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THE MINISTER OF RAILWAYS (SHRI KAMLAPATI TRIPATHI): Your instructions will be carried out, but may I tell you that all these questions were raised in the Consultative Committee and replies have been given?

MR. SPEAKER: The hon. Minister has kindly agreed to invite all of you.

SHRI DINEN BHATTACHARYYA: I want a clarification. Items 18 and 20 in the list have been hanging fire for a long time. Several assurances were given, but nothing has been done.

SHRI DARBARA SINGH: The hon. Minister should invite the Members of the backward areas and discuss all these questions with them.

MR. SPEAKER: You can give your names to the hon. Minister, he will invite all of you, those who want to put questions, and discuss this matter. That is a better way of dealing with it.

SHRI KAMLAPATI TRIPATHI: They are all invited, they are welcome

Transfer of 10 per cent of Profits of Companies to Reserves

*285. **SHRI C. K. CHANDRAPAN:** Will the Ministry of LAW, JUSTICE AND COMPANY AFFAIRS be pleased to state:

(a) whether Government have decided to limit profits of the companies for transfer to reserves to 10 per cent;

(b) if so, salient features thereof; and

(c) how far this would affect the companies which are set up with foreign collaboration?

THE MINISTER OF LAW, JUSTICE AND COMPANY AFFAIRS (SHRI H. R. GOKHALE): (a) No, Sir. While sub-section (2A) of Section 205 introduced by the Companies (Amendment)

Act, 1974, requires that a company, before declaring or paying dividends for any financial year, must transfer to its reserves a percentage of its profits for the year, not exceeding 10 per cent, as may be prescribed, the proviso to this sub-section allows the voluntary transfer of a higher percentage of its profits to reserves, in accordance with the rules to be made in this behalf. These rules have already been notified by the Central Government on 26th July, 1975 and were subsequently amended on 24th July, 1976. The rules and the subsequent amendments were laid on the table of the House on 6th August, 1975 and 17th August, 1976 respectively.

(b) and (c). Do not arise.

SHRI C. K. CHANDAPPAN: The answer given by the hon. Minister is a highly technical one. It is very difficult to understand what exactly it means because it quotes so many rules and all that. I would like the hon. Minister to explain to the House. According to 1974 enactment, an amount not exceeding 10 per cent from the profit is directed to be ploughed back into the reserve fund. Would the Government explain to us as to for what purposes this money will be utilised, whether the company has a right to utilise that amount for anything or it is a kind of blocking that amount from circulation?

SHRI H. R. GOKHALE: I appreciate the hon. Member's difficulty about knowing exactly what the provision of law is because the question itself seems to indicate that there is a limit on profits when there is none. Actually, what happens is that when the profits are made, there has been a tendency in the past to distribute all the profits as dividends. In the Joint Committee which was constituted, before the Bill was passed, this question was considered exhaustively and it was of the view that it was in the interest of the company and, therefore, ultimately in the interest of the shareholders themselves that the company should build up certain reserves.

Now, all that the provision in the law is that before profits are distributed as dividends, a certain percentage of profits shall be transferred to the reserves but not exceeding 10 per cent. The maximum that will be required to be transferred to the reserves will be 10 per cent. But I may indicate to the hon Member that now, under the rules the percentages for various levels of transference to reserves have already been indicated. If the dividend proposed is above 10 per cent but not exceeding 12.5 per cent they must transfer to the reserve not less than 2.5 per cent, if the dividend is above 12.5 per cent but not exceeding 15 per cent, they must transfer 5 per cent, if it is 15 per cent but not exceeding 20 per cent they must transfer 7.5 per cent and if it is exceeding 20 per cent, they must transfer the maximum that is 10 per cent.

As to for what purposes the reserves can be used the reserves can be used for various purposes. They can be used for modernisation for rehabilitation for research and development and for various other purposes. They can also be used in appropriate and legitimate cases for issue of bonus shares.

SHRI C K CHANDRAPPA While discussing the question of compulsory deposit scheme the Government was saying that it was also asking the industry to sacrifice for the benefit of the country to contain inflation. In this context may I know whether there is any proposal under consideration by which the Government will ask the companies to deposit a certain percentage of their profits with the Government as they have asked the workers to do it.

