

COMMITTEE OF PRIVILEGES

FIFTH REPORT

(FOURTH LOK SABHA)

(Presented on the 22nd July, 1968)



LOK SABHA SECRETARIAT
NEW DELHI

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PERSONNEL OF THE COMMITTEE OF PRIVILEGES

(1968-69)

1. Shri R. K. Khadilkar—*Chairman*
2. Shri Surendra Nath Dwivedi
3. Shri Hem Raj
4. Shri S. M. Joshi
5. Shri Bal Raj Madhok
6. Lt. Col. H.H. Maharaja Manabendra Shah of Tehri Garhwal
7. Shri P. Govinda Menon
8. Shri H. N. Mukerjee
9. Shri Anand Narain Mulla
10. Shri Raja Venkatappa Naik
11. Shri G. L. Nanda
12. Shri P. Ramamurti
13. Shri A. K. Sen
14. Shri Biswanarayan Shastri
15. Dr. Ram Subhag Singh.

SECRETARIAT

Shri M. C. Chawla—*Deputy Secretary.*

FIFTH REPORT OF THE COMMITTEE OF PRIVILEGES (Fourth Lok Sabha)

I. INTRODUCTION AND PROCEDURE

1. The Chairman of the Committee of Privileges, having been authorised to submit the report on their behalf, present this report to the House on the question of privilege raised by Shri Kanwar Lal Gupta, M.P., and referred¹ to the Committee by the House on the 3rd April, 1968, against Shri B. P. Patel, Chairman, State Trading Corporation of India, for approaching Shri Baburao Patel, M.P. and Rajmata Vijay Raje Scindia of Gwalior, with a view to influencing Shri Baburao Patel, M.P., to stop speaking in Parliament about the alleged irregularities and suspected malpractices by the State Trading Corporation of India.

2. The Committee held four sittings. The relevant Minutes of these sittings form part of the report.

3. At the first sitting held on the 8th April, 1968, the Committee decided that, in the first instance, all the three parties concerned in the matter, namely, Shri Baburao Patel, M.P., Rajmata Vijay Raje Scindia of Gwalior, and Shri B. P. Patel, Chairman, State Trading Corporation of India, be asked to state in writing what each had to say on the matter for the consideration of the Committee.

4. At the second sitting held on the 10th May, 1968, the Committee considered the written statements submitted by Shri Baburao Patel, M.P.,² Rajmata Vijay Raje Scindia of Gwalior³ and Shri B. P. Patel,⁴ Chairman, State Trading Corporation.

5. At the third sitting held on the 18th July, 1968, the Committee deliberated on the matter and arrived at their conclusions.

6. At the fourth sitting held on the 20th July, 1968, the Committee considered their draft report and adopted it.

II. FACTS OF THE CASE

7. On the 3rd April, 1968, Shri Kanwar Lal Gupta, M.P., raised a question of privilege in the House against Shri B. P. Patel, Chairman, State Trading Corporation of India, for approaching Shri Baburao Patel, M.P. and Rajmata Vijay Raje Scindia of Gwalior, with a view to influencing Shri Baburao Patel to stop speaking about the alleged irregularities and suspected malpractices by the State Trading Corporation on the floor of the House.

¹. L.S. Deb. dt. 3-4-1968.

². See Appendix I.

³. See Appendix II.

⁴. See Appendix III.

8. The facts of the case as described by Shri Baburao Patel, M.P. in his speech in the Lok Sabha on the 2nd April, 1968, during the discussion on the Demands for Grants relating to the Ministry of Commerce, are as follows:—

“My article appeared in the newspaper regarding the money spent by the STC in travel expenses. They spent Rs. 9 lakhs in three years in overseas travel and we are supposed to be short of foreign exchange.... When my article appeared, this man tried to contact me personally and did come to my place one day and tried to persuade me not to say anything more about it. As an individual any person can come to a Member of Parliament. But he did not stop there; he went to the Rajmata of Gwalior and tried to influence her because I happened to be a representative of the Rajmata. The Rajmata called me and told me: ‘I do not know this man; this man phoned me in his capacity as Chairman of the STC and he tried to tell me: ask Baburao Patel to keep quiet’

After that, I wrote him a letter on 21st February. In that I had written to him that I was not prepared for the surprise he gave me by his meeting the Rajmata. I wrote:

“Though you did not know her personally, you had called on her and tried to influence her mind regarding my article on the sulphur deal STC. The gracious lady did not know anything about the sulphur scandal till you handed her a reprint of my article and requested her to talk to me about your *bona fides*.

Till the point that you called on me, I cannot take much objection to your visit because being a Member of Parliament, I have to receive people to know the other side of any vexed problem. I, therefore, do not blame you for that. But when you called on Her Highness the Rajmata of Gwalior knowing that I was her representative in Parliament and asking her to influence me because of her hold over me, I think you did a wrong thing.

Such a practice can be called a corrupt practice if one looks at it morally. It was indiscreet of you to try to influence the Rajmata. You have created an embarrassing situation between the Rajmata and myself. She did not know what to say and she was apologetic to me.... Anyway, I am placing this incident on record so that you do not again perform the circus stunt of rushing to Her Highness the Rajmata and creating further embarrassment....”

9. The Minister of Commerce, Shri Dinesh Singh, speaking on the question of privilege raised by Shri Kanwar Lal Gupta, stated as follows:—

“So far as the hon. Member himself is concerned, he has not claimed that the official tried to influence him in any manner. The question is not whether the Chairman went to him or not—whether it is right or wrong is a different question—but whether it constitutes a privilege of the House. He went to the Member, but he did not threaten him in any manner; he did not use any means which may restrict the freedom of the Member to work in this House. All that he did was to tell him that there were certain inaccuracies in his statement....

The Chairman went into the details of this article and explained to the hon. Member the inaccuracies that there were in this article. Thereafter, he had an opportunity of meeting the Rajmata, which has been referred to in this House, and he had an opportunity of talking to her and explaining to her the same position which he had explained to the Member....

