Government of India
Ministry of Law, Justice and Company Affairs
Department of Company Affairs

The Conference of the Regional Directors and Senior Officers of the Department

held on

2nd August, 1975

at

New Delhi
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LIST OF PARTICIPANTS

Chairman

1. Dr. (Smt.) Sarojini Mahishi, Minister of State for Law, Justice and Company Affairs.

Headquarters

2. Shri K. K. Ray, Secretary.
3. Shri Prem Nath, Joint Secretary, Min. of Finance.
4. Shri P. B. Menon, Joint Secretary.
5. Shri M. K. Kukreja, Joint Secretary.
6. Shri A. Chowdhury, Joint Secretary.
7. Shri C. M. Narayanan, Director.
10. Shri M. K. Banerjee, Deputy Secretary.
11. Shri Ch. S. Rao, Deputy Secretary.
12. Shri C. R. D. Menon, Deputy Secretary.
13. Shri Ashok Nath, Deputy Secretary.
14. Shri K. M. Sharma, Under Secretary.
15. Shri I. L. Nagpal, Under Secretary.
16. Shri T. S. Srinivasan, Joint Director (Inspection).
17. Shri V. K. Venkataraman, Jt. Director (Inspection).
18. Shri S. Balaraman, Deputy Director (Inspection).

Regional Directors

19. Shri S. C. Bafna, Regional Director, Bombay.
20. Shri P. K. Mallik, Regional Director, Calcutta.
21. Shri S. M. Yousuf, Regional Director, Kanpur.
22. Shri R. N. Bansal, Regional Director, Madras.

Registrars of Companies

23. Shri A. G. Sirsi, ROC, Madras.
26. Shri S. Kumar, ROC, New Delhi.

**Inspection Directorate**

27. Shri D. C. Kohli, J.D.(I), Office of RD., Bombay.
CIRCULAR

A Conference of Regional Directors and the Senior officers of the Department will be held at 11.00 A.M. on Saturday, the 2nd August, 1975 at New Delhi in Room No. 401, 'A' Wing, Fourth Floor, Shastri Bhawan. Dr. (Mrs.) Sarojini Mahishri, Minister of State for Law, Justice and Company Affairs, will preside over the meeting. All Regional Directors, Registrars of Companies at Delhi, Calcutta, Madras and Bombay, Joint Directors of Inspection at Calcutta, Madras and Bombay and Deputy Director of Inspection at Kanpur besides officers at the Headquarters will attend the meeting.

Items included for discussion at the meeting together with briefs thereon are enclosed.

Sd/-
(K. M. SHARMA)

Under Secretary to the Government of India

Tele: No. 389227

1. All Regional Directors.
2. Registrars of Companies, Delhi, Calcutta, Madras and Bombay.
4. Deputy Director of Inspection, Kanpur.

1. Opening remarks by Minister of State.

2. General observation by Regional Directors and Registrars of Companies highlighting their activities and problems in the administration of the Act.


4. Rules and Forms under the Amendment Act and points raising therefrom.

5. (a) Inspections under the amended provisions of Section 209A;

(b) Follow-up action and expeditious disposal of inspection reports.

6. Any other item with the permission of the Chair.
Friends,

I welcome this opportunity to meet the Regional Directors of the Company Law Board, the Senior Registrars of Companies and also the heads of the Regional Inspection Directorates. In view of the need to minimise expenditure on conferences as per the recent guidelines for economy measures laid down by the Government, it has not been possible to call all the Field Officers to this conference as it used to be in the past. I understand that such conferences used to be held every year—more or less. I am told that between 1956 and 1968 eight conferences were held and since then only one conference limited to Regional Directors was held after the introduction of the Companies (Amendment) Bill in 1972. These meetings are useful in order to give an opportunity for exchange of ideas between the Headquarters and the field officers. It would give opportunities for exchange of views and administrative experiences as a result of which it would be possible to administer the statute with full realisation of the policy laid down by the Company Law Board and the Government from time to time.

The Company Law has assumed greater importance after the changes made in the statute by the Amendment Act of 1974. The Government has assumed significant powers for the purpose of achieving the socio-economic objectives inherent in the enactment. The Corporate sector, which you regulate under the Companies Act, is the most important sector of the nation's industrial, trading and commercial organisation. Further, as you are aware, profits made by the limited companies is one of substantial source of taxable income which provides revenue to the exchequer. Hence any attempt to reduce this by the companies by manipulations of accounts should be
In the recent past, as per the statistical information available, it is seen that the new incorporations are on the increase and I understand that the number of working companies is now about 42,000 or so. This is a healthy sign of the confidence the investors have in the administration of the Companies Act and the consequent economic growth of the corporate sector. Therefore you have to be vigilant so as to ensure, through the scrutiny of books of account, the returns, the companies are to file under the provisions of the Companies Act, both financial and costing, that the community is benefited to the maximum extent possible. Whether it is in the reduction of prices, or whether it is in bringing down the cost of production or manufacture, whether it is the dividend policy of the company, you as the limbs of the Govt. in administering the Companies Act, have a vital role to play. You can derive significant results by implementation of the Companies Act to achieve the objectives of which the Parliament has enacted it and amended periodically incorporating within its ambit some socio-economic guidelines, particularly to serve the community in general.

Successful implementation of the Company Law depends not only by each individual officer charged with specific duties, but also by pooling of experiences. Unfortunately as the participants to the conference have been limited, it was not possible to invite the Official Liquidators to be present. But I am not unmindful of the role they also play in implementing an important part of the statute. Then coming to the field officers of the Inspection Directorate, they have also onerous responsibilities and the inspection reports they submit are very important documents on the basis of which the Government is able to take corrective action on erring companies and their officers.

As I mentioned at the outset, exchange of ideas between the field officers and the Headquarters frequently is necessary for purposeful administration of the provisions of the Act. I am aware that the Registrars of Companies and the Regional Directors are submitting periodical reports to the Headquarters. You are also given replies to points you raise in such reports. But correspondence alone will not always solve the problems satisfactorily and hence...
periodic discussions would be an advantage. Therefore, once again, I welcome you all at this conference and with these remarks, I am glad to initiate discussions of the items in the agenda. I would be with you in your deliberations throughout as I would like to know the difficulties that you experience in the proper implementation of the Companies Act, which is the biggest on our statute book. I would now request Shri Ray, the Secretary of the Department, to indicate to you the procedure to be followed in discussing the various matters. I also welcome Shri Prem Nath, the Financial Adviser from the Department of Expenditure, who is present here, and request him to consider the difficulties that may be raised regarding staff matters of the field officers.

Thank you.
5. (a) REVIEW OF THE WORKING OF THE COMPANIES ACT BY REGIONAL DIRECTORS, REGISTRARS OF COMPANIES AND JOINT/DEPUTY DIRECTORS OF INSPECTION IN THEIR RESPECTIVE REGIONS.

Shri S. C. Bafana, Regional Director, Company Law Board, Bombay

I thank the Hon'ble Minister for convening this type of meeting which gives an opportunity for filling up the communication gap between the Headquarters and field offices. My region comprises of eight offices spread over Maharashtra, Gujarat, Madhya Pradesh and the Union Territory of Goa. There are Registrars of Companies Grade I, II and III. I visit their offices for inspection once a year. Besides, the Regional Director has also to keep liaison with the State Government’s, various associations, institutes, like Cost Accountants, Chartered Accountants etc.

As for problems, Madam, every organisation has its problems. It was more so in the case of our organisation where the work has been increasing. The number of companies have increased many folds. On an average 100 companies are being registered in a month in Bombay. Therefore, there is need for strengthening the staff position. All the difficulties have been pointed out to the Department and they have been pending there. Comparatively speaking, Senior Registrars’ offices are better staffed than Muffusal offices.

The Registrar of Companies has an important role to play. Besides regulating the corporate sector in his region, he has to keep liaison with the State Government, Associations of Trade, Commerce and Industry. He is associated with the Study Circles organised by these organisations. Unless his office is properly staffed, he cannot discharge his duties efficiently.

The staff position of Registrars of Companies (Grade II and Grade III) offices was decided in 1956. Then in 1961-62, norms were set out by the Ministry of Finance. Thereafter,
After the Amendment Act our difficulties from administrative angle have grown further. Because of the visits of Shri P. B. Menon, our Joint Secretary and his able guidance we have been benefited to a great extent. Whatever questions were raised there, he has given satisfactory replies which has educated us. How the new provisions are to be implemented has been very efficiently explained by him. Later clarifications have also been issued on most of the points.

Nevertheless, I want to clarify that some policy directions should be given to us as to the type of scrutiny and the quantum of scrutiny under Sections 204(A), 297, 314(1B) etc. There were about 6,000 companies with a paid-up capital of Rs. 25 lakhs or more. The question was whether the Registrar of Companies has to test check or to have
a complete scrutiny. In the ultimate analysis—the scrutiny of the companies will depend upon the staff available. With the existing staff we shall do whatever we can do.

The balance sheets are to be scrutinised thoroughly whether these are complete in all respects. For this we require more staff. If qualitative scrutiny is to be carried out, then the staff may be provided accordingly. As this Department is to perform laudable functions, our contribution will depend upon the technical staff provided. Central Company Law Service should be augmented and officers recruited from Legal and Accountancy professions. Private sector has got most experienced and trained staff as compared to our staff. Then, there was need for a proper training of the staff also.

P.K. Mallik, Regional Director, Company Law Board,
Eastern Region, Calcutta

Madam,

The Eastern Region is comprised of the States of West Bengal, Bihar, Orissa and Assam and other States in the eastern part of this country. The offices of the Registrars of Companies are situated at Calcutta, Patna, Cuttack and Shillong respectively. The Union Territories of Andaman and Nicobar Islands also fall under this region. The Deputy Commissioner, Andaman acts as a Registrar of Companies.

There are 4 offices of the Official Liquidators in the Eastern Region. Their offices are situated at Calcutta, Patna, Cuttack and Gauhati. Only the Official Liquidator at Gauhati is a part-time officer.

The total number of companies at work under the charge of the Registrars of Companies in the Eastern region as on 31-3-75 are as follows:

| Registrar of Companies, West Bengal | 11,063 |
| Registrar of Companies, Bihar       | 724   |
| Registrar of Companies, Orissa      | 329   |
| Registrar of Companies, Assam       | 691   |
| Total                               | 12,797 |
The number of companies in compulsory winding up under the charge of various Liquidators are as follows:

- Office of the Official Liquidator, Calcutta: 379
- Office of the Official Liquidator, Patna: 26
- Office of the Official Liquidator, Cuttack: 22
- Office of the Official Liquidator, Guwahati: 2

Total: 429

The Regional Director is assisted by Joint Director (Legal), Joint Director (Accounts) and Deputy Director (Accounts). The staff strength in the office of the Regional Director, Calcutta is as under:

(i) Gazetted Officer: 7
(ii) Non-Gazetted Officer: 32

Inspection Wings

(i) Gazetted Officer: 14
(ii) Non-Gazetted Officer: 16

The total staff strength of the various offices (viz. Regional Director, Registrars of Companies and Official Liquidators) in the Eastern Region is as under:

(i) Gazetted Officer: 45
(ii) Non-Gazetted Officer: 324

I give below are the details of the total number of companies registered, amount of fees realised and prosecution launched during the last 3 years in the several offices of the Registrars of Companies in this region:

<table>
<thead>
<tr>
<th></th>
<th>31-3-74</th>
<th>31-3-75</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Bengal</td>
<td>532</td>
<td>597</td>
</tr>
<tr>
<td>Bihar</td>
<td>120</td>
<td>94</td>
</tr>
<tr>
<td>Assam</td>
<td>124</td>
<td>124</td>
</tr>
<tr>
<td>Orissa</td>
<td>24</td>
<td>49</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>805</strong></td>
<td><strong>804</strong></td>
</tr>
</tbody>
</table>
We have won many cases in respect of Birla and Goenka companies. However, because of the decision of Supreme Court in the matter of filing of accounts under section 220 of the Act prosecutions are now launched only under section 210 of the Act. This accounts for the decrease in prosecutions particularly, in West Bengal. The limitation prescribed by Cr. P.C. 1973 also acts as a stumbling
Madam,

I thank you for giving me an opportunity to attend this conference. I am in-charge of the Northern Region.

The Northern Region covers the following States:

(i) Union Territories of Delhi & Chandigarh.
(ii) Haryana.
(iii) Uttar Pradesh.
(iv) Punjab.
(v) Himachal Pradesh.
(vi) Rajasthan.
(vii) Jammu & Kashmir.

For the purpose of administration of the Companies Act, the following offices of the Registrars of Companies have been set up in this Region:

(i) In New Delhi—for the Union Territory of Delhi and State of Haryana.
(ii) In Kanpur—for the State of Uttar Pradesh.
(iii) In Jullundur—for the State of Punjab, Himachal Pradesh and Union Territory of Chandigarh.
(iv) In Jaipur—for the State of Rajasthan.
(v) In Srinagar—for the State of Jammu & Kashmir.

There is also in every State, an Office of the Official Liquidator. Though the Liquidators are attached to the High Courts in all administrative matters, they are under the Department of Company Affairs. In this Region, these offices are located at (i) New Delhi, (ii) Allahabad, (iii) Jodhpur and (iv) Chandigarh. The Registrar of Companies Jammu and Kashmir, Srinagar, is also the Official Liquidator.

2. The number of Companies on 30-6-1975 are as follows:

<table>
<thead>
<tr>
<th>Office of Registrar of Companies</th>
<th>Companies at work</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pub.</td>
<td>Pvt.</td>
</tr>
<tr>
<td>Delhi &amp; Haryana—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Haryana</td>
<td>84</td>
<td>293</td>
</tr>
<tr>
<td>Delhi</td>
<td>519</td>
<td>4345</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>350</td>
<td>1600</td>
</tr>
<tr>
<td>Punjab, Himachal Pradesh &amp; Chandigarh</td>
<td>136</td>
<td>1243</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>158</td>
<td>537</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td>13</td>
<td>113</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,266</strong></td>
<td><strong>8,131</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Office of Registrar of Companies</th>
<th>Companies in Liqnt.</th>
<th>Total</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pub.</td>
<td>Pvt.</td>
<td>Association</td>
</tr>
<tr>
<td>Delhi &amp; Haryana—</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Haryana</td>
<td>13</td>
<td>11</td>
<td>24</td>
</tr>
<tr>
<td>Delhi</td>
<td>53</td>
<td>180</td>
<td>246</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>53</td>
<td>89</td>
<td>143</td>
</tr>
<tr>
<td>Punjab, Himachal Pradesh &amp; Chandigarh</td>
<td>45</td>
<td>62</td>
<td>107</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>46</td>
<td>40</td>
<td>83</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td>1</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>210</strong></td>
<td><strong>398</strong></td>
<td><strong>2</strong></td>
</tr>
</tbody>
</table>

Foreign Companies | 511 |

| **TOTAL** | 10,784 |
The total Authorised Capital of the Companies in this region on 30-6-1975 works out to Rs. 45,76,82,96,609.00. It would be observed that the total number of Companies in the Northern Region is 10,784.

The number of companies in liquidation which are under the Official Liquidators, are given below:

<table>
<thead>
<tr>
<th>Official Liquidators</th>
<th>No. of Companies in liquidation (as on 30-6-1975)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delhi</td>
<td>92*</td>
</tr>
<tr>
<td>Allahabad</td>
<td>36</td>
</tr>
<tr>
<td>Chandigarh</td>
<td>31</td>
</tr>
<tr>
<td>Jodhpur</td>
<td>22*</td>
</tr>
<tr>
<td></td>
<td>182</td>
</tr>
</tbody>
</table>

*14 companies at Delhi and 4 at Jodhpur are under Voluntary liquidation wherein the Official Liquidator has been appointed as Liquidator.

It would be observed that more than 50% of the companies in liquidation are with the Official Liquidator, Delhi.

3. The figures regarding the registration of new companies for the last three years are as follows:

<table>
<thead>
<tr>
<th>Office of Registrar of Companies</th>
<th>No. of Companies registered during 1-7-1972 to 30-6-1973</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pred. Public Asscn. Total</td>
<td>--------------------------------------------------------</td>
</tr>
<tr>
<td>Delhi &amp; Haryana</td>
<td>60 413 1 479</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>28 129 2 159</td>
</tr>
<tr>
<td>Punjab &amp; Himachal Pradesh</td>
<td>5 155 2 162</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>6 54 1 61</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td></td>
</tr>
<tr>
<td></td>
<td>99 756 6 861</td>
</tr>
</tbody>
</table>
It would be noticed that there has been substantial registration of new companies in the Northern Region during the last 3 years. New registrations have been highest in the Union Territory of Delhi. The companies registered with the Registrar of Companies, Delhi, on 30-6-1975 is 5620 as compared to 4301 on 1-7-1972. It would be seen that there has been a spectacular increase in the new registrations in Delhi.

4. The prosecutions launched against the companies and its officers for the various defaults under the Companies Act from July, 1974 to June, 1975 is given below:

<table>
<thead>
<tr>
<th>Office of Registrar of Companies</th>
<th>Cases launched</th>
<th>Cases disposed of</th>
<th>Fine imposed</th>
<th>Costs awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delhi &amp; Haryana</td>
<td>133</td>
<td>515</td>
<td>11,815.00</td>
<td>25,230.50</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>67</td>
<td>200</td>
<td>16,815.00</td>
<td>2,376.00</td>
</tr>
<tr>
<td>Punjab &amp; Himachal Pradesh</td>
<td>65</td>
<td>36</td>
<td>8,600.00</td>
<td>2,206.00</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>37</td>
<td>43</td>
<td>14,502.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>302</td>
<td>798</td>
<td>154,032.00</td>
<td>29,912.50</td>
</tr>
</tbody>
</table>
The number of prosecution cases pending as on 30-6-1975, is given below:

<table>
<thead>
<tr>
<th>State</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delhi &amp; Haryana</td>
<td>739</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>139</td>
</tr>
<tr>
<td>Punjab</td>
<td>234</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>98</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td>19</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,229</strong></td>
</tr>
</tbody>
</table>

5. Certain powers have been delegated to the Regional Directors by the Company Law Board. At present the powers delegated to the Regional Directors are in respect of Sections 21, 22, 25, 31(1), 43A(4), 108(1D), 167, 224, 394A, 439, 496, 505, 551, 555(7)(9), 610 and 627.

The cases received and disposed off for the last two years under these sections, are as follows:

### From 1-7-1973 to 30-6-1974

<table>
<thead>
<tr>
<th>Brought forward on 1-7-1973</th>
<th>Received during the period</th>
<th>Disposed off during the period</th>
<th>Pendency</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>272</td>
<td>271</td>
<td>21</td>
</tr>
</tbody>
</table>

### From 1-7-1974 to 30-6-1975

<table>
<thead>
<tr>
<th>Brought forward on 1-7-1974</th>
<th>Received during the period</th>
<th>Disposed off during the period</th>
<th>Pendency</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>230</td>
<td>250</td>
<td>20</td>
</tr>
</tbody>
</table>

6. I would like to mention some difficulties faced by the Regional Director's Office, Kanpur:

(a) The Office of the Regional Director, Northern Region, is at present situated at Kanpur in Uttar Pradesh. As stated earlier, the region is very extensive and covers a major part of North India. Most of the offices of the Registrars of Companies and Official Liquidators are situated far from Kanpur and it is not possible to communicate with them urgently on any matter. It is difficult for the Regional Director to keep in touch with all the
Official Liquidators and Registrars of Companies. This, to a large extent, hampers proper supervision over the field offices. Besides, for every inspection, the Regional Director is required to pass through Delhi. This not only results in waste of time but also extra expenditure. The most important offices of the Registrars of Companies and Official Liquidators are that of the Registrar of Companies, Delhi and Official Liquidator, Delhi. Both these offices are in New Delhi. These offices need constant watch which is difficult from Kanpur. In every other region, the office of the Regional Director is situated in the same city, where the offices of the Grade I Registrar of Companies and Official Liquidator is situated. In the Northern Region, for some reason, the office of the Regional Director was shifted to Kanpur some 20 years back. Whatever the reasons at that time, they no longer hold good now. In my opinion, in the interest of efficient working and for exercising more effective control over the offices of all Registrars of Companies and Official Liquidators in the Region, it is imperative that the office of the Regional Director, Northern Region, be shifted to New Delhi. Besides, it would also considerably save time and expenditure on travelling etc.

(b) As stated earlier, the total number of companies in the Northern Region works out to 10,784 which is about 1/4th of all the companies in the country. The problems which are required to be dealt by this office are of the same nature as faced by the other Regional Director's offices. While in other Regions, the Accounts, Legal and Inspection work is under the charge of Joint Directors, in this office, these Sections are under the charge of Deputy Directors. The problems dealt by this office relating to the administration of Companies Act etc., are practically the same as those faced by other Regions. It is, therefore, suggested that the services of Joint Director (Accounts), Joint Director (Legal) and Joint Director (Inspection), be provided to this Directorate also to ensure the examination of the problems with greater maturity and depth.
(c) Another difficulty faced by the Regional Director, Northern Region, is the absence of a staff car. No staff car has been provided right from inception of this office in 1955, with the result that whenever we require a car, we have to request other Government Departments and Government Companies to oblige us. There is now an Inspection Wing attached to this Directorate, whose officers go out on inspections frequently. A lot of time is wasted in transit as there is no other mode of conveyance in Kanpur except cycle-rikshaws. Taxies are available at fixed points and at exhorbitant rates. It is, therefore, necessary to have a staff car for the Directorate. It may be noted in this connection that every Regional Director's office in other Regions has got a staff car.

(d) The Work Study of the following offices in this Region were conducted by the S.R.U. of the Department.

