

LOK SABHA DEBATES

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LOK SABHA

Tuesday, July 23, 1974/Śravaṇ 1,
1896 (Saka)

The Lok Sabha met at Eleven of the
Clock

(MR SPEAKER in the Chair)

ORAL ANSWERS TO QUESTIONS

MR SPEAKER Question No 21
Shri Shrikrishna Agarwal

श्री सरजू पांडे अध्यक्ष महादेव मवाळ
नम्बर १३ भी इसी तरह का है इसी प्रश्न
व साथ उस का भी ले लिया जाय ।

अध्यक्ष महोदय आप मेरी बात समझ
ले । जब मवाळ पुछने वाला खड़ा ही नहीं हुआ
ता मैं किस का बुलाऊ । इसलिए १३ नम्बर
व मवाळ को कैसे लिया जा सकता है ।

SHRI PILOO MODY Once we have
decided to take up the two questions
together, either of the sponsors can
initiate it

MR SPEAKER That was contin-
gent on Mr Agarwal asking his ques-
tion first

SHRI PILOO MODY If the two
questions had been clubbed together,
both the names would have appeared
and if the first person was absent, the
second person can ask it

MR. SPEAKER: They are not iden-
tical This cannot be linked with the
other

SHRI PILOO MODY The decision
to link them is taken irrespective of
the fact as to who is present or who

is not The office itself should have
linked them together, in which case
both the names would have appeared

MR SPEAKER The other question
will come up in its turn Next ques-
tion Shri Panda

National Rayon Corporation Limited, Bombay

*22 SHRI D K PANDA Will the
Minister of LAW, JUSTICE AND
COMPANY AFFAIRS be pleased to
state

(a) whether the Annual General
Body meeting of National Rayon Cor-
poration Limited, Bombay was held
on the 28th June, 1974 for election of
three Directors,

(b) whether the Shareholders' As-
sociation had made offers and asked
for support from Unit Trust of India
to gain control of National Rayon
Corporation Limited, and

(c) if so, the broad features there-
of?

THE MINISTER OF LAW JUSTICE
AND COMPANY AFFAIRS
(SHRI H R GOKHALE) (a) Yes,
Sir

(b) and (c) The Bombay Share-
holders' Association had issued a press
note advising its members constitu-
ents to remain present in the Annual
General Meeting in big numbers and
vote in support of the candidates pro-
posed by the Unit Trust of India
According to the press note, the office
bearers of the Association had an op-
portunity to discuss the policy of the
UTI about the future management of
the National Rayon Corporation Ltd.,
and the UTI had given an assurance

to the Association that they had no intention whatsoever of taking over the management of the company, but would like the company to be managed under the leadership of industrialists and professionals who prove their aptitude for honest and efficient management.

SHRI D. K. PANDA: May I know whether it is a fact that the term of the two Government Directors expired on the 30th March and as a result the question of election arose? What is the Government doing with regard to the appointment of two Directors from the Government side? In view of the fact that the Unit Trust of India and many other public institutions have got quite a good number of shares in this Rayon Corporation, why should the Government allow a monopoly house like the Kapadia Brothers to take over the management?

SHRI H. R. GOKHALE: It is true that the term of the Government Directors came to an end. The question as to whether the Directors should be appointed again is in the consideration of the Company Law Board. As the hon. Member is aware, under section 408 of the Companies Act, on one occasion the appointment cannot be for more than three years. The three-year period was over. That is why the term has expired. If a further appointment for another period of two years or three years has to be made, Government have to make a fresh enquiry, a fresh assessment, an investigation as to whether the requirements of section 408 are satisfied for the purpose of appointing fresh Directors again. That enquiry was made, hearing has been given to all the parties concerned, including the UTI, and a decision of the Company Law Board is awaited.

SHRI D. K. PANDA: As far as the industrialists are concerned, we have had enough experience in the past. So far as Kapadia Brothers, who are in the field, are concerned, in 1972 they first wanted to occupy the post of chairmanship. In 1973, with five of their members who are their

henchmen, they got representation in the Board of Directors.

MR. SPEAKER: You are giving information yourself. Please ask questions.

SHRI D. K. PANDA: In this background, where is the necessity for opening the door for the entry of the same Kapadia Brothers who are notorious in cheating the Government and the people? May I know why the two Directors on behalf of the Government are not yet appointed? Is there a rule to the effect that the two previous Government directors could be allowed to continue till the elections were held, in spite of the fact that their term has expired?

SHRI H. R. GOKHALE: I have answered all these questions Sir, if you desire, I will repeat and answer.