He has not said that any undue influence has been brought on him. There is no question of any undue pressure being brought on anybody All that he did was, during his conversation with the Rajmata he mentioned it. She showed interest. So, he had given her the same facts which he had given to the Member and she had spoken to him. There is no question of any undue interference or pressure being brought on any member....”

10. After leave was granted by the House for raising the question of privilege, Shri Atal Bihari Vajpayee, M.P., moved the following motion which was adopted by the House:—

“This House resolves that the question of breach of privilege raised by Shri Kanwar Lal Gupta against the Chairman, State Trading Corporation, be referred to the Committee of Privileges for investigation with instructions to report by the first day of the next session of the House.”

III. FINDINGS OF THE COMMITTEE

11. Shri Baburao Patel, M.P., in his written statement⁵ submitted to the Committee, had *inter alia* stated as follows:—

“For nearly two hours Shri B. P. Patel tried to inform me of the details of the sulphur deal....

⁵. See Appendix I.

As Mr. B. P. Patel did not have any satisfactory explanations for many things, he completely failed to convince me. He quickly realised this and changed his tone to entreaty and earnestly requested me not to criticize the affairs of the S.T.C. in or outside Parliament.

* * * *

Her Highness showed me my reprint of "15-crore Sulphur Scandal" and said that it was given to her by Mr. B. P. Patel who had requested her to talk to me about it.

* * * *

In conclusion I am convinced that by approaching Her Highness the Rajmata of Gwalior, Mr. B. P. Patel, the Chairman of the S.T.C. attempted to bring pressure and undue influence upon me and tried to prevent me from carrying out my duties as a Member of Parliament."

12. Rajmata Vijay Raje Scindia of Gwalior, in her written statement⁶ submitted to the Committee, had *inter alia* stated as follows:—

"After talking to me about His late Highness, Shri B. P. Patel produced a booklet published by Shri Baburao Patel. He requested me to ask Shri Baburao Patel to abstain from harming him by asking questions in Parliament and writing articles against him."

13. Shri B. P. Patel, in his written statement⁷ submitted to the Committee, had *inter alia* stated as under:—

"Right from the time I thought of meeting Her Highness Vijayaraje Scindia of Gwalior, during my entire conversation with her and even thereafter nothing was farther from my mind than to influence the Hon'ble Shri Baburao Patel in his freedom of speech and expression or action as an Hon'ble member of the Lok Sabha. The only thing which impelled me to see Her Highness Vijayaraje Scindia of Gwalior were the inaccuracies and insinuations in the article of Shri Baburao Patel published by him not in his capacity as the Hon'ble Member of the Parliament but as a Journalist, Editor, Printer and Publisher of MOTHER INDIA. It is also relevant to refer to what the Hon'ble Shri Baburao Patel, M.P. himself says in his speech on the floor of the Lok Sabha on April 2, 1968, namely, "when my article

⁶. See Appendix II.

⁷. See Appendix III.

appeared this man tried to contact me personally and did come to my place....". But for this article, which contained patent inaccuracies, insinuations and aspersions, there would have been no occasion or necessity of my meeting Her Highness Vijayaraje Scindia of Gwalior particularly when the Report of the Committee on Public Undertakings was already laid on the Table of the House in all its details.

* * * *

As the Chairman of the State Trading Corporation of India, I would have failed in my duty to it and its business if I had not endeavoured, as I did, to point out and to obviate the further propagation of the patent factual inaccuracies, insinuations and aspersions contained in the article by Shri Baburao Patel, released not in his capacity as an Hon'ble Member of Parliament but only as an Author, Editor, Printer and Publisher thereof. No privilege of any kind attached to this article and what is more Shri Baburao Patel had even renounced the Copyright therein. The motive behind what I did was purely and solely the safeguarding of the image, reputation and business of the State Trading Corporation of India against the apprehended evil-effects of an inaccurate and misleading piece of journalism.

* * * *

In the foregoing paragraph, I have respectfully submitted that I have committed no contempt or breach of privilege of the Parliament and/or of its Hon'ble Member and I have prayed for a complete and honourable exoneration from the allegations made against me and referred to this Hon'ble Committee. Without prejudice to this, and in the alternative I respectfully say and submit that should this Hon'ble Committee be pleased to come to the conclusion that in the present case there is a contempt or breach of privilege of the Parliament and/or, its Hon'ble Member, I respectfully say and submit that such contempt or breach is not a deliberate attempt on my part to bring the institution of Parliament into disrespect and/or to undermine public confidence and support of Parliament and/or to commit any breach of privilege of the Hon'ble Member of the House. I may assure this Hon'ble Committee that I had at no time any intention to bring the institution of Parliament into disrespect and contempt or to commit a breach of privilege of an Hon'ble Member of the House and that if

this has been the result produced by what I have done then I have no hesitation in expressing an unconditional and unqualified regret and I pray that taking into account the peculiar facts of this case and the totality of the circumstances, this Hon'ble Committee will be pleased to recommend that no further action be taken by the House in the matter."

14. After a careful examination of the facts before the Committee and the written statements submitted by Shri Baburao Patel, M.P., Rajmata Vijay Raja Scindia of Gwalior and Shri B. P. Patel, the Committee have come to the conclusion that there is no evidence that Shri B. P. Patel had attempted to influence Shri Baburao Patel, M.P., in his conduct as a Member, by threats or any other improper means which might constitute a breach of privilege and contempt of the House.

15. In this connection, the Committee would like to point out that it is a breach of privilege and contempt of the House to attempt by "improper means to influence Members in their Parliamentary Conduct". In this category of contempts, May has mentioned two types of cases, viz., bribery and attempted intimidation of Members. As stated by May:

"Attempts by improper means to influence Members in their Parliamentary Conduct.

