

THE MINISTER OF INFORMATION AND BROADCASTING (SHRI K. K. SHAH) : (a) Loans given by the Film Finance Corporation Limited, Bombay up to 31st August, 1968 to the above categories of producers are as under :

	Rs.
(i) Hindi	90,48,667
(ii) Tamil
(iii) Telugu
(iv) Marathi	12,14,370

(b) Applications are first scrutinised by Secretary of the Corporation and subsequently examined in detail by the Technical Section of the Corporation, which scrutinises the scripts, dialogues, budget, past performance of the producers and members of the team. By way of second opinion, the applications are examined by the Script Committee, which besides the Chairman and the Regional or Additional Regional Officer of the Central Board of Film Censors, consists of a Producer or Director and two other members depending on the language of the film, from the panel of producers and panel of referees approved by the Board of Directors. The reports of the Technical Section of the Corporation and the Script Committee are circulated to the Directors with synopsis of the story of the film for which loan is applied for. The final decision whether to grant loan or not is taken by the Board on the merits of each case.

(c) Amount of arrears fallen due (as on 31-8-68) is as under :—

	Rs.
From Hindi film producers	35,13,550-00
From Tamil film producers	Nil.
From Telugu film producers	Nil.
From Marathi film producers	2,40,606-00

FOREIGN EXCHANGE FOR INDIAN NEWS AGENCIES

1484. **SHRI ARJUN SINGH BHADRIA :** Will the Minister of INFORMATION AND BROADCASTING be

pleased to refer to the reply given to Starred Question No. 1578 on the 1st May, 1968 and state :

(a) whether the information regarding the Foreign Exchange for Indian News Agencies has since been collected;

(b) if so, the details thereof; and

(c) if not, the reasons therefor ?

THE MINISTER OF INFORMATION AND BROADCASTING (SHRI K. K. SHAH) : (a) to (c). The Reserve Bank of India has supplied information regarding amount of foreign exchange released to newspapers and news-agencies for maintenance of their correspondents/bureaux abroad. A statement for the years 1965, 1966 and 1967 is laid on the Table of the House. [*Placed in Library. See No. LT-2220/68.*]

The Reserve Bank of India however, do not have readily available information regarding the amount of foreign exchange earned by newspapers and periodicals. They advise that their regional offices will have to make individual references to the newspapers and news agencies concerned. The matter is being pursued with the Bank.

As for the quantum of foreign exchange released for printing presses etc., information is being collected.

12.26 hrs.

CALLING ATTENTION TO A MATTER OF URGENT PUBLIC IMPORTANCE

CORNERING OF IISCO SHARES

SHRI INDRAJIT GUPTA (Alipore) : I call the attention of the Minister of Finance to the following matter of urgent public importance and I request that he may make a statement thereon :—

Reported cornering of Rs. 10 crores' worth of Indian Iron & Steel Co. shares by an individual businessman with the connivance of the Reserve Bank.

THE DEPUTY PRIME MINISTER, AND MINISTER OF FINANCE (SHRI MORARJI DESAI) : Sir, I rise to make a statement on the notice

calling my attention to the reported cornering of Rs. 10 crores worth of Indian Iron & Steel Co. shares by an individual businessman with the connivance of the Reserve Bank. The facts relating to the case are as follows.

The equity shares of Indian Iron & Steel Co. Ltd. (248.82 lakhs equity shares of Rs. 10 each) are on the Cleared Lists of Calcutta, Bombay and Delhi Stock Exchanges. It is one of the leading scrips in these markets.

In the course of last two years or so, Shri Ramnath Goenka made sizable purchases in Indian Iron shares and took delivery of a substantial part of these purchases from the markets. Certain unhealthy trends in this scrip developed in the market and in July, 1967 Government issued certain instructions to these Stock Exchanges, *inter alia*, to take precautionary measures, as were provided for in the Stock Exchange Bye-laws. The Stock Exchanges accordingly introduced certain measures such as imposition of special deposit margins/restrictions on quantum of business, etc., to regulate trading in this scrip which in one form or another still continue.

While it is difficult to have precise information about the extent of Shri Goenka's purchases in Indian Iron shares and his long position, reports indicate that he and his group have acquired between 70 to 80 lakhs shares. The bulk of his holdings stand in different names, such as companies under his control, friends and associates and brokers.

