

17.32 hrs.

## HALF-AN-HOUR DISCUSSION

CONTROL BEING EXERCISED BY I.O.C. OVER THE FUNCTIONING OF INDO-BURMA PETROLEUM

SHRI JYOTIRMOY BOSU (Diamond Harbour): Sir, this is about Indo-Burma Petroleum, a subsidiary of Indian Oil Corporation which is a public sector venture, taking over Balmer Lawrie Company. I maintain this was taken over at a severe loss to the exchequer, spending Rs. 67 lakhs, a good part of it in foreign exchange. It was a direct deal cleared by one of the principal executives of the Prime Minister's Secretariat. It was an old East India managing agency house. It had a sprawling empire and in 1967 the assets were about Rs. 5,42,35,000. The decline started from the time when the Goenkas headed by R. P. Goenka of Duncan Brothers took over. By siphoning out money, the company was made dry and the share prices in the bazaar fell from Rs. 200 to Rs. 66 in a very short space of time. The company started losing money and it committed economic offences also. If you read the report of the Industrial Licensing Policy Enquiry Committee, Appendix IV F, you will find that in the case of Balmer Lawrie Company, the percentage of excess production in 1967 over licensed production was one hundred. They can be easily called the economic offenders of the country.

This company was identified as a sinking ship and Goenkhas headed by R. P. Goenkha wanted to get rid of this company. Even though they offered this company in the bazaar for sale at Rs. 4 below the lowest quotation in 1971 which was Rs. 58, there was no buyer because nobody will dare to touch a company without a future. Government in fact felt very sympathetic and they wanted to help Mr. Goenkha and they came to his rescue. Only the other day, the LIC and IBP jointly had controlling shares when the company was in a good condition. Why is it that LIC had sold the shares to R. P. Goenkha? Why is it that IBP and LIC allowed R. P. Goenkha to take control of Balmer Lawrie Company? Was it not done to give him a chance to rob the company? My information is, R. P. Goenkha bribed Mr. White Head of Steel Brothers, which was controlling IBP once upon a time,

by paying him Rs. 5 lakhs, who installed him physically in Balmer Lawrie Company, although he was only a minority shareholder.

Coming to the present issue, Duncan Brothers headed by Shri R. P. Goenka had 32,500 shares representing 22.5 per cent in Balmer Lawrie and 43,431 shares representing 30.9 per cent in Shri Gokhale's company with a pre-emptive right to acquire holdings of Alex Lawrie, the mother sterling company in the city of London. The Alex Lawrie Company had 38,625 shares representing 27.5 per cent of the shares. Of course, they had to be paid in very dear foreign exchange, when you say you are running short of it. The pre-emptive condition was there to prevent the control of Balmer Lawrie & Co. passing away to a third party. The move came from Shri R. P. Goenka.

MR. CHAIRMAN: What is the relevance of Shri R. P. Goenka, Balmer Lawrie and all that in the discussion on IOC?

SHRI JYOTIRMOY BOSU: I will report what I mentioned in the explanatory note, which enabled this half an hour discussion. The Minister in the course of his reply mentioned about take over of Balmer Lawrie Limited. In the process Government was unable to provide facts which were indispensable. The Minister promised to provide it later. In this deal Government paid Rs. 95 for each share, whilst its quoted price did not exceed Rs. 65. Moreover, the company was heavily losing and there was no buyer. At this point, Government came for the rescue. Replies to such a question were given in a perfunctory manner and hence this notice.

The move came from Shri R. P. Goenka that either IBP should buy their share or they should buy IBP. Shri R. P. Goenka, a very dear friend of the government, a very powerful person, succeeded in pressurising IBP. The IBP, instead of buying the shares of Shri R. P. Goenka, could not exercise the pre-emptive right to control Balmer Lawrie along with its own 30.5 per cent share. The moment negotiation was contemplated, it was in the air, Shri Goenka started manipulating the Calcutta share market and it was made bullish. Shares started rising. From Rs. 66 it rose to Rs. 94 in two days in June 1972 and IBP bought Shri Goenka's 32,540 shares at Rs. 95 each

**[Shri Jyotirmoy Bosu]**

and Alex Lawrie's shares of 38,625 were paid at Rs. 85, and no doubt they were paid in foreign exchange. That is how Rs. 67 lakhs of white money was given in excess in this deal to Shri R. P. Goenka. Here I want to quote from the *Financial Express*.