Bribery.—On 2 May, 1695 the Commons resolved, 'that the offer of money, or other advantage, to any member of Parliament for the promoting of any matter whatsoever, depending or to be transacted in Parliament is a high crime and misdemeanour and tends to the subversion of the English constitution'.

In the spirit of this resolution, the offering to a Member of either House of a bribe to influence him in his conduct as a Member, or of any fee or reward in connection with the promotion of, or opposition to any bill, resolution, matter or thing submitted or intended to be submitted to the House or any committee thereof, has been treated as a breach of privilege.

It may be a contempt to offer any fee or reward to any Member or officer of either House for drafting, advising upon or revising any bill, resolution, matter or thing intended to be submitted to that House or any committee thereof.

Attempted Intimidation of Members.—To attempt to influence Members in their conduct by threats is also a breach of privilege.

Examples of this kind of misconduct are:

Publishing statements impugning the conduct of Members and threatening them with further exposure if they took part in the debates of the House [Plim-soll's Case, C.J. (1873) 60; Parl. Deb. (1873), 214, c.733].

Sending a letter to Members setting out a list of questions referring to proposed legislation to make certain sports illegal, and intimating that, if the writer did not hear from such Members, he would feel justified in letting their constituents know that they had no objection to cruel sports [C.J. (1934-35) 201; H.C. Deb. (1934-35) 301, c. 1545].

Publishing posters containing a threat. On 18 July 1946, a complaint was made of the publication of posters regarding the voting of Members in a forthcoming debate. The Committee of Privileges reported that the wording of the poster was improper, and that the persons responsible for the writing, printing and distribution of the poster were guilty of a breach of privilege (Mrs. Tennant's Case, H.C. 181 (1945-46)].

Sending a letter to a Member threatening him with the possibility of a trial at some future time for asking a question in the House [H.C. 284 (1959-60)]."

[*May, 17th Ed.*, pp. 122-23]

16. The Committee are of the opinion that in the present case, Shri B. P. Patel, Chairman, State Trading Corporation of India, has not committed any breach of privilege or contempt of the House.

17. The Committee, however, feel that the conduct of Shri B. P. Patel in approaching Shri Baburao Patel, M.P. and Rajmata Vijay Raje Scindia of Gwalior with a view to influencing Shri Baburao Patel, M.P., to stop writing articles or speaking in Parliament about the alleged irregularities and suspected malpractices by the State Trading Corporation, was not proper. While the Committee are satisfied that Shri B. P. Patel did not employ any improper means which

might technically constitute a breach of privilege, the Committee are of the view that as a public servant in a responsible position he should have acted with more discretion.

IV. RECOMMENDATION OF THE COMMITTEE

18. The Committee recommend that no further action be taken by the House in the matter.

NEW DELHI,
The 20th July, 1968.

R. K. KHADILKAR,
Chairman,
Committee of Privileges.

MINUTES

I

First Sitting

New Delhi, Monday, the 8th April, 1968.

The Committee met from 16-00 to 16-15 hours.

PRESENT

Shri R. K. Khadilkar—*Chairman.*

MEMBERS

2. Shri Rajendranath Barua
3. Shri Hem Raj
4. Shri S. M. Joshi
5. Shri Bal Raj Madhok
6. Shri H. N. Mukerjee
7. Shri Anand Narain Mulla
8. Dr. Ram Subhag Singh.

SECRETARIAT

Shri M. C. Chawla—*Deputy Secretary.*

2. The Committee considered the question of privilege referred to the Committee by the House on the 3rd April, 1968 against Shri B. P. Patel, Chairman, State Trading Corporation of India, for approaching Shri Baburao Patel, M.P. and Shrimati Vijay Raje Scindia, Rajmata of Gwalior, with a view to influencing Shri Baburao Patel to stop speaking about the alleged irregularities and suspected malpractices by the State Trading Corporation on the floor of the House.

3. The Committee decided that, in the first instance, all the three parties concerned in the matter, namely, Shri Baburao Patel, M.P., Shrimati Vijay Raje Scindia, Rajmata of Gwalior, and Shri B. P. Patel, Chairman, State Trading Corporation of India, be asked to state in writing what each had to say on the matter before the Committee and submit their statements to the Committee within a fortnight.

The Committee then adjourned.

Second Sitting*New Delhi, Friday, the 10th May, 1968.*

The Committee met from 14-30 to 14-55 hours.

PRESENTShri R. K. Khadilkar—*Chairman.***MEMBERS**

2. Shri Hem Raj
3. Shri S. M. Joshi
4. Shri Bal Raj Madhok
5. Lt. Col. H.H. Maharaja Manabendra Shah
of Tehri Garhwal
6. Shri P. Govinda Menon
7. Shri H. N. Mukerjee
8. Shri Anand Narain Mulla
9. Shri Raja Venkatappa Naik
10. Shri A. K. Sen
11. Dr. Ram Subhag Singh.

SECRETARIATShri M. C. Chawla—*Deputy Secretary.*

2. The Committee considered the written statements submitted by Shri B. P. Patel, Chairman, State Trading Corporation, Shri Baburao Patel, M.P. and Rajmata Vijay Raje Scindia of Gwalior in connection with the question of privilege against Shri B. P. Patel. After some discussion, the Committee postponed further consideration of the matter to their next sitting.

1* * * *

4. The Committee decided to meet again for further consideration of the two cases 3-4 days before the commencement of the next matter to their next sitting.

The Committee then adjourned.

¹Para 3 relates to another case and will be included in the Minutes of the relevant Report.

III

Third Sitting

New Delhi, Thursday, the 18th July, 1968.

The Committee met from 15.00 to 15.40 hours.

PRESENT

Shri R. K. Khadilkar—*Chairman.*

MEMBERS

2. Shri Hem Raj
3. Shri S. M. Joshi
4. Shri Bal Raj Madhok
5. Shri P. Govinda Menon
6. Shri H. N. Mukerjee
7. Shri Anand Narain Mulla
8. Shri Raja Venkatappa Naik
9. Shri P. Ramamurti
10. Shri Biswanarayan Shastri
11. Dr. Ram Subhag Singh.