For financing the acquisition of these shares through the stock-brokers, the Goenka group has utilised bank finances, estimated to be about Rs. 2.69 crores, as also funds of certain companies. While the Reserve Bank has not imposed any ban on the Indian Iron shares, it has stipulated that in the case of advances of Rs. 5 lakhs or more against shares, banks should fix a repayment programme with the approval of the Reserve Bank. It appeared to the Reserve Bank, on a special scrutiny carried out by it of some banks during July-September, 1967, that some of the banks had extended substantial

amounts of advances to the Goenka Group (including his newspaper companies) and a certain amount in favour of stock-brokers against the security of Indian Iron shares. While the Reserve Bank took a serious view of banks extending such large amounts to the Goenka group against Indian Iron shares, it felt that a cautious approach was called for so that market did not receive a sudden jolt and at the same time sufficient pressure to secure early reduction in advances was exercised. Accordingly, it advised all banks concerned to fix reasonable repayment programme for all advances against these shares. The banks have also been instructed that the margin allowed against these shares should be on par with that allowed against other comparable shares.

As part of Shri Goenka's holdings is in the hands of brokers, financiers, who have been pressing him to take delivery of shares, the Reserve Bank of India have agreed to a bank giving credit to four or five parties against Indian Iron shares to enable them to purchase these shares from these holdings. This was on the basis of certain assurances given by Shri Goenka to the effect that he would not add to his holdings of Indian Iron shares either directly or through his brokers, relatives or friends, that he would reduce them gradually, and that he had no intention to disturb the existing management.

There is no substance in the suggestion that the Reserve Bank of India has connived with Shri Goenka in cornering of the Indian Iron shares. On the other hand, it has been the Reserve Bank's aim to seek an orderly liquidation of Shri Goenka's holdings so as to avoid a sudden impact on the market which would result in hardship to innumerable shareholders.

SHRI INDRAJIT GUPTA : It seems to be Mr. Goenka's day. We have just been having a big dose of him in the newspaper world. This is a very serious matter. I hope you will allow me to ask two or three inter-connected questions on different aspects of this sordid deal. The point is that the hon. Minister has admitted that the transaction involves between 75 lakhs and 80

[Shri Indrajit Gupta]

lakhs of shares, the worth of which must be approximately not less than about 10 crores. In other words, by pure speculative methods, which are reminiscent of what Mr. Haridas Mundhra used to do at one time, the major block of share in what is one of the biggest companies in the private sector in this country—probably the second largest company—has been acquired in this way. I am saying this because the Government is constantly talking so much about restrictions on monopolies and curbs on such types of speculative deals and so on. The questions I want to ask are : whether any serious enquiry has really been carried out into the sources of finance for this deal. After all, Mr. Ramnath Goenka has had to lay his hands on about Ra. 10 crores or more perhaps of money in order to carry out this speculation. Is it a fact or not—is it known to the Government—how much was advanced to him by a particular bank which is supposed to be one of the banks belonging to the Birla concerns—the United Commercial Bank ?

Secondly, do they know, whether or not any large amount of money has also been made available to Mr. Goenka from the funds of the Tirupathi Temple Trust, and I am told that one of the members of the Board of Trustees is himself either a son or a nephew or some close relation of Mr. Goenka; I cannot say exactly what the relationship is? But I am told that when the Andhra Pradesh Government was asked whether they were aware of any transaction like this, in which the Tirupathi Temple Trust is involved, the Andhra Pradesh Government is reported to have said that they have no knowledge of this whole affair. So, I would like to know whether these financial sources for these transactions have been enquired into, if so what has been found and if not why no enquiry is being held, and whether such an enquiry will be held.

One more question that I would like to ask is this. We heard a lot about social control of banks and all that last

session, and we are sure to hear about it again. The Reserve Bank of India is supposed to be a sort of super-custodian of banking finance in this country to see that this kind of thing does not go on. May I know, as is revealed in his statement just now, is the Reserve Bank just contenting itself with the advising of some caution in the matter? Is that all that they have done; they have washed their hands of the whole thing apart from that. Under the provisions of the Companies Act, in the case of a company like the Indian Iron and Steel Co., which I think has got a very large outstanding loan taken from the Government of India, we can if we want convert those loans into equity capital. This provision has been made a couple of years ago, and I was on the Select Committee constituted for that Bill; I know. Therefore, I would like to know why the Government which has been watching for two or three years this cornering which is going on bit by bit has not intervened, with all these powers which are there with the Reserve Bank and with the Government itself, and whether even now they will seriously think of intervening by using that provisions in the Companies Act. I know an assurance was given, probably asked for, by the World Bank at that time, that the Indian Iron and Steel Company or TISCO would not be nationalised or the loans would not be converted into equity capital. But, does such an assurance also hold good even now, when a major cornering is taking place, and a speculative take-over is taking place in this way, and will the Government exercise all their powers to see that this kind of undesirable take-over and cornering by big monopolists is not allowed?

SHRI MORARJI DESAI : Government gives attention to all the suggestions made. That does not mean that they are always accepted. But it does not mean that Government has not been considering this matter. It is considering always this matter about the Indian Iron and Steel Company. The assurance or condition which was there when large loans have been given by World Bank, lasts until the loans are repaid.