Year	High	Low	Closed
1971 June	72	58	64.25
1972 June	95	72	62

This will show that a lot of money has been paid in excess to Shri Goenka. The Government could have exercised its right under the pre-emptive conditions and could have bought the shares in the market at Rs. 4 less than the lowest quotation, if they wanted to. Instead of that, they gave almost double the price that this man was entitled to.

This morning also there was a question and a reply about CBI inquiry of Balmer Lawrie, the Asian Cable Corporation of Shri R. P. Goenka, where Shri Raghunatha Reddy says:

"According to the information available with the Department of Company Affairs, the CBI have registered cases against the following five companies in the K. P. Goenka Group for infringement of provisions of Import and Export (Control) Act, 1947 . . ."

There are five cases; the prosecutions are there. That is the man who has been patronised with Rs. 67 lakhs . . . (Interruption)

MR. CHAIRMAN: It is not the business of the IOC to purchase shares?

SHRI JYOTIRMOY BOSU: The IOC is a subsidiary company. The IBP had some shares jointly with Duncan Brothers Ltd. and Alex Lawrie. They were pressurised to buy those shares at a much higher price. Mr. Chairman has understood it very well. I am very glad.

Then, we had a previous reply given by the Deputy Minister in the Ministry of Industrial Development, Shri Siddheshwar Prasad to Unstarred Question No. 546. There, the reply given was that the CBI had completed investigation into the affairs of M/s. Asian

Cables Corporation Ltd. and submitted the report to the concerned Ministry. We want to know what action has been taken on that. This is a very serious offence . . . (Interruption)

SHRI K. P. UNNIKRISHNAN (Badagara): How is relevant here? He is talking about the Asian Cables Corporation Ltd.

SHRI JYOTIRMOY BOSU: This morning, Mr. Raghunatha Reddy said that there are five cases. I want to quote Mr. Unnikrishnan. Mr. R. P. Goenka and all this is interwoven like a cobweb. During that poster debate, Mr. Unnikrishnan said:

"It will be explained that if other local references are available, this would not have been necessary. . ."

SHRI K. P. UNNIKRISHNAN: He is misquoting what I said . . . (Interruptions)

SHRI JYOTIRMOY BOSU: I am not yielding. I quote:

"We shall consider Mr. Jyotirmoy Bosu to be our guarantor for our poster next time. Shri Mishra: So, Mr. Goenka was your guarantor. Now it has been proved."

So, they have found a criminal to be their guarantor.

From the photostat copy that I have laid on the Table of the House — it is available in the Library — you will see that a copy of the order was sent to Balmer Lawrie & Co. to one Mr. P. Brahma — it is C/o Duncan Brothers, Managing Director, Mr. R. P. Goenka.

All I want to say is this. By this, we say that this Indira brand Samajbad can be always called *murdabad*.

डा० लक्ष्मीनारायण पांडेय (मंदसौर) :  
सभापति महोदय, मंत्री महोदय ने अपने 4 अगस्त को दिए गए उत्तर में यह बताया था कि :

"Accordingly, the Board of Directors of the I.O.C., a fully Government-owned undertaking, is nominated by the Government of India."

यदि यह गवर्नमेंट अंडरटेकिंग है फुली तो मैं मंत्री महोदय से जानना चाहता हूँ कि आखिर

कुछ वस्तुओं की खरीद के लिए टंडर्स क्यों नहीं काल किए गए ? क्या इस प्रकार की अंडरटैकिंग में टेंडर काल करने की प्रथा ही नहीं है और प्रथा नहीं है तो क्या यह नियम-संगत है और प्रथा है, टेंडर काल नहीं किए गए, बिना टेंडर के लाखों रुपये की चीजें परबेज की गईं तो उन अधिकारियों के खिलाफ जिन्होंने बिना टेंडर काल किए यह काम किया, उन के खिलाफ आने कोन से कदम उठाए हैं या उठाने जा रहे हैं ? क्यों कि एक दो हजार नहीं लाखों रुपयों के गोलमाल की बात है। शेयर्स के बारे में भी पर्याप्त घोटाला हुआ है। प्रश्न के उत्तर में उन्होंने कहा है :

"The cost structure would be available to the I.O.C. so as to ensure that the purchase prices are reasonable. . ."

रीजनेबल है या अनरीजनेबल है यह आप ने तय कैसे किया ? इतना ही नहीं दूसरी बातों में भी गड़बड़ी है।

"The I.O.C. has decided to obtain its requirements of greases, specialities and barrels from Balmer and its subsidiaries."