SECRETARIAT

Shri M. C. Chawla—*Deputy Secretary.*

2. The Committee considered the question of privilege against Shri B. P. Patel, Chairman, State Trading Corporation of India.

The Committee noted that Shri B. P. Patel, in his written statement or contempt of the House was involved in the matter, as there was no evidence that Shri B. P. Patel had attempted to influence Shri Baburao Patel, M.P., in his conduct as a Member, by threats or any other improper means. The Committee, however, felt that the conduct of Shri B. P. Patel in approaching Shri Baburao Patel, M.P., and Rajmata Vijay Raje Scindia of Gwalior with a view to influencing Shri Baburao Patel, M.P. to stop writing articles or speaking in Parliament about the alleged irregularities and suspected malpractices by the State Trading Corporation of India, was improper.

The Committee, noted that Shri B. P. Patel, in his written statement submitted to the Committee, had expressed an unconditional and unqualified regret for his conduct.

The Committee decided to recommend that no further action be taken by the House in the matter.

The Committee decided to meet on Saturday, the 20th July, 1968 at 15.00 hours to consider their draft report.

** * * *

The Committee then adjourned.

IV

Fourth Sitting

New Delhi, Saturday, the 20th July, 1968.

The Committee met from 15.00 to 15.20 hours.

PRESENT

Shri R. K. Khadilkar—*Chairman.*

MEMBERS

2. Shri Hem Raj
3. Shri S. M. Joshi
4. Shri Bal Raj Madhok
5. Shri H. N. Mukerjee
6. Shri Anand Narain Mulla
7. Shri Biswanarayan Shastri.

SECRETARIAT

Shri M. C. Chawla—*Deputy Secretary.*

2. The Committee considered their draft Fifth Report and adopted it.

3. The Committee authorised the Chairman and, in his absence, Shri H. N. Mukerjee, to present their Fifth Report to the House on the 22nd July, 1968.

The Committee then adjourned.

²Para 3 relates to another case and will be included in the Minutes of the relevant Report.

APPENDICES

APPENDIX I

(See paras. 4 and 11 of Report)

Written statement of Shri Baburao Patel, M.P.

(1) By Unstarred Question No. 8948 of 11th August 1967, I got the information regarding the trips overseas and the expenses incurred by the various officials of the S.T.C. during three years ending 31st March, 1967.

(2) Based on this information I wrote a letter to the press on 1st October, 1967 stating that 38 top officials of the S.T.C. had gone abroad on 87 occasions in 3 years spending foreign exchange worth Rs. 8,01,894.88 without counting the cost of their airfares paid in rupees in India and the money spent on their maintenance and entertainment by various Indian offices in foreign countries.

I concluded this letter by asking the question: "After this, one wonders who is enjoying the fruits of freedom: our poor people or our bureaucrats?"

This letter was published in various newspapers of India. It appeared in the "Hindustan Times" on 5th October, 1967 and in the "Times of India" on 6th October, 1967. (Cutting* enclosed herewith.)

(3) On 7th October 1967, I was in Ahmedabad staying at the Cama Hotel (Their telephone No. is: 25281, I think, though I am not quite sure). At about 11 A.M., I received a trunk call apparently from Delhi, and I was surprised that it was by Shri B. P. Patel, the Chairman of the S.T.C.

During this telephone conversation Mr. Patel spoke to me in Marathi in familiar terms though I did not know him personally. He said he had read my letter in the newspapers and that he wanted to see me urgently with regard to the affairs of the S.T.C. I said that there was no need of seeing me personally. He could write to me if he wanted to.

He requested me not to write any more about the S.T.C. till he saw me personally either in Bombay or in Delhi.

The puzzle to me was how Shri B. P. Patel knew that I was in Ahmedabad? He probably found this out either by phoning my office in Bombay (261752) from Delhi or by asking S.T.C., Bombay to find out where I was.

*See Annexure I to this Appendix.

(4) I continued to ask several questions about the S.T.C. in Parliament. In the February 1968 issue of "Mother India", the magazine which I edit and publish, I wrote an editorial article captioned, "15-crore Sulphur Scandal". I sent advance reprints of this article to all members of Parliament. They should have received them by 24th or 25th January, 1968.

(5) On Sunday, 28th January 1968, at 8 P.M. Mr. B. P. Patel, the Chairman of the S.T.C. phoned me at my residence in Bandra (Tel. 533414) and expressing his urgent desire to meet me invited me for lunch or dinner in the town. I told him that I do not usually eat outside my home and if he was so keen on meeting me he could come to my home for lunch the next day. He said he would do so accompanied by his daughter.

(6) On Monday, 29th January, 1968, Mr. B. P. Patel and his daughter Mrs. Vimal Thakore came for lunch to my place at Bandra at 1-30 P.M.

This was the first time that I met Mr. B. P. Patel or even knew him. I had never met him before. Mr. B. P. Patel was very affable and anxious to win me over. He had the reprint of my editorial in his hand. He said, "It was brought to my notice by someone".

For nearly two hours Shri B. P. Patel tried to inform me of the details of the sulphur deal. He could not, however, satisfactorily answer about the Dun and Bradstreet report over the Muskat Brothers of New York nor could he explain the necessity of creating the brand new firm of commission agents known as "Amarjyoti" belonging to Mrs. Satya Dutt, who was to receive a commission of over Rs. 11 lakhs for doing nothing.

As Mr. B. P. Patel did not have any satisfactory explanations for many things, he completely failed to convince me. He quickly realised this and changed his tone to entreaty and earnestly requested me not to criticize the affairs of the S.T.C. in or outside Parliament.

I refused to accede to his request saying that it was my duty to expose corruption in the interests of our poor country. That did not stop him and he continued with his entreaty.