SHRI D. K. PANDA: Sir, he has not answered my specific questions. If the Minister could not understand me...

MR. SPEAKER: There is no question of understanding. Please ask a straight question with no introduction or preamble. What is your question?

SHRI D. K. PANDA: In view of the background, which is quite relevant, in view of the mischievous machinations of Kapadia Brothers and other industrialists, will the Government have their own directors and not allow Kapadia Brothers to come in?

SHRI H. R. GOKHALE: I have answered this. Perhaps, my hon. friend did not appreciate what I was saying. The Company Law Board does not want to bring in or throw out anybody. The Company Law Board works purely within the four corners of the Companies Act. That is, Section 408 of the Companies Act.

As I said earlier, on one occasion, the appointment cannot be made for more than three years. Originally, it

was made for two years. Since one year's balance was there, it was again extended by another year with the result that three years period was over. If the fresh appointment of Directors is to be made, it cannot be just an automatic continuation of the Directors. The Company Law Board has to make enquiries, has to take evidence, has to make an assessment and then decide whether fresh Directors should be appointed or not. The hearing has been given by the Company Law Board to all the parties, including the Unit Trust of India, the representatives of Kapadia group, and other parties concerned. I cannot anticipate the decision of the Company Law Board either way. The Company Law Board may come to a conclusion that the Directors should be appointed again or may come to a different conclusion. The Government does not issue any direction to the Company Law Board.

SHRI BHAGWAT JHA AZAD: I would like to know precisely what were the reasons that the Government found it necessary to re-examine the whole case *de novo* for the fresh appointment of Directors. The same Board is there, the same law is there. The persons are behaving in the same manner. The Government has got enough interest through the Unit Trust. What is the reason for the Government or for the Board to open the whole case *de novo* and the Minister says that he cannot anticipate either way. Do the Government propose to give up the Directorship on the Board? Why has this been done?

SHRI H. R. GOKHALE: As I said, under the law, an automatic extension of the Directors cannot be made when three years period is over. The next step is that they have to consider afresh whether on any material which is available with them the appointment of Directors should be made for another term, whether of one year or of two years or of three years. In any case, it cannot be more than three years. That examination is being done by the Company Law Board. I am awaiting the decision.

SHRI K. LAKKAPPA: With the resignation of Mr. Chinai from the Board of Directors of the National Rayon Corporation, may I know whether the Government has taken any steps? I would like to know whether the election of the General Body and also of the Directors has been done in accordance with law and, if so, whether the National Rayon Corporation has paid anything to the workers and small shareholders of the Company. I also want to know whether any new confidence has been created after the resignation of Mr. Chinai who is responsible for violating the Company law and rules so far as the Corporation is concerned. Lastly, I want to know whether there is any dramatic improvement and change in the Corporation after the resignation of Mr. Chinai.

SHRI H. R. GOKHALE: Mr. Chinai did not resign. He was due for retirement and he retired. But that is not very relevant. What is relevant is that the elections were held and, according to our information, three persons were fielded by the Unit Trust of India and three persons were fielded by the Kapadia group. The result of the elections is not yet known. I do not know whether Chinai group is coming back to power or whether Unit Trust of India is coming to power or whether Kapadia group is coming to power. But one thing is there that the share-holding of the Company is such that no single group of share-holders, either of Kapadia or of Unit Trust can on their own gain control without the support of miscellaneous small share-holders. Whether Kapadia group or anybody has paid any money to anybody, I cannot answer.

SHRI PILOO MODY: The normal practice of re-election of members of the Board of Directors of any company is a Resolution which says that so and so is due to retire and is eligible for re-election and is, therefore, recommended. I want to know why in the case of a few Government Direc-

to is this hitch has developed. It should have been an automatic re-election if they were eligible for re-election, unless, of course, the Government itself on its own account wanted to change the Directors saying "All right; you have been given enough patronage; let us give patronage to somebody else" and thus cannot make up its mind in the process, re-election of those Directors should have been automatic and there should have been no break at all. Even when it wants to shuffle its patronage around, what is the cause for having a delay of 1-1/2 months or whatever is the period during which there are no Directors of the Government represented on the Board?

SHRI H. R. GOKHALE: There is no question of election of the Government Directors. The Government Directors are appointed by the Government under section 408. The Directors of the Unit Trust of India were in the election and the results of the election are to be known.