आई० ओ० सी० ने तय भी कर लिया कि फुल रिक्वायरमेंट उसी से लेंगे तो मैं माननीय मंत्री जी से जानना चाहता हूँ कि यह रीजनेबल है या अनरीजनेबल है ? आप न कैसे तय किया ? जो काम नियंत्रांकूल करना आवश्यक था वसा क्यों नहीं किया गया ?

**SHRI SHYAMNANDAN MISHRA (Begusarai):** Mr. Chairman, the accusation is plain and precise. It is this : although the shares were ruling at Rs. 65 they were purchased at Rs. 95; that is, there was an excess payment to the extent of Rs. 30/- per share, and the total excess amount paid seems to be of the order of Rs. 67 lakhs as has been computed by my hon. friend, Shri Jyotirmoy Bosu. Some questions naturally arise in this connection.

This was a declining concern, this was almost a dying concern. . .

**MR. CHAIRMAN:** Please be brief and ask your question.

**SHRI SHYAMNANDAN MISHRA:** I would be very brief, Sir, precision is my special quality.

This was a declining concern, a dying concern. Before Goenkas took over, it was distributing profit to the extent of Rs. 24 lakhs. After they took over, the management was so bad that it distributed only a profit of the order of Rs. 8 lakhs. It was distributing 22.5 per cent earlier but later it came down to 8 per cent or so. The main thing is that, although mismanagement was going on. . .

**MR. CHAIRMAN:** What do you want to know from the Government?

**SHRI SHYAMNANDAN MISHRA:** I am asking him: why did you purchase from such a declining, dying concern at such a high price? This was a thoroughly mismanaged concern. Why did not the Department of Company Affairs go into this and take it over because this was a mismanaged concern?

I am coming to another point. The hon. Minister says that Goenkas wanted to control the entire concern and they had offered to purchase the shares of the Government at the rate of Rs. 160. . . (Interruption)

**MR. CHAIRMAN:** In half-an-hour discussion, you have only to put a question. Without going into the details, please ask your question.

**SHRI SHYAMNANDAN MISHRA:** I am really very unhappy about this. If you want to gag me completely, you can do it. It will go on record that I have been gagged.

This is my main question. The hon. Minister says that so much was paid because of the fact that Goenkas wanted to acquire complete control over this and they had offered to purchase our shares at the rate of Rs. 160. Goenkas did have shares to the extent of 50.14 per cent. In order to acquire effective control, they required only 0.86 per cent to go up to 51 per cent. Even if they wanted to go upto 70 per cent, they had the miscellaneous shares to draw upon to the extent of 19 per cent. My submission is this that this plea does not seem to hold water. Would not the Minister agree with me that this is a completely untenable plea? When they had the miscellaneous shares to the extent of

[Shri Shyamnandan Mishra]

19 per cent on which they could draw at a much lower price, why should they have gone to the Government to purchase at that price? This is the real question, Sir. This argument does not appeal to us at all.

SHRI C. M. STEPHEN (Muvattupuzha) : On a point of order. The rule is very specific about asking questions in half-an-hour discussion. It says :

"Any member who has previously intimated to the Speaker may be permitted to ask a question."

A question.

"...for the purpose of further elucidating any matter of fact."

This means, he can ask only one question; he cannot ask many questions. He has already put three questions and he wants to put another question (*Interruption*) I want your ruling, Sir, on my point of order. Is a member entitled to ask as many questions as he chooses in a half-an-hour discussion?

MR. CHAIRMAN : I requested Mishraji not to go into details..

SHRI SHYAMNANDAN MISHRA : I did not go into details.

MR. CHAIRMAN : You went into details. You have only to put a question. Please finish it now.

SHRI VASANT SATHE (Akola) : He can ask only one question.

SHRI SHYAMNANDAN MISHRA : Thirdly, we have just now learnt.... (*Interruptions*)

SHRI C. M. STEPHEN : There cannot be even a 'secondly'. He is going 'Thirdly'.

SHRI SHYAMNANDAN MISHRA : The third question is ....

SHRI C. M. STEPHEN : I am objecting to it.

SHRI SHYAMNANDAN MISHRA : The third part of the same question is that we have just now learnt that two kinds of prices were offered for the shares—one at Rs. 85 and another at Rs. 95 per share. Why was this distinction made between the two and why not at the lower price, that is Rs. 85?.... (*Interruptions*).

SHRI C. M. STEPHEN : Are there no rules here ?