(i) Office of the Regional Director;
(ii) Office of the Registrar of Companies, Delhi;
(iii) Office of the Official Liquidator, Allahabad;
(iv) Office of the Official Liquidator, Chandigarh.

The S.R.U. had made certain suggestions for additional staff for efficient working of these offices. These additional minimum staff as suggested by the S.R.U. should be provided to this Directorate and the other offices.

As per the norms laid down by the S.R.U. for the Grade I Registrar of Companies office, the office of Registrar of Companies, Delhi, is entitled to one Additional Registrar, one Grade I Superintendent and some other staff. It is suggested that the norms fixed by S.R.U. should be followed, especially in the case of Registrar of Companies, Delhi.

(e) There is an Inspection Wing attached to this Directorate, which consists of a Deputy Director (Inspection), two Inspecting Officers and one
Assistant Inspecting Officer. The services of the Assistant Inspecting Officer at present are utilised entirely for the follow-up action on the Inspection reports.

Inspections are ordered by the Director of Inspection & Investigation at Headquarters. After inspection, the draft reports are submitted to the Regional Director for comments. After finalising in the light of the Regional Director's comment, the reports are sent to the Director of Inspection & Investigation of the Inspection Wing. Simultaneously a copy is also endorsed to this Directorate for follow-up action.

The Registrars of Companies are also required to undertake inspections under section 209(A), as per instructions of the Department. A copy of their reports are forwarded by them to this Directorate for necessary follow-up. The position regarding follow-up action for the last 3 years are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>1972-73</th>
<th>1973-74</th>
<th>1974-75</th>
<th>1-4-76 to 30-8-75</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) No. of Inspection Reports received</td>
<td>74</td>
<td>52</td>
<td>39</td>
<td>16</td>
</tr>
<tr>
<td>(ii) No. of cases closed out of above</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>(iii) No. of cases of follow-up in progress out of above</td>
<td>71</td>
<td>51</td>
<td>38</td>
<td>16</td>
</tr>
<tr>
<td>(iv) Cases relating to earlier period closed during the year</td>
<td>38</td>
<td>64</td>
<td>37</td>
<td>8</td>
</tr>
</tbody>
</table>

The cumulative figures of follow-up—535 Inspection reports received upto 30-6-1975 since the inception of the Inspection Directorate, out of which, 234 cases have been closed and 301 cases of follow-up are in progress as on this date.

**Staff:** My colleagues have very ably brought out the difficulty in respect of the staff. Vacancies have not been filled up. There are still vacant posts which have to be
filled in. Certain posts are to be created according to the norms of the SIU. Work study has been done of the Regional Director's office in 1973 and of the Registrar of Companies in 1973. According to the work study these offices are entitled for more staff. The staff recommended by SIU should be given immediately.

Technical Scrutiny: The technical scrutiny can be done only by qualified staff. JTA/UDCs do not know the implication of the matter. At JIA/STA level we should have qualified staff. Many of the QLS offices have not been inspected by SIU. They are understaffed. In some Official Liquidators office the work is carried out by the companies paid staff.

Shri R. N. Bansal, Regional Director, Company Law Board, Southern Region, Bombay

Madam,

I am in-charge of the Southern Region.

The Southern Region consists of the States of Tamilnadu, Karnataka, Kerala, Andhra Pradesh and the Union Territory of Pondicherry. The offices of the Registrar of Companies of these States are located at Madras, Bangalore, Ernakulam, Hyderabad and Pondicherry. There are four Official Liquidators in the Region viz., Official Liquidators attached to the High Courts of Madras, Karnataka, Kerala and Andhra Pradesh to look after the companies under court winding up. The Regional Director is also nominated on the Executive Committee of the Stock Exchange of Madras, Bangalore and Hyderabad.

Companies at work

There were 8,160 companies at work in the Southern Region as on 31-3-75. Out of this 1,970 were public companies; 6,190 were private companies; and 172 were Government companies. There are 339 large-size companies having paid-up capital of more than Rs. 25 lakhs in the Southern Region. During the quarter ended 30-6-75, 161 companies (including 3 government companies) were registered. Therefore as on 30-6-75, there were 8,321 companies at work in the Southern Region.

There has been a steep rise in the number of new registration of companies in this region. The total number
of new companies registered increased from 502 in 1972-73 to 790 in 1974-75.

**Prosecutions**

The Registrars of Companies have filed prosecutions against the companies and their officers contravening the provisions of the Companies Act, 1956. As on 31-3-75, there were 1,262 cases pending in which prosecutions had been launched by the Registrars in this Region. The disposal of prosecution cases has been satisfactory. During 1972-73, 73-74 and 74-75, 1018, 1138 and 1251 cases respectively were disposed of and a sum of Rs. 1.55 lakhs, 1.10 lakhs and 1.20 lakhs were imposed by the various courts as fine.

**Receipts & Expenditure**

The total receipts of account of fees realised during the last three years in the offices of the Registrar of Companies and Official Liquidators in this region are as follows:

- **1972-73**—Rs. 61,09,843.00.
- **1973-74**—Rs. 64,32,515.00.
- **1974-75**—Rs. 75,23,537.00.

Against this the total expenditure of the entire region during the last three years is as under:

- **1972-73**—Rs. 17,03,287.00.
- **1973-74**—Rs. 19,44,000.00.
- **1974-75**—Rs. 24,65,155.00.

The Central Government has delegated power to Regional Directors under various provisions of the Companies Act, 1956 and during the year ended the 31st March, 1975, 470 cases under the various delegated provisions of the Companies Act, 1956 were disposed of.

**Staff position**

Madam, regarding the staff position, I entirely agree with my colleagues about the paucity of qualified staff. The number of companies has been increasing from year to year whereas the staff position has remained stagnant.

There are total 28 Gazetted Officers in position in the Region at present. Besides, there are 5 Superintendents, 11 Senior Technical Assistants and 17 Junior Technical
Assistants. Clerical staff is 120. One post of Inspecting Officer and 2 posts of Assistant Inspecting Officers at Madras are to be filled up. The posts sanctioned for the Company Law Board Bench have also not been filled up pending appointment of a Member for the Southern Region.

The inspection wing in the region is headed by a Joint Director. At present 1 Deputy Director, 1 Inspecting Officer and 2 Assistant Inspecting Officers are vacant since one year. The Department had ordered inspections under section 209 of the Act of 627 companies upto 30-6-75, out of which inspection of 495 companies has already been completed.

Since the creation of the inspection wing in this office, 480 inspection reports have been submitted and 15 reports are under finalisation. During the period 1-4-74 to 31-3-75, 98 companies were inspected by the inspection wing.

In addition to this, the Registrars of Companies in this region also inspected a number of companies under section 209 and from inception, 104 companies have since been inspected by them in the region.

After giving the above factual position, Shri Bansal, pointed out his problems and difficulties as under:

The latest statistics of number of companies as on 31-3-75 has been furnished to the office, on the basis of the norms fixed by the S.I.U. of the Finance Ministry. It is requested that the staff required on the said basis may kindly be sanctioned at the earliest possible.

The Registrars of Companies are handicapped in not getting stationery supplies, especially file covers, blue binders, cash book and receipt book, etc. from the Government Stationery Stores. Request has been made to the Department for the local purchase of certain essential articles; sanction to this is still awaited.

The Magistrates insist on the personal attendance of the Registrar of Companies despite the specific reference to Section 621(1)(a) of the Companies Act. Often staff has to be deputed in the Courts. He suggested an early amendment of Section 220 of the Act. Difficulty is experienced in filing prosecution cases in outlying districts. The State Public Prosecutors do not have the adequate experience...
in prosecutions under the Companies Act and the prosecutions to be filed by them have to be routed through the District Collectors. Some of the District Collectors are unaware of the arrangements between the State and the Central Government and this results in infructuous enquiry before the cases are passed on to the Public Prosecutors.

He stressed the need for more staff and said that he agreed with his colleagues about the paucity of staff and about the quality of staff. The number of companies has been increasing from year to year but the number of posts has remained stagnant since 1961-62.

Internal Audit Team

The offices of the Official Liquidators by their very nature handle large properties, winding up of the companies ordered by the High Court. It is necessary that a continuous internal audit of the transactions of the offices should be conducted by a qualified and experienced internal audit officer. This was brought to the notice of the Department from time to time and it was emphasised that the internal audit team should be created for the Official Liquidators in the Southern Region. Department may consider the creation of a post of Internal Audit Officer for the Official Liquidator. Offices with its headquarters at Madras to deal with the internal audit of the offices of the Official Liquidators in the Southern Region effectively for direct the Audit Officer attached with the Western Region to devote at least six months in a year for the Internal audit of Official Liquidators offices in Southern Region to direct mis-appropriation or other financial irregularities.

Mr. D. J. Bawas, Registrar of Companies, Bombay

Madam,

I am in charge of the Office of the Registrar of Companies, Maharashtra State. The work in my office has considerably increased due to steep increase in registration of new companies. During the year 1971-72, 500 companies have been registered, during 1973-74, 758 and during 1974-75, 854 companies have been registered. The total number of companies as on 30-6-75 is 9,824 and the number of companies in liquidation on that date stood at 615. The smooth
working, of office is considerably hampered due to scarcity of staff and lack of adequate office accommodation, and for want of stationery, forms etc., and furniture. The staff strength is not adequate to cope with the additional work arisen as a result of the recent amendments to the Companies Act. The staff sanctioned as a result of the S.J.U's work study have not yet been provided. Even in the existing sanctioned posts, one post of Assistant Registrar of Companies, one post of Company Prosecutor II and one post of S.T.A. have not yet been filled up.

The next difficulty of my office is of accommodation. The present accommodation occupied is only 9,900 sq. ft. and the same is since 1956. Since then the number of companies has gone up considerably but no additional accommodation has been allotted to this office. The existing accommodation has been utilised to the maximum possible extent and there is absolutely no room for the increasing number of records. Secondly, the lack of accommodation hinders the smooth working and free flow of records. The actual requirement for the existing officers and staff and records works out to 18,500 sq. ft. Thus, it will be seen that practically we are working with less than 50% accommodation as compared to the actual requirements. I also contacted the Estates Manager, Bombay for additional accommodation but no additional accommodation has been allotted to us by the Estates Manager. Unless additional accommodation is provided immediately the work of office will be considerably hampered further. This problem may please be examined and necessary steps should be taken by the Government to provide for adequate accommodation in the commercial locality of Bombay. I may also add that it has not been possible for me to secure private accommodation due to non-availability and prevailing high rates of rent at Bombay.

The problem of stationery and forms is the next one deserving attention. The supplies are not regular and adequate. For instance, a demand of 1,000 reams of papers was made and the paper supplied was only 115 reams due to cut and economy of paper. Even incorporation certificates are not available. The registers are not supplied as a result of which we have to go to the local market for printing of cash receipt books and registers etc. But proposals for local printing are not sanctioned promptly. Proposals sent to the headquarters for incurring expenditure on
I am the Registrar of Companies, for Tamil Nadu State. After the provisions of the newly enacted Act came into force from 1-2-75 all the officers and staff in Madras Office were given a refresher course about some of the important provisions of the Companies (Amendment) Act. During the course of lectures it was felt that the copies of the Amendment Act sent to our office are not adequate. We have not been able to supply copies of the Act to all the senior officers and staff which are required in day-to-day working. In addition to that I have presently kept busy with the returns of the companies filed under section 58A which is now a statutory requirement. Though it will be an annual feature it will have to be seen that the companies file these returns. Returns regarding section 187C will also have to be scrutinised.

About the staff position, it is entirely different. In 1971 the S.I.U. carried out a study and it was felt that there was need for 13 additional posts including one post of A.R.O.C. Against this only 7 posts were sanctioned. Suddenly, in 1972 certain thinking started and now there is a threat of abolishing these posts. I am also short of L.D.Cs. The total number of companies have increased from 3,400 to 4,000. It is submitted that these posts may not be abolished and the existing staff should be continued.

In addition to that, out of 54 staff members, there are 19 ladies and generally 4 to 6 are on maternity leave and with the result there is bound to be shortage of staff for 4 to 6 months in a year. As a result of shortage of staff, some of the important work is in arrears. Returns are pending for 2 to 3 years.

In 1972, a new type of norm was introduced to evaluate staff requirements of my office. A Note was sent stating that staff requirements will be evaluated on the basis of number of companies at work and not the companies in local printing are not sanctioned promptly with the result the office is put to an embarrassing situation. It is, therefore, submitted that unless supply in stationery and other forms and registers are assured and supplied, the work will be considerably hampered.

Shri Sirsi, Registrar of Companies, Madras

Madam,

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liquidation. In every office the number of companies under liquidation is very high and the number in liquidation in my office is 460. It is submitted that the company which has gone into liquidation does not mean that it is dead. The liquidator has to file two returns in a year and these have to be checked before filing.

In this connection, it may also be mentioned that in Registrar of Companies’ Office there are certain stationary posts and we will have to separate these posts and try to find out what are the requirements of actual type of stationary posts.

The prosecution of companies have considerably gone up by a recent gazette notification. Companies in liquidation have to be taken into account and stationary posts should be provided and the balance of staff should be determined on the work.

Shri P. K. Mukhopadhyay, R.O.C., Calcutta

Madam,

I am the Registrar of Companies for the State of West Bengal. The number of public companies are scattered in West Bengal. Secondly, out of the companies registered under the seventy Large Industrial Houses, almost 50% companies are situated in West Bengal. Our office was not inspected for the purpose of staff requirements. My request is that if norms have to be determined my office may also please be inspected so that we can present our viewpoint. The number of complaints in West Bengal is very high.

As regards stationery, though I am stationed in Calcutta, I do not get required forms easily. We have not got cash receipts. Our collection is over Rs. 5 lakhs per month. It is therefore, requested that these forms may be printed centrally. Cash receipts cannot be cyclostyled for obvious reasons. Moreover even the copies of the Act are not available for the staff. About 2,000 declarations have been filed under section 187C, what scrutiny is expected of the Registrar of Companies on these returns? We are receiving lot of enquiries from public companies on various provisions of the Act. At times, our position becomes embarrassing and it is not possible to say that we have no instructions. If we can get proper men and timely material and instructions, we can function more efficiently and in time.
Shri S. Kumar, Registrar of Companies, Delhi and Haryana

Madam,

I am in charge of the Companies in the Union Territory of Delhi and the State of Haryana. As my colleagues have stated, similar difficulties are faced by me. So far as the instructions are concerned, I am in a happier position as being based in Delhi. I can seek instructions more easily and have no difficulty in seeking instructions.

Total number of companies at work in Delhi is 6,192. With the latest administration of amended provisions of the Companies Act, more responsibility has been placed on us. When my office was inspected in 1974, the basis for providing staff was 1972, statistics. Since 1972, more than 2,000 companies have been registered. According to Ministry of Finance instructions, I am entitled to 16 more hands. With the paucity of 16 officials it has become very difficult to cope with the increased work.

So far as the accommodation is concerned, I have got good accommodation. Being in Delhi, I think, I have easier access to the Head Office.

Smt. Achutha Menon, J.D.I., Madras

Madam,

One important point which I may mention is that the Travelling Allowance sanctioned for the Inspection Wing of this Region is inadequate because the companies which have to be inspected are situated outside the City of Madras. T.A. sanctioned is hardly sufficient for even 50% of the filled up posts. If the inspection work is to be accelerated, the T.A. will have to be considerably enhanced so that number of inspections could be increased.

Irregularities pointed out by the Inspecting Officers in the inspection reports should be taken note and instructions issued.

The work of filling up the vacant posts may be taken up at an early date for efficient and smooth working of the Inspection Wing.
Shri D. C. Kohli, J.D.I., Bombay

Madam,

The main problem concerning the Inspection Wing in Bombay is the inadequacy of staff. At present there are only 8 officers, one of them have joined only a month back. The position regarding number of inspection is not very good. As against 250 companies of the Large Industrial Houses, we have completed inspection of the 45 companies only.

Another problem facing the Inspection Wing in Bombay is that the Inspection Wing was shifted to another premises about a year back and the officers of the Wing have no benefit of a library.

Shri A. C. Sarkar, J.D.I., Calcutta

Madam,

Out of the three Inspecting Officers, one is fully employed for follow-up action. So far, we have completed inspection of the Birla Group, Goenkas, Sahu Jain and Soorajmull Nagarmull Groups. We have now commenced inspection of the Bangur Group. We have not got proper sanctioned strength of staff. We are working with nine officers for the last 10 months against 14 sanctioned posts. It is requested that the vacant posts may be filled up immediately so that we can fulfill the Minister's assurance in Parliament that we will complete inspection of the larger houses within 2 years.

Shri K. B. Mukherjee, D.D.I., Kanpur

Madam,

There is no post of J.D.I. in the Northern Region and I have also to look after the duties of J.D.I. I have two Inspecting Officers and one Assistant I.O. at my disposal. The problem of T.A. is the same as pointed out by my other colleagues. I joined only last year as D.D.I. and I found that much of the T.A. had been exhausted.

The work under section 209A has increased. Inspection under this section was carried out in 3 companies; namely (1) Modi Industries Ltd, (2) Modi Rubber Ltd, and

L/B(N)3LJ&CA—4
(3) Chaurasia Rubbers Ltd. In the case of Modi Rubber Ltd., one of the high officials of the company was examined on oath which has led to useful information about another fraudulent transaction. Shortage of staff is the biggest handicap. 99% pending cases are outside Kanpur. It is not possible to inspect 2 companies per month. Looking to the increased work, I would request that at least another post of I.O. may be sanctioned so that the work may be completed early.
5(B). SUMMING UP OF DISCUSSION BY SHRI K. K. RAY, SECRETARY IN THE DEPARTMENT

Shri K. K. Ray

I think Registrar of Companies at Calcutta will bring up the question of correlating the various forms which have been prescribed under the Benami transaction rule. It is always to be kept in mind that we are not going to do everything but we are going to oversee the working of the Department as a whole and keep a vigilant eye on the functioning of the corporate sector in the economy of the country.

Another point which came up was what is to be done under the new circumstances. The most important thing to consider at this juncture is as to how we can get abreast of these developments, which are now very much in the field. I am glad to note that one of the Registrars has taken some initiative. There is a difficulty of getting books; there is also the difficulty of getting the other things. I am glad to note that the Registrar of Companies, Tamil Nadu, has circulated the books available. He has also given a refresher course to the officers and staff at Madras. Such an initiative is worthy of appreciation. We are also facing the problem at the Headquarters regarding the staff, of books, forms, standardisation, interpretation and the like. I want all of you to realise that wide ranging change of the company law is bound to throw up many administrative difficulties and challenges. This is an aspect which has always to be kept in mind. We are working under many limitations in the Company Law Board itself, but that has not debarred us from going ahead with our work and keep to the time schedules prescribed under the Act for disposing of thousands of applications under the new sections dealing with subjects like soleselling agency, remuneration of interested persons, appointment of persons who belonged to the old managing agents etc.

The amount that has been collected from prosecutions is quite large but I find from Shri Yousuf's statement that
about Rs. 1.45 lakhs was realised. Shri Bansal has also stated that substantial moneys have been realised.

If you take the total number of cases which are put up before you and the amount of labour that you spend, you may find that the punishment is totally inadequate. As a matter of fact in many of the offices which I had inspected, this was one of the questions invariably asked by me and the answer was not found to be satisfactory. In several cases, the punishment is nominal such as a fine of Rs. 25 to Rs. 50 and this is a very small amount whereas the punishment prescribed under the Act is much heavier. The defaulters should be brought to book in a proper manner. Prosecutions should be properly handled and the Magistrate's attention has to be drawn in a proper manner to ensure that punishments for violations of the law are adequate.

The problem about the norms laid down can be analysed in two ways. First, even according to the norms laid down you have not got the required staff. Secondly, the norms which are being followed should differ from place to place and according to the complexity of the work handled. The norms which are to be applied to this Department should be quite different from the norms which are applied to other Departments. Although this is quite obvious it does not mean that results will follow from recognition of this fact. After all, we have to convince Finance about the difference between our work in Company Law and work in other branches of Government. I have some experience of work in Finance and I know pretty well how the mind of that kind of an organisation works. I may tell you that one cannot just say that this is to be done according to our needs and everything flows thereafter reasonably and smoothly. You have stated that according to the norms you are entitled to certain staff but you have not been able to get such staff. You remember that when originally the S.I.U. had conducted a study at Bombay and worked out certain norms, many problems had been thrown up. Adjustments had to be made and the difficulty about finding alternative employment for the surplus staff had to be solved. It is not simply the task of getting additional men for there are numerous categories and proper adjustments have to be made. Anyway after a great deal of correspondence and discussion and arguments we have been able to clear the decks finally. In addition to the new men the surplus
in other categories have been absorbed and I find that one post of Additional Registrar only will be surplus. You will be asked to surrender that post. This will only highlight the point that everything is not as simple as it appears on the surface.

Another point was that the Registrar at Bombay found that his officers have not joined. I have checked up the records just now. Some persons although they were asked repeatedly to take up their appointments have not joined. We have gone to the UPSC to make fresh appointments and men will be in position in the near future.

I do not know what was the exact implication of the statement of Registrar of Companies, Madras regarding staff and stationary posts and that he also could not follow the procedure of work laid down. It will have to be seen if any Additional Registrar of Companies is needed.

Officers are recruited through the UPSC and the procedure of selection and appointment of the candidates takes time. And by the time the UPSC has finally recommended the candidates and Government issues the orders of appointment the persons selected get some other job with some private concern and do not join their post. As such the appointments are delayed and the UPSC has to be approached again for fresh selection involving another round of a lengthy procedure.