श्री मधु लिमये : एक अर्थ में हमारे बारे में मंत्री महोदय में हम लोगों का पब्लिक वॉचमैन रहा है। मंत्री महोदय अच्छी तरह जानते हैं कि बम्बई हाई कोर्ट ने ग्यायाधीश जस्टिस तगे ने कापडिया के कारनामों के बारे में स्ट्रिकचर पार किया था और उस बात पर अफसोस प्रकट किया था कि अदालत ने निर्णयों पर कानून मन्त्रालय अमल नहीं कर रहा है। इनको यह भी मालूम है कि कापडिया आज नेशनल ग्योन कारपोरेशन पर अपना कब्जा जमाने की स्थिति में हमला है कि प्रेफेस गेयरहोल्डर्स को उस में समझौता का अधिकार है। इस बॉर्डर राइट के बारे में उन्होंने आश्वासन दिया था कि उसको छीन लिया हमारे वागजुद भी कापडिया के हाथ में यह कम्पनी जा रही है। क्या मंत्री महोदय का पता है कि उस बीच में दिल्ली में कापडिया घर ने जिन के अवर जस्टिस तगे ने स्ट्रिकचर पार किया है उन्होंने उस साख्त रूपया बाटा है अतः पक्ष में निर्णय करवाने के लिए ?

SHRI H. R. GOKHALE: It is true that the hon Member had made a suggestion to me during his correspondence that the law should be amended to see that preference shareholders should not have the right to vote. As it is also the preference shareholders have no right to vote except some category of preference shareholders who were shareholders prior to the period when the Companies Act came into force. Actually, in response to the hon. Member's suggestion, I myself brought an amendment in the Joint Committee which considered the Companies Amendment Bill and have got that amendment approved, with the result that when the Bill comes here—it will probably come in this Session—and is passed the preference shareholders will have no right to vote.

श्री मधु लिमये : मैं मध्य प्रश्न यह था कि क्या यह सच नहीं है कि जस्टिस तगे ने स्ट्रिकचर पार किया और अफसोस प्रकट किया कि सरकार हमारे निर्णय पर अमल नहीं कर रही है ? ऐसी हालत में कापडिया के हाथ में यह कारपोरेशन नहीं जाएगी इस तरह का कोई आश्वासन मंत्री महोदय देंगे ?

SHRI H. R. GOKHALE: First of all, it is not true that there were strictures Justice Range in the Bombay High Court who handled this matter was concerned with period with which we are not concerned in the appointment of new Directors. In fact, the very jurisdiction of the Company Law Board is challenged in the court.

PROF MADHU DANDAVATE: The Deputy-Speaker in this House has given a ruling that it constitutes strictures.

SHRI PILOO MODY: Now, whether the Deputy Speaker's ruling is binding at the moment or not is the decision you have to take.

श्री मधु लिमये : जस्टिस तगे ने कहा है कि कापडिया हाउसफुल एन्टेसेडेंट के

लोग हैं, वे कम्पनी का सत्यानाश कर रहे हैं। आप मेरे प्रश्न का जवाब दिवाइये। क्या सरकार यह आश्वासन देगी कि यह कार्पोरेशन उन बदमाश लोगों के हाथ में नहीं जायेगा? अध्यक्ष महोदय, आप हमारे अधिकारों की रक्षा नहीं कर रहे हैं। आप ने डायरेक्शन इश्यू किया है कि प्रश्नों के जवाब पूरे आने चाहिए। मैं आप से करबद्ध प्रार्थना करता हूँ कि मेरे प्रश्न का जवाब दिलवाइये।

MR. SPEAKER: I gave a chance to him and whatever he had to say he has said it.

PROF. MADHU DANDAVATE: You must compel the hon Minister to give a reply.... (Interruptions)

SHRI H. R. GOKHALE: I have already said in answer to a question first put by Mr. Panda that the Government does not issue any directions to the Company Law Board. The Company Law Board acts as a quasi-judiciary. I hope that the Company Law Board will take all the factors into consideration and come to a proper conclusion.

SHRI S. M. BANERJEE: I would like to invite the attention of the hon. Minister to a press news which says:

"Earlier, in July 1972, a bid to have a Kapadia as the managing director also did not bear fruit though it created some stink in the capital's gossip mills. There were rumours of a commitment by some bigwig in Indira Gandhi's Cabinet in return for fat contributions to party funds. Kapadias themselves mention the name of one of the Prime Minister's managers in this connection.".... (Interruptions)

MR. SPEAKER: The hon. Member is misusing his right of question.