Ultimately to get rid of him and to avoid further embarrassment, and partly because, rightly or wrongly, he was a guest in a Hindu home, I gave him an assurance that I would look at the S.T.C. in future with more sympathy and care. But before parting I said to him: "Bhogilal Bhai, always think of our poor country with tears in your eyes and your conscience will automatically tell what to do in difficult circumstances".

He promised to follow this advice but his way of doing so seems rather strange.

As my wife and I saw him and his daughter off near his car, Mr. B. P. Patel finally requested also my wife to persuade me, on his behalf, not to open the subject in the Lok Sabha again.

(7) On Saturday, 10th February 1968, I received a phone call from Her Highness Rajmata Vijaya Raje of Gwalior inviting me to tea at her palace in Bombay at 5 P.M. on the same day.

H.H. Rajmata of Gwalior had supported my candidature during the elections and I have friendly relations with Her Highness. I have also a great respect for her. That I was a candidate of the Rajmata of Gwalior is a fact known to all. Mr. B. P. Patel also knew it, it seems.

When I met the Rajmata that evening she informed me that Mr. B. P. Patel, the Chairman of the State Trading Corporation, had called on her though she had never met him or known him before.

Her Highness showed me my reprint of "15-crore Sulphur Scandal" and said that it was given to her by Mr. B. P. Patel who had requested her to talk to me about it.

The gracious lady, who hates corruption in any form, was clearly embarrassed. She knew that Mr. B. P. Patel had requested her in as many words to influence me and silence me about the misdeeds of the S.T.C. Her Highness did not know what to say to me. She was very apologetic for having to open the subject on Shri B. P. Patel's behalf before me.

I was also very embarrassed and I informed Her Highness of some of the details of the sulphur deal and explained to her how an attempt was made to swallow as much as Rs. 5 crores in a deal of Rs. 15 crores by creating two bogus firms of middlemen—one in India and one in America.

Her Highness was shocked to know this and said that such people deserved to be punished otherwise our poor country would be ruined completely.

I came home very angry at having to go through this delicate and embarrassing situation needlessly.

(8) Next day I tried to contact Mr. B. P. Patel, the Chairman of the S.T.C. I wanted to give him a bit of my mind for trying to bring undue pressure upon me through Her Highness the Rajmata of

Gwalior. Somehow, I could not contact him owing to my preoccupation with the visit of the His Majesty the King of Bhutan to Bombay in the very next week.

(9) However, on 21st February, 1968, I addressed a Registered letter to Shri B. P. Patel, the Chairman of the S.T.C. protesting strongly against his attempt to bring pressure and undue influence upon me through Her Highness the Rajmata of Gwalior. In my letter I described this attempt as a "corrupt practice" and warned Shri B. P. Patel not to repeat his "circus stunt" and create further embarrassment between Her Highness the Rajmata and myself. (A copy of this letter is forwarded herewith*).

(10) Mr. B. P. Patel has not replied to my Registered letter till today.

(11) In conclusion I am convinced that by approaching Her Highness the Rajmata of Gwalior, Mr. B. P. Patel, the Chairman of the S.T.C. attempted to bring pressure and undue influence upon me and tried to prevent me from carrying out my duties as a Member of Parliament.

NEW DELHI;
13th April 1968.

Sd/- BABURAO PATEL, M.P.
Division No. 316

*See Annexure II to this Appendix.

ANNEXURE I TO APPENDIX I

*Cutting from the 'Times of India', dated the 6th October, 1967
(referred to by Shri Baburao Patel, M.P. in para. 2 of his statement)*

Sir,—When someone badly needs a little foreign exchange to import a life-saving drug from some foreign country, his pray is unceremoniously turned down by the Finance Ministry on the grounds that we are desperately short of foreign exchange.

Ministers and high-placed Government officials, however, do not seem to suffer from this shortage. To give only one example: 38 top officials of the State Trading Corporation went abroad on 87 occasions and spent foreign exchange worth Rs. 8,01,894.00 during three years (April 1964 to March 1967), without counting the cost of their air fares paid in rupees in India and the money spent on their maintenance and entertainment by various Indian offices in foreign countries.

After this, one wonders who is enjoying the fruits of freedom: our poor people or our bureaucrats?

Bombay, October, 1.

BABURAO PATEL, M.P.

ANNEXURE II TO APPENDIX I

"GIRNAR"
Pali Hill,
Bandra, Bombay—50.

Tel: 533414

21st February, 1968:

By Regd. Post A/D

MY DEAR BHOGILAL,

On Monday, 29th January 1968, you called at my house at your own instance with your daughter Vimal. We both, my wife and I, were happy to meet Vimal whom we considered to be charming and straightforward.

After lunch we discussed the sulphur deal by the State Trading Corporation. During the discussion I pointed out to you some obvious mistakes made by the S.T.C. during the course of negotiating this deal. I was not quite convinced by the explanation given by you in this regard and I held to my point of view that these mistakes could have been avoided.

However, before parting, this is what I said to you: "Bhogilal Bhai, always think of our poor country with tears in your eyes and your conscience will automatically tell you what to do in difficult circumstances". You promised to follow this advice of a much older man.

On 10th February 1968, Her Highness Rajmata Vijayaraje of Gwalior phoned me up inviting me for tea to her palace in Bombay. You know that I am the representative of the Rajmata in Parliament.

I was not prepared for the surprise that she gave me at this meeting. She informed me, that though you did not know her personally, you had called on her and tried to influence her mind regarding my article on the sulphur deal by S.T.C. The gracious lady did not know anything about the sulphur scandal till you handed her a reprint of my article and requested her to talk to me about your bonafides.

Till the point that you called on me I cannot take much objection to your visit because being a Member of Parliament I have to receive people to know the other side of any vexed problem. I, therefore, do not blame you for calling at my place. But when you called on Her

Highness the Rajmata of Gwalior knowing that I was her representative in Parliament and asking her to influence me because of her hold over me, I think you did a wrong thing.

