

[Shri T. T. Krishnamachari]

administer. Because, I do find there are some lacunae, the Government is not able to exercise its supervision properly, and some changes are necessary. And I do hope that when I come with piecemeal amendments of these legislation the House will be equally tolerant to me and allow those pieces of legislation to be passed.

With regard to the points raised by my hon. friends Mr. Thomas and Mr. Chacko, it is not that I am unalive to the position of the rubber industry in our country. But, they must also recognise that there was a time prior to 1948 when owing to price fixing and the protection that we gave to rubber they were getting higher prices than the prices in Malaya. The price quoted by my hon. friend Mr. Thomas in regard to Malayan rubber is not what it is today, because prices have gone down. Nonetheless, I do recognise that what is given to our rubber producer is not adequate. Though I cannot make any promise—there is no point in my making promises galore and not keeping them up—I can certainly assure my friends that the matter is engaging the attention of Government. There has been a reference to the Tariff Commission in regard to the price of rubber and we expect a report from them before long. The matter will be considered and the Government will do everything that is possible subject to other over-riding considerations to see that the rubber interests are provided. I do not think there is any need for me to say anything more except to say that so far as the Bill is concerned, there is not much to be said.

**Mr. Deputy-Speaker:** The question is:

“That the Bill further to amend the Rubber (Production and Marketing) Act, 1947, be taken into consideration.”

The motion was adopted.

Clauses 1 and 2 were added to the Bill. The Title and the Enacting Formula were added to the Bill.

**Shri T. T. Krishnamachari:** I beg to move:

“That the Bill be passed.”

**Mr. Deputy-Speaker:** The question is:

“That the Bill be passed.”

The motion was adopted.

## INDIAN COMPANIES (AMENDMENT) BILL

**The Minister of Finance (Shri C. D. Deshmukh):** I beg to move:

“That the Bill further to amend the Indian Companies Act, 1913, be taken into consideration.”

The object of this Bill is to amend section 91B of the Indian Companies Act. I shall not read out the whole of the section; but, in essence, that section prohibits a director of a public company from voting in any board meeting of the company on any contract or arrangement in which he is either directly or indirectly concerned or interested. The principle underlying this Bill is obvious, and that is, to avoid any conflict of the personal interests of the director with the interests of the company on the board of which he is sitting. Although it is a salutary principle, its rigid application is likely to give rise to practical difficulties in certain circumstances. And these circumstances having arisen, we have brought forward this Bill. The urgent necessity for introducing some flexibility in the working of this provision has been brought about in connection with the recent agreements which the Government entered into with the Standard Vacuum Oil Company, The Anglo-Saxon Petroleum Company Limited, and the Burmah Oil Company Limited for the setting up of modern Oil Refineries in India. One of the terms of the agreements was that these foreign companies were to form Indian companies under the Indian Companies Act in which they would hold ordinary shares and Indian investors will be given an opportunity to subscribe a portion of the capital in the form of cumulative preference shares. It is an essential feature of the arrangement that the said promoting companies should have a predominant voice in the management of the subsidiary companies to be formed here. In the normal course, it may be expected that they will be entering into various contracts with these subsidiary companies. Such an arrangement, it would be rightly seen, would be unworkable unless section 91B is amended because, as it stands at present, it will prevent the boards of the Indian companies from being really effective. The majority of the directors will be nominees of the Oil companies and therefore they will be directly interested in such contracts, that is to say, contracts with the parent company through their connection with those companies. Thus, the position has arisen that perhaps the public com-

panies under the Indian Companies Act which were to be formed under the Agreements cannot be formed unless the present legal provision is relaxed. It is possible that similar difficulties may be experienced in other companies also.

It is in view of these circumstances and these possibilities, that the Company Law Committee has suggested a solution, and that is, that the proposed Central Authority for the administration of the Company law should have the power to exempt any company from the operation of the section if the Government informs the Central Authority that such exemption is in the public interest. That recommendation is contained towards the end of para 98 of the report at the top of page 73. It will take a considerable time before we are in a position to study in the first place, and then implement the recommendations of this Committee, and therefore it has become necessary to bring forward an interim measure to amend section 91B so as to vest the Central Government—it must be the Central Government in this case, not any Authority—with power to grant exemption from the operation of the section to public companies in suitable cases. The House will notice that the amendment leaves unaltered the substantive provision in the law which is based on a salutary principle, but only vests the Central Government with the power of exemption which is to be exercised by them only in respect of subsidiary companies where the public interest justifies such an exemption. So far as the particular Agreements with the Oil companies are concerned, Government are convinced, as my esteemed colleague, the Minister of Production said the other day, in the course of the Budget debate, that the setting up of an Oil Refinery industry on the Indian soil will be of considerable benefit to the Indian public and that is why we consider it advisable that the legal difficulties of the nature noticed should be removed by the Bill. I hope therefore that the House will accept the motion.

**Mr. Deputy-Speaker:** Motion moved:

“That the Bill further to amend the Indian Companies Act, 1913, be taken into consideration.”