SHRI H R GOKHALE No Sir

DR RANEN SEN In his reply the hon Minister has said that this reserve fund may be utilised by the companies for research and development for modernisation and all that. May I

know whether the Government has got any mechanism to check up whether the reserve fund is properly utilised for the purpose for which the fund has been developed? Because our experience has been that in many industries like jute and cotton textiles, instead of utilising the reserve fund for modernisation or some such thing the fund has been mis-utilised or eaten up.

SHRI H R GOKHALE It may have been there to a certain extent before the passing of the Amendment Act in 1974. But there are enough regulations and restrictions now under the Act which can control the actions of the company in this regard.

SHRI SOMNATH CHATTERJEE May I know from the hon Minister whether in view of the proposed law permitting donations by companies to political parties there will be reconsideration or refixing of the guidelines and limits as in the Company Rules and in the Companies Act so far as maintenance of general reserves is concerned?

SHRI H R GOKHALE I do not think that this question has any relevance to the question of limiting the reserves.

SHRI SOMNATH CHATTERJEE Donations may be paid from general reserves.

SHRI H R GOKHALE Not necessarily they can be made from out of profits also.

SHRI SOMNATH CHATTERJEE A portion of the profits goes to the reserves.

MR SPEAKER Has the Companies (Amendment) Bill been passed?

SHRI H R GOKHALE Not yet.

SHRI SOMNATH CHATTERJEE It was circulated it was there in the agenda but now it has been removed from the order paper.

SHRI H. R. GOKHALE: It has not been removed. It has not come because there are other urgent items.

All India Judicial Service

*286. **SHRI RAJDEO SINGH:** Will the Minister of LAW, JUSTICE AND COMPANY AFFAIRS be pleased to state:

(a) whether Government have decided to constitute an All India Judicial Service; and

(b) if so, what steps Government propose to take in this direction?

THE MINISTER OF LAW, JUSTICE AND COMPANY AFFAIRS (SHRI H. R. GOKHALE): (a) Not yet, Sir.

(b) Does not arise.

SHRI RAJDEO SINGH: The answer to the first part of my question, namely, 'Not yet, Sir', indicates that the proposal is there in the cooking stage. If so, may I know when we can expect its materialisation?

SHRI H. R. GOKHALE: First of all, the question of making the necessary provision in the Constitution for this purpose will be discussed by the House when the Constitution Amendment comes for consideration. If that provision is carried in Parliament, then, of course, the necessary further steps for the constitution of All India Judicial Service will be taken.

SHRI M. RAM GOPAL REDDY: Already the Minister has taken steps to transfer judges from one place to another. Then what is the difficulty in introducing the All India Judicial Service for judicial officers?

SHRI H. R. GOKHALE: I did not say that there was any difficulty.

Pesticide Formulating Units

*287. **SHRI N. E. HORO:** Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether there is any proposal under consideration to locate new pesticide formulating units especially in potential areas of consumption and in backward areas; and

(b) if so, the main features thereof?

THE DEPUTY MINISTER IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI G. P. MAJHI):

(a) and (b). As there is excessive installed capacity for pesticidal formulation, the present Government policy is not to allow additional formulation capacity unless supported by a time bound programme for manufacture of technical pesticides.

The question of relaxing this policy in favour of backward areas and State public undertakings will receive Government's attention at appropriate time.

SHRI N. E. HORO: It is a well-known fact that pesticides are not easily available and in adequate quantities in areas where there is a huge consumption of the same and also in backward areas. Is it not a fact that it is not due to excess capacity as the Minister has said, but because some of the firms which are producing pesticides have monopoly interests, they are not willing for the opening up of new units in these areas? Pesticides should be made available to the backward areas and also to the areas where there is a large consumption of the same. I would like to know whether, in view of this, Government will reconsider its policy and arrange to open new units in such areas for the benefit of the consumers, for the benefit of the agriculturists. Let Government not consider this only from the point of view of producers;