Such a practice can be called a corrupt practice if one looks at it morally. It was indiscreet of you to try to influence the Rajmata. You have created an embarrassing situation between the Rajmata and myself. She did not know what to say and she was very apologetic to me for having to open the subject on your behalf before me. I do not know what made you do such a thing when I had given you an assurance that I would look at all the S.T.C. problems with more care in future.

Anyway, I am placing this incident on record so that you do not again perform the circus stunt of rushing to Her Highness the Rajmata and create further embarrassment between us.

God bless you and yours,

Sincerely yours,
Sd/- BABURAO PATEL.

Shri B. P. Patel, I.C.S.,
Chairman, State Trading Corporation,
6, Teen Murti Lane,
NEW DELHI--11.

APPENDIX II

(See paras. 4 and 12 of Report)

Written statement of Rajmata Vijayaraje Scindia of Gwalior

Please refer to your letter No. 18/1/C-I-68 dated April 10, 1968 in connection with the question of privilege raised against Shri B. P. Patel, Chairman, State Trading Corporation.

The facts are these:

1. During one of my visits to Delhi in the last week of January, 1968 a gentleman by the name of B. P. Patel telephoned to my Staff Officer, saying that he was the Chairman of the State Trading Corporation and that he wanted time to meet me. He was given time and he came to see me.

2. I did not remember having met him before but he said that he had met me once and that he knew my late husband—His Highness Maharaja Jiwajirao Scindia, quite well. After talking to me about His late Highness, Shri B. P. Patel produced a booklet published by Shri Baburao Patel. He requested me to ask Shri Baburao Patel to abstain from harming him by asking questions in Parliament and writing articles against him.

3. He said that the allegations made by Shri Baburao Patel in the booklet were incorrect and wrong. I said that as a Member of Parliament Shri Baburao Patel knew his duty. If however there were incorrect statements that was a different matter and in fairness Shri Baburao Patel should acquaint himself with his side of the case.

4. When I was next at Bombay, I invited Shri and Shrimati Baburao Patel to tea and told him of the visit of Shri B. P. Patel to my place. I showed Shri Baburao Patel the booklet and mentioned to him the complaint of Shri B. P. Patel that the allegations made in the booklet were incorrect. I also told him that I personally knew nothing of the matter and only thought that, in fairness and justice, he should acquaint himself with Shri B. P. Patel's side of the case. I was much embarrassed when I learnt from Shri Baburao Patel that Shri B. P. Patel had already had long discussions with him and that he had gone into the merits of the case carefully.

5. It has been my impression that Shri Baburao Patel had not discussed the matter with Shri B. P. Patel and felt awkward when this fact was disclosed to me. I left it to Shri Baburao Patel to follow his own course of action. It was not my intention to interfere in any way and my sole desire was that public affairs should be so conducted as to be just and fair.

This is all that I recall about the incident.

Yours faithfully,

Sd/- V. R. SCINDIA.

(Rajmata Maharani Scindia).

UJJAIN;

27th April, 1968.

APPENDIX III

(See paras. 4 and 13 of Report)

Written statement of Shri B. P. Patel, Chairman, State Trading Corporation of India

The State Trading Corporation of India Limited
Express Building, 10, Bahadur Shah Zafar Marg,
New Delhi-1.

From,

Shri B. P. Patel,
Chairman,
State Trading Corporation of India,
New Delhi.

To,

The Hon'ble The Committee of Privileges,
Parliament House,
New Delhi-1.

Reply of Shri B. P. Patel, Chairman, State Trading Corporation of India, New Delhi, Pursuant to the Direction Issued by the Hon'ble the Committee of Privileges on April 8, 1968.

Sirs,

I. By his letter dated April 10, 1968, the Deputy Secretary, Lok Sabha, has informed me that at their sitting held on April 8, 1968, this Hon'ble Committee has asked me to state, for their consideration, what I may have to say in the matter of the question of privilege raised against me as the Chairman of the State Trading Corporation of India in the Lok Sabha on April 3, 1968 by the Hon'ble Shri Kanwar Lal Gupta, M.P., which question has been referred to this Hon'ble Committee.

II. The question itself has not been formulated in the letter dated April 10, 1968 issued to me but from the copy of the relevant proceedings which has been forwarded to me, I gather that the

allegations of the Hon'ble Shri Kanwar Lal Gupta, M.P., which I am required to meet, are the following:—

“उन्होंने राजमाता से यह प्रार्थना की कि—~~वह कृपा करके~~ श्री बाबुराव पटेल पर दबाव डाले कि वह जो सदन में हमारे खिलाफ कहते रहते हैं, वह न कहें।”

“...But when you called on Her Highness the Rajmata of Gwalior knowing that I was her representative in Parliament and asking her to influence me because of her hold over me, I think you did a wrong thing.”

“~~श्री बाबुराव पटेल ने यह शिकायत की है कि ए० टी० सी० के~~ चेयरमैन, श्री पटेल, उनपर महारानी ग्वालियर के जरिए जो प्रभाव डलवा रहे हैं, वह गलत बात है।”

“~~पार्लियामेंटरी लेंगेज में इस को मालेस्टेशन कहते हैं। हर~~ एक सदस्य को फ्रीडम फ्रॉम मालेस्टेशन का अधिकार होना चाहिए, (व्यवधान) ताकि वह अपनी राय ठीक तरीके से सदन के सामने रख सके।”

“~~मेरे इतना बताने के बाद यह चीज स्पष्ट है कि कन्टेम्प्ट हुआ,~~ इन्प्लेन्स करने की कोशिश की गई है।”

“~~मेरी दृष्टि में प्राइमफेसी यह एक केस है जिसमें इस सदन के~~ सदस्यों को जो विशेषाधिकार प्राप्त हैं, उनका उल्लंघन हुआ है। इसलिए मेरी प्रार्थना है कि इसको विशेषाधिकार समिति को भेजा जाय।”

III. The resolution of the Lok Sabha referring the question to this Hon'ble Committee is in terms following:—

“This House resolves that the question of breach of privilege raised by Shri Kanwar Lal Gupta against the Chairman, State Trading Corporation, be referred to the Committee of Privileges for investigation with instructions to report by the first day of the next session to the House”.