There is another point thrown up by the discussion which is rather important. Apart from the paucity of forms, stationery paper and books, the T.A. given to the field officers is not sufficient. The function of proper supervision implies visiting the outlying offices, which involves a lot of travelling for which the funds sanctioned are inadequate. This point will be taken up with Finance and I hope a satisfactory solution will be found soon. You must economise on T.A. but on your behalf, I would request our Financial Advisor who is present here to see that the travelling expenses grant required for supervision are reduced only to the extent absolutely necessary.
6. DISCUSSION ON ITEM 3 OF THE AGENDA—STRENGTHENING OF THE STAFF IN FIELD OFFICES

Shri S. C. Bafna

I am glad that for supervisory tours there will be more allocation of budget funds for the T&S activities of the supervisory officers. Regional Directors and inspection staff can go to inspect the offices. Regarding Budget, I may point out that 90% of it represents salary and 10% T.A. and office expenses and thus leaving very little elbow for any reduction.

I have sent a note to J.S.(L) regarding prosecution of companies in the context of the new Criminal Procedure Code prescribing limitations. We are facing a great difficulty on this account as cases arising out of inspections cannot be filed within six months as required under Criminal Procedure Code.

The question has been discussed about the staff position. Instead of having staff at the lower level, it is better to have staff at the higher level. Persons with professional education should be recruited to these posts.

Regarding accommodation there is a great difficulty in Bombay in getting accommodation. There is no accommodation available in the Central Bombay where the offices are located and it is very difficult for the staff also to get proper accommodation. It is also due to this difficulty that the candidates selected for the post when they join proper setting arrangement, cannot be provided and they also do not get accommodation for residence.

Shri R. N. Bansal

In Andhra Pradesh the staff sanctioned is the same as it was in 1956 when the number of companies were 419 and since then the companies have increased three-fold i.e. 1,200. But there is no corresponding increase in the number of staff to shoulder the additional burden. The same is the case in Karnataka. The number of companies in 1965 was 694 whereas it has come to 1,685 in 1975 and there is no
addition of staff. Besides this, the number of prosecutions has increased and there is no proper provision of staff to look after this side of the responsibility. The cases are still pending.

Expenditure incurred on contingency is also huge and demands revision, keeping in view the increasing expenditure. Out of a total provision of Rs. 37,000, postage alone consume Rs. 32,000.

Shri S. C. Bafna

I find that the Central Audit Team hardly ever visits South for audit of the companies accounts. Some other arrangement should be made as the audit team at Bombay cannot do this job.

With the tremendous increase in the number of companies, the work-load of the Regional Director, Bombay, has also increased tremendously and it is very difficult to complete the work with the limited number of staff which is working over-burdened. For better supervision and inspection of the companies it is of utmost importance that more staff should be provided. Moreover, the court cases pending with the courts demand time because the procedure of the court is lengthy one and this should also be considered.

Another aspect of the staffing problem which I have already mentioned is about the liquidator. Regional Directors are required to visit the field offices once in a year. It should be better if they are permitted to visit twice in a year. When the new Regional Director goes to a particular place, he takes some time to pick up the trend.

Shri P. K. Mallik

Again there is the problem of qualified staff. Moreover, the staff should have some knowledge of accounts so that the balance-sheets etc. of the companies could be thoroughly and minutely checked up and irregularities brought to light. It is absolutely necessary that these offices should be manned at higher levels with persons having knowledge of accounts. Other staff joining at the lower level should also be given training in the profession and this training should be provided to all the field staff, and it should be given for providing practical knowledge of the things. For this it is
necessary that we should have some training course. The training may be given at a centralised place, it may be at Delhi or at Calcutta.

Shri S. M. Yousuf

There should be some inter-change of officers between the field offices and the Headquarters. By this they will have some idea of the work being done at the Headquarters and the Headquarters will be able to appreciate their difficulties.

Shri R. N. Bansal

There is acute shortage of accommodation in Bombay. It is very difficult to keep important documents safe for want of accommodation. It has been brought to notice that somebody had made away with the papers from the office window which is within easy access to the outsiders. The Central Public Works Department (CPWD) was approached in this matter with the request to provide some other accommodation. But the Central Public Works Department (CPWD) is helpless in this because there is no accommodation and how long the CPWD will take to provide the office with proper accommodation is not certain. The additional accommodation is absolutely necessary.

Shri Prem Nath

If the rent is reasonable, then I do not think we would have any objection unless the rent is extremely high, for instance, as in Delhi in Connaught Circus area the rent is too high and there is huge pressure demanded for providing accommodation. Advance to the extent of 6 to 12 months rent is demanded. We are prepared to give if the advance is adjusted in the immediate rent. The difference is about 40%.

The rent is the duty of the Works and Housing. In Delhi, I think some certificate is required. We will not object to giving an advance.

Shri F. K. Malik

In Calcutta we could not do without giving an advance rent.
Shri K. K. Ray

Is there any point which has not been covered and which the Registrars or the Joint Directors (Inspection) may like to bring forward?

Minister of State

Of course, finance will come in an indirect way. Mr. Prem Nath will leave with your permission. If there is anything else, we should bring to his notice before he leaves.

Shri S. C. Bafna

There is the question of delegation of financial powers. At present, sanction has to be obtained from the Department for Cashiers' allowance. The Headquarters approaches the Finance Ministry. If the procedure is cut short and the Regional Directors could be given power to approach the Finance Ministry, this will help much.

Shri Prem Nath

Recently, orders regarding delegation of powers have been issued. Probably most of the offices are not aware of the latest instructions.

Minister of State

About difficulties in regard to stationery items experienced by the Regional Directors and Official Liquidators, the matter will be looked into and taken up with the Stationery Department. This is a policy matter. How this can be done more effectively, will be examined. Perhaps it will be better if we discuss this with the Stationery Department.

Shri K. K. Ray

Is there any point which has not been covered and which the Registrars or the Joint Directors (Inspection) may like to bring forward?

Shri S. Rajagopalan, Director (Inspection & Investigation)

It is about Internal Audit. At present, we are getting officers on deputation from the Accountant Generals' Office. One Accounts Officer takes nearly two years for making himself conversant with the provisions of the Companies Act and by the time he is able to effectively operate, his deputation period is over and the parent office refuses to grant any extension of his tenure. Furthermore, there is difficulty in getting the officer with the requisite
qualification and experience. Considering this question, I would request that an Officer at a senior level should be obtained on deputation or the post should be included in the Cadre; otherwise the officer may not be of much use to the Regional Directors. I think my friends will agree with me.

**Minister of State**

Since morning inadequacy of the staff is being discussed by the Regional Directors/Registrars; the staff that was sanctioned has not been recruited or staff that was recruited had not joined at places. Somewhere the officers with adequate qualification have not been available; in this way, so many difficulties have come up. If it is a policy matter, of course, it will be decided at a higher level. But if it is not a policy matter, certain things can be settled—thrashed out, for example Class III and IV—Regional Directors can make appointment regarding Class III and IV. You should have to be brief if you can avoid repetition. I do not say that you are repeating, but if you can avoid, we would be able to cover more items. The question should be specific and the answer should, therefore be specific. And in case Class III and IV staff have not been recruited by you—Secretary will be able to guide you also.

**Shri R. N. Bansal**

In Southern Region, there is no vacancy of Class III and IV.

**Shri S. C. Bafna**

In the Western Region, at the levels of Statistical Assistant, Lower Division Clerk, Junior Technical Assistant, Senior Technical Assistant, there are at least 15 posts which are vacant. Some of them have been filled in the typist posts but some posts have been lying vacant.

**Shri Prem Nath**

There is a ban if the post is lying vacant for more than six months. Normally, as a routine we do not raise any objection if the post has not been filled for a year. But beyond that period, in certain cases, justification for
filling up the post is necessary before permission to fill it is given.

Shri K. K. Ray

Many of these difficulties are experienced by the Regional Directors' Office and the field offices because ultimately when you follow a chain promotion you have a vacancy at the lowest rung and there the ban on filling up comes in.

Shri Prem Nath

Reference to the Employment Exchange and the Surplus Cell of the Ministry of Home Affairs is necessary before filling up the post. As for filling up of a sanctioned post, it is an administrative problem. In the case of technical posts, the ban can be relaxed even when it has remained vacant for more than an year.

Shri K. K. Ray

Now, coming to the higher posts, especially in the case of Company Accountant, they did not join in many cases—so what is the alternative? Calling again for applications will cause further delay and at the same time it may not yield results; so what is the way that you would suggest? Obviously, ad hoc promotions can be made. For Class II posts there are certain recruitment rules: you cannot basically tamper with—that is only for transition; you cannot alter the basic rules. There are complications even if you have ad hoc appointments. So many ad hoc appointments are already there.

Minister of State

What is the real difficulty. Have you sufficiently studied? We have to apply our mind to the problem of recruitment pattern but you can make adjustment.

Shri K. K. Ray

Union Public Service Commission comes in the way because when we go to the Union Public Service Commission for approval—it is a very long process—by that time six months are over.
Minister of State

Let us give wider publicity and publicise the posts through the Institutes. Further, let us also consider lowering the qualifications slightly if the purpose for which the posts are meant is not prejudiced.

Shri S. C. Bafna

People do not join even after accepting the job because of the higher rent in Bombay.

Minister of State

We are not going to construct quarters there. Therefore, what is the way out?

Shri P. B. Meñon

The rules regarding promotion can be relaxed. Reduction in the number of years to make one eligible for the next posts can be considered.

Minister of State

We can consider lowering the number of years’ service and also publicising through the Institutes.

Shri K. K. Ray

There are three branches—Legal, General and Accounts. A legal person may not be useful for accounts job even after training. They are highly-specialised. We should not alter the basic structure of the service. By doing so, we will be creating many more difficulties/problems.

Shri R. N. Bansal

There should be a Company Accountant (Grade III) in the Official Liquidators’ office.

Shri Prem Nath

You have to justify the work-load for additional posts. If the creation of post is absolutely necessary and without it, the State will lose either revenue or, there will be violation of law affecting socially or economically, the posts will be sanctioned.
7. DISCUSSION ON ITEM 4 OF THE AGENDA—RULES AND FORMS UNDER THE COMPANIES (AMENDMENT) ACT, 1974 AND THE POINTS ARISING THEREFROM.

Shri K. K. Ray

Rules and Forms have been issued. Clarifications have also been given. Are there any points?

Registrar of Companies, Madras

Section 58-A: Deposits are generally accepted by the companies as advertised by them. There are many companies in Madras who have accepted these deposits but they have neither refunded the deposits nor renewed the same. He wanted clarification in regard to Section 58-A.

Shri P. B. Menon

Deposit Rules are being amended in the light of difficulties which have been pointed out. As for violation of law, the offenders should be prosecuted. At meetings of Chambers of Commerce, the socio-economic background of the Rules should be emphasised. You should make a research of the return to see as to how many benamis you have discovered. Of course, Section 187-C involves extra work; but initially some extra work has to be put in to bring out results.

Shri K. K. Ray

Please intimate us in writing and we shall give necessary clarifications in this regard. This cannot be discussed round the Table of the Conference.
8. DISCUSSION ON ITEMS 5(A) & 5(B) OF THE AGENDA

Secretary

There are 2 points under this item, viz. Inspection under the amended Section 209A and Follow up action on Inspection Report. If there are any points which require to be clarified, they may be stated.

Shri S. C. Bafna

If detailed inspection is now required under Section 209A, it is not possible to make two inspections every month.

Shri B. P. Menon

Norms can be changed for certain types of companies if a case is made out.

Shri P. K. Mallik

There are 14 people in the Inspection Directorate at Calcutta. The question is whether it is essential for the JDI to inspect himself. In my opinion, he should be available for supervising the work of DDIs and IOs, etc. Another question is whether a statement of oath is necessary in all cases.

Shri S. L. Kohli

Size and nature of work differs from company to company. JDIs are very busy in other work. They do not get any time for inspection themselves. Further, the inspection of companies could not be carried out thoroughly because of certain draw-backs. Sometimes, the staff is on leave and very little inspection work could be done. This is the reason that we have been able to carry out only the inspection of 1 per cent of the companies. If we try to make a thorough inspection of a giant size company, it will take about 20 days to complete the inspection. So is the case with the large industrial houses. Inspection reports should be more
Shri S. L. Kohli

The work of the JDI cannot be evaluated by his covering letter alone. He gives a complete guidance to DDIs and IOs.

Shri K. K. Ray

Instructions issued on 31-3-1975 give the perspective. Specific difficulties can be looked into.

Shri S. Rajagopalan

In 1960—the Act is amended to appoint officers other than Registrars for inspection. Till 1965, the view of the Department was that inspection under section 209(4) is not an investigation. It is a routine inspection. The Inspecting Officers were required to make constructive suggestions. This view was changed and the Act was amended and new powers to examine persons on oath was taken. In 1972 it was decided to give priority to the inspection of large houses. Forty-two posts were sanctioned, but very many posts remained unfilled. At present inspection of 500 large Companies is pending. A circular has been issued in this connection. The Regional Directors who have experience of having worked as Joint Directors (Inspection), should give necessary guidance. Of course, if routine inspection of all companies of large houses is dispensed with, we can concentrate on cases where inspection is really required.

Minister of State

No hard and fast formula can be laid down but relaxation should not lead to misuse.

Shri S. L. Kohli

The work of the JDI cannot be evaluated by his covering letter alone. He gives a complete guidance to DDIs and IOs.
9. DISCUSSION ON ITEM 6—ANY OTHER ITEM WITH THE PERMISSION OF CHAIR.

(a) NON-AVAILABILITY OF STATIONERY & FORMS

Minister of State

Difficulties have been expressed regarding non-availability of forms, registration certificates and receipts, etc.

Shri S. C. Bafna

We should be empowered to get the form printed departmentally as is being done by the Income-tax Department.

Minister of State

I agree that more budget provision be made for getting stationery, the cash receipts, incorporation certificates and statutory registration forms etc. I would suggest that we should take up this matter with the Controller of Stores and Stationery or get them printed locally as is being done by the Income-Tax Department.

(b) DESTRUCTION OF RECORDS

Shri S. C. Bafna

Reference on this subject has been pending in the Department since 27-10-1973. At present annual returns are required to be maintained for 15 years and so is the case with the summary of shareholders. Record keeping is becoming difficult. The question as to how long they should be kept should be decided. According to rules, some records are required to be kept for 5 years, some for 10 years and so on. There is no space for keeping the summary of Shareholders for more than three years. Actually very few references are made with regard to these papers and that too only in a few cases. There was a case for the reduction of the period for preservation of records.
Shri P. B. Menon

Microfilms of bulky documents may be a solution to save space. But destruction is a serious matter and cannot be resorted to because of difficulty of storage. Of course, correspondence file etc. can be destroyed according to existing instructions of the Government. As for annual returns regarding shareholding, the records should be maintained for longer period, as the information from these records would be required in many other cases. There was a case for the purpose of which a senior officer who wanted to see old papers in connection with a pending matter. Had these not been available because at present Registrars of Companies are to preserve the records, he would have lost the case. Further, if the parties come to know that the information with regard to a particular matter contained in returns has been destroyed, they will create difficulties for us when we take action against them.

Minister of State

There are certain rules governing this subject. It is a sensitive matter. Companies are paying fee under the Act which partly is for preservation of records. The matter should be, however, looked into.

Shri P. R. Mukhopadhyay

It is not clear as to who will sanction prosecution under the new set up, who will issue notices?

Shri K. K. Ray

The 31-3-1975's instructions clearly mention as to who can issue notices under the law. If there is any lacuna, we shall look into it.

(C) DELEGATION OF POWERS

Shri S. C. Bafna

The scope for delegating powers to the Regional Directors, for instance, once the allowance/special pay had been decided upon by the Headquarters, the field offices may be allowed to sanction the same from year to year without any further reference to Headquarters every time.
For instance, in the case of Cashier's Special Pay, duplicating allowances, etc. it should not be necessary to refer the matter to Headquarters. In this connection, he had already made a reference for delegating powers to Headquarters, but no reply has been received. He referred to letter No. A. 03605/41/72-Ad.II dated 25-10-72 in this connection.

Shri K. K. Ray

The question of delegation of power has been gone into—financial delegation as well as other delegation. The question of further delegation of powers especially financial delegation will be gone into in greater depth and we shall see that more and more powers are given to the field officers in financial matters. The Registrar of Companies, Calcutta, wants that power to issue notices should be delegated. I will say that this has already been taken care of in the Circular of 31-3-1975. As a matter of fact, powers already delegated are not being utilised by the field officers. Field Officers should make use of the delegated powers and there will be no undue interference from the Headquarters. They should simply send a report to the Headquarters.

Shri R. N. Bansal

Form 32 has no column for the qualifications of a Company Secretary. Another question was as to what is expected of the field officers, if there was contravention of Section 224. Then, there are number of cases of the appointment of distributors and the question was whether they were sole selling agents.

Shri K. K. Ray

You may bring all these matters to our notice formally and we will consider them.

Shir P. B. Menon

Amendment to some of the forms is being considered. As regards Section 224, a statutory auditor should be asked if the percentage prescribed under the section has been complied with.
10. OBSERVATIONS BY JOINT SECRETARIES IN THE DEPARTMENT

Minister of State

I will now like Joint Secretaries to address the Conference.

Shri A. Choudhury

I will like to say that as regards Section 294AA is concerned, the Department has taken all the brunt. We have recast the forms and field offices will not have much work to do. The procedure has been simplified. The Companies will have to let the Department know as to what are the actual expenses incurred in promoting the sale in the market, what is their income and what is the agents profits. The net earnings will be related to total earnings and then it will be seen whether sole selling agency was justified. So, there should not be any difficulty for field offices. However, if there were still some, they should be brought to the notice of the Department.

Minister of State

I will now introduce Shri M. K. Kukreja to the Conference.

Shri M. K. Kukreja

I thank the Hon’ble Minister for giving me an opportunity of meeting the field officers immediately after my joining the Department. The Conference has been very instructive and educative for me. In fact, I have got the experience which in the normal way I would have taken at least six months to gain. In such a short time, I have come to grips with the problems faced by the Department. I have noted the difficulties which have been stated in the Conference since morning. These difficulties mainly arise because of shortage of funds. We shall have to cope with the little accommodation which is at our disposal. I shall see that all the difficulties are removed as far as possible.
For filling up the posts, I have made a study during the last few days. It is not only CLB which is faced with these difficulties. Almost six months are taken from the date we inform the UPSC and the time taken by the UPSC to recruit candidates. Under Rules we have to go to UPSC. Some time we do not find suitable people. We need not be rigid in the selection. We have to see that these posts are filled up. We have to fall back upon our own people. I shall do my best to see that the delay with the UPSC is cut down. Some JTAs/STAs have been appointed. DPC also has selected some persons. This will help the position. The list will be issued within short time. It could not be done earlier because some of the CRs were not available and could not be considered.

Shri P. B. Menon

I am really happy that we were able to hold this conference, despite shortness of notice to field officers. The Regional Directors have come with all the materials, well prepared and focussed our attention on their problems. Such a Conference gives an opportunity to consider their difficulties. As far as matters with which I am concerned, I will assure you that we will give necessary clarifications on all points raised by you expeditiously. I have taken note of the difficulties pointed out in connection with liquidators and they will be looked into.
11. CONCLUDING ADDRESS BY SHRI K. K. RAY,
SECRETARY OF THE DEPARTMENT

Shri K. K. Ray

We had long discussions here. We have gone into many matters. But this is only a process from which more action will follow. I was very happy to see the field officers, to have them in our midst for a free and frank exchange of views and get to know first hand many of their problems. I also like the idea of interchange of officers from field to Headquarters and vice-versa. This will enrich the knowledge and expertise of the Department and will also help the officers. The final word would be that of the Minister. I thank the Minister and other colleagues.
It is now 6 O'clock. From 11 O'clock in the morning we have been discussing the items on the agenda. I am really happy that these informal discussions have taken place. I have all praise for all the officers and I will only emphasise that we should do our best within the possible resources.

We have discussions on a number of items. The agenda has been discussed in detail. I am really happy at the smooth discussions which have taken place. It was a useful meeting and it was educative for me also. You are the eyes and ears of the Government. The Department of Company Affairs should not be static, and the administrative procedures should be reviewed in the larger perspective of 20-Point Economic Programme of the Prime Minister. We can contribute to help the weaker sections by vigorous and effective functioning. There are four pillars in the Department, namely Secretary and three Joint Secretaries who will maintain the organisation. Work is increasing at Headquarters also and sense of working as a team has to be established. As far as sharing of responsibilities goes, we are all partners—irrespective of grade or pay. The goodwill you earn is that of the Department and the Government as a whole. The amendment of Company Law is a continuing affair, since it has to deal with changing corporate practices. New problems and difficulties arise and you have been facing them in a greater measure since 1st February, 1975 when the Amendment Act came into force. You have to bring to book all those who are always in the look out for evading law. Mere possession of the weapon should prove deterrent. For instance, power for conversion of loan into equity and appointment of directors under Section 408 has brought about a healthy change in the managerial outlook. You are charged with the duties to find out leakage of revenue and to plug such leakages, to the extent possible by Special Scrutiny of
balance sheet and profit and loss account of companies belonging to large houses, and also by frequent inspection of books of account.

I am happy that all senior officers have been able to participate in the Conference and I am confident that all of you have found it useful. I thank you once again for your participation.

The Conference then ended with a vote of thanks to the Minister.
13. A SUMMARY OF DISCUSSIONS

Much of the time of the Conference was taken in discussing administrative problems. The main points covered during the course of the general review of functioning of offices by Regional Directors/Senior Registrar of Companies/participating Joint Directors of Inspection as well as in relation to specific agenda items summarised for sake of convenience at one place in the following paragraphs:—

Norms for determining staff strength.