SHRI SHYAMNANDAN MISHRA : I know they feel concerned because this man has been going about saying that he is the Deputy Treasurer of the ruling Party.

SHRI JYOTIRMOY BOSU : On a point of order. I only want to say\*.. (*Interruptions*)

SHRI C. M. STEPHEN : You know all the inner details. The agency will be handed over to you.

MR. CHAIRMAN : This will not form part of the record. It is not nice to pass remarks. Suppose you say something in favour of Russia or China or anybody else, then are you supposed to be an agent of those people? You are not. The remarks made by him will not go on record.

SHRI JYOTIRMOY BOSU : Rule 376....

MR. CHAIRMAN : To cast aspersions against another member is not proper.

SHRI JYOTIRMOY BOSU : On a point of order. The House has Rules as well as practice. Which one are you choosing to-day, Sir ?

MR. CHAIRMAN : I have been here for so many years. I know this was not the practice that any member should cast any aspersion against another member. That has not been the practice. Recently, this has developed, of course.

SHRI PILOO MODY (Godhra) : Who is going to\*....

MR. CHAIRMAN : You cannot ask any question. That will not go on record.

Shri Lalji Bhai—he is absent.

SHRI K. P. UNNIKRIISHNAN : I want to know whether the Ministry of Petroleum and Chemicals earlier this year did issue a directive to the Indian Oil Corporation to surrender or transfer its IBP share holding to the Government against an earlier agreed decision to the contrary arrived at between the

Secretary, Ministry of Petroleum and Chemicals and the Chairman of IOC? If so, I want to know the rate, the reasons and the details thereof.

**THE MINISTER OF LAW AND JUSTICE AND PETROLEUM AND CHEMICALS (SHRI H. R. GOKHALE) :** Mr. Chairman, Sir, I had occasion to deal with this question on an earlier occasion although very briefly because it arose indirectly with respect to another question and broadly the position of the Government was explained by me to this House. When some hon. Members asked some particulars I said that when I get the next opportunity I will give to the honourable House whatever information I could get. I am glad I am now in a position to put the entire figures before the House. I am convinced that apart from the fact that the deal is a completely clean deal

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**SHRI PILOO MODY :** No, never. *(Interruptions)*

**SHRI H. R. GOKHALE :** The only difficulty is this. *(Interruptions)* I can only hope to convince minds which are not shut. I can only hope to convince minds which are open. If people have pre-judged the issue, any amount of argument on my part, any amount of facts given, are not going to convince them. I know that. But, I must bring all the facts before the House for public consumption whether hon. Members relish them or not and if they have the courage to listen to truth, they must listen....

**SHRI PILOO MODY :** But you have given expression to your opinion first. You said, it is a clean deal.... *(Interruptions)*

**SHRI H. R. GOKHALE :** It is impossible to deal with this issue if there are going to be constant interruptions. At least they must give the opportunity to the Government to put forth its views. *(Interruptions)*

**MR. CHAIRMAN :** Speeches were made. Question were put. For your benefit and for the benefit of the nation at large, it is better that hon. Members must hear the Minister....

**SHRI PILOO MODY :** Provided he does not make propaganda.

**SHRI H. R. GOKHALE :** That is your privilege alone. What else is there except propaganda in what they have said? I am going to mention later on how there is a common ground in some respects in what my hon. friend, Mr. Jyotirmoy Bosu said and what I am going to say and that is the basis on which I am going to justify that this was a particular case where the Government's intervention was necessary, and it was necessary to remove the management of Duncan Bros. and to take over this vital concern, Balmer, Lawrie and Company. Now, Sir, I entirely agree that there were so many instances of mismanagement, liquidating the assets of the company and so on. There were so many instances of violation of law. It is not right for them to say that the Government had not taken steps to investigate the matters under the Company Law. These steps were taken...

**SHRI JYOTIRMOY BOSU :** After 8 years.

**SHRI H. R. GOKHALE :** Government did take steps when they noticed the various acts of omission and the various acts of commission, as a result of which Government ultimately had to come to the conclusion that the only way in which these people can be prevented from misusing the funds of this vital industry, is to take over the control of this company...

**SHRI SHYAMNANDAN MISHRA :** Without any payment, without any compensation.

**SHRI H. R. GOKHALE :** I thought that Sham Babu at least will give me an opportunity to explain everything. I am aware of the questions which were asked and I am going to deal with them. I, at least, don't have the capacity to deal with all the questions in one sentence. I must be allowed to proceed in my own way and place all the facts before the House...