The hon. member may have no obligation for keeping his word, but the Government has obligation to keep its word.

AN. HON. MEMBER : What about privy purses ?

SHRI MORARJI DESAI : That can be raised later on, not with this. Therefore, there is no question of taking over the company. I do not know how that arises in this matter. About Shri Goenka taking these shares, they are legal transactions. It is not possible for Government every time to see who has purchased and who has not. But when it came to the notice of Government that a large amount of shares have been purchased, the Reserve Bank has been taking active action to see that there is no further cornering of these shares and that cornering is ended and it is liquidated. We have also to see that these are not suddenly put on the market so that the whole market crashes. Also the company may crash. That is not a possibility which Government can or should bring about. That is why they are acting with great caution in the interests of India's economy and also to see that no wrong action is taken. Therefore, in this matter, there is no question of the Reserve Bank being idle or the Government being idle. We have taken all the necessary steps. I do not think the hon. member is right. He is not generally right in many of the informations which he gives here. That is what I find. This is not Birla's bank which is concerned here. It is the Punjab National Bank which has given them Rs. 131.16 lakhs against Indian Iron's shares, and otherwise over a period of years. It was not given in one year or immediately and it was given to several people. There also, they have been told that these moneys should be repaid within a given time—6 or 8 months or whatever has been prescribed, so that no unhealthy situation arises and this kind of thing is not repeated by anybody. These are the steps which Government of India has taken and will continue to take.

SHRI INDRAJIT GUPTA : What about Tirupathi Temple trust ?
58LSS/68

SHRI MORARJI DESAI : I do not know anything about the Tirupathi Trust. It has not come to my knowledge. The Company Law Administration is looking into the several transactions of the companies which are concerned in this. I have not yet got the report from that administration and I cannot say.

SHRI INDRAJIT GUPTA : Did you ask the Andhra Government ?

SHRI MORARJI DESAI : I have no business to ask them.

DR. RANEN SEN (Barasat) : For the last two years, the Indian Iron and Steel Company was having financial difficulties. They were asking for help from the State Government and then from the Government of India. It was reported in some Calcutta papers that the Government of India wanted the LIC to intervene in the matter and give some help to this firm. Later on, it was also reported that certain banks were advancing loans to Mr. Goenka of the *Indian Express*, who was cornering shares. It should not have been unknown to the Reserve Bank that these loans were being given by certain banks to Mr. Goenka to corner the shares in a very speculative way. Now, Mr. Morarji Desai says that all of a sudden this news came to the Reserve Bank and they intervened in the matter. In the Bill on social control, it was stated that the Reserve Bank would act in a way that will really control the activities of the banks. Despite this information being available to the Government of India and the Reserve Bank about the financial condition of the Indian Iron and Steel Company since 1967, when information was received by the Government about the bank loans advanced to Goenka, what steps were taken by the Government of India in regard to the Reserve Bank stepping into the affairs and, secondly, the Government of India giving some loan or help to the Indian Iron & Steel Company ?

SHRI MORARJI DESAI : The hon. Member is not correct when he says that the government was idle or the Reserve Bank was idle. He is also not correct in assuming that every transaction in

[Shri Morarji Desai]

the market will be known to the Reserve Bank immediately it is made. Whether it is a few shares or many shares, it is not possible. The moment this was known to the Reserve Bank, it came into the picture and acted on it. So also the Government. I learnt about it only four or five months ago when the Iron & Steel Company told me about it. Till then I did not know about it. I cannot go on fishing about these matters, nobody can. Even the hon. Members have learnt about it only recently when they put the question; till then, they did not know. Therefore, it is no use saying that the Government of India has been indifferent or the Reserve Bank has been indifferent. The Reserve Bank has taken steps, effective steps, to see that cornering ends, the stock is liquidated, the conditions are not worsened and the management is not disturbed. I do not see how the hon. Member has found this information of government saying that LIC will help. It is a new idea which he has put in my mind. Of course, I do not propose to accept it.

DR. RANEN SEN : Sir, last year when Shri Biren Mukerjee met Shri Desai in the month of October all these financial questions were raised. Now he says that he came to know about it about a few months back. How could he say that ?

SHRI MORARJI DESAI : We discussed questions different from the cornering of shares; other questions.

DR. RANEN SEN : Not their financial difficulties ?

SHRI MORARJI DESAI : They are in difficulties and these negotiations are going on. But the LIC is not there in the picture at all.

MR. SPEAKER : Every company is in difficulties.

SHRI S. M. BANERJEE (Kanpur) : After hearing the answers of the Deputy Prime Minister, I feel that this is a matter which requires a thorough probe. It is not as simple as it is made out. The whole facts are not known to them; equally, to us also they are not known.