2. In 1972, the S.I.U. of the Ministry of Finance had studied the office of the Registrar of Companies, Bombay and had formulated certain norms for determining staff strength in the offices of the Grade I Registrar of Companies. It was pointed out by almost all the field officers that these norms were not realistic because the entire nature of work in the offices of the Registrar of Companies had not been properly taken into consideration in arriving at these norms. In particular, the following aspects were highlighted:—

(a) After the norms had been laid down in 1972, the nature of work in the field offices had undergone considerable change, particularly because of the recent amendments made in the Companies Act, 1956.

(b) Registrar of Companies Madras pointed out that the registration of companies was not the only job handled by the Registrar of Companies. They were expected to conduct inspections of two companies every month. There were several matters, particularly the Parliament Questions the voluminous information required by our R & S Division on various matters, enquiries regarding conversion of private into public company, attendance in courts etc. which were not properly reflected in the norms prescribed by the S.I.U.
(c) Registrar of Companies Madras also mentioned that it was not correct to exclude the companies in liquidation for the purpose of arriving at the norms as considerable work of difficult nature continued to be handled.

(d) Norms based on the study of one office do not always hold good in relation to another office. Regional Director, Calcutta particularly mentioned that the manner in which the companies were spread in the region, inter relationship, if any, subsisting amongst them, and other similar characteristics do not exist uniformly in all the regions. Therefore, it may not be always apt to apply the standards of one office to the other office and separate S.I.U. study was called for.

(e) Registrar of Companies, Madras suggested that instead of making the number of companies as the basis for working out the staff strength, it would be more appropriate if the number and nature of receipts were taken into consideration. Further, stationery posts such as those of cashier, record-keeper, daftary etc. should be sanctioned over and above the yardstick posts.

(f) It was stressed by several field officers that in formulating any norms, care should be taken to see that more posts at higher level are created rather than at lower levels. The reason given for this was that it is not always possible to get properly qualified staff at the lower levels with the result that the work suffers on this account.

(g) It was mentioned by Regional Director, Bombay that the extent of scrutiny required to be done in the offices of the Registrar of Companies had not been clearly specified by the Department. This should be done and then, to the extent necessary, the norms should be revised to provide adequate staff.

Work Study of the Field Offices

3. It was pointed out that no norms had been laid down for the offices other than Grade I offices of the Registrar of Companies. Particularly the offices of the Official
Liquidators had suffered very much because these offices had not been studied, and the staff strength in such offices had remained rather constant. Regional Director Madras particularly explained as to how no action had been taken in the offices of the Official Liquidators under section 497 of the Companies Act. He said that this work had gone into arrears and it was necessary to make a satisfactory arrangement to handle it. In this connection it was suggested that a Senior Accounts Officer, preferably one belonging to Grade III of the Central Company Law Service, should be provided to each Official Liquidator office for attending to the work arising out of section 497 of the Act. It was also the general complaint that the offices, other than Garde I offices of the Registrar of Companies, were not studied periodically and, therefore, the provision of requisite staff strength in these offices had gone by default.

Provision of Staff according to the existing norms.

4. The general complaint voiced during the course of discussion was that, even according to the existing norms, full staff had not been sanctioned for the field offices. Regional Director, Bombay pointed out that the number of companies in Gujarat had risen to about 2000 but the corresponding staff had not been provided. He mentioned that it was absolutely necessary to post an Asstt. Registrar of Companies in Gujarat. Similarly, in M.P., the number of companies had nearly doubled from 300 to 600 but the staff position is stated to have remained constant. The Registrar of Companies, Delhi mentioned that if the existing yardsticks were applied, his office would be entitled to 40 more dealing hands. Regional Director, Madras also expressed the view that the increase in work in field offices continues constantly and quick action has to be taken for providing the corresponding staff. In this context he also mentioned that instead of increasing the staff, there was a proposal for reduction of strength.

(ii) Shri Prem Nath, Joint Secretary in the Ministry of Finance, explained the Government's policy in this matter. He mentioned that according to the general instructions, a study of the on-going functions of an organisation was necessary before the proposals for increase in staff strength can be considered. He also mentioned that it would not be correct to say that just because the number of companies had increased, this could ipso facto be taken as
complete justification for making the corresponding increase in the staff strength. The more important aspect, according to him, would be to see whether any changes in the methods of work, organisational set up, etc. would be desirable in such a situation. As regards the study of on-going functions, Shri M. K. Kukreja, Joint Secretary, Administration indicated that the Department had recently agreed to this procedure and the meeting of the Committee would be convened soon.

(iii) When this matter was being discussed, the Minister of State desired to have an idea of the increase in budget of the field offices during the last few years. Regional Director, Bombay gave these figures relating to the office of Registrar of Companies, Bombay. From these figures, it was observed that the budget had increased over a period of time but, as pointed out by Regional Director, Bombay, this increase was mainly due to more expenditure having been incurred in paying revised pay and allowances to the staff. Shri Prem Nath observed that increase in the prices of goods and services had also been provided for in the increased budget allocation.

(iv) Secretary, while talking on this subject, pointed out the action taken by the headquarters in processing proposals for additional posts in the field offices. He mentioned that two Drafts Notes for Cabinet for sanctioning more posts in the field offices had been referred to the Finance Ministry. One of the proposals related to the posts to be created in the offices of the Grade I Registrar of Companies on the basis of the norms prescribed by the Staff Inspection Unit of the Ministry of Finance. The other proposal related to staff to be sanctioned for other field offices on the basis of the work study carried out by the Internal Work Study Unit of the Department. Both the proposals were pending for completion of review of on-going functions which as already indicated would be taken up soon.

Filling of vacant posts.

5. The position about the action taken to fill up the vacant posts had been explained in the note circulated to the participants of the Conference. Still, several field officers expressed difficulties arising out of the vacancies having remained unfilled for long periods. For example Registrar
of Companies, Bombay stated that one post of Asstt. Registrar of Companies, one post of S.T.A. and one post of C.P. II had remained vacant in his office for a considerably long time. J.D.I. Madras stated that one post of Inspecting Officer and two posts of Asstt. Inspecting Officers had been lying vacant in Madras region and this had affected the inspection work. J.D.I. Bombay complained that against the sanctioned strength of 12 officers, he was carrying on with just 8 officers.

(ii) After hearing the field officers, Secretary dwelt at length on this subject and brought out the following facts:—

(a) The R.D./R.O.Cs. were themselves competent to fill up class III and class IV posts without obtaining any approval from the headquarters.

(b) The process of recruitment persons through U.P.S.C. is always time-consuming. It takes about 5 to 7 months in getting recommendations of the U.P.S.C.

(c) The medical examination and verification of antecedents require further time before the candidates are really in position.

(d) In quite a few cases, the candidates neither join the post nor straightway decline the offer. This results in delay in making alternative arrangements.

(e) There are inadequate number of qualified departmental persons who can be promoted to the next grade according to the recruitment rules.

(f) Ad-hoc promotions for a period exceeding 6 months can be made only with the approval of the U.P.S.C. and it is very difficult to make out a convincing case always for their approval.

(g) Ad-hoc promotions create vacancies at the lower levels which, in turn, pose similar problems.

(iii) Secretary hoped that now that he had explained the whole position at length there would be better appreciation amongst the field officers about the serious limitations under which the headquarters had to work for getting the posts filled up. In this connection, he mentioned
that the position at the headquarters too was not very happy and number of posts were lying vacant here also. He, however, wanted the Conference to note that when recently a huge volume of work had to be handled by a target date, this was done inspite of the inadequacy of staff at the headquarters. He, therefore, felt that some improvement can always be effected by proper planning, improvisation and by evolving a system of priorities even with the existing staff.

(iv) An important aspect mentioned by the field officers was that the ban on filling up of vacancies had created certain problems. In this connection, it was noted that since most of the posts could be filled up either by promotion or by recruitment through U.P.S.C, the problem would mainly arise at the lower levels, particularly those of J.T.As. (only in respect of 50 per cent of the vacancies to be filled up by direct recruitment) and LDCs. Shri Prem Nath pointed out that there was no absolute ban on filling up even these posts and what was necessary was, in the first instance, to try to fill up these vacancies by the staff rendered surplus elsewhere as a result of SIU report or otherwise in accordance with the instructions issued by the Ministry of Finance. This possibility should first be exhausted. In this connection, Shri Prem Nath further observed that if the vacancies still remained unfilled even after exhausting this possibility and these were less than 6 months old, then they could be filled up by direct recruitment; vacancies more than six months would in any case have to go to the Ministry of Finance. This position was noted by the field officers and was subsequently reiterated by Shri M.K. Kukreja keeping in view the position earlier explained by Shri Prem Nath.

(v) The Minister invited suggestions from the field officers to overcome the difficulties in making quick appointments to the vacant posts. Regional Director, Madras suggested that there should be greater publicity in Journals brought out by the Institute of Chartered Accountants, Institute of Cost & Works Accountants, Institute of Company Secretaries etc. This was generally accepted. Another suggestion made by him was that instead of limiting the selection to the number of vacancies, UPSC should be requested to draw up a panel so that subsequent vacancies over a period of time could as well be filled by drawing
upon this panel. Shri P. B. Menon made yet another suggestion and stated that the existing rules could be modified to prescribe lower qualifications, experience etc. for promotion to the higher posts.

**Separate Audit Officer for Southern Region.**

6. Regional Director, Bombay explained the circumstances under which the internal audit of the offices of the O. Ls. had to be introduced. While doing so, he mentioned that there should be a separate Audit Officer for Southern Region, and the existing arrangement of requiring the Audit Officer of the Northern Region to look after the Southern region did not work satisfactorily. R. D. Madras also stated that the requirement of a separate Audit Officer for the Southern region was rather urgent and should be given consideration. During the course of discussion, it was also mentioned that the existing arrangements of borrowing Audit Officers from other services was not quite satisfactory and it would be advisable if the post of Audit Officer was created at a reasonably higher level and included in the Central Company Law Service.

**Accommodation.**

7. Regional Director Bombay and Registrar of Companies Bombay brought out the difficulties being experienced because of inadequate accommodation with them. They mentioned that the accommodation in Bombay in any central locality was rather very costly and they were not quite sure whether the Department would agree to the hiring of accommodation at these rates. In this connection, Shri Prem Nath explained that the reasonableness of the rates would have to be determined by the Ministry of Works and Housing and the Ministry of Finance usually went by the advice of that Ministry. He also stated that generally the Finance Ministry agreed to the proposal for giving advance rents for a period of 6 months to 1 year. Regional Director, Bombay stated that in view of this position, he would again try to find out whether any accommodation could be obtained.

**Destruction of Records.**

(ii). In the context of accommodation, the subject relating to the destruction of records also came up for discussion. It was pointed out that the Department should
issue some instructions relating to the maintenance of statutory and other records. Shri P. B. Menon mentioned that the preservation and destruction of records was an important issue. However, he pointed out that there were some instructions about records containing correspondence. In any case the position in this regard would be looked into and necessary instructions will be issued from the headquarters.

Stationery and Forms.

8. There was a general complaint from the field offices that they were very much handicapped due to the inadequacy of stationery and forms in their offices. Important forms such as Cash receipts, mortgage certificates, charge registers etc. were not received or were made available in inadequate quantities. Regional Director, Calcutta also mentioned that even though the office of the Controller of Printing & Stationery was located in Calcutta yet he was having the same problem as other field offices in the matter of getting adequate supplies of stationery. Suggestions were made that either the field officers should be given increased powers to make local purchases of stationery or some other arrangements may be made by the Department itself to arrange for printing of forms and supply stationery to all the field offices without depending upon the office of the Controller of Printing & Stationery.

Delegation of Powers.

9. Regional Director, Bombay, mentioned that at present the field officers had to make references to the headquarters on issues which were of relatively minor importance. In this connection, he mentioned that proposals relating to continuance of cash allowances for the cashiers, rent to be paid for the accommodation, although rent had been approved, honorarium to class IV persons for operating duplicating machines etc. could as well be disposed of by the Regional Director or Registrar of Companies themselves. He, therefore, suggested that suitable delegation of administrative financial powers should be made to the Regional Directors/Registrars of Companies. A suggestion was also made that the question of granting the status of Head of Department to the Regional Directors should also
be considered. Regional Director, Bombay invited attention to his proposal (reference Deptt. letter No. A-36015-41-71 Admn. II dated 25-10-72 inviting suggestions for delegation on this subject). Shri Prem Nath mentioned that Finance Ministry had delegated some powers to the Ministries and other offices in April, 1975 and that action to confer powers upon the Regional Directors/Registrars of Companies could be taken in the light of the orders issued by the Finance Ministry. This would be examined urgently.

Secretary observed that, at the same time, Regional Directors/Registrars of Companies should exercise powers already delegated in their favour.

10. Regional Director, Kanpur made a suggestion that his office should be shifted to New Delhi. Secretary replied that this may not be possible, particularly because of the paucity of accommodation and also because of the general policy of the Government to locate the offices outside Delhi.

(ii) Regional Director, Kanpur stated that there should be a post of J.D.(L) in place of the existing post of D.D.(L) in his region. He mentioned that this would be in accord with the provision made in the other regions.

(iii) Regional Director, Bombay suggested that instructions issued by the Department should be revised to permit the Regional Directors to visit the outlying offices in their regions at least twice a year. It was also pointed out that the cut in the provision relating to the Travelling Allowance was creating many difficulties and something should be done to get over it. Secretary clarified that recent instructions permit more liberal allocations for purposes of tour on supervisory of inspection duties. The Department would examine the adequacy of existing funds for T.A. and approach, if necessary, Finance Ministry for enhancement of funds.

(iv) It was felt that the Department should make suitable arrangements for imparting training to the officers of the Central Company Law Service, particularly to those who come as direct recruits in the Department. In this connection, Regional Director, Calcutta was requested to send a suitable scheme for the consideration of the Department. Refereshers courses for staff in position could also be organised on the lines taken up by Registrar of Companies, Madras.
(v) Secretary mentioned that the question of giving suitable allowance to the cashiers in the offices of the Official Liquidators with reference to total cash handled by them including company cash would be considered in consultation with the Ministry of Finance. Shri Prem Nath observed that the reference may be made to him.

(vi) The budget allocation for purchase of books in the offices of Regional Directors/Registrars of Companies needs to be augmented.
14. CONCLUSIONS

1. Norms fixed by the Staff Inspection Unit of the Ministry of Finance for determining staff of Grade I Registrars of Companies require to be reviewed because firstly, no uniform norms can be applicable to all areas, secondly, the norms fixed do not take into account all the miscellaneous work of the Registrars of Companies, thirdly the number of companies cannot be the only criterion for determining the staff and lastly, the nature of the work in these offices has undergone considerable change because of the recent amendments to the Companies Act.

2. Norms for fixing the staff strength of the offices of the Registrars of Companies other than Grade I offices should be fixed.

3. The offices of the Official Liquidators may be worked-studied and norms fixed for determining their staffing pattern after taking into account the action required to be taken by the Official Liquidators under Section 497 of the Act.

4. Full staff according to existing norms should be provided and existing vacancies filled up. The Regional Directors/Registrars of Companies who are themselves competent to fill up Class III and Class IV posts without obtaining approval from the Headquarters would fill them up expeditiously.

5. In order to get right type of persons, publicity of posts through journals brought out by the Institute of Chartered Accountants, Institute of Costs and Works Accountants, Institute of Company Secretaries, besides newspapers be examined.

6. It may be considered whether while making recruitment through UPSC, a penal may not be drawn out of which subsequent vacancies may be filled up.

7. The question of lowering the qualifying years slightly in the lower grade for promotion to the next higher without detriment to quality be also examined.
8. The question of providing a separate Audit Officer for the Southern Region to audit accounts of the OLs in that region should be examined.

9. The periodicity of the maintenance of the records in the offices of the ROCs should be reviewed.

10. Delegation of powers to field officers for purchase of stationery and printing of forms locally should be examined.

11. Delegation of powers to RDs/ROCs in financial matters be examined, in particular in matters of:
   (i) continuance of cash allowances for the cashiers;
   (ii) Rent to be paid for accommodation in cases where rent has been approved;
   (iii) Honorarium to Class IV persons for operating duplicating machines.

12. Suggestion to declare RDs as head of department be examined.

13. Proposal to upgrade the post of D.D.(L), Kanpur, to the level of J.D.(L) be examined.

14. Proposal whether RDs may inspect field offices in their region twice a year instead of once as at present be examined.

15. Question of imparting training to the officers in the Department when newly inducted particularly, direct recruits, and also for starting refresher courses for existing staff be examined.

16. The question of determining the allowance paid to cashiers in OLs offices on the basis of actual cash handled by them, i.e., including company cash, be "again" taken up with the Ministry of Finance.

17. Ministry of Finance will consider sympathetically the enhancement of provision for travelling expenses because of the special travelling needs of the Regional officers of the inspection directorate.

18. Budget allocation for purchase of books in field offices should be enhanced.
15. ANNEXURES

1. BRIEFS ON ITEMS ON THE AGENDA OF THE CONFERENCE

Item No. 3: Strengthening of the Staff of Field Offices and the Regional Directors' Offices; Suggestion by Regional Directors/Registrars of Companies.

The Regional Director, Eastern Region, Calcutta, has suggested that consequent upon the coming into force of the Amendment Act, it will be necessary to send a large number of reports to the Department and this will result in the need for additional staff in the Offices of the Registrars of Companies. In the Regional Director's Office also, large number of reports, references will be received from the Registrars of Companies and the scrutiny of inspection reports will involve additional work necessitating additional staff. Similarly, the prosecution machinery will have to be strengthened in the Offices of the Registrars of Companies as one Joint Director (Legal) attached to the Regional Director's Office will not be able to give proper guidance to the Registrars of Companies and the prosecuting staff.

The Regional Director Western Region, Bombay, has stated that it will be necessary for the Registrars of Companies and/or Regional Directors to send further reports to the Central Government consequent upon the amendment of certain sections and enactment of certain new sections like 17, 18, 108A to 108H, 141, 186, 204A, 269, 294AA, 297 and 314. In this connection, he has pointed out that the additional staff recommended by the Work Study Team in respect of the offices whose work study has already been undertaken on the basis of the present work-load has still not been sanctioned and in view of the present ban on creation of new posts and filling up of vacant posts, it is unlikely that any additional staff will be sanctioned. In these circumstances, it will be difficult for his office and for the offices of the Registrars of Companies in his region,

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especially at Bombay and Ahmedabad, to cope with the increased work-load. He has also pointed out that the sanctioned posts of Senior Technical Assistants and Assistant Registrars have not been filled up. He has, therefore, desired that proposals made by him in this connection may be considered and additional staff be sanctioned.

The Registrar of Companies, Tamil Nadu State, has also made proposals for additional staff. Likewise some other Registrars of Companies have also pointed out the need of additional staff.

It is no doubt true that the implementation of the amendment Act has cast additional responsibilities on the Offices of the Registrars of Companies and the Regional Directors and to cope with the additional work-load, it will be necessary to sanction some additional posts. However, in view of the present economic conditions, it will be difficult to persuade the Ministry of Finance and the Cabinet to any additional expenditure without a proper assessment of the work-load. Regional Directors and Registrars of Companies may further elucidate on their demands.

Annexure to Item 3

Staff position in Field Offices

The staff position in the field offices can broadly be considered with reference to the following three aspects:

1. Creation of posts for work arising out of the recent amendment of the Companies Act, 1956;

2. Sanction of additional posts on the basis of work study carried out by the Internal work study unit of the Department or by the Staff Inspection Unit of the Ministry of Finance;

3. Filling up of vacant posts.

The position in regard to each of the above items is indicated in the following paragraphs:

Creation of posts for amendment work

2. The Financial Memorandum annexed to the Companies (Amendment) Bill, 1974, inter alia, provided for one post of Senior Technical Assistant and one post of Junior Technical Assistant in the offices of the Regional Directors.
No provision had been made for any post in other field offices. After the amendments were passed, our Policy Branch took up the question of creating additional posts but they did not consider necessary to provide any additional staff to the field offices in the initial stages. When the proposals were processed in the Administrative Wing of the Department, it was realised that for dealing with the various applications at the Headquarters, reports from the field offices would have to be called for, which would certainly create additional work in those offices. It was, therefore, decided to suggest to Finance that one post of Senior Technical Assistant and one post of Junior Technical Assistant should be created in each of the offices of the Regional Directors and in Grade I offices of the Registrars of Companies at Bombay, Calcutta, Delhi and Madras. It was also decided to suggest to Finance that one post of Junior Technical Assistant should be created in all other offices of the Registrars of Companies. The Ministry of Finance, however, did not agree. We were however, able to persuade them to sanction one post of Senior Technical Assistant in each of the offices of Regional Directors and Gr. I Registrars and one post of Junior Technical Assistant each in the other offices of the Registrars. The sanction for the posts has since been issued after obtaining the approval of the Cabinet.

Additional posts on the basis of work study reports

3. The position about the creation of additional posts for the normal increase in work is as follows:

(i) A comprehensive proposal relating to the creation of 26 additional posts of various categories in the offices of the Grade I Registrars of Companies has been taken up with the Ministry of Finance. The Staff Inspection Unit of the Finance Ministry has prescribed certain norms for Grade I offices and on the basis of these norms the additional staff strength was worked out by our O & M Unit. There has been a little delay in this matter mainly because at the final stage the Ministry of Finance required us to review the position with reference to the number of companies existing as on 28-2-1975, which necessitated calling for factual information from the Regional Directors on the basis of which the whole staff strength had to be
Worked out again. Draft summary for the Cabinet was sent to the Ministry of Finance but has just come back with some queries which are being considered.

(ii) A good number of other field offices were worked studied by the Internal Work Study Unit of the Department and based on its recommendations a proposal to create additional posts was formulated and referred to the Ministry of Finance. The Ministry of Finance, in turn, consulted their staff inspection unit in this matter which resulted in some delay in finalising the whole proposal. After a great deal of discussion, agreed proposals in the form of a summary for Cabinet have now gone to the Ministry of Finance for their concurrence. Total number of posts likely to be created would be seven.