**SHRI S. A. SHAMIM (Srinagar) :\***

**MR. CHAIRMAN :** This remark is not fair; it will not be recorded

18.00 hrs.

**SHRI H. R. GOKHALE :** The background is this. In Balmer Lawrie, the

\*Not recorded.

[Shri H. R. Gokhale.]

IBP had acquired an interest to the extent of 30 odd per cent. of shares. Duncan Bros. had about 22 and odd per cent shares. Alex Lawrie which was a British company had 27 odd per cent shares. The other miscellaneous shareholders had 19 odd per cent shares. On a mere arithmetical calculation, this would show that if Duncan Bros. and Alex Lawrie combined together, as I shall presently point out they did, they together had a control of over 50.14 per cent shares, while as an individual shareholder, the IBP which was a subsidiary of IOC was the strongest and largest single shareholder and it was not in a position to exercise adequate control on the management and functioning of the company.

In view of the fact that Duncan Bros. and Alex Lawrie together have combined and have mismanaged the affairs of the company—I have got a long list of these attempts at mismanagement. . .

SHRI JYOTIRMOY BOSU : What about LIC shares ?

SHRI H. R. GOKHALE : The question is this. Some time in 1970, the IOC acquired this interest in the IBP, and the IOC itself had 60 per cent interest in the IBP and, therefore, the IBP was a subsidiary of the IOC. The IBP in turn had 30 per cent holding in Balmer Lawrie, as I have already mentioned.

Now, there were two alternatives, either allow Alex Lawrie or for that matter in particular Duncan Bros. to continue their acts of omission or commission or to take adequate steps to see that this vital sector of an industry was brought under public control. I say vital sector for various reasons. Balmer Lawrie is not alone, because Balmer Lawrie has four subsidiaries; one subsidiary is Bridge and Roof Company (India) Limited, Calcutta, producing wagons; they do wagon-building; in addition to that, they have produced petroleum tanks, refinery equipment etc.

SHRI JYOTIRMOY BOSU : Engineering fabricators.

SHRI H. R. GOKHALE : Then, we have BIECCO Lawrie Ltd., which manufactures transformers and switch-

gears, and then Steel Containers Limited which manufactures barrels and Industrial Containers, Calcutta which manufactures barrels. I am mentioning all this because at least three of these four subsidiaries were producing material which was vital to the activities of the IOC, such as barrels, petroleum products, refinery equipment etc. This was all under the control of Duncan Bros. along with Alex Lawrie who had been diverting the funds of the company when they were controlling this company, for other purposes.

SHRI PILOO MODY : For posters.

SHRI H. R. GOKHALE : My hon. friend is so much obsessed with the poster idea that perhaps he dreams of poster even in his sleep, and, therefore, when a rational answer is given, it becomes difficult for him to hold on because he cannot hear; that is the whole trouble.

When the 30 per cent shareholding was there, and although the largest single shareholder in Balmer Lawrie, they wanted to exercise adequate control. Legal steps were taken in the first instance.....

SHRI JYOTIRMOY BOSU : LIC shares.

SHRI H. R. GOKHALE : I really can not go on with this, because I am talking of chalk and he is talking of cheese.

Now, let me come to the main point. Why was it necessary to take it over? The position was this that when they saw that as the largest single shareholder they were trying to exercise control through legal means or appropriate actions under the company law, in the original stage, they were not even allowing us to have our directors on the board of the company, in spite of the fact that the IBP had 30 per cent shareholding. Ultimately, recourse had to be taken to section 408 of the Companies Act, which alone compelled them to have our directors on the board. The directors detected the mismanagement, the liquidation of assets, the various advancement of loans without security etc. etc. They made it so difficult for the management, in spite of the fact that they were only 30 per cent that they realised that they could not carry on with IBP as not a majority

shareholder but as a substantial shareholder in the total holding of the company.

At one stage in order to see that we were in an absolute minority and were not in a position to influence the management of the company—that was where the question of legal action came—they tried to negotiate directly with Alex Lawrie and Duncan Bros. and acquire the assets so that Duncan Bros. and they in their own right had 50 per cent of the shareholding in Balmer Lawrie. Now it is clear that if they had been allowed to go through this transaction and they had 50 per cent of shares as against 30 per cent of ours and 19 per cent miscellaneous, they in their own right would have had a shareholding which would have entitled them to continue the management, or rather the mismanagement of which we were accusing them.