IV. The substance of the allegation is: that I approached H. H. Vijayaraje Scindia of Gwalior and requested her to bring pressure on the Hon'ble Shri Baburao Patel, M.P. not to say in Parliament what he had been saying in Parliament against the State Trading Corporation of India and that thereby I attempted to influence the Hon'ble member so as to obstruct or impede him in the discharge of his duty as such Member and this constitutes breach of privilege of the House.

V. I now proceed to set out the facts and circumstances leading to my meeting with H.H. Vijayraje Scindia of Gwalior and what transpired at that meeting. These will satisfy this Hon'ble Committee that, on my part, there has been no breach of privilege of the Parliament and/or of the Hon'ble Shri Baburao Patel, M.P., as a member thereof, in the manner alleged or otherwise howsoever and that the case calls for complete and honourable exoneration of myself of all allegations made against me.

1. On July 21, 1967, as a result of supplementary questions raised on Starred question No. 1291 in respect of a Contract entered into by the State Trading Corporation of India with an American firm for the import of sulphur, the Hon'ble the Speaker of the Lok Sabha decided to refer the matter to the Committee on Public Undertakings for examination of the matter and report at an early date. Announcement to this effect was made in the Lok Sabha on July 25, 1967.

2. Accordingly, the Committee on Public Undertakings examined the matter fully and in all its details and submitted its report on or about December 13, 1967. In the introduction to this Report, the Chairman of the Committee states that the State Trading Corporation of India had placed before the Committee the material and information that they had required in connection on with the examination of the matter.

3. A summary of Conclusions/Recommendations contained in the Report of the Committee on Public Undertakings appears as Appendix XV to the aforesaid Report. Reference may particularly be made to Recommendations Nos. 1 to 13, 16, 21, 22 and 24. The Committee did not doubt the bonafides of the transaction nor the bonafides of the State Trading Corporation of India or myself in entering into the transaction.

4. After the submission of the Report of the Committee, on or about December 23, 1967, the Lok Sabha Secretariat asked the Ministry of Commerce for replies of the Government on the Report and on or about February 15, 1968 the Hon'ble the Speaker was pleased to direct that such replies be furnished preferably by March 1, 1968. The Government conveyed this information to the State Trading Corporation of India and called upon it to furnish to the Government such information as was required by the Government and this has been done and since about December 23, 1967 the matter has been between the Government and the Hon'ble the Committee on Public Undertakings.

5. I had gone to Bombay on 28th January 1968 in connection with official business of the State Trading Corporation of India, when my attention was drawn to an article in the Republic Number 1968 (Vol. XXXIV No. 2) of *Mother India*—a monthly owned by Sumati Publications Private Limited, 55, Sir Phiroze Shah Mehta Road, Fort, Bombay and edited, printed and published by Shri Baburao Patel. The article as captioned:

“15 Crore

Sulphur scandal

Sulphur! Sulphur! Sulphur!”

and gave the name of the author as “Baburao Patel” without describing him as a Member of Parliament. A copy of the Republic Number 1968 of *Mother India* is sent herewith and a copy of the article (paragraphs being numbered by me) is attached for ready reference (Annexure I to the Appendix).

6. On going through the article, I noticed that the same contained factual inaccuracies, insinuations and aspersions against the State Trading Corporation, its Chairman (myself) and officers, which were not borne out by the facts of the case nor warranted by the Report of the Committee on Public Undertakings.

7. State Trading Corporation of India is a commercial Undertaking, working on the lines of other commercial houses, and has to safeguard its reputation and image not only in the trading world in India and abroad but also in the public eye. I was pained to read Shri Baburao Patel's article which was likely to create a wrong impression about the State Trading Corporation of India and its officers. I therefore considered it desirable to meet Shri Baburao Patel immediately and to explain to him the correct factual position in order to dispel whatever doubts he may have about the State Trading Corporation of India and its working.

8. It was solely with the above object that I endeavoured to get into immediate touch with Shri Baburao Patel and on being able to establish contact with him, I invited him to meet me over a lunch. Shri Baburao Patel was good enough to invite my daughter Vimal and myself to lunch at his house, “Girnar”, Bombay-50 on January 29, 1968, which invitation I accepted.

At the lunch, Smt. Shirin B. Patel and Smt. Sushila Rani Patel (wives of Shri Baburao Patel), Shri Baburao Patel, my daughter Vimal and myself were present.

9. When I met Shri Baburao Patel, he handed to me a pamphlet which contained a reprint of his article in Republic November 1968 of *Mother India*.

The talk between Shri Baburao Patel and myself centered round the article. During this talk, I pointed out to him some of the patent inaccuracies and insinuations and aspersions in his article. Shri Baburao Patel appeared to have realised that there was justification in what I had told him about the inaccuracies, insinuations and aspersions in his article. He assured me that he would look at all the problems of the State Trading Corporation of India with more care, in future.

10. As a result of my discussion with Shri Baburao Patel on January 29, 1968, as already stated above, he had extended the assurance that he would look at all the problems of the State Trading Corporation of India with more care in future. However, the extent to which he was reassured about the inaccuracies etc. in the article brought to his notice by me was not clear nor was the extent to which he would avoid further propagation of the contents of the article which was likely to give an incorrect and misleading impression to the public about the State Trading Corporation of India and its officers.

Furthermore, I continued to receive information about the distribution of the pamphlet containing the reprint of the article and apprehended that harm may come to the State Trading Corporation of India particularly having regard to the declaration made on the face of the pamphlet to the effect that no copyright was reserved in the article and inviting, so to say, wide scale reproduction, translation and circulation of the article. A copy of the pamphlet is enclosed (Title page of the said pamphlet is at Annexure II to this Appendix).