**Filling up of vacant posts**

4. The Regional Directors/Registrars of Companies are the appointing authority for Class III and Class IV posts. The other posts, for which action is required to be taken by the Headquarters, are either to be filled up by direct recruitment through Union Public Service Commission or by promotion. As regards the posts which are required to be filled up through the agency of Union Public Service Commission, the whole process beginning with the lodging of requisition with the Commission and ending with their recommendations takes about 5 to 7 months. Thereafter, quite some time is spent in getting the candidates medically examined and in getting their antecedents verified. In quite a few cases, the candidates neither decline the offer made by us nor positively respond to our request for joining early. In such cases, the delay cannot really be helped. Because until the offer is finally withdrawn, we cannot take any action to call for an alternative name from the Union Public Service Commission. Further, it is not always that the Union Public Service Commission is in a position to sponsor some other name with the result that we have to go over the process of making a fresh requisition to the Union Public Service Commission and getting their recommendations. It has also been our experience that some of the persons selected by the Union Public Service Commission happen to be employed in other government departments and are not released very expeditiously and in such cases it is very difficult to cancel the
offers on this ground alone. There is no alternative but to put up with these difficulties.

5. As regards the posts to be filled up by promotion, we can avoid delay. But the one difficulty which we have been facing for some time is that in the Central Company Law Service we do not find many eligible candidates for promotion to higher posts. Consequently, we had either to divert these posts to the direct recruits or to deputationists or make some ad-hoc promotions. All these alternatives do not work satisfactorily always. The direct recruitment, as stated above, takes its own time and the ad-hoc promotion created a vacancy at the lower level. Further, it may be noted that it is not possible for us to make ad-hoc promotions for more than six months without the approval of the Union Public Service Commission. And we have found it quite difficult to convince the Union Public Service Commission of the need to make ad-hoc arrangements and this process again takes time.

6. Some of the field offices have brought to our notice difficulties arising out of the ban on the filling up of the vacant posts. The position in this regard is that this ban does not apply in the following cases:

(a) Posts created with the approval of the Cabinet;

(b) posts filled up by taking persons on transfer, promotion, deputation or adjustment of staff rendered surplus elsewhere;

(c) posts of typists and stenographers.

Having regard to the above position, it can be said that by and large the ban on filling up of the posts would not have much of an adverse effect on the staffing position in the field offices, as a substantial majority of the vacancies in these offices would fall under one or the other of the above mentioned categories.

F. No: A-42015/60/75-Admn. II

Item No. 4: Rules and forms under the Amendment Act and points arising therefrom.

Field offices are aware of the Rules framed under the provisions of the Companies (Amendment) Act, 1974. The difficulties that they have come across in implementing these Rules may be brought up for discussion by them. It
may also be that some companies may have discussed with them the difficulties experienced by them in complying with these Rules. These may also be discussed. The forms prescribed by the Department since the date of commencement of the Companies (Amendment) Act, 1974, may also be discussed.

Item No. 5(a): Inspections under the amended provisions of Section 209A.

The Companies (Amendment) Act, 1974, has deleted clauses (b) to (d) of Section 209(4) and has introduced a new Section 209A providing for inspection of the books of accounts and other papers of the companies. The new provisions of Section 209(4) i.e. (a) enabling the officer to make copies of the books of accounts etc. or place remarks of identification thereon; (b) vesting the officer with certain powers of a court under the Civil Procedure Code, 1908 in respect of the discovery and production of books of accounts, summoning and enforcing the attendance of persons and examining them on oath, and inspection of any books etc. of the company at any place.

Detailed instructions on the proper exercise of these enhanced powers have already been issued by this office letter No. 7(12)/75-CL.II dated 31-3-1975.

Hitherto, it had been accepted that the inspection report denoted a one-sided view of the books of accounts and state of affairs of the company inasmuch as the officer making the inspection had no right to ask for explanations and clarifications, leave alone record statements on oath. This excuse will no longer be valid after coming into force of Section 209A. Hereafter, the officers making the inspection will have to analyse the facts, demand and obtain explanations, if necessary, summon and enforce the attendance of persons and record their statement and in general examine thoroughly every aspect of the company's working and every significant transaction and record in their report a clear finding on each point. It will no longer be permissible to state that, records were not produced and, therefore, a point could not be examined further. Where there is no compliance by a company or its directors, or other officers of the obligations cast upon them by
Section 209A, the officer should make out a clear-cut case for prosecution and report immediately to Headquarters from where orders sanctioning the prosecution will issue.

It is presumed that RDs/JDIs/ROCs have considered the matter and any practical difficulties in the exercise of these provisions and in application of the circular mentioned earlier, may be discussed.

Item No. 5(b): Follow-up action and expeditious disposal of Inspection reports.

Inspections under Section 209(4) of the Companies Act, 1956 have been conducted from 1966 to January, 1975, and under Section 209A from February, 1975 onwards. A total of 2,582 inspection reports were received up to 30-6-1975, out of which, 1,576 reports have been closed and disposed of, leaving a balance of 1,006 reports pending. An analysis showed that out of this pendency about 200 cases related to reports received prior to 1970. A review of these cases was carried out at Headquarters. The review showed that in many of these cases, disposal of these reports was held up only for lack of some action by Registrars/Regional Directors. Thus, for example, in most cases letters to the company and the auditors were not followed up to ensure a reply, action to launch prosecution was not taken quickly etc. A little attention bestowed on these old cases would go a long way in finalising the old reports so that they can be closed. It need hardly be mentioned that sooner these old cases are disposed of the better it will be because the staff and the officers in the field and at Headquarters can concentrate on the more recent inspection reports. This is particularly relevant because of the time-limit imposed on our complaints by Section 468 of the amended Code of Criminal Procedure, 1974. It is therefore, suggested that Regional Directors should direct a review of pre-1970 cases so that this pendency can be liquidated. It may be remembered that an officer of the Inspection Directorate has been given to each Regional Director to help on follow-up work, and there should be no difficulty in making the review.

Certain powers on follow-up have been delegated to the Regional Directors/Registrars of Companies by administrative instructions. We have already advised Regional Directors/Registrars of Companies that they should
take action on the points mentioned in the reports which fall within their respective powers immediately on receipt of the report and without waiting for any further instructions from Headquarters on those points. Instructions from Headquarters will issue only on points on which the powers to launch prosecution is with the Central Government. The Headquarters will, therefore, not interfere with the exercise of the discretion of the field officers in matter delegated to them and only requires a formal report that the matters have been disposed of. Some Regional Directors continue to send elaborate reports on these points including copies of the companies' reply, etc. This is really not necessary. A brief note indicating how these points have been disposed of would suffice.

It should be ensured by the Registrars that they maintain a list of inspection reports pending for action. The position in this respect may be clarified by them at the Conference. A simple register for this purpose in the proforma suggested at Annexure 'A' could be maintained by each Registrar as well as in the office of the Regional Director, if they are not maintaining any such register at present. Initially, the inspection reports pending as on July, 1975 could be entered, and subsequent entries could be made as and when the reports are received. A periodic scrutiny of this register will serve as a reminder to the Registrars and Regional Directors of old inspection reports still pending and requiring their attention.
ANNEXURE A

Register of Inspection Reports

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Date of receipt of Inspection Report</th>
<th>Name of the company</th>
<th>File No.</th>
<th>Date of completion of all action</th>
<th>Date on which Board approves closure of the case</th>
<th>Remarks</th>
</tr>
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<tr>
<td>1</td>
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<td>6</td>
<td>7</td>
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</tbody>
</table>
2. PROBLEMS FACING IN THE OFFICE OF THE REGISTRAR OF COMPANIES WEST BENGAL

A NOTE BY REGISTRAR OF COMPANIES, WEST BENGAL

In January 1974, the Department issued an order creating and abolishing some posts on the basis of certain norms for grade I offices. As per that order 10 posts were created including 2 posts of Asstt. Registrars and 1 post of C.P. and 7 posts including 1 Addl. Registrar of Companies were abolished. At the time of preparation of norms, the work load of Calcutta office was not considered. When the matter was taken up with the Deptt, the administration section of our Deptt. desired that the staff sanction should be calculated on the basis of norms sent by the Deptt. Accordingly, the detailed report was sent to the Deptt. on the basis of the number of working companies as on 20th February 1974. In the meantime, there have been a large number of new registration. Also the work load has increased consequent on the coming into force of the Companies (Amendment) Act. Under the circumstances, the norms originally decided by the Deptt. does not hold good presently. The matter therefore requires complete re-consideration and additional staff is to be provided, for effective administration of the Act.

2. Ad-hoc work: During the last few years the office of the Registrar of Companies, West Bengal, has been receiving requisition from the Department for various information/studies most of which are not of regular nature, but of special kind. Since about 40 to 45% of the total number of companies in large industrial houses are registered in West Bengal, there is a regular flow of requirement by the Deptt. in respect of Monopoly studies, Parliament question involving large number of group companies, inter-connection studies, shareholding and management pattern. We are regularly receiving such reference from the Deptt. In view of the work of this regular and ad-hoc nature involving examination of large number of documents, the normal and regular work of the office is adversely affected. In this context, the necessity of additional staff has assumed utmost importance.
Problems facing Official Liquidator

(i) Inadequate staff in the office of the Official Liquidator: On the introduction of the amendment of the Companies Act in 1956, the Official Liquidators came under the administrative control of the Central Government. The staff for that office is also provided by the Central Government. The Official Liquidator’s office, Calcutta, is the second biggest office in India, and the staff provided by the Government for that office is inadequate. This office has to handle various types of work, i.e., taking possession of the assets, examination of statement of affairs and other books of accounts, disposal of assets, filing of misfeasance application, if necessary, and in the process get himself involved in various types of litigation in the High Court and in the District Courts.

In the office of the Official Liquidator, Calcutta, there are only 6 gazetted officers and about 40 non-gazetted officers. This is too inadequate to cope with the multiform types of work. Some of the posts are lying vacant for a considerable period. The vacant posts should be immediately filled in and department should also consider providing him with additional staff in order to enable him to cope with the work-load.

The office of the Patna Official Liquidator was work-studied and additional posts were recommended. But so far that office has not been provided with the additional staff, as a result of which that office is facing great difficulty in disposing of and attending to various types of work. During my last visit to Patna, the Company Judge raised this point and asked me to request the government to provide that office with additional staff immediately.

(ii) Taking over possession and other matters: The co-operation of the police department is not very much available as they usually remain extremely busy with the affairs of the State govt. As a result of resistance by the ex-workers of the company, difficulty is encountered in the matter of taking possession. Even after taking possession it is very difficult to safeguard the assets of the company on account of constant theft, pilferage and robbery. Complaints are usually lodged with the police whenever these incidents take place but miscreants are usually never apprehended. The durwans posted to safeguard the assets
of the company become panicky as they are sometimes gravely injured at the hands of the miscreants. Although the matter was taken up by our department, with the Home Secretary, West Bengal Govt., we have not been able to see any fruitful result so far.

(iii) Difficulty to pursue misfeasance cases which stands in the way is with regard to availability of funds. Most of these cases have no funds at all. Solicitors and counsel are pressing the Official Liquidator to meet the preliminary expenses to proceed with the applications. The sanction issued by the Deptt. to meet such cases is very inadequate.

3. Other matters:

(1) Chit Fund Companies—Necessity of Central legislation.

During the last few years, there have been a large number of registration of Chit Fund companies. These companies are mostly 'Cheat' companies and the unawary public are being put to a great loss by these companies who close down their show on a fine morning and run away. It is therefore essential that there should be a separate legislation for the conduct of these chit fund companies as is being done in Kerala and Madras. It would be quite ideal if some central legislation is thought of so that there may be uniformity in their functions and responsibilities especially when these companies have their offices in different States.

(ii) Non-Payment of fixed deposit by companies

Now that the directives of the Reserve Bank of India have been withdrawn in respect of non-banking non-financial companies, the Reserve Bank has been forwarding a spate of complaints received by them from the members of the public about non-payment of fixed deposits on due date. Even well-known companies like Bengal Potteries, companies of J. K. group have not been able to meet their commitments. Some of these companies have not been able to meet their liabilities due to circumstances beyond their control, viz. labour strike followed by lock-out etc. In such circumstances, it is felt that we should be considerate in exercising the penal provision of sec. 58A of the Companies Act, 1956.
(iii) Empanelment of officers of Central Company Law Services for posts of Under Secretary, Dy. Secretary, and Joint Secretary etc.

Recently at the instance of the association of the officers of Indian Economic Service/Indian Statistical Services, weightage (on the lines of weightage of pay fixation) has been allowed by the Department of Personnel to the Officers belonging to the services for the purpose of empanelment for the posts of Under Secretary, Deputy Secretary, Joint Secretary etc. It is suggested that a similar weightage should be made applicable to the officers of Central Company Law Services for the purpose of empanelment for the posts of Under Secretary, Deputy Secretary, Joint Secretary etc. Since Central Company Law Services (CCIS) is at par with the other two services referred to above, placement of officers of CCIS in the panel maintained by the Deptt. of Personnel will go a long way in improving the prospects of our officers.

(iv) Addition to qualifying services in special circumstances

By the Ministry of Finance, Deptt. of Expenditure Notification No. 3(I)-EB(A)/73 dt. 2nd April 1975, the Central Service Pension (2nd Amendment) Rules was circulated. By these rules a government servant appointed to a service or post after 31st March 1960 shall be eligible to add to his service, qualifying for superannuation, the actual period not exceeding the length of the service or the actual period by which his age at the time of recruitment exceeded 25 years or a period of 5 years whichever is less, subject to fulfilment of specified conditions. The conditions include professional qualification/experience and recruitment age over 25 years. Since both the conditions are satisfied in the case of Central Company Law Service, necessary amendment to our service rules may be made so that the above benefit is available to C.C.I.S. officers.

(v) Confirmation and regularisation of the appointment of service officers.

(vi) Training of Officers.

In view of the large scale of amendment to the Companies Act and the notification of serviceable rules thereof it is essential that adequate training is imparted to the several officers and staff to equip themselves properly for discharging their functions effectively and purposefully.
As compared to the work load in this office, the staff strength is not commensurate. As at present, the number of working companies is more than 10,000. The full complement of staff entitled to this office according to the norms fixed by the SIU as a result of work study undertaken by them of the working of this office has not been provided so far. [Annexure 1(a)]. (A statement showing the requirements of staff as per norms fixed by the SIU of the Ministry of Finance according to the number of working Companies as at 30-6-75 and actual staff at present sanctioned is enclosed herewith). [Annexure 1(b)]. It is seen therefrom as against the entitlement of 165 staff, the present strength consists of only 135 giving the shortage of 30 persons. Even out of the existing sanctioned strength, one post of Asstt. Registrar of Companies and one post of CP II and one post of STA and one post of CP III and 2 SAs have not been filled in. With the result, the working of this office has been considerably hampered.

L/B(N)MOf LI&CA—7
Apart from the above additional staff requirement based on SIU norms, this office also requires further staff to cope up with the additional work thrown by the administration of the Companies Amendment Act, 1974. In this connection, the additional staff requirements of this office to cope up with the working of the Companies (Amendment) Act, 74 has been already reported to the Regional Director and the Government in this office, D.O. letter dated 23rd June, 73 and 5th December, 74. According to the latest estimate the additional staff requirements is given in the statement enclosed: [Annexure II].

Accommodation

First and foremost the main difficulty for the smooth functioning of this office is the problem of accommodation. The present accommodation occupied by this office in the Everest Building, 100, Marine Drive, Bombay-2 consists of only 9190 sq. ft. which is under occupation from the year 1956. Since then the number of Working Companies has gone tremendously high and the staff as well as records of this office has more than doubled. But no additional accommodation has been allotted to this office. The existing accommodation has been utilised to the maximum extent possible and there is now absolutely no moving space in the main hall and also in the record rooms. As a result of the lack of adequate accommodation some correspondence files and list of shareholders are spread over the ground floor in the record room obstructing free movement and easy flow of records. According to the scale of accommodation prescribed by the Government, the actual requirements of accommodation for the existing officers and staff and records works out to 15500 sq. ft. as against the existing accommodation in occupation of 9190 sq. ft. leaving a short fall of 9310 sq. ft. A copy of this office letter No. G/12-D-Estt./75 dated 23-7-75 addressed to the Estate Manager, Bombay indicating the requirement of accommodation of this office is annexed. [Annexure 3]. Thus it will be seen that practically we are carrying on with less than 50% accommodation as compared to the actual requirements. The problem of accommodation has been taken up with the Estate Manager, Bombay and he has been requested to provide extra accommodation for the use of this office. But, however, no additional accommodation has been allotted to this office as far by the Estate Manager. Unless
Next in importance to the accommodation, the problem of stationery and forms is causing considerable difficulties. The Government had previously introduced 38 standard letters to be sent to companies. The Government printed them and supplied them to all field offices. In course of time all these standard letters have been exhausted and in 1965, the Government wanted to revise the standard letter forms and asked for the requirements of the field offices. The proposals were sent to Government but no standard letter forms were supplied to this office for a long time. As a result of this, this office has to resort to cyclostyle these forms. As at present, there are about 10,000 Companies and the number of standard letter forms have increased to 50 to 60 in number. Unless adequate steps are taken by the Government to print the standard letter forms and supply them to all field offices, the smooth working of this office will not be possible.

Further, the supply of stationery stores from Calcutta has also been stopped for the past 5 to 6 years. The quantity of stationery supplied from the Local Regional Office of Stationery Department is also not adequate, to the requirements of this office. Even though indents for stationery and stores are sent to the Controller of Stationery, regularly every year, supplies are not regularly made, and if made are not adequate. For instance against a demand of 1000 reams of paper in 1973-74, the stationery department has supplied only 115 reams due to the cut and economy in use of paper. Even receipt books to be issued for receipt of filing fees and Incorporation Certificates, Register of Companies (Loose Leaf Registers), Mortgage Registers etc., are not being supplied by the
Stationery or Forms Stores, Calcutta. As a result, in order to cope up with the requirements of this office, we have to resort to local printing of Cash Receipt Books, Incorporation Certificates, Loose Leaf Registers, Mortgage Registers etc. Even in this regard, proposals sent to department for financial sanction for incurring expenditure on local printing of the above items, are not being sanctioned promptly. With the result this office is put to an embarrassing situation. [Annexure IV]. For instance, the proposals sent for printing Cash Receipt Books and Loose Leaf Registers in August 74 and September 74 have not yet been sanctioned in spite of repeated reminders to the Department. [Annexure IV(b)]. Copies of relevant letters are enclosed herewith for information. It is submitted that unless the supply of stationery and forms are assured, the working of this office will be considerably hampered. [Annexure IV(d)]. It may also be noted that the working of this office stands on a different footing from other Government Departments. We have to correspond with 10,000 companies and their Directors. We have to issue statutory Default Notices to Companies and their Directors involving huge consumption of stationery stores by way of paper, duplicating inks, ribbons etc. While assessing the requirements of stationery stores for this office, the ban and economy in expenditure has been duly taken into account. In fact, that this office is required to discharge statutory functions under the Companies Act has to be borne in mind and adequate supply of stationery and stores should be ensured so as to ensure smooth functioning of this office and avoid public criticism.

Similarly some of the Typewriters of this office are very old and they go out of order very often. This office has written to Government and Government has placed an order for 6 Typewriters with Remington Rand (India) Ltd., Calcutta but till today the typewriters have not been supplied in spite of repeated reminders. [Annexure IV(a)]. It will be appreciated that this unsatisfactory situation is causing great difficulties and the working of this office is considerably handicapped for want of the Typewriters.

Similarly with the increase in the number of working companies, the records of this office has considerably increased in volume. In order to accommodate this growing
Budget

In the budget proposals sent by this office, the Government are usually effecting a heavy cut in the budget proposals under the head "Other Charges". For instance, as against the provision of Rs. 81,000 under "Other Charges" in 1974-75, the Government have revised the provision and fixed at Rs. 61,000. Out of this Rs. 33,000 alone are used for postage. Further, expenditure on telephone, electricity, uniforms, local purchase of stationery etc. are to be included. As already stated the working of this office has its own special characteristics. We have to issue notices at every stage to the companies and their Directors before taking any legal action. In view of this, the expenses under postage and other stationery items will naturally be high and has to be provided for. This special characteristic may be taken into account while imposing any cut in the budget proposals of this office. It may be stated that generally the budget proposals of this office are mostly based on actual expenditure for the last 3 years and represent the minimum requirements consistent with the

Blue Binders

[Annexure IV(e)]

Supply of Blue Binders: This office had requested for sanction for purchase of 5000 Blue Binders locally for which proposals have also been sent to the Government. (Copy of letter enclosed). These are essential for the proper preservation of the records of the company. The proposals may please be sanctioned.

Budget

In the budget proposals sent by this office, the Government are usually effecting a heavy cut in the budget proposals under the head "Other Charges". For instance, as against the provision of Rs. 81,000 under "Other Charges" in 1974-75, the Government have revised the provision and fixed at Rs. 61,000. Out of this Rs. 33,000 alone are used for postage. Further, expenditure on telephone, electricity, uniforms, local purchase of stationery etc. are to be included. As already stated the working of this office has its own special characteristics. We have to issue notices at every stage to the companies and their Directors before taking any legal action. In view of this, the expenses under postage and other stationery items will naturally be high and has to be provided for. This special characteristic may be taken into account while imposing any cut in the budget proposals of this office. It may be stated that generally the budget proposals of this office are mostly based on actual expenditure for the last 3 years and represent the minimum requirements consistent with the
smooth-running of this office. Hence, the large cut in expenditure imposed by the Department will only affect the proper running of this office. [Annexure V(a) & V(b)].