Now, we prevented this share transaction between Alex Lawrie and Duncan Bros. by filing a suit in the Calcutta High Court and obtaining an injunction, with the result that the transaction did not go through. Now, when they realised that they were not able to obtain this control by buying over the shares of Alex Lawrie, they also realised that there were only two alternatives open. One was by various means, which are known to hon. members, to bring down about a situation where Government would be compelled to sell their shares to them at a very unfavourable price. The other was to create a situation where Government would be compelled to take over all those shares because Goenka, like any other industrialist of his type, is not interested in his Rs. 160 price per share or in his dividend; he is interested in retaining sole and unadulterated management of the company so that he could divert the funds of the company for his other purposes.

.....

**SHRI JYOTIRMOY BOSU :** Not right at all.

**SHRI H. R. GOKHALE :**....which he could do only if he had absolute and adequate control of the management of the company—which was prevented by Government by going to the Court and obtaining an injunction. I may tell the House that this injunction was operative only till now until Government took over full control, above 80 per cent, of the management of Balmer Lawrie.

When an attempt was to make us sell our shares to them, we stoutly resisted it, for two or three reasons. One was that Government were not holding the shares as ordinary investors so that we deal with them and sell them to a large house like Goenkas or Duncan Bros. We were interested in seeing that vital sectors of the economy are gradually and as early as possible, brought under public control. If that was an appropriate policy—the attitude which my Ministry took was later confirmed by various other branches of Government—that we would not surrender to this attempt at depressing the share market on the part of Goenka and Duncan Bros to see that we sold our shares to them at a very unfavourable price, we defeated them in that move.

**SHRI JYOTIRMOY BOSU :** Untrue.

**SHRI VASANT SATHE :** When his bubble is being pricked, he is interrupting (*Interruptions*).

**SHRI H. R. GOKHALE :** Then the question arises : If Government wanted to take over the shares—a relevant point was raised by Shri Shyamnandan Mishra and I will deal with it—why did not Government buy shares in the market ?

**SHRI SHYAMNANDAN MISHRA :** Yes, not only that; you could have taken it over outright and paid them compensation later. Because of mismanagement, you could have nationalised it.

**SHRI H. R. GOKHALE :** One point was also this that we could have gone to the miscellaneous shareholders and bought the shares. Why go and buy from Duncan Bros ?

**SHRI SHYAMNANDAN MISHRA :** No, he has not understood my point. The point I was making was that it is not convincing to say that these people, Goenkas, wanted to purchase Government's shares at Rs. 160. They could, instead, have gone to the miscellaneous shareholders who accounted for about 19 per cent. That was another point I was making.

**SHRI H. R. GOKHALE :** Let us look at that also.

**SHRI JYOTIRMOY BOSU :** Government took over IISCO by Ordinance.

[Shri Jyotirmoy Bosu]

Why did they not take over Balmer Lawrie in the same fashion because there was the same mismanagement there?

SHRI H. R. GOKHALE : There is no comparison between IISCO and this group. It must be remembered that here we are dealing with an interconnection between companies in which as I told you, IOC had in IBP 60 per cent holding and IBP had 30 per cent holding. Nationalisation was really taking over the interest, which was in the interest of the public sector. There is no comparison between IISCO nationalisation and this.

SHRI SHYAMNANDAN MISHRA : It was much simpler here; you had only a few shares to nationalise.

The question is this. (*Interruption*)

MR. CHAIRMAN : Order, order. He will not be in a position to complete his reply at this rate. Why not you hear him?

SHRI H. R. GOKHALE : I want to be brief. Had it not been for these interruptions, I would have finished my reply long ago. I want to be brief and deal with the broad facts because the time is very short.

The question arose that if we have to take control, if we were to take over Duncan Brothers or Alex Lawrie's shares, it could also be asked legitimately, "Why Duncan Brothers and why not Alex Lawries?" If we have taken Alex Lawries, then also it could have given more than 50. The correct position is this. Alex Lawrie and Duncan Brothers both made it a condition that the shares of neither will be available until the shares of the other also are taken. Alex Lawrie insisted that if you take Duncan Brothers, then we will sell you. Duncan Brothers said, "If you take Alex Lawrie we will sell you." Therefore, the compelling necessity was that if we had to take over the controlling interest in this, we had to take over both Alex Lawrie and Duncan Brothers.

Then the question arose, what is the transaction and why the transaction was reached at a particular price. First of all, I must say, with all humility, that hon. Members are misinformed; the steady and controlling price of a share was 68.

SHRI JYOTIRMOY BOSU : I have quoted from the *Financial Express*.