I would like to know whether it is a fact that the bank advanced money to this party against the shares of the Indian Iron & Steel Company at a margin of only 30 per cent as against the usual margin of 40 to 50 per cent. Then I come to the temple funds, Mundhra also started his fortune through a mahant. Here it is the Tirupathi trust. May I know whether it is a fact that recently the Income-tax Investigation Department discovered Rs. 1½ crores of unaccounted money raised in binami by one R. N. Goenka ? If these facts are known to them, I want to know why the hon. Finance Minister is unable to appoint a Commission headed by a Supreme Court Judge or High Court Judge, like the Mundhra investigation, to get all the facts.

SHRI MORARJI DESAI : The hon. Member comes up with a proposal of appointing a commission when he is at sea and he is not able to get at it or when he is not able to refute what the government says. There is no necessity of a commission at all in this matter. And there is no comparison between Mundhra and Goenka. It is a wrong thing to couple people like that, one with the other without knowing full facts. Suppose I did that to the hon. Member, what will he say? I think we ought to be fair in this House in making imputations against people. It is not a fair thing to do at all. This is what I have got to say. In this matter, there is no illegal transaction. In the other case, it was a question of forging of shares. There is no relation between the two. Therefore, why should this be said ? All the facts are known now.

SHRI S. M. BANERJEE : You answer my question also.

SHRI MORARJI DESAI : I am answering the question. No commission will be appointed. It is not necessary at all.

About the Tirupathi Trust funds, the Andhra Pradesh Government denied this in November, 1967. This is what I am told now.

SHRI INDRAJIT GUPTA : Denied its knowledge of anything.

SHRI MORARJI DESAI : I do not know. Whatever it is, this is what happened then. But I must say I have no knowledge about that.

Then about what the hon. Member says about some evasion in income-tax, that is being inquired into.

SHRI S. M. BANERJEE : He has not answered the first part of my question which is the main question. The bank is said to have advanced the money against Indian Iron shares at a margin of 30 per cent only when normally it should be 40 to 50 per cent.

SHRI INDRAJIT GUPTA : Punjab National Bank.

SHRI MORARJI DESAI : There are different margins with different banks. The Reserve Bank has told them that they must observe these margins more properly and there should not be any different between different shares. I have already said that in my statement but the hon. Member was sleeping at that time.

12.46 Hrs.

PAPER LAID ON THE TABLE

NAVAL CEREMONIAL, CONDITIONS OF SERVICE AND MISCELLANEOUS REGULATIONS

THE DEPUTY MINISTER IN THE MINISTRY OF DEFENCE (SHRI M. R. KRISHNA) : I beg to lay on the Table a copy of the Naval Ceremonial, Conditions of Service and Miscellaneous (Fifth Amendment) Regulations, 1968 (Hindi and English versions) published in Notification No. S.R.O. 16-E in Gazette of India dated the 29th October, 1968, under section 185 of the Navy Act, 1957. [Placed in Library. See No. LT-2205/68.]

MESSAGE FROM RAJYA SABHA

SECRETARY : Sir, I have to report the following message received from the Secretary of Rajya Sabha :

'I am directed to inform the Lok Sabha that the Rajya Sabha, as its sitting held on Tuesday, the 19th November, 1968, adopted the following motion in regard

to the presentation of the Report of the Joint Committee of the Houses on the Monopolies and Restrictive Trade Practices Bill, 1967 :—

"That the time appointed for the presentation of the Report of the Joint Committee of the Houses on the Bill to provide that the operation of the economic system does not result in the concentration of economic power to the common detriment, for the control of monopolies, for the prohibition of monopolistic and restrictive trade practices and for matters connected therewith or incidental thereto, be further extended upto the last day of the 66th (November-December, 1968) Session of the Rajya Sabha."

12.47 Hrs.

COMMITTEE ON PRIVATE MEMBERS' BILLS AND RESOLUTIONS

THIRTY-NINTH REPORT

SHRI KHADILKAR (Khed) : I present the Thirty-ninth Report of the Committee on Private Members' Bills and Resolutions.

PUBLIC ACCOUNTS COMMITTEE
THIRTY-SECOND REPORT

SHRI M. R. MASANI (Rajkot) : I present the Thirty-second Report of the Public Accounts Committee on action taken by Government on the recommendations of the Public Accounts Committee contained in their Seventy-second Report (Third Lok Sabha) relating to Appropriation Accounts (Railways) 1964-65 and Audit Report (Railways) 1966.

12.47½ Hrs.

DEPOSIT INSURANCE CORPORATION (AMENDMENT) BILL

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI K. C. PANT) : Sir, on behalf of Shri Morarji Desai, I rise to move that