This statistics regarding income and expenditure and the number of letters received and despatched in this office is enclosed in the statement annexed.

(D. J. BISWAS)
Registrar of Companies,
Maharashtra, Bombay.

ANNEXURE I(a)

Number of Working Companies in Maharashtra State during the last five years

<table>
<thead>
<tr>
<th>Date</th>
<th>Public</th>
<th>Private</th>
<th>Public</th>
<th>Private</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31-3-1971</td>
<td>1,073</td>
<td>5,561</td>
<td>233</td>
<td>22</td>
<td>6,889</td>
</tr>
<tr>
<td>31-3-1972</td>
<td>1,104</td>
<td>6,068</td>
<td>236</td>
<td>26</td>
<td>7,434</td>
</tr>
<tr>
<td>31-3-1973</td>
<td>1,141</td>
<td>6,858</td>
<td>249</td>
<td>31</td>
<td>8,079</td>
</tr>
<tr>
<td>31-3-1974</td>
<td>1,211</td>
<td>7,325</td>
<td>261</td>
<td>40</td>
<td>8,837</td>
</tr>
<tr>
<td>31-3-1975</td>
<td>1,286</td>
<td>8,084</td>
<td>265</td>
<td>46</td>
<td>9,691</td>
</tr>
</tbody>
</table>
ANNEXURE I(b):

OFFICE OF THE REGISTRAR OF COMPANIES,
MAHARASHTRA, BOMBAY

Statement of staff requirements as per norms fixed by
S.I.U. of the Ministry of Finance as on 30-6-75 (Running Companies 10650):

<table>
<thead>
<tr>
<th>Name of posts</th>
<th>Present</th>
<th>Posts required</th>
<th>Posts yet to be created</th>
<th>S.I.U. filled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registrar</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Addl. Registrar</td>
<td>1</td>
<td>2</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Asstt. Registrars</td>
<td>6</td>
<td>8+1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>C.P. II</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investigating Officer</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sr. Technical Asstts.</td>
<td>4</td>
<td>4+1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Jr. Technical Asstts.</td>
<td>12</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statistical Asstts.</td>
<td>2</td>
<td>4+1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>C.P. III</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Supdt. I</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supdt. II</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stenographers</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Upper Division Clerks</td>
<td>29</td>
<td>33</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Lower Division Clerks</td>
<td>43</td>
<td>50</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Receptionist</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone Operator</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Temporary sanction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arrears clearance Jt. Technical Asstt.</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower Division Clerks for clearance of arrears</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Addl. Dividends J.T.A.</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peon</td>
<td>13</td>
<td>13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Daftary</td>
<td></td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Process Server</td>
<td></td>
<td>2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total: 135 165 30

Note:
- Asstt. Registrars: One Asstt. Registrar is included for inspection.
- Sr. Technical Asstt.: 1 included for inspection and 1 for work of temporary restriction of Dividends.
- Upper Division Clerks: 20% added for house keeping jobs.
- Lower Division Clerks: 20% for house keeping and 10% for leave reserve included.

Staff for the work regarding M. R. T. P. Act and Amendment Act have not been included.
ANNEDEURE II(a)
OFFICE OF THE REGISTRAR OF COMPANIES,
MAHARASHTRA, BOMBAY

Statement showing additional staff requirements for the
implementation of Companies Amendment Act, 74.

1. Additional Registrar of Companies—1
2. Asstt. Registrar of Companies—2
3. Company Prosecutor Grade I—1
4. Research Officer—1
5. Investigating Officer—1
6. Statistical Asstt.—4
7. Computers—2
8. Senior Technical Asstt.—2
10. Upper Division Clerk—6
11. Lower Division Clerk—6
12. Stenographer—2
13. Peon—2
14. Daftary—2

ANNEDEURE II(b)
Copy of this office letter of even number dated 5th Decem-
ber, 1974 addressed to the Secretary to the Government
of India, Department of Company Affairs, New Delhi.
Through Regional Director, Company Law Board, Bom-
bay.

Subject—COMPANIES AMENDMENT BILL, 1974 AS
PASSED BY BOTH HOUSES OF PARLIAMENT—
REGARDING ADDITIONAL STAFF REQUIRE-
MENTS.

Sir,

I have to refer to your letter No. 14(2)-74-CL.V dated
25th September, 1974 on the above subject and to enclose
a note giving the views of this office on some points of the
Companies (Amendment) Bill, 1974 which require your
clarification. I request you to clarify these points. I also
request you to intimate this office the date of enforcement
of the provisions of this Act as soon as it is decided.
It may be submitted here that the implementation of Companies (Amendment) Act, 1974 will throw heavy work load and responsibilities on the office of the Registrars of Companies. Though it is very difficult to estimate accurately, at this stage, the quantum of work load which is likely to arise in the implementation of the Companies (Amendment) Act, 1974, it may be mentioned that there will be enormous increase in the volume of work regarding scrutiny of returns and Balance Sheets and preparation of reports to fulfill the requirements of the Government, especially while dealing with sections 43A, 58A, 103A, 205, 269 and 297 of the said Act. The quantum of statistical work and work relating to Parliament Questions is also expected to increase.

A rough estimate of the requirements of additional minimum staff in this office for implementation of the proposed amendment Act was given by the then Registrar of Companies, Bombay in his D.O. letter No. A/2015/44-72/Admn.II dated 23-6-73 addressed to Shri S. Rajagopalan, Regional Director, Bombay. While the final requirements of staff can be revised in future on the basis of the experience while implementing the Companies (Amendment) Act, 1974, I may, at this stage, submit that the following additional minimum staff is required for this office only for implementation of the Companies (Amendment) Act, 1974. These requirements are over and above the staff sanctioned by the Department vide letter No. A-11-19/10/73-Admn.II dated 29-1-1974 on the basis of the recommendations of S.I. Unit and the staff entitled by this office as per the norms fixed by them.

1. Additional Registrar of Companies—1
2. Asstt. Registrars of Companies—2
3. Company Prosecutor Gr. I—1
4. Research Officer—1
5. Investigating Officer—1
6. Statistical Assistants—4
7. Computors—2
8. Senior Technical Assistants—2
9. Junior Technical Assistants—6
10. Upper Division Clerks—6
R. N. Bansal  
Registrar of Companies  

Subject—COMPANIES AMENDMENT BILL 1972. ADDITIONAL STAFF REQUIREMENTS

Dear Shri Rajagopalan,

Kindly refer to the correspondence resting with your endorsement letter No. RD:4(1)/AR/Vol.33/JDA dated 8th June, 1973 on the above subject. At the outset I regret the delay in sending my proposals for additional staff due to pressure of work relating to other important matters.

I have gone through the Companies Amendment Bill 1972 and the consequent additional work i.e. likely to be thrown on the offices of Registrar of Companies. At this stage it will be very difficult to estimate accurately the

ANNEXURE II(c)

D.O. No. A-42015/44-72-Admin:II  
dated 23-6-1973

R. N. Bansal  
Registrar of Companies  

Subject—COMPANIES AMENDMENT BILL 1972. ADDITIONAL STAFF REQUIREMENTS

Dear Shri Rajagopalan,

Kindly refer to the correspondence resting with your endorsement letter No. RD:4(1)/AR/Vol.33/JDA dated 8th June, 1973 on the above subject. At the outset I regret the delay in sending my proposals for additional staff due to pressure of work relating to other important matters.

I have gone through the Companies Amendment Bill 1972 and the consequent additional work i.e. likely to be thrown on the offices of Registrar of Companies. At this stage it will be very difficult to estimate accurately the
quantum of increased work likely to arise consequent on the amendment bill being given effect to. However, I have estimated the work load on approximate basis and the additional staff requirements to be revised later on in the light of actual experience gained in the working of the amendments.

The amendment to section 43A in the proposed bill will result in a large number of private companies becoming public. The exact number could not be estimated at this stage. However, I feel that about 2000 companies are likely to become public companies under the operation of this section 43A. If these companies become public companies there will be large increase in the work loads at all levels in this office beginning from the level of J.T.A. which will entitle detailed scrutiny of Balance Sheets, sending of reports to Government for appointment and payment of remuneration to managerial persons and increase in the number of returns to be scrutinised.

The introduction of section 58A brings in certain restrictions in the acceptance of deposits by the companies from the public. The nature of duties to be performed by the Registrars of Companies under this section is not clear at this stage. However it appears that on reading the provisions the Registrar will be required to examine in detail the returns filed by all companies and find out which of them have accepted deposits within the meaning of section and in respect of those companies where he feels that the companies have accepted deposits he should implement the provisions of section 58A or bring to the notice of the Central Government the special features noticed by him. This will involve substantial volume of work.

The proposed amendment to section 205 will involve maintenance of accounts by Registrars in the pattern as is not being done in respect of payment from the companies liquidation account. The exact number of companies which will be attracted by the operation of this section is quite difficult to estimate at this stage. However, roughly estimate that about 3000 companies will fall under the operation of this section. For maintaining proper books of accounts and for supervising the work regarding the maintenance of accounts and issue of cheques of about 3000 companies adequate additional staff has to be provided.
The requirements of staff is likely to go up considerably if the unclaimed dividend amounts increases further and the number of cases go up more than the rough estimate.

The provisions of section 209 are being amended to strengthen the law suitably to enable the officers to carry out the inspection purposefully. Since the proposed amendment to section 209 empowers the Registrar to compel the production of books of accounts etc. and taking into consideration the nature of complaints that are being received in this office it appears, that the Registrar should make every effort to verify the allegations contained in the said complaints regarding the working of the companies. This will consequently involve additional work all round by way of inspection of books of accounts at the registered offices of the companies and also taking up further follow up action based on the inspection reports.

The proposed amendment to section 294A places certain restrictions regarding appointment of sole selling agents. In respect of this the basic data have to be furnished to the Central Government by the offices of Registrar of Companies and hence it is felt that the work of the Registrars will go up substantially in the matter of collecting the details and furnishing them to Government. Further for carrying out detailed enquiries and studies additional staff will be required.

The proposed amendment to sections 17, 18, 19, 79 and 141 in the matter of taking over the powers presently vested in the court by the Central Government will increase the work load as the Government are likely to call for reports from the Registrars in respect of applications filed by the companies under these Sections with the Central Government.

The introduction of section 108A to 108G relating to take over bids by groups or combines is likely to increase considerable volume of work in the offices of Registrar of Companies as it will be necessary to study in detail the shareholding pattern of all companies on a regular basis and send reports to Government.
The proposed amendment to section 269 regarding the appointment of managerial personnel and the increase in the number of public companies consequent on amendment to section 43A is likely to throw considerable volume of work in the matter of sending reports to the Central Government on applications made by the companies for appointment of managerial personnel and sanction of remuneration to them.

The proposed amendment to section 297 brings in certain restrictions regarding the transaction in which directors of the company are interested. In these matters also Registrar of Companies may have to send reports to Central Government as and when called for.

Having regard to the additional work envisaged by the proposed amendments particularly outlined above requiring attention and handling at higher level of responsibilities, I give below the details of additional minimum staff which shall be required for this office.

Addl. Registrar of Companies—1
Asstt. Registrars of Companies—2
Company Prosecutor Gr. I—1
Research Officer—1
Investigating Officer—1
Statistical Asstts.—4
Senior Tech. Asstts.—2
Junior Tech. Asstts.—4
Upper Division Clerks—4
Lower Division Clerks—4
Stenographers—2
Peons—2
Daftaries—4.

I shall therefore be grateful if you could kindly take up the matter with the Government and arrange to get the additional staff sanctioned for this office. I may in this connection submit that the working of this office is at present considerably handicapped as the existing staff itself is very much below the level even as per the norms.
approved by the S.I.U. of the Finance Ministry and it will not therefore be possible to handle the extra work arising on the Companies Amendment Bill without the additional staff as estimated above.

With kind regards,

Yours sincerely

Sd/- (R. N. BANSAL)

Shri S. Rajagopalan,
Regional Director,
Company Law Board,
Bombay.

ANNEXURE III
No. G/2/D/Estt.75
Dated 23 July, 1975

To

The Estate Manager,
Bombay.

Subject—SCREENING OF DEMAND FOR OFFICE ACCOMMODATION

Sir,

With reference to your letter No. 5(39)/75EMB dated Nil on the above subject, I furnished below the required information as desired in your above cited letter:

(1) No officers above the rank of Dy. Secretary.
(2) There are in all 10 officers in this office other than mentioned in item No. 1.
(3) In all there are 137+7=144 (i.e., 137 Ministerial staff and 7 daftries).
(4) This office is having no technical staff.
(5) (a) Space for old record and current record—6000 sq. ft.
    (b) Meeting Hall (staff training class)—500 sq. ft.
    (c) Visitors Room—500 sq. ft.
(6) This office is situated at "Everest" Building, 100-Marine Drive, Bombay-2, and the total area occupied is 9190 sq. ft.

(7) The present accommodation in occupation is allotted by the Estate Manager, Bombay.

In this connection I have to invite your immediate attention to my letter No. G-2-D dated 5-11-1974. I have already mentioned the total requirements of accommodation required by this office (copy enclosed). This information was supplied to you with reference to your letter No. 5(35)/75EMB dated 30-10-1974.

In this connection I may add that the volume of work in this office is of a growing nature and the records space requirements will be always on the increase in view of the large number of companies being registered every month. Hence the total space requirements of this office will have to take into account this special phenomenon and provide for this normal increase over a period of time as it will not be possible for us to go on shifting to new premises. Further this office is also required to provide an inspection room where members of public are entitled to inspect the records of companies registered in this office. We must also provide some space for duplication machines, Photostat machines, space for stationery and forms stores and library etc. Hence these additional requirements of space should also be taken into account in calculating the total requirements of space of this office.

In view of what is stated above I feel that requirements of space worked out on the basis of information called for in your present letter will not be sufficient for this office in view of the bulky old records and increase of number of public and private companies. I, therefore, request that the entire requirements shown in the statement enclosed to this office letter dated 5-11-1974 may please be considered favourably and provided at the time of allotting the accommodation to this office.

Yours faithfully,

Sd/- (D. J. BISWAS)
Registrar of Companies
Maharashtra, Bombay
Encl: As above.

Copy forwarded to the Regional Director, Company Law Board, Western Region, Bombay, for information and necessary action.

Sd/- (D. J. BISWAS)
Registrar of Companies,
Maharashtra, Bombay.

ANNEXURE IV(a)

Copy of this office letter No. G/69 dated 23-5-1973 to the Secretary, Govt. of India, Company Law Board, New Delhi.

Through the Regional Director, Company Law Board, Bombay.

Sir,

I have to state that this office is at present in possession of 17 typewriters out of which one is a portable typewriter which is out of order and not in use. Of the remaining 16 typewriters five have became unserviceable and unusable and are to be condemned. It can be observed from the enclosed list of typewriters and the dates of purchase that these typewriters are very old having been purchased between 1942—1956 and in the long continuous use they have became unserviceable. M/s Remington Rand of India Ltd. has already advised this office for condemnation of some of the old machines (copy enclosed). Steps will be taken in this direction as per the procedures in due course.

Thus this office has at present only 11 typewriter machines in use. As a result of machines going out of order frequently, this office is experiencing difficulty due to shortage of typewriters and as a consequence there are often delay and arrears of work.

As per the scale laid down by the Ministry of Works, Housing and Supply in their O.M. No. S & P-II-56(1)/58
dated 15-7-1961 the minimum number of typewriters required by this office is 19 as under:

<table>
<thead>
<tr>
<th>Sections</th>
<th>No. of posts</th>
<th>No. of type writers required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stenographers</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td><em>Sections</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procedural &amp; Technical Scrutiny Cells</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>New Floatation Cell</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Statistical Cell</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Legal Cell</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Liquidation - Cell &amp; Companies Liquidation</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Account</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Establishment section</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Record &amp; Inspection</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Cash Section</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>19</td>
</tr>
</tbody>
</table>

Against the said minimum number of 19 typewriters required by this office, only 11 are presently in working condition. Out of these 11, one or two usually remain out of order as stated above and the typing work in the office falls into arrears till the machines are repaired.

As the supplies of standard letters and various J.S.C. forms etc. are not made, this office has to get these standard letters etc. typed and cyclostyled. The office work is increasing day by day due to increase in the number of working companies.

After a study of the working of this office by the Staff Inspection Unit of the Ministry of Finance they have fixed norms for additional staff and as per the number of working companies this office is entitled for additional officers and staff totalling to 43 as under. The Department's sanction is awaited.

L/B(N)3MofLI&CA—3
In view of the facts explained above and the enormous increase in typing and other works, it has become absolutely necessary to purchase at least six new typewriters for the use in this office for the smooth running of the typing work in the office.

Though this office does not have provision in the current year's budget sanction for this office to cover the purchase of all the six typewriters, efforts will be made to make adjustments to cover the cost of one or two machines. For the cost of the remaining four machines Govt. will have to allocate funds from supplementary grant.

In the above circumstances, I have to request that the Government be pleased to place an order for two policy size typewriters and four standard size typewriters for use in this office, with concerns covered under the Rate Contract of the D.G.S. & D. at an early date.

Yours faithfully,

Sd/- (R. N. BANSAL)
Registrar of Companies
Maharashtra, Bombay.
Annexure IV(b)

Copy of this office letter No. G/85 dated 26th August, 1974 addressed to the Secretary to the Govt. of India, Department of Company Affairs, New Delhi, through Regional Director, Company Law Board, Bombay.

Subject—PRINTING OF CASH RECEIPT BOOKS (J.S.C. 72).

Sir,

I have to refer to the Government's sanction letter No. D. 15017(1)/73-G dated 18-2-1974 for Rs. 360 plus local taxes etc. for printing of 200 receipt books for use in this office. As per the Government's sanction 200 receipt books were got printed through M/s Darshan Printers. At present only 80 receipt books are in stock and the same are likely to be consumed in two months' time. As already intimated to you in my office letter of even number dated 7-1-1974 the Forms Store Calcutta, with whom indent was placed by this office, has failed to supply any standard forms to this office since last two years and this office used to get those forms printed locally to meet the urgent requirements of this office. It appears that the stock of J.S.C. 72 (receipt books) is not likely to be available in the near future as the printing work thereof does not appear to have been taken in hand by them. On enquiry from M/s Darshan Printers, who had printed receipt books earlier, it is learnt that they will be in a position to print the receipt books now also at the same old rate of Rs. 1.80 per book. It may be mentioned in this connection that in reply to this office enquiries in December, 1972, M/s. Mehta Printing Press had by their letter dated 12-12-1972 quoted Rs. 2 for printing of each receipt book. You will kindly appreciate if receipt books are not made available immediately after the present stock is exhausted it will create difficulties to accept cash for filing of documents etc.

In the above circumstances I have to request you to kindly sanction the printing of another 200 receipt books locally @ Rs. 1.80 each as the rate quoted by M/s Darshan Printers is reasonable considering the present high rise in price of paper, labour etc. In the meantime, I have also to request you to kindly take up the matter with the
Department of Works & Housing for making available the aforesaid receipt books as well as the other standard forms to this office.

In view of the above, I have to request the Government to accord the sanction for an expenditure of Rs. 360 plus local taxes etc., immediately to enable this office to get the receipt books printed locally. The expenditure for the same will be met from the budget grant of this office for the current financial year 1974-75.

An early sanction is requested in the matter.

Yours faithfully,

Sd/- (D. J. BISWAS)
Registrar of Companies,
Maharashtra, Bombay.

Annexure IV(c)
No. D/14014(5)/75-G
GOVERNMENT OF INDIA
MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS
DEPARTMENT OF COMPANY AFFAIRS,
SHASTRI BHAVAN, (5TH FLOOR, 'A' WING)
DR. RAJENDRA PRASAD ROAD
New Delhi-1, the 23rd July, 1975.

To
The Regional Director,
Company Law Board,
Bombay.

Subject—PROPOSAL FOR PURCHASE OF STEEL CUPBOARDS.

Sir,

I am directed to refer to your letter No. 3(2)/Adm., dated 11-4-1975 regarding purchase of 8 steel cupboards for the use of the Registrar of Companies, Bombay and to
I have to state that this office had originally 26 steel cupboards and 9 small cupboards. On a proposal submitted during the year 1973, the department made arrangements for supply of 12 big-size cupboards through M/s Ahmedabad Eagle Engineering Enterprises Pvt. Ltd., Gujarat.

Since then the volume of work and records in this office has increased considerably. Apart from increase of records pertaining to existing companies, there is addition of new
It may be stressed once again that the purchase of cupboards is essential for safety of the current records and in public interest. In case these cupboards are not a rate contract item, the Government may please grant permission to this office to purchase them at competitive rates from reputed concerns in Bombay. This may please be treated as urgent.

Yours faithfully,

Sd/- (D. J. BISWAS)
Registrar of Companies,
Maharashtra, Bombay.
Annexure IV(d)

Copy of this office letter of even number dated 21-9-1974 addressed to the Secretary to Govt. of India, Department of Company Affairs, New Delhi, through the Regional Director, Company Law Board, Bombay.

Subject—PRINTING OF LOOSE LEAF REGISTERS.

Sir,

I have to state that the stock of loose leaf registers in this office has completely exhausted. The Forms Stores, Calcutta has failed to supply J.S.C. 4 forms to enable to prepare the registers along with J.S.C. 3 forms which are in stock in this office. These loose leaf registers are absolutely essential to carry on the day to day registration of documents of new companies. To avoid delay in registration of new companies it is essential to get printed at least 3000 forms locally and bind them along with J.S.C. 3 forms into 15 registers to meet the immediate requirements of this office.

Quotations for printing 3000 forms of J.S.C. 4 and bind them into 15 loose leaf registers along with J.S.C. 3 forms were called from the following firms:


However none of them sent any quotations.