SHRI H. R. GOKHALE : Let me deal with it. I have got something more. I have taken your question last time very seriously and I have collected the material, and I am saying it with a sense of responsibility.

SHRI SHYAMNANDAN MISHRA : What about nationalisation?

SHRI H. R. GOKHALE : I do not know whether I can satisfy you or the other hon. Member. (*Interruption*)

MR. CHAIRMAN : This is half-an-hour discussion. We have already taken much more than half an hour. If you go on interrupting him like that, there will be no end to it.

SHRI H. R. GOKHALE : The figures will show. Normally, the share market price is one of the indications, but not always a conclusive indication of the intrinsic worth of a share. That is an accepted fact. Then the question is this. Even in the case of Balmer Lawries—I would have given the figures but the time is short—in the course of years, if you look at the variations, from the minimum to the maximum, the variation is so large that it would show that the share market has been influenced by interested parties particularly Duncan Brothers, in the course of years, to retain their management.

SHRI JYOTIRMOY BOSU : Did you put any valuation?

SHRI H. R. GOKHALE : Of course, I did the calculations. (*Interruption*)

SHRI JYOTIRMOY BOSU : Will you lay it on the Table of the House?

SHRI H. R. GOKHALE : I will tell you now, here.

SHRI SHYAMNANDAN MISHRA : What was the range? (*Interruption*)

MR. CHAIRMAN : No, no. Please do not interrupt.

SHRI H. R. GOKHALE : The valuation of the shares is normally done on the basis of working out the average on three factors. The first factor, as I said, although not conclusive, is relevant and has to be taken into consideration; that is, the market value. The second is the asset value per share as per the



books of the company. The third is the earning capacity per share for the previous three years.

**SHRI JYOTIRMOY BOSU : Inflated.**

**SHRI H. R. GOKHALE :** In fact, it was taken at the minimum level to see that it was deflated and not inflated. To say that it was inflated is quite wrong.

So far as the share value is concerned, although the share value at the appropriate time when the averaging was done had gone up to as high as 94, we took the minimum quotation at the relevant time, 68, and assumed that as the market value, so that the average did not work to a higher figure. Also, with regard to the asset value—

**SHRI SHYAMNANDAN MISHRA :** You yourself said the other day that the ruling price was higher— (*Interruption*).

**MR. CHAIRMAN :** If this side is not prepared to hear him, I will adjourn the House.

**SOME HON. MEMBERS :** No, no. (*Interruption*)

**SHRI BHAGWAT JHA AZAD** (Bhagalpur) : We want to listen to him.

**SHRI VASANT SATHE :** When the truth is coming, they must have the courage to hear the whole thing.

**SHRI H. R. GOKHALE :** The difficulty is, if the explanation is inconvenient, they do not want to listen. That is the whole trouble (*Interruption*). The question is this. The market value and the minimum quotation were taken. Even for the purpose of finding out the asset value of the share, the book value as in the original investment was taken because the actual value was far more than the assets of the building of Duncan Brothers and others. That was not taken in order to see that the average did not work out to a higher figure.

The same policy was adopted in respect of the third factor. This number worked out to an average value of about 95 and odd. This was done; not by the Petroleum Ministry alone; obviously not, because this was a matter on which the Government was taking a vital decision. This was done in consultation with the

Department of Economic Affairs; it was worked out there. This was done in consultation with the Unit Trust of India which is one of the largest investors in the country today. It was checked and cross-checked at various levels. Averages were worked and the average worked out to about Rs. 95 and odd. Therefore it is wrong to say that at all stages the price was Rs. 68... (*Interruptions.*)

**SHRI C. M. STEPHEN :** Sir, on a point of order under rule 349. This House is entitled to a certain protection, namely, to hear the speech in a calm atmosphere. Rule 39 prohibits interruptions and running commentaries. Hissing and other things are prohibited specifically. My point of order is that that rule should be enforced. You will have to give a direction that any interruption that is being made must be off the record and the Minister must be directed to ignore them and proceed and we must be allowed to hear the speech in a calm atmosphere.

**MR. CHAIRMAN :** The whole purpose of the half-an-hour debate is this. When you raise an important question, you expect a reply from the Minister. We have already exceeded the time by 15 minutes and you should not blame me if I adjourn the House because you are behaving like this. Running commentary is going on. I shall request the hon. Minister to take as little more time as possible and conclude and not to pay any heed to the interruptions.