**Shri B. Das (Jajpur-Keonjhar):** I am glad to hear a reference made to the Company Law Committee. But, I was sad to learn that the hon. Finance Minister is not yet ready to bring out a comprehensive amending Bill to the Companies Act. I hope steps will be taken to bring before

the House at an early date a new Companies Act. It need not be called an amending Act, but a completely new Act under the sovereign Government of India. I have seen many reports; but that particular report on the future of the Companies Act is an excellent document from which I hope both the Government of India and ourselves will benefit and profit.

I support the Bill introduced by my hon. friend; but I would like to raise this point. Reference was made to three Agreements that we have entered into with the three foreign companies. I have not seen the Agreements. I shall some day examine the Agreements in another place and I will then form my own conclusions whether India has been hacked by these three foreign companies belonging to the United Kingdom and the United States of America.

The other day I drew the attention of the Production Minister to one point, and that is, that in the distant past some military official of the Defence Ministry of the then Government of India ruled that all benzol manufactured by any process by the Government factories and elsewhere will be sold to the Burmah Shell Co., at a profit of one anna per gallon and I had mentioned on the 18th last while I was speaking that if the Government of India is wise, we can produce our own security petrol. If that particular agreement could be traced in the Finance Ministry or anywhere in the Government of India—I hope, I am able to draw the attention of my friend the Finance Minister—then that ought to be removed—that particular gift which a certain Defence officer made to Burmah Shell. I am constrained to observe that it is most unfortunate that when the Government of India took over from the foreign Government, they never analysed the large number of documents and contracts which might go against our sovereignty. It has not been done.

Of course, I do not want to ask my friend the nature of the Agreements, but, to sum up, if it is possible for the Production Minister, let him bring those three Agreements for discussion. We are very chary of the foreigners. We are very suspicious of their habits. And if the Government of India works as a composite whole, they would have gone into the question of Burmah Shell making money out of India, bagging all the benzol manufactured by the Indian Companies or by the Government of India in their factories at one anna profit and Burmah Shell

[Shri B. Das]

making a profit of eight to ten annas per gallon. The whole object was foreign domination, so that Indian firms manufacturing benzol or petroleum by-products should not get the benefit.

Of course, we have never had a discussion of those three Agreements. The point is we have to have these Agreements over the Refineries in the present circumstances of India, but I want to know whether there is any clause in those Agreements which undermines our sovereignty, our independence, and which gives Burmah Shell or Caltex or the Standard Vacuum Oil Co., certain dominating authority over the Government of India in their economic policy or in the matter of defence. This I hope the hon. Finance Minister, and Production Minister and the others who negotiated the Agreements will examine with all its implications, and I would be very glad if my friend will assure the House even today that those Agreements are not contrary to the sovereignty of India, that those Agreements will not handicap us in time of peace or war, I am alive to the situation that if war starts, we will have in those Refineries, a certain amount of oil—crude oil and petrol. I am alive to it.

[MR. SPEAKER *in the Chair*]

I do not want to see any foreign domination by any contract which the sovereign Government of India has entered into with any particular company outside India. And I am very much upset about the U.K. and the U.S.A. The U.S.A. is dominating every field of economic activity, and the dominating activities of the U.S.A. are very dangerous to India. We are peace loving. We want to know if there is any implication whereby these two U.S.A. companies will at any time dominate our freedom of action in matters of peace or war.

#### PRICES OF COARSE AND MEDIUM CLOTH

Mr. Speaker: We will now take up the other matter—discussion on points arising out of answers given on the 17th June, 1952, to Short Notice Question No. 64 regarding "Prices of coarse and medium cloth".

Shri Sinhasan Singh (Gorakhpur Dist.—South): I raised a Short Notice Question in the House about the rise in the prices of medium and coarse

cloth effected in June last, and the reply was that this rise in prices was in accordance with the Tariff Board's recommendations. I read the Tariff Board's recommendations and found that this rise in prices was just against the very recommendations of the Tariff Board. The Tariff Board has recommended that the prices can be revised every quarter, having divided the year into four quarters. The first quarter was taken from January to March, the second from April to June, the third from July to September, and the fourth from October to December. The price can be revised in each quarter on the basis of the rise of price in cotton in the month preceding the quarter under review.

Now, in this case, the question arose for the second quarter, that is, the quarter beginning from April and ending with June. In April a review was taken, and the reply of the Government is that prices were not revised as there was some dispute over the cotton price, but ultimately in May the prices of coarse and medium cloth were reduced, and these were reduced in spite of the representation by the mill owners that they had purchased cotton at a higher price earlier. The very fact that the prices were reduced in May proves that the prices that were prevailing in the first week of March, 1952 were less, and that is also the reply. As time is very short, I will not go into all those things, but the very fact that these were reduced in May proves, and also Government admits, that prices of cotton were less, and because of the prices of cotton being less, the prices of cloth were reduced. I may refer to the reply of the hon. Minister also for ready reference here:

"I accepted the Short Notice Question because there was a misapprehension in the minds of the public that the recent announcement of an increase of 0.7 to 2.59 per cent. in the price of cotton goods owing to increased manufacturing costs was an *ad hoc* increase in the prices of coarse and medium varieties. Actually, that is not the case. In May, prices were substantially reduced—as I said, from 5 to 24 per cent. Therefore, the reduction in the prices effected in May was substantial and that was due to the reduction in the price of cotton. In this case, the slight increase was due to the taking into account of the increased manufacturing costs, largely due to increased