M/s Darshan Printers who had printed 3000 forms of JSC 4 during the last two occasions—vide this office letters of even number dated 11-4-1973 and 19-11-73 and Department's sanction letters No. D-15017/1/73-G dated 4-5-1973 and 2nd January 1974 respectively—were requested to do the said job of printing 3000 forms of JSC-4 and bind them into 15 registers along with JSC-3 forms to be supplied by this office at the same rate of Rs. 325 plus local taxes. Though they were reluctant due to the increase in cost of paper and printing and labour charges, they were persuaded and they have agreed to execute the work at the same rate of Rs. 325 plus local taxes.
In view of the circumstances explained above I have to request that the Government be pleased to sanction an expenditure of Rs. 325 plus local taxes for the printing of 3000 forms of JSC 4 in ledger paper and for the printing and binding of 15 loose leaf registers along with JSC 3 forms.

As these registers are essential to register documents of new companies and this office has no stock thereof, the sanction of the Government may kindly be expedited in the interest of office work.

Yours faithfully,

Sd/-
(D. J. BISWAS)
Registrar of Companies,
Maharashtra, Bombay.

Annexure IV(e)

Copy of this office letter No. G/85 dated 15th July, 1975 addressed to the Secretary to the Govt. of India, Department of Company Affairs, New Delhi through Regional Director, Company Law Board, Bombay.

Subject—SANCTION TO PURCHASE 5000 BLUE BINDERS.

Sir,

This office had sent a proposal letter No. G/85 dated 22-11-1974 regarding the sanction to purchase Blue Binders to the Government through Regional Director, Company Law Board, Western Region, Bombay. In reply to the above letter, the Regional Director vide his letter No. RD:3(2) I/Org. dated 2-12-1974, had stated that the rates stated in the letter appears to be on the higher side as compared to the last purchase and had asked this office to obtain fresh quotations from other dealers and send the proposal for the approval of rate.

After obtaining the fresh quotation from other suppliers this office had sent a proposal letter No. G/85 dated 25-5-1975 to Regional Director for the approval of rate. The Regional Director vide his letter No. RD:3(2) I/Org. dated 13-5-1975, had accepted the quotation of M/s. Darshan Printers @ 1.99 per binder plus 3 per cent sales tax.
The fresh quotations were called for the supply of 5000 binders, as the same was orally directed by Regional Director to this office. As per the oral instruction of Regional Director to this office, and after the approval of rate this office has placed an order to M/s. Darshan Printers to execute the supply of 5000 Binders. The supply of the binders was urgently needed by this office because there were lot of arrears in filing of documents of new companies, for want of blue binders. Further, several old files had to be repaired. Apart from this, the inspection of documents by public is also not possible, because documents cannot be given to the public loose. Every month 70—80 companies are being registered and it will be very difficult to manage with the filing work of documents and correspondence unless supply of sufficient stock of Blue Binders is promptly made available.

In view of the above difficulties and in public interest this office had placed the order for the supply of blue binders in anticipation of Government sanction and the same has been executed by the supplier. This office vide its letter No. G/85 dated 19-6-75 has accordingly requested the Regional Director to obtain the necessary sanction from the Department to enable this office to make payment of the above supply.

I have in the circumstances to request the Government to sanction purchase of 5000 binders at the quotation rates approved by Regional Director of M/s. Darshan Printers @ Rs: 1.99 plus 3 per cent sales tax.

Kindly expedite the sanction as the bill for the above supply is to be paid by this office at an early date. The provision of the above expenses is made in the budget grant to this office for the year 1975-76.

Yours faithfully,

Sd/ (D. J. BISWAS)
Registrar of Companies,
Maharashtra, Bombay.
From the above, it will be seen that the rate quoted by M/s. Champion Press appears to be lowest and their quality as per their sample appears to be a good one. This office at present requires 5000 file covers which will cost Rs. 410 per 1000 inclusive of taxes.

Annexure IV(f)

Copy of this office letter No. G/81 dated 19-7-1975 addressed to the Secretary to the Govt. of India, New Delhi through the Regional Director, Company Law Board, Bombay.

Subject—SANCTION FOR THE PURCHASE FOR FILE COVERS.

Sir,

With reference to the above, I have to state that the stock of the file covers have been completely exhausted in the office. The purchase of file covers is needed because the Stationery Department has not supplied any file covers for the last one year. There are 1000 of new files to be made of new companies which are already registered in this office. The filing position of a company cannot be ascertained without opening their files and without file covers, the new files cannot be made. Apart from this, various old file covers are to be replaced, which are torn out. To preserve the documents and papers in file covers, the later in good condition is required. There are also new files to be made for the legal cell because when a company is to be prosecuted a separate file is made and sent to the legal cell for prosecution. Further for each application of availability of name, a separate file is opened and dealt with, and on average 200—300 applications are received during the month. This office needs 5000 file covers for its immediate requirements. It is proposed to be purchased from the local market.

This office has accordingly called for quotations from various leading dealers and the following rates were quoted by them.

1. Darshan Printers .. Rs. 410 per 1000 inclusive of taxes
2. Metropolitan Stationers .. —
3. Champion Press .. Rs. 350 per 1000 plus taxes.

From the above, it will be seen that the rate quoted by M/s. Champion Press appears to be lowest and their quality as per their sample appears to be a good one.
Rs. 1,750 plus taxes. I therefore, request that necessary sanction for purchase of 5000 file covers may be accorded at an early date.

Kindly expedite the sanction at an early date.

Yours faithfully,

Sd/-

(D. J. BISWAS)
Registrar of Companies, Maharashatra, Bombay.

Annexure V(a)

OFFICE OF THE REGISTRAR OF COMPANIES, MAHARASHTRA BOMBAY

Statement showing total Receipts & Despatch of Documents & Letters

<table>
<thead>
<tr>
<th>Year</th>
<th>Receipts</th>
<th>Despatch</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972-73</td>
<td>50,994</td>
<td>53,640</td>
</tr>
<tr>
<td>1973-74</td>
<td>60,151</td>
<td>54,450</td>
</tr>
<tr>
<td>1974-75</td>
<td>58,807</td>
<td>55,684</td>
</tr>
<tr>
<td>April, 1975 to June 1975</td>
<td>16,303</td>
<td>12,867</td>
</tr>
</tbody>
</table>

Annexure V(b)


<table>
<thead>
<tr>
<th>Year</th>
<th>Budget Estimate proposed by this office</th>
<th>Sanctioned Budget</th>
<th>Actual Expenses incurred</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971-72</td>
<td>5,33,500</td>
<td>5,30,000</td>
<td>5,54,740</td>
</tr>
<tr>
<td>1972-73</td>
<td>5,88,000</td>
<td>5,62,000</td>
<td>5,70,000</td>
</tr>
<tr>
<td>1973-74</td>
<td>6,54,000</td>
<td>6,18,000</td>
<td>6,38,000</td>
</tr>
<tr>
<td>1974-75</td>
<td>6,90,000</td>
<td>8,25,000</td>
<td>8,32,000</td>
</tr>
<tr>
<td>1975-76</td>
<td>10,23,000</td>
<td>9,70,000</td>
<td>2,40,700</td>
</tr>
</tbody>
</table>

(upto 30-6-75)

Revenue Receipts

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1971-72</td>
<td>23,24,644</td>
<td>60,65,763-56</td>
<td>72,17,272-40</td>
<td>73,17,108-74</td>
<td>13,73,499-50</td>
</tr>
<tr>
<td>1972-73</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1973-74</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1974-75</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1975-76</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1-4-75 to 30-6-75)
### Annexure VI

**OFFICE OF THE REGISTRAR OF COMPANIES: MAHARASHTRA, BOMBAY**

**Statement of sanctions applied to Government for Printing job & Stationery**

<table>
<thead>
<tr>
<th>Nature of sanction</th>
<th>Office letter No. &amp; date</th>
<th>Sanction of Govt. letter</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Purchase of tab l &amp; chairs</td>
<td>G/83 dt. 29-10-74</td>
<td>D-14014 (7)/74-G dt. 6-2-75</td>
<td></td>
</tr>
<tr>
<td>(2) Purchase of duplicating papers</td>
<td>G/81 dt. 13-12-73</td>
<td>D-15017(1)/74-G dt 17-5-75</td>
<td></td>
</tr>
<tr>
<td>(3) Printing of loose leaf registers</td>
<td>G/85 dt. 21-9-74</td>
<td></td>
<td>Sanction not yet received.</td>
</tr>
<tr>
<td>(4) Printing of cash receipt books</td>
<td>G/85 dt. 26-8-74</td>
<td></td>
<td>Do.</td>
</tr>
<tr>
<td>(5) Printing of cash receipt books</td>
<td>G/85 dt. 9-5-75</td>
<td></td>
<td>Do.</td>
</tr>
<tr>
<td>(6) Printing of loose leaf registers</td>
<td>G/85 dt. 9-5-75</td>
<td></td>
<td>Do.</td>
</tr>
<tr>
<td>(7) Supply of six typewriters</td>
<td>G/69 dt. 23-5-78</td>
<td></td>
<td>Supply has not yet received.</td>
</tr>
<tr>
<td>(8) Supply of twelve cupboards</td>
<td>G/2-Bdt. 26-3-76</td>
<td></td>
<td>Do.</td>
</tr>
<tr>
<td>(9) Purchase of 3000 use binders</td>
<td>G/85 dt. 22-11-74</td>
<td></td>
<td>Sanction has not yet received</td>
</tr>
<tr>
<td>(Revised 5000 binders)</td>
<td>G/85 dt. 5-7-75</td>
<td></td>
<td>Do.</td>
</tr>
<tr>
<td>(10) Purchase of file covers</td>
<td>G/81 dt. 19-7-75</td>
<td></td>
<td>Do.</td>
</tr>
</tbody>
</table>
4. OFFICE OF THE REGISTRAR OF COMPANIES,
TAMIL NADU, MADRAS

A RESUME CONTAINING

(1) Latest Statistical Information.
(2) Detailed working of the office.
(3) Working problems vis-a-vis the Amendments.

Shri A. G. Sirsi,
Registrar of Companies,
Tamil Nadu,
Madras.

PART I

(1) No. of working companies

As on date (26th July, 1975), there are 3905 working companies and 465 companies in liquidation. The number of working companies as on 30-6-75 was 3895 and 464 companies respectively. On 31-3-75 and corresponding date in the immediately preceding two years, i.e. 31-3-74, 31-3-73, the position was as under:

<table>
<thead>
<tr>
<th></th>
<th>31-3-75</th>
<th>31-3-74</th>
<th>31-3-73</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Companies Ltd. by shares:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Public</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) Private</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Associations not for profit:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Public</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) Private</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. No. of Govt. companies</td>
<td>46</td>
<td>35</td>
<td>25</td>
</tr>
<tr>
<td>4. Foreign companies</td>
<td>27</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>B. Companies in liqu:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Companies wound up by Court</td>
<td>145</td>
<td>127</td>
<td>123</td>
</tr>
<tr>
<td>(b) Members voluntary winding up</td>
<td>268</td>
<td>265</td>
<td>260</td>
</tr>
<tr>
<td>(c) Creditors voluntary winding up</td>
<td>43</td>
<td>41</td>
<td>41</td>
</tr>
<tr>
<td>(d) Subject to supervision of Court</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

460 437 428

C. Companies finally dissolved | 18 |     |      |
(2) Staff of the Office

The staff position of the office as on date, before the proposed abolition of certain posts and the position, if effect is given to Dept's letter No. A-11019/10/73-Admn. II dated 29-1-74, is as under:

<table>
<thead>
<tr>
<th>Category</th>
<th>As on 31-7-75</th>
<th>Before abolition</th>
<th>After abolition</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Gazetted Officers</td>
<td></td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>(2) Superintendent, Gr. II</td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>(3) Investigating Officer</td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>(4) Senior Tech. Asst.</td>
<td></td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>(5) Company Prosecutor, Gr. III</td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>(6) Junior Tech. Asst.</td>
<td></td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>(7) Statistical Asst.</td>
<td></td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>(8) UDCs</td>
<td></td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>(9) LDCs</td>
<td></td>
<td>20</td>
<td>27</td>
</tr>
<tr>
<td>(10) Stenographers</td>
<td></td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>(11) Duftries</td>
<td></td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>(12) Peons</td>
<td></td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>(13) Night Watchman</td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

The first report dated 24th April 1974 forwarded to the Department from this office was with reference to the number of working companies as on 28-2-74. Subsequently there was an increase of nearly 300 companies and as on 31-3-75 the total number of working companies, companies in liquidation and foreign companies, was 4320. On the basis of the increase, a revised report has been submitted to the Department under cover of this office letter No. 43/Estt/74 dated 1-5-75, wherein it has been pointed out that there is presently no scope for abolition of any post in this office.

(3) Name availability

The number of applications received and disposed of regarding availability of name is as under:

<table>
<thead>
<tr>
<th>Year</th>
<th>OB Recd.</th>
<th>Allowed</th>
<th>No. of applns, disposed otherwise</th>
<th>Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-74</td>
<td>12</td>
<td>1,752</td>
<td>649</td>
<td>1,033</td>
</tr>
<tr>
<td>1974-75</td>
<td>82</td>
<td>1,364</td>
<td>823</td>
<td>591</td>
</tr>
</tbody>
</table>
(4) Establishment
A. Receipt and Expenditure

<table>
<thead>
<tr>
<th></th>
<th>Receipts</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>For 1974-75</td>
<td>Rs.</td>
<td>Rs.</td>
</tr>
<tr>
<td>(30-6-75)</td>
<td>26,11,079-00</td>
<td>5,72,993-02</td>
</tr>
<tr>
<td>DROS</td>
<td>10,400 00</td>
<td>17,13,667-50</td>
</tr>
<tr>
<td></td>
<td>26,21,479-00</td>
<td>1,41,086 83</td>
</tr>
</tbody>
</table>

The budget allocations for the current year has been drastically reduced without taking into consideration the minimum expenditure of the office. As it is, the budget estimates were prepared on low key, and in spite of that the sanction has been reduced further. The Postage expenditure of the office alone will come upto Rs. 32,000 and the total allocation under the head 'contingencies' is Rs. 37,000. Reduction in some of the important items of expenditure has created impediments in carrying out some of the items of work of a basic character.

B. Furniture/Stationery

(i) Steel Racks and Almirahs: The proposal for purchase of 24 steel racks and 8 almirahs for keeping the documents files was pending for a very long time. The Department has recently placed orders with a Calcutta firm for supply and the supply is awaited.

(ii) Officer's Table: A proposal for purchase of 4 officer's tables is still pending with the Department, vide this office letter No. 30/Est/74 dated 27-5-74.

(iii) Typewriters: Proposal for purchase of 3 typewriters in view of creation of 3 posts of Stenographers was made in this office letter No. 42/Est/75 dated 7-2-75. Subsequently reminded also. No reply from the Department so far.

(iv) Installation of 3+9 PBX: With a view to improving the working of the office, a proposal for installing a new PBX board with 3+9 extensions was sent in this office letter No. PA/2/75 dated 11-2-75. Fresh proposals had been called for by the Department. The existing telephone facility is inadequate and often disturbs the working of the office.
Stationery: Proposal for re-stitching and re-binding of register of charges, register of companies was sent in January 1975. RD. has already recommended sanction from the budget grant of the office. Sanction is still awaited.

Wrappers: The last supply of 500 file covers was made by the Manager, Govt. Forms Store, Calcutta in the year 1969. No supply thereafter. Local purchase of 2000 covers were made in 1971. A proposal has been sent for supply of wrappers to the Deptt. vide DO. No. G. 10/ Admn. 75 dated 17-6-75.

Blue Binders: The last supply of blue binders of 200 numbers was in 1970. In 1974, 1000 blue binders were purchased locally. Further supply has been requested.

Covers: The local stationery office supplied about 5500 covers of various sizes. The normal requirement of the office is 15,000 covers per annum. The deficit is made good by using the used covers with 'economy slips'.

T. R. 4 Cash Book: The last supply of one cash book was made in August, 1971. Stock has been exhausted in the year 1974 itself. Purchase had to be made from local suppliers.

Receipt Book: The last supply of receipt books was made in 1970. No supply thereafter. The existing stock will last only for 15 days. Request has been made to the Manager, Forms Store, Calcutta. If receipt books are not received in time, it has to be got printed locally.

The above items have been mentioned to show that the supply from Forms Store and Govt. Press is not only irregular but also uncertain. No advance intimation regarding the stock position and supply position is intimated to the office, and unless a reference is made to the concerned supply offices, no information will be available. This uncertainty hinders smooth and efficient working of the office.

(5) Record Room/Office Accommodation

The total requirement of the office calculated on the standard basis is 9778 sq. ft. As against this, the space presently allotted by CPWD is 6160 sq. ft. There is a shortage of space of nearly 3618 sq. ft. Out of the total requirement, the Record Room should have a minimum of 3500 sq. ft. and the present area used for keeping the records is short by nearly 50 per cent. Therefore, it has not been possible to keep all the records in the available space and
a good part of records (considering mainly of correspondence files) is kept in the main hall of the office. Even with the available space in the Record Room, records could be kept in a more systematic manner if suitable types of racks and almirahs are provided. Suggestions have already been given for improving the record room and this requires urgent consideration.

A proposal for fixing an exhaust fan in the Record Room, with a view to improving the working condition of the Peons and Duftries, and this proposal has been approved provided the expenditure could be met out of the present budget sanction. As stated earlier, the budget sanction for the office has been reduced considerably and therefore it is doubtful whether the expenditure could be met.

(6) Legal Matters

This item has been included since certain difficulties are being experienced in the prosecutions filed in the courts. Such difficulties are more in respect of mofussil courts, as detailed hereunder:

(a) The prosecutions have to be entrusted to either Public Prosecutor or Asst. Public Prosecutor attached to the respective courts, and it is doubtful whether they are equipped with necessary knowledge and experience in conducting prosecutions under the Companies Act.

(b) The Prosecutions have to be routed through the District Collectors and it takes considerable time before District Collectors authorise the concerned PP/APP to appear on behalf of the Registrar and conduct the cases. Since question of limitation is now made applicable to prosecutions under the Companies Act, it would be necessary to hasten the filing of the complaints at various stages.

(c) Some of the Collectors are not aware of the existing arrangements between the State and the Central Government regarding the assistance to be given for Company Law prosecutions. They make further enquiries before instructing the Law officers (vide Collector, Tanjavur letter dated 7-12-74).

(d) Some of the Magistrates insist upon the personal attendance of the Registrar notwithstanding Sec. 621(1A) of the Companies Act, 1956, to which

L/B(N)3Mo/LJ&CA—9
a specific reference is made in the separate petition accompanying the complaint. The request is received just a few days before the hearing date and some Assistant will have to run up to the place (which is sometimes more than 300 miles). This not only upset the prosecution work in the City Courts, but also entails expenditure.

(e) In some cases the Magistrates even before issuing the summons to the accused direct the complainant to appear before them and satisfy the court regarding the maintainability of the complaint with reference to the question of limitation.

(f) In spite of making a separate application for condonation of delay under Sec. 473 Cr. P. Code, the Magistrates have summarily dismissed the complaints even before giving an opportunity to the complainant or even issuing of summons to the accused.

(g) Some Magistrates have returned the complaints directing the complainant to present the complaints in person.

(h) Some of the Courts direct the complainant to execute the warrants issued against the accused who have evaded summons, warrants, etc. Even if an Assistant should go to the place of trial, it would be difficult for him to identify the accused.

(JFCM. Madurai D.O. No. 1003/75 dt. 7-3-75)

(i) Some of the Courts issue summons to the complainant to appear when the case is not at all ripe for recording evidence and when all the accused are not present before the Court. This will not only demand the time of some Assistant of the office, but will also involve expenditure. Many times, the trip proves to be unnecessary and avoidable.

(j) Even in cases where some Assistants are present in the Court, the cases are not disposed of in one stage, but is adjourned from time to time.

(k) Summons issued by the Courts are generally served through Police agency. The Police agency take their own time to effect service and many times they return the summons saying "time before hear-
City Prosecutions

(a) Difficulties which are peculiar to prosecutions launched in the Metropolitan Magistrates' Courts, Madras, have been brought to the attention of the Directorate in a few D.O. letters. One of the main difficulties is the writing of summons in all the complaints filed by the office. So far, 1500 summons have been written by the office. This work has to be entrusted to one assistant on a whole-time basis, and this item of work has not been taken into consideration while determining the staff strength. The other difficulties are service of summons on the accused, some of whom reside in the City limits, and yet cannot be served. An instance of how even a well-known Chartered Accountant of Madras could not be served by the Police, is too fresh and recent to be forgotten. The practice presently prevailing in the Bombay office of having a whole-time process-server will go a long way in effective service of summons on the accused and quicker disposal of cases.

Last, but not the least, is the special efforts that have to be made by the office to recover the costs awarded to the Registrar under Sec. 626 of the Companies Act. Some of the duties and functions of the Court have been virtually taken over by this office.

2. Matters pending before the Company Law Board

(1) Petitions pending under Sec. 17 of the Companies Act, 1956 for the amendment of M/A.