**SHRI H. R. GOKHALE :** Now price had to be determined with reference to the relevant period during which negotiations for taking over the shares were going on. That was the period 20th May to 2nd June, 1972. The market quotation at that time was Rs. 94. I am talking of the average; it is absolutely wrong that the market quotation was Rs. 68 or anything less than 94 at that time.

Secondly, on account of the fact that the share which we have taken from Alex Lawries are also Balmer Lawries shares the average of the two prices, price paid to Alex Lawrie and the price paid to Duncan Brothers works out Rs. 89.50. What is the use of saying that a lower price was ruling and so on? On economic and legitimate commercial considerations which are relevant to the determination of the price of share

[Shri H. R. Gokhale]

the price was worked out. You cannot refer to one particular day when it might have been depressed for one reason or the other, or inflated for another reason.

The next principles is the asset value. The assets value of these shares undoubtedly came to Rs. 174 and odd. It is important to remember that the asset value came to Rs. 174 and odd. Taking into consideration the fact that the intrinsic worth of the share was much more than even the quoted share which was 94 in the relevant period, the price agreed was Rs. 95 in one cases and Rs. 85 in the other.

**SHRI JYOTIRMOY BOSU :** On a point of order under rule 376. We have been repeatedly asking the hon. Minister to say why one was given Rs. 85 and another was given Rs. 95.

**MR. CHAIRMAN :** There is no point of order. He is replying now and if you are not satisfied it can be seen in the end.

**SHRI H. R. GOKHALE :** I was saying that the relevant principles which were applicable in the determination of the intrinsic worth of a share were all taken into consideration and examined at various levels.... (An Hon. Member : What about L.I.C. ?) That transaction has nothing to do with this; the LIC transaction was at a time when Indo-Burma was a British company and we were nowhere in the picture.

**SHRI JYOTIRMOY BOSU :** Why did you sell it ?

**SHRI H. R. GOKHALE :** The questions is: are we confining ourselves to one point or are we going all over the world dealing with all the issues ?

The other argument was that this was a broken company and it was in shambles and it had no worth and so on. That is also not correct. First of all it is indicated by the fact that the asset value of the share was Rs. 174. I am not depending upon that. Let us go further. We have to look at the profits made by the company in the past few years. You have to take the overall picture about the profit and loss position. I have the position for three years. In one year, a loss was incurred

but I will satisfy all those who have an open mind...

**SHRI JYOTIRMOY BOSU :** Why do you repeat that so often ?

**SHRI H. R. GOKHALE :** Because you repeat it.

**SHRI PILOO MODY :** Is your brief open ?

**SHRI H. R. GOKHALE :** My brief is open. If you do not agree, I cannot help. I have to tell it for the country, because the House belongs to the country.

In 1969, the profit was Rs. 22.28 lakhs. In 1970 the profit was Rs. 23.64 lakhs.

**SHRI SHYAMNANDAN MISHRA :** Was it before tax ?

**MR. CHAIRMAN :** If you go on interrupting, there will be no end.

**SHRI SHYAMNANDAN MISHRA :** What does profit mean ? You would not help us in understanding things ?

**SHRI H. R. GOKHALE :** It was before tax. Coming to 1971, Balmer Lawrie had a variety of business activities, apart from four subsidiaries, in matters like travel agency, tea warehouse, two grease plants which are very important....

**SHRI JYOTIRMOY BOSU :** Poster business also.

**SHRI H. R. GOKHALE :** In respect of one of these activities, i.e., the tea warehouse, there was tremendous loss and it had to be closed down much before we came into the picture. Only because of that particular undertaking, merely on account of the requirement of payment of retrenchment compensation, in one year Rs. 37 lakhs had to be paid. The result was a loss of Rs. 20.61 lakhs. If this had not occurred, the profit would have been Rs. 17 lakhs. When we look at the strength of the company, we look at the substratum, the productive capacity, the assets, the profit-worthiness, what is its utility to you in a public undertaking like IOC, etc. Taking into consideration all the factors, I can confidently say that if it is put to

examination by any independent, impartial economist, he will justify the price we have paid. Sir, all I can say is, in conclusion, that the price paid was absolutely commercial and reasonable, and there was no ulterior motive. Ulterior motives have been attributed, I must say, for ulterior purposes; it has nothing to do with a commercial examination of the problem. (*Interruptions*)

MR. CHAIRMAN: The House stands adjourned to meet at 11 AM on Monday.

18.25 hrs.

*The Lok Sabha then adjourned till Eleven of the Clock on Monday, August 21, 1972/Sravana 30, 1894 (Saka).*