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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation.

LOK SABHA

The following Bill was introduced in Lok Sabha on 22nd November, 2001.

BILL NO. 100 OF 2001

A Bill further to amend the Companies Act, 1956.

BE it enacted by Parliament in the Fifty-second Year of the Republic of India as follows:—

1. (1) This Act may be called the Companies (Third Amendment) Act, 2001.

(2) It shall be deemed to have come into force on the 23rd day of October, 2001.

1 of 1956.

2. In section 77A of the Companies Act, 1956 (hereinafter referred to as the principal Act),—

(a) in sub-section (2), in clause (b), the following shall be inserted, namely:—

‘Provided that nothing contained in this clause shall apply in any case where—

(A) the buy-back is or less than ten per cent. of the total paid-up equity capital and free reserves of the company; and

Short title and commencement,
Amendment of section 77A.

(B) such buy-back has been authorised by the Board by means of a resolution passed at its meeting;

Provided further that no offer of buy-back shall be made within a period of three hundred and sixty-five days reckoned from the date of the preceding offer of buy-back, if any.

Explanation.—For the purposes of this clause, the expression “offer of buy-back” means the offer of such buy-back made in pursuance of the resolution of the Board referred to in the first proviso;’;

(b) in sub-section (4), for the words “special resolution”, the words “special resolution or a resolution passed by the Board” shall be substituted;

(c) in sub-section (6), after the words, brackets, letter and figure “special resolution under clause (b) of sub-section (2)”, the words, brackets and letter “or the Board has passed a resolution under the first proviso to clause (b) of that sub-section” shall be inserted;

(d) in sub-section (8), for the words “within a period of twenty-four months”, the words “within a period of six months” shall be substituted.

Amendment
of section
292.

3. In section 292 of the principal Act, in sub-section (1), after clause (a), the following clause shall be inserted, namely:—

“(aa) the power to authorise the buy-back referred to in the first proviso to clause (b) of sub-section (2) of section 77A;”.

Repeal and
saving.

4. (1) The Companies (Amendment) Ordinance, 2001 is hereby repealed.

Ord.7 of 2001.

(2) Notwithstanding such repeal, anything done or any action taken under the principal Act, as amended by the said Ordinance, shall be deemed to have been done or taken under the corresponding provisions of the principal Act, as amended by this Act.

STATEMENT OF OBJECTS AND REASONS

For a considerable time, the market sentiment has been very weak. Because of the recent developments in the United States of America and other places, the situation has become worse.

2. Section 77A of the Companies Act, 1956 permits a company to purchase its own shares or other specified securities (hereafter referred to as "buy-back") subject to the provisions contained in that section. The Ministry of Finance (Department of Economic Affairs) has suggested that the provisions for buy-back by companies should be liberalised with a view to improving the market sentiment. Liberalisation has also been supported by the Securities and Exchange Board of India, Financial Institutions and some others.

3. In view of the above, it was decided to liberalise certain provisions of section 77A of the Companies Act, 1956 relating to buy-back and for this purpose, the Companies (Amendment) Ordinance, 2001 (Ord. 7 of 2001) was promulgated on the 23rd day of October, 2001 so as to *inter alia*,—

(a) provide that if the buy-back was to the extent of or less than ten per cent. of the total paid-up capital and free reserves of the company and such buy-back had been authorised by means of a resolution passed at its Board meeting, such buy-back shall not require special resolution to be passed by a general meeting as required by clause (b) of sub-section (2) of section 77A which prohibits a company to purchase its own shares or other specified securities unless a special resolution is passed in general meeting of the company authorising such buy-back;

(b) provide that no offer of buy-back referred to in (a) above shall be made within a period of three hundred and sixty-five days reckoned from the date of the preceding offer of buy-back;

(c) reduce the time limit from twenty-four months specified under sub-section (8) of section 77A of the Companies Act, 1956 to six months for issue of the same kind of shares.

4. The Bill seeks to replace the said Ordinance.

ARUN JAITLEY.

NEW DELHI;

The 12th November, 2001.

G. C. MALHOTRA,
Secretary-General.