<table>
<thead>
<tr>
<th>Name of the company</th>
<th>Date of filing</th>
<th>Petition number</th>
<th>Notice of any or not.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Kumbakonam Diocesan Catholics Permanent Fund Ltd., Lalgudi</td>
<td>6-3-75</td>
<td>31/75</td>
<td>Yes on 4-4-75</td>
</tr>
<tr>
<td>(2) Vakcan Chemicals Ltd.</td>
<td>15-3-75</td>
<td>33/75</td>
<td>Yes</td>
</tr>
<tr>
<td>(3) The Madhavara Nidhi Ltd.</td>
<td>26-2-75</td>
<td>1/75</td>
<td>Yes</td>
</tr>
<tr>
<td>(4) Tamil Nadu Theatre Corporation Ltd., (Govt. Company)</td>
<td>7-3-75</td>
<td>32/75</td>
<td>Yes</td>
</tr>
<tr>
<td>(5) Premier Instruments Coimbatore Ltd.</td>
<td>2-7-75</td>
<td>...</td>
<td>No</td>
</tr>
<tr>
<td>(6) The Premier Mill (Co) Ltd.</td>
<td>2-7-75</td>
<td>...</td>
<td>No</td>
</tr>
<tr>
<td>(7) Tubes and Malleables Ltd.</td>
<td>7-7-75</td>
<td>...</td>
<td>No</td>
</tr>
<tr>
<td>(8) Engine Valves Ltd.</td>
<td>5-4-75</td>
<td>...</td>
<td>No</td>
</tr>
<tr>
<td>(9) Investment Trust of India Ltd.</td>
<td>1-7-75</td>
<td>...</td>
<td>No</td>
</tr>
</tbody>
</table>
### Petitions pending under Sec. 141 of the Companies' Act.

<table>
<thead>
<tr>
<th>No.</th>
<th>CP No.</th>
<th>Name of the Company</th>
<th>Date of filing</th>
<th>Period of delay</th>
<th>Nature of form</th>
<th>Notices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>13/75</td>
<td>Tripur Cotton Spg. &amp; Wvg. Mills Ltd.</td>
<td>6-3-75</td>
<td>(1) 3 yrs. &amp; (2) 8 months 22 days.</td>
<td>Both F. 14</td>
<td>Yes</td>
</tr>
<tr>
<td>2</td>
<td>32/75</td>
<td>Binny Ltd.</td>
<td>15-3-75</td>
<td>1 year 3 months &amp; 13 days in r/o 16-11-73 &amp; 8 months in r/o Modification dt. 18-4-74 &amp; sawnd. on 2-7-74</td>
<td>Two F. 14</td>
<td>Yes</td>
</tr>
<tr>
<td>3</td>
<td>20/75</td>
<td>Bank of Madura Ltd. (ptm. not yet received)</td>
<td>10-3-76</td>
<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>4</td>
<td>19/75</td>
<td>Soundararajan &amp; Co. Pr. Ltd.</td>
<td>10-3-75</td>
<td>12 days only</td>
<td>F. 17</td>
<td>Delay condoned by Court, vide order dt. 8-6-75</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>Mettur Beardsell Ltd.</td>
<td>5-5-75</td>
<td>2 months</td>
<td>F. 14</td>
<td>No</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>Woodbrior Estate Ltd.</td>
<td>17-7-75</td>
<td>From 8-11-74 to 16-1-75 2 months &amp; 9 days.</td>
<td>F. 14</td>
<td>No</td>
</tr>
</tbody>
</table>
(7) Schedule VI, Part II as amended by Notification dated 30th October, 1973—Sample survey:

As desired by the Department, vide No. 3/145/75-CL. VI, dated 6th May, 1975, a sample survey was carried out in respect of 1176 companies, and it was observed that 1157 companies had complied with the requirements of Sch. VI in so far as they are applicable to the type of the company covered by the survey. Barring the companies which had obtained exemption under Sec. 211(4), a very small number of only 6 companies had contravened the requirements of Sch. VI either wholly or in part.

(8) Intimation under Sec. 224(1C)

There is only one instance where the Auditor, Shri A. R. Jagannathan of Coimbatore has forwarded a list of 18 companies wherein he was not willing to be reappointed as Auditor. Other intimations received from the other Auditors are under Sec. 224(1C) are with regard to their willingness for reappointment, and the number of companies in all the cases is below the specified number.

PART II

A brief note on some of the difficulties/doubts experienced in administering the newly added provisions of the Companies Amendment Act, 1974. The statistical data of returns received under Sec. 58A and 187C is first set out: (upto 28-7-75):

<table>
<thead>
<tr>
<th>Month</th>
<th>Sec. 58A</th>
<th>Sec. 187C</th>
<th>Misc.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Advt. Changes R.D. Total</td>
<td>including replies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rule 4(5) Rule 10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feb'75</td>
<td>20</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Mar'75</td>
<td>84</td>
<td>84</td>
<td>10</td>
</tr>
<tr>
<td>April'75</td>
<td>104</td>
<td>103</td>
<td>219</td>
</tr>
<tr>
<td>May'76</td>
<td>28</td>
<td>12</td>
<td>43</td>
</tr>
<tr>
<td>June'75</td>
<td>41</td>
<td>6</td>
<td>48</td>
</tr>
<tr>
<td>July (upto 28-7-75)</td>
<td>25</td>
<td>5</td>
<td>33</td>
</tr>
<tr>
<td>Total receipts</td>
<td>302</td>
<td>19</td>
<td>126</td>
</tr>
<tr>
<td>Total disposal upto 28-7-75</td>
<td>282</td>
<td>19</td>
<td>131</td>
</tr>
<tr>
<td>Pending as on 28-7-75</td>
<td>20</td>
<td>5</td>
<td>25</td>
</tr>
</tbody>
</table>
1. **Group**

(i) By the addition of Sec. 2(18A), the Amendment Act has only provided a new legal concept of 'Group' without much operation force in it. This new concept of 'Group' will be relevant only with reference to Sec. 108A, 370(1B) and 372(ii) of the Companies Act. It is only with reference to Sec. 108A that the concept could be applied widely. Sections 370(1B) and 372(ii) have their own built in limitations, and they do not give much difficulty. It is not so in the case of Sec. 108A.

(ii) Since it is the essence of the section that there should be sort of common object of exercising control over any body corporate, firm or trust, the state of mind of all the individuals, firm/body corporates has to be ascertained with reference to facts, circumstances and the conduct of persons acting for themselves or on behalf of other, viz., associations, firm, etc.

(iii) In the very nature of the basic requirement of the section, it would be difficult to anticipate or have prior knowledge of the existence of common intentions of the individuals constituting the 'group'. In the absence of such knowledge, it is not possible to know if a group at all exists.

(iv) Determination of the existence of 'group' can only be post-facto, and action is possible afterwards.

(v) Existence of common intentions to exercise control can only be known after the action of the persons is known by means of passing a particular resolution—board or general body meeting.

(vi) Annual Returns by itself would not give much assistance. It can indicate relationship but not common intention of the two or more shareholders.

(vii) The section has two parts—controlling entity/entitles and controlled entity or entities. Trusts come under the same type—controlled entity. Hence if bodies corporate are controlled by a few trusts (which are in turn controlled by a group) would come under the same management. In such a case, it is possible to argue that between each trust there are controlling entities which come under the definition of 'group'.
(viii) Complete briefing of the field office staff for some guidance on the working of the definition may be necessary.

2. Sec. 43A—Deemed Public Companies

(i) What is meant by 'average annual turnover' occurring in sub-section 1A—needs clarification. Further, what meaning should be attached to 'annual' appearing in the term.

(ii) Does 'annual' mean a full period of 12 months. Sec. 210 of the Companies Act, permits a financial year to be more or less than one calendar year, but not more than 15 months or even 18 months under special permission of the Registrar.

(iii) If the total number of months of 3 consecutive financial years is more than 36 months, is it necessary to arrive at the average relatable to 12 monthly period. In some cases the turnover will be for varying periods of 12 months or more than 12 months. The turnover might also vary if it is for different period.

(iv) Whether exemption provided in sub-Sec. (6) of Sec. 43A will continue to be available notwithstanding the fact that conditions under sub-section 1A exist.

(v) 'Relevant period' as provided in the explanation at the end of Sec. 43A speaks of three periods, i.e., (1) preceding, the commencement of the Act, (2) partly before, and after the commencement of the Act, and (3) immediately following such commencement. The question is whether the word OR appearing after the first two periods gives a choice to the company to decide the date when the company has become a Public company.

(vi) A proper definition of turnover is necessary. Will the requirements of Profit and Loss Account (Schedule VLI: Part II, item No. 3(1)(a): sufficient, which is different from Explanation (b) to Sec. 43A).

Query—(1) Should excise duty, sales tax, any other recoveries should be included, (2) Does it include only cash sales and not sale on credit, (3) Sales on consignment, basis, and goods in transit should be included in turnover—whether discount and rebates allowed should be deducted.
(vii) Whether for the purposes of finding out 25% of the paid-up share capital of a public company (pursuant to Section 43A(1B)), the amount of paid-up capital will be inclusive of calls in arrears and amount paid on forfeited shares.

(viii) Effective date of company becoming public company.

(ix) In order to find out the average turnover in several cases, a continuous exercise will have to be carried out every year. If in one set of three years, the turnover is less than one crore, then the next 3 years period will have to be watched. What is the Department's view on this matter. Is it expected of ROC offices to keep a constant watch?

3. Sec. 58A

(1) The penalties provided under sub-section 5 and 6 relate to contravention of sub-section (3)(c), sub-section (4) and sub-section (1) and (2) of the Act. The penalty under sub-section 6 is with reference to exceeding the limits and contravention of manner and condition prescribed in sub-section (1). The more severe penalty under sub-section (5) refers to a limited type of cases, viz., deposits accepted by a company in contravention of any direction of the Reserve Bank and where the deposit accepted after the commencement of the Amendment Act, is in contravention of Rules made under sub-section (1).

The whole section has not provided for any penalty where the deposits already accepted by a company is neither renewed nor paid to the depositor. Sub-section 3(a) requires such a company either to renew in accordance with sub-section 3(b) or pay back. If default is made by a company either in not renewing the deposit or not paying back the deposit, sub-section 5 has no application.

It may be clarified whether section 629A could be invoked in cases where a company has neither renewed the deposits nor paid back to the depositor. There are a number of instances where a situation like this is prevailing. Reference: Indian Express, Madurai Pr. Ltd., Madras Modern Builders.
(2) Deposits accepted by a company in accordance with RBI directions can be renewed in accordance with sub-section 3(b) provided the deposit is such that it could be accepted if the Rules framed under sub-section 1 were in force at the time when the deposit was initially accepted by the company.

Reference to initial acceptance in sub-section 3(b) will create some practical difficulties in ascertaining the limits. Prior to the framing of Companies (Acceptance of Deposit) Rules, 1975, the Reserve Bank between 1970 and 1974 had given more than two directions and therefore the limits will have to be determined with reference to the RBI directions as on those dates. Moreover, when a company renews a deposit, it will be as if it has renewed from a certain date. There will be no reference to the date when the company initially accepted the deposit. This will involve lot of verification and it may be difficult to determine whether there was any excess acceptance. Instead, it would have been better if the reference was with reference to a particular date, say either the commencement of Companies (Acceptance of Deposit) Rules or the latest RBI direction in force prior to coming into force of the Deposit Rules.

(3) In order to ascertain whether there is any contravention of sub-section (4), it will be necessary to collect further material, if necessary by examining the books of the company. The return filed by a company or even further information furnished by the company may not help in determining whether there was, in fact, any contravention.

(4) Even though deposits as disclosed in the advertisements published in the newspapers and in the return filed under Rule 4(4) of the Deposit Rules, it is later seen from the replies received from companies and other information furnished that the deposits are within the limits.

It is, therefore, suggested that the company may annex a separate statement or calculation sheet showing how the deposits are within the limits and annex such a statement or work sheet to the return filed with the Registrar. The other important items which are absolutely necessary for determining the percentage are: (1) Amount of deposit
repayable earlier than 6 months and not earlier than
months. (2) Amount of deposit falling under Rule 3(2)(i)
and (3) Amount of deposit falling under Rule 3(2)(ii); and
(4) Amount of unsecured loan treated as deposits and in-
cluded in the above item.

The position with regard to deposit is a fluctuating
situation varying from day-to-day. Therefore filing of
particulars with the Registrar under Rule 4(4) or a return
of deposits filed pursuant to Rule 10 may not really give
a correct picture of the position. Once a company has
advertised under Rule 4 and filed a return of deposit under
Rule 10 with the Registrar, it will have time till the next
advertisement and the return of deposit is due for filing,
and in the meantime has scope to accept deposits in excess
and make necessary adjustments before the next advertise-
ment and return of deposits is filed. There is no quick
means of knowing the deposit position at any given point
of time. This requires greater consideration if the objective
underlying the section is to be achieved fully.

Regarding Rules: Regarding compliance of Rule 4(2). (f)
and (g), the Companies are contending that Rule 4(2)
(f) and (g) should be read together and not inde-
pendently and that the information furnished under Rule
4(2) (f) and (g) should be based on the last audited
balance sheets of the company.

The contention appears to be reasonable since the
particulars required to be furnished under sub-clauses (f)
and (g) are also items that have to be extracted from the
audited accounts. The position regarding profit and di-
vidend can only be known after the closing of the financial
year and it will take some time to know the position.

Rule 3(2)(ii) provides that no company shall accept
any other deposit if the amount of such deposits together
with the amount of other deposits [other than any other
deposit referred to in Rule 3(2)(i)] exceeds 25% of the
paid-up capital and free reserve. Reference to “other than
any of the deposits referred to in Rule 3(2)(ii)” clearly
exempts the deposits received from shareholders by pri-
ivate companies. Government’s clarification indicates that
such deposits should also be taken into account for the
purpose of determining 25% referred to in Rule 3(2)(ii).
The correct position may be clarified.
Sec. 94A: (1) It may be clarified whether the existing Form No. 6 could be used.

(2) What is the consequence of non-filing such return by the company with the Registrar. Till the return is filed, the Memorandum of the company will not show the correct position of the authorised capital of the company.

Sec. 108A: Will the provision of the section applies even in case of amalgamation of companies? In the process, it is possible that an individual or a body corporate might be entitled to more than 25% of the paid-up capital of the transferee company.

(b) Whether an under-writing agreement undertaking to subscribe to certain shares in the event of poor public response will be hit by 108A.

Sec. 108C: What is meant by: Nominal value of equity share capital? Does it refer to the nominal value of the issued shares or of the subscribed shares?

General: From a reading of the provisions of Sec. 108A to 108D, it appears that no advance action or preventive action is possible by the field offices. These sections place certain restrictions on acquisition and transfer of shares. The Registrar's action in relation to these provisions may
Section 383A: In the State of Tamil Nadu, there are 159 companies with a paid-up capital of 25 lakhs and above. This figure includes 96 companies having paid-up capital of Rs. 50 lakhs and above. The office has issued notices to all the 159 companies enquiring whether they have a qualified Secretary as required under the section. Out of this, 106 companies have replied and it is seen that they are having qualified Secretaries acting. The balance of 53 companies have not replied and the final position can be known only after the replies are received.

Section 187C: Several companies have filed return in form III pursuant to Sec. 187C(4) without either form No I or form No. II being annexed to form No. III. This is presumably because the companies may be penalised under sub-section 5(b) of the Act.

Form No. III filed in such cases will be an incomplete return and therefore cannot be taken on record. Further, it appears the liability of the company arises only after it has received both Form No. I and II and not before that. The position may be clarified.

Several declarations do not furnish the full particulars and either they are left blank or a remark 'not available' is entered. It appears such declarations are incomplete and could be returned back to the company under the existing Regulations. This requires confirmation.

Sec. 224/619 (2): In the case of a non-Government company, if some time after the appointment of the auditor under Sec. 224, that company becomes a Government company or becomes such a company which may be covered by the provisions of Sec. 619B, then what will be the position of the Auditor already appointed. The moment such a company becomes a Government company, the Auditor will have to be appointed under Section 619(2). Will the Auditor appointed under Section 224 cease?

Section 383A: In the State of Tamil Nadu, there are 159 companies with a paid-up capital of 25 lakhs and above. This figure includes 96 companies having paid-up capital of Rs. 50 lakhs and above. The office has issued notices to all the 159 companies enquiring whether they have a qualified Secretary as required under the section. Out of this, 106 companies have replied and it is seen that they are having qualified Secretaries acting. The balance of 53 companies have not replied and the final position can be known only after the replies are received.
5. A NOTE BY SMT. SARASWATI ACHYUTAN, JOINT DIRECTOR (INSPECTION) SOUTHERN REGION ON PROBLEMS FACED BY THE INSPECTION WING

The Inspection Wing of Southern Region started functioning from December 1965. At present, the Wing is headed by a Joint Director of Inspection. The other officers in the Wing at present are 1 DDI; 1 IO and 1 AIO. The Inspecting Officer is also looking after the follow-up work of the Inspection Reports. One post of IO which had been sanctioned for this Wing is lying vacant from 17-10-74 and two posts of AIOs sanctioned for this Wing are lying vacant from 21-4-74 and 27-1-75. Thus at present this Wing is working with less than even 50% of the sanctioned strength of the officers. Since each officer can do only a maximum of 2 inspections per mensem and since the policy of the Government is to take up more and more companies for inspection in order to keep up the undertaking given to the Parliament, it is suggested that the remaining sanctioned posts may be filled up at an early date so that the Inspection Wing can function more efficiently and more reports submitted to the Department.

Since the inception of the Inspection Wing, Company Law Board ordered the inspection of about 627 companies in Southern Region. The above included about 275 companies belonging to 'Larger Industrial Houses' and several important groups such as TVS group, Simpson group, Mungappa group, Naidu group, Karumuthu group, A. V. Thomas group etc. The Inspection Wing has so far completed the inspection of 474 companies which included 215 companies belonging to the group referred to above.

The total number of inspections completed during the last 3 years is—

1972 ... 48.
1973 ... 49.
1974 ... 101.

In this connection, I have also to state that the Inspection Wing at Madras have to take up the inspection of companies in Tamil Nadu; Andhra Pradesh; Karnataka;
In several cases the irregularities and contraventions were taken up with the auditors of the company where there had been a failure on their part to point out certain contraventions which affected the Balance Sheet or pointing out personal expenses of directors debited to the company’s accounts etc. Only in one case, the Institute of Chartered Accountants of India has enforced disciplinary action against the auditor on the basis of the Inspection Report (Ref: Mangalore Automobiles Limited).
The routine irregularities noticed during the course of inspection such as non-maintenance of some of the statutory records, omission to pass the board resolutions or general body resolutions in respect of transactions coming within the purview of ss. 292, 297 and 314 were brought to the notice of the company, and such defects are generally set right by the company immediately.

It has been noticed that some of the big companies have been resorting to diversion of profits on a large scale through constitution of Consultancy Service which renders consultancy services to the other companies in the group and derives substantial income which did not appear to be justifiable considering the nature of services rendered or the expenses incurred in rendering such services.

Similarly, in some cases, in respect of some big companies diversion of profits is done by resorting to appointment of firms or companies in which director(s) are interested as sole selling agents and paying very handsome commission amounting to few lakhs of rupees.

It has also been noticed that management pattern in respect of some of the big companies leaves much to be desired inasmuch as the management is effected through power of attorney holders who are stationed at a place far away from the registered office or the factory of the company and who are also only part-time employees of the company. The company also did not have any Managing or Whole-time Directors in such cases. (Ref. Wes Coast Paper Mills Ltd., Andhra Paper Mills etc.)

In some cases, it has been noticed that the balance sheet did not represent the true and correct view of the state of affairs of the company for various reasons:

(i) In one case the closing stock has not been valued in accordance with conventional method of valuation.

(ii) In another case, large amounts are seen to have been written off in Profit and Loss Account under the head "Capital Expenditure on Scientific Research", even though such expenditure have been incurred in respect of land and
buildings; plant and machinery, etc. which continue to exist as assets belonging to the company.

(iii) In another case, the company, which had an office in Ceylon, while preparing the balance sheet and profit and loss account the Ceylon currency had not been converted into Indian currency in accordance with the Foreign Exchange rates.

(iv) In another case, window-dressing was found to have been resorted to by a company to reduce the large amount due by another sister concern by showing certain amounts received on the day of the balance sheet by means of a cheque and returning a similar amount immediately during the beginning of the next year.

Contravention of ss. 295 and 372 have also been noticed in certain cases where such investments have been made through the Intermediary of subsidiary investment companies, firms, etc.

It has been noticed that in certain cases the company enters into partnership with other individuals and the partnership firm as such carries on business separately and only the net result of the trading of the partnership business is incorporated in the books of accounts of the company. Irregularities are alleged to have been committed by the partnership firm and this may result in direct loss to the company concerned and at present according to s. 209A the Inspecting Officer has an access to the records of the company alone but not on the partnership firm though transaction of the firm have a large bearing on the working of the company. The necessity in such cases to inspect the books of accounts and records of the partnership firm also may be considered by the Conference.

Under s. 297 consent of the Board of Directors was required in respect of transactions of public companies with firms or private companies in which directors are interested. It is seen in respect of TVS Group that most of the public companies which are engaged in the manufacture of automobiles components are having inter-company transactions on a large scale with private companies.
in the same group which have now become public companies on the basis of turnover. In the result, now the inter-company transactions do not require any approval of the Board of Directors which was necessary so far. This question assumes more importance if the public companies which are having inter-company transactions with erstwhile private companies, have a capital of less than Rs. 1 crore since the question of Government approval also will not arise then. Thus the result of the new Amendment appears to take away the restrictions which existed earlier in certain cases.

In the case of a private limited company, it was noticed that 28% of the present equity capital was held by the foreign collaborators which is a body corporate outside India. The company will become a deemed public company since the turnover during the last 3 years exceeded Rs. 1 crore. However, since s. 43-A(6) which was originally proposed to be deleted at the Bill stage is retained under the Amended Act, it will appear as if the company can continue to claim the exemption under sub-section 6(aa) and 6(b) of s. 43-A. If that be the case, several companies which may become public companies under s. 43-A can get over the above provision by re-arranging the shareholding pattern and trying to get exemption under s. 43-A (6). This matter might have been noticed in other regions also and the position may be considered at length in the Conference.