SHRI S. M. BANERJEE: I want to know whether it is correct that Mr. Kapadia himself mentioned one of the

Prime Minister's Managers, Mr. Yashpal Kapoor for the Directorship.... (Interruptions) I want to know whether it is correct or not and whether his attention was drawn to that report and whether there is any truth in it.

MR. SPEAKER: This is not the occasion for it. There is a specific procedure laid down for it.

SHRI S. M. BANERJEE: I am told...

MR. SPEAKER: You ask your question. What is your question?

SHRI S. M. BANERJEE: Is it a fact or not that Mr. Kapadia suggested the name of one of the managers of Mrs. Indira Gandhi. Mr. Yashpal Kapoor is called a manager, not a Member of the Rajya Sabha...

MR. SPEAKER: I am not going to allow such matters...

(Interruptions).

SHRI S. M. BANERJEE: I want to know from the Minister whether there is any truth in it or not and I speak with the authority...

(Interruptions).

SHRI DINEN BHATTACHARYYA: Let them contradict it.

SHRI S. M. BANERJEE: I do not want to give the names. I want to know whether what I have stated is true or not...

MR. SPEAKER: No names will be mentioned. May I request you one thing? There are going to be a number of opportunities arising. There is discussion on No-Confidence Motion already fixed. There are also so many other occasions. Why do you not follow those procedures? Have you got anything to say, Mr. Gokhale?

SHRI H. R. GOKHALE: Sir, he is reading from a press cutting. All that I can say is that allegations that this matter has anything to do with the

contribution of funds to the parties is absolutely baseless.

SHRI PILOO MODY: How the Minister would know about what funds are collected by the party?

MR. SPEAKER: Please sit down.

SHRI PILOO MODY: There may be other Ministers who might know but not this Minister.

Concessions to Small Drug Units

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*23. **SHRI ANADI CHARAN DAS:**
SHRI P. GANGADEB:

Will the Minister of PETROLEUM AND CHEMICALS be pleased to state:

(a) whether Government have taken a decision to give concessions to small drug units; and

(b) if so, the salient features thereof?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND CHEMICALS (SHRI SHAHNAWAZ KHAN): (a) and (b). The following concessions are available to small scale drug manufacturing units:

(i) All drug manufacturing units with an annual turn-over not exceeding Rs. 50 lakhs have been exempted from paragraphs 9, 10 and 13 of the Drugs (Prices Control) Order, 1970 relating to obtaining prior approval of Government for the revision/fixation of prices of formulations.

(ii) Units having turn-over not exceeding Rs. one crore are allocated canalised raw materials on the basis of best of past two years' consumption plus 30 per cent towards growth.

(iii) Units having turn-over of Rs. one crore or above are allocated canalised raw material on the

basis of best of past two years' consumption plus 15 per cent towards growth.

श्री अनादि चरण दास : मैं यह जानना चाहता हूँ कि देश में एक करोड़ रुपये से ज्यादा उत्पादन करने वाली कितनी इकाइयाँ हैं, वे कौन कौन सी हैं और उन के प्राफिट कितने हैं। मैं यह भी जानना चाहता हूँ कि सरकार द्रव्य का प्राइस कंट्रोल करने के लिए क्या कर रही है। ज ज

श्री शाहनावाज खान : मोटे तौर पर देश में लगभग 2300 ड्रग मैन्युफैक्चरिंग यूनिट्स हैं। उन में से लगभग 120 यूनिट्स ऐसे हैं, जिन का टर्न-ओवर ब्यूरो आफ इंडस्ट्रियल कास्ट्स एंड प्राइमिज के पास जाता है। बाकी का टर्न-ओवर पचास लाख रुपये से कम है और वे प्राइस फ्लिक्जेशन के तहत नहीं आते हैं। जहाँ तक प्राफिट्स का सवाल है, हजारों कंपनियों का कितना प्राफिट है, यह बताना मुश्किल नहीं है। इस के लिए बहुत लम्बा-चौड़ा जवाब देना होगा।

श्री अनादि चरण दास : मैं ने पूछा है कि प्राइस कंट्रोल करने के लिए सरकार क्या कर रही है।

श्री शाहनावाज खान : दवाइयों की कीमतें द्रव्य (प्राइमिज कंट्रोल) एक्ट, 1970 के तहत तय की जाती हैं—वे उस से कंट्रोल हैं।

SHRI P. GANGADEB: In view of the fact that adulteration in drugs is rampant in this country together with our Indian markets now being flooded with spurious drugs in spite of the Drug Control Order. I would like to know from the hon. Minister what steps the Government propose to take to ensure that the drugs manufactured by small firms are strictly according to standard specifications?