11. I felt therefore that if someone who knew Shri Baburao Patel and for whom he had respect spoke to him about the bonafide nature of the transaction and myself, this would further reassure Shri Baburao Patel about what I had spoken to him and if this could be done he may avoid propagating further the misleading contents of his article. It was with this object that on January 31, 1968 I thought to meeting H. H. Vijayaraje Scindia of Gwalior—who knew me and who happened to be in Delhi on that day—in order to apprise her of the article of Shri Baburao Patel and the desirability of obviating further propagation thereof in the interests of the State Trading Corporation of India, its image in eyes of the businessmen, both foreign and Indian, and the public at large.

12. Accordingly, I met Her Highness Vijayaraje Scindia of Gwalior at Tea at her residence in Delhi on January 31, 1968. I asked her whether she had read the article about the State Trading Corporation of India by Shri Baburao Patel in the latest issue of "Mother India". She replied in the negative and desired to know what it was about. I said that it was in connection with a contract made by the State Trading Corporation of India with Oval Industries Inc. of America for the supply of sulphur and handed over to her a reprint of the article which, I indicated, contained inaccuracies and insinuations against the State Trading Corporation of India and its officers and which were likely to create an inaccurate and misleading impression on the public. I also informed her that in this connection I had also met Shri Baburao Patel two days earlier in Bombay. Her Highness Vijayaraje Scindia of Gwalior desired to know the details of the points.

13. The patent inaccuracies brought to her notice were such as the following :

- (i) It is stated that all the Rs. 14.85 crores were paid out in advance without even a pinch of sulphur.

In point of fact, no such payment was made and the mere opening of Letter of Credit by itself, could not at all mean payment.

- (ii) The article affirmed that the State Bank of India charged a commission of Rs. 9 lakhs to the State Trading Corporation of India on this Letter of Credit.

The article omitted to indicate that because the Letter of Credit had not become operative, the State Bank of India had refunded in full the amount of commission charged by it. A misleading impression was being created as if the State Trading Corporation of India had lost Rs. 9 lakhs.

- (iii) It is alleged that, on the basis of a difference in price between \$ 55 and \$ 39 per tonne, at which a limited quantity was available from the traditional sources, an excess price of Rs. 4,18,50,000/- was agreed to be paid for being swallowed up by M/s. Oval Industries Inc. of America.

In point of fact, the price of \$ 55 per tonne approved by Government for non-traditional supplies was not more than the then prevailing market price.

14. Among the insinuations, reference was made to the statements such as the following:—

- (1) Two commission companies were created to swallow the excess price of Rs. 4,18,50,000 plus Rs. 11,10,000. They were obviously handy creations of some of the bureaucrats behind this deal to carry out their nefarious designs.

An unwarranted insinuation without any basis whatsoever.

- “(2) “John Muskat. . and H. Muskat. . were already dear friends of Chairman B. P. Patel. .” “Chairman B. P. Patel was anxious to develop the business of Muskat Brothers”.

In point of fact, I had no friendship or interest in either of the Muskats except that they were parties to a contract with the State Trading Corporation of India. A casual mention by me, during my discussion with Muskat Brothers in April 1966, that India was interested in importing sulphur, is misrepresented to cast unjustified aspersions.

15. I emphasised that the article lacked objectivity and the manner of its presentation was likely to harm the reputation and interests of the State Trading Corporation of India. At the same time I told her that whereas the State Trading Corporation of India laid no claim to infallibility in regard to procedural formalities, I could assure her that the State Trading Corporation of India had entered into this contract *bona fide* and in sincere discharge of the task entrusted to it in a difficult situation of acute and world-wide shortage of sulphur when at the same time it had to contend against powerful established interests. I also pointed out that the State Trading Corporation had not suffered any financial loss in the transaction. Her Highness Vijayaraje Scindia of Gwalior remarked that she had known me for quite some time and would not think of doubting my *bona fides*. I thanked her and requested her that, she may speak to Shri Baburao Patel, as she might think fit, about the *bona fide* nature of the transaction with a view to obviate further propagation of the inaccuracies and insinuations in the article which were likely to create a misleading impression about the State Trading Corporation of India and its officers on the public.

16. Right from the time I thought of meeting Her Highness Vijayaraje Scindia of Gwalior, during my entire conversation with her and even thereafter nothing was farther from my mind than to influence the Hon'ble Shri Baburao Patel in his freedom of speech and expression or action as an Hon'ble member of the Lok Sabha. Disregard of any rights or privileges either of Parliament or of the

Hon'ble Shri Baburao Patel as one of its Hon'ble Members or obstructing or impeding either the Parliament in the performance of its functions or to obstruct or impede the Hon'ble Shri Baburao Patel as one of its Members in the discharge of his duty or directly or indirectly to produce such results was not even remotely in my mind. Nor did I desire or attempt to influence or deter by improper means or otherwise Shri Baburao Patel in his Parliamentary conduct or from performing his Parliamentary duties. The only thing which impelled me to see Her Highness Vijayaraje Scindia of Gwalior were the inaccuracies and insinuations in the article of Shri Baburao Patel published by him not in his capacity as the Hon'ble Member of the Parliament but as a Journalist, Editor, Printer and Publisher of MOTHER INDIA. It is also relevant to refer to what the Hon'ble Shri Baburao Patel M.P. himself says in his speech on the floor of the Lok Sabha on April 2, 1968, namely, "when my article appeared this man tried to contact me personally and did come to my place...". But for this article, which contained patent inaccuracies, insinuations and aspersions, there would have been no occasion or necessity of my meeting Her Highness Jijayaraje Scindia of Gwalior particularly when the Report of the Committee on Public Undertaking was already laid on the Table of the House in all its details.

17. Apart from this, the allegation that through Her Highness Vijayaraje Scindia of Gwalior, I attempted to influence the Hon'ble