writ petitions to the High Court and got stay of the proceedings. The investigation under the Criminal Procedure Code has been stayed by the High Court and this is the situation (*Interruptions*). We are taking all the necessary legal steps in the broad spectrum of legal process.

There is nothing that the Department of Company Affairs can do to hasten the investigation of cases because unless the Court vacates the stay order it is not possible for CBI to further go into the matter. For instance, the Department of Company Affairs has filed the first information report in respect of the National Company, Calcutta and also Andhra

Prabha Company Limited, which is publishing the *Andhra Prabha* newspaper. One matter is pending in the Madras High Court. The CBI had started investigations and they have progressed well. Another matter is pending in the Calcutta High Court. This is the situation.

SHRI K BALADHANDAYUTHAM : What about PTI?

SHRI RAGHUNATHA REDDY : As far as the PTI is concerned, we have got inspection reports. They are being processed. I do not want to comment on any subject matter which is being processed in the Department. I do not want any party to be affected before we come to take a view.

Shri Viswanathan mentioned about the concept of larger Houses with 35 Crores. A few more houses also have come into existence with 35 crores in the mean time which would also add to the galaxy of larger houses.

AN HON MEMBER : Can you name them ?

SHRI RAGHUNATHA REDDY : I do not have the names. Then, Shri Jagannath Rao mentioned about the deposits being taken by the company. There are certain regulations of the Reserve Bank. The Reserve Bank has been looking after this aspect of the problem. There are certain regulations made by the Reserve Bank that more than 25 per cent of the paid-up capital should not be taken as deposits, but if the Directors give guarantee any amount of deposits can be taken. I am quite aware of this and have come across bad cases like that. The Reserve Bank, I understand, has looked into it. We had brought it to the notice of the Reserve Bank and the Finance Ministry. I understand that the Reserve Bank also has looked into the matter to see what amendments will have to be made for the regulation. I may also say in this

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connection that the Department of Company Affairs also is looking into the matter—what types of amendments should be brought in the Companies Act for the purpose of dealing with such a spate of deposits being taken by companies which may ultimately go into liquidation or may not be there at all. Many middle class people who had worked very hard in their life and saved some money had also put in their money in certain of these companies which according to our information, have come to grief. We got some complaints. We are sorry for them, but in the existing position, not much could be done.

As for take-over bids, I must say that we are thinking of elaborate legislation; we are bringing necessary amendments to the Companies Act to deal with this evil of take over bids which is the recent phenomenon as far as India is concerned but which is a widespread phenomenon as far as the other countries are concerned.

Mr. hon. friends, Mr. Ravi and Mr. Amrit Nahata, had also dealt with the problem of multi-national corporations. A multi-national corporation is one which has—to give it the popular meaning—subsidiaries in more than one country. If it has a subsidiary company in more than one country, it can be described as a multi-national corporation. The advent of multi-national corporations and the stranglehold of the multi-national corporations over the economic of not only one country but the economy of even the capitalist world, the stranglehold of multi-national corporations over the economy of Europe itself—pumping in American dollar—is of enormous character leading to complicated political consequences. As far as we are concerned, it is inherent in the situation to some extent. As a result of the colonial rule, we had inherited, in our economy, also a corporate structure in which there had already been foreign capital in existence and it had

developed in certain directions; though it had led to certain good consequences also, we are carefully watching this aspect also; how to deal with the foreign companies is also engaging the attention of the Department of Company Affairs. In this respect also some amendments may be thought of.

I think, I have covered all the points. (Interruptions).

SHRI K. P. UNNIKRISHNAN: What about section 62? It is very vital that the information be submitted to Parliament.

SHRI RAGHUNATHA REDDY: As far as the annual report is concerned, we will soon be placing the annual report of the Monopolies Commission on the Table of the House and also the report of the Director of Investigations and other reports that are sent to us by the Monopolies Commission and other statutory bodies under the Monopolies and Restrictive Trade Practices Act. But the question whether section 62 can be interpreted to mean that every report under sections 21 and 22 sent to us by the Monopolies and Restrictive Trade Practices Commission is to be placed on the Table of the House is a matter for interpretation and I do not want to go into that now.

SHRI S. N. MISRA (Kannauj): One point has not been clear about the working of the Monopolies Commission— they are working half time and also about the payment of special allowance to the Chairman.

SHRI RAGHUNATHA REDDY: The Monopolies Commission is an august body. They have a statutory status within the framework of the MRTP Act. It is presided over by a High Court Judge. The Members of the Commission are eminent persons. They are doing good work. We have got all respect for them. I hope they will take into consideration the demands made by the hon. Members.

17 hrs.

SHRI S. N. MISRA : That is cause of the delay. I think his salary was Rs 3500 and he is still drawing Rs. 20 per day as allowance. A permanent man getting an allowance Even a High Court Judge does not get any further allowance

SHRI RAGHUNATHA REDDY I understand that when a High Court Judge is appointed and when he is performing duties outside the jurisdiction of the High Court, not as a High Court Judge but as an officer of a different Department or as a Judge performing duties outside the jurisdiction of the High Court, he is entitled to Rs 20 or some remuneration per day Under this provision this particular Judge who happens to be the Chairman of the Monopolies Commission is being given the allowance

SHRI S. N. MISRA A person who is there temporarily may be entitled to a special allowance, not a person who is permanently posted at that job.

SHRI RAGHUNATHA REDDY Though there is some force in the hon. Member's argument, the legal position that has been taken in this case is that the High Court Judge when he goes out of the jurisdiction of the High Court and once outside the High Court where he is presiding as a Judge, he is entitled to some remuneration and some daily allowance.

SHRI G. VISWANATHAN . I have asked whether those companies which are producing in excess of their licensed capacity will be prosecuted

SHRI RAGHUNATHA REDDY If I may say so with great respect, it is a question that strictly falls under the Industries (Development and Regulation) Act and I do not want to trespass into that field and try to answer it.

SHRI K. BALADHANDAYUTHAM . What about Sarkar Commission ?

MR CHAIRMAN : This is another process now If I allow one or two members, all others get up and ask questions.

SHRI RAGHUNATHA REDDY . The Sarkar Commission, if I may say so with respect, comes within the purview of the Ministry of Industrial Development.

SHRI K. BALADHANDAYUTHAM : Why not you take it over ?

SHRI RAGHUNATHA REDDY . The Sarkar Commission is not amenable to any take over bid.

Sir, I am again grateful to all the hon. Members who have participated in this debate and made valuable suggestions I can only assure the House and the hon. Members that, to the best of my ability, I will try to help the process of de concentration and use legislation as an instrument for socialist transformation.

MR CHAIRMAN There are no cut motions So, I put Demand No 91 to the vote of the House .

The question is :

“That a sum not exceeding Rs 1,02,99,000 be granted to the President to complete the sum necessary to defray the charges which will come in course of payment during the year ending the 31st day of March, 1973, in respect of Demand No 91 relating to the Department of Company Affairs ”

The motion was adopted

17 04 hrs

MINISTRY OF SHIPPING AND TRANSPORT

MR CHAIRMAN The House will now take up discussion and voting on Demand Nos 69 to 74 and 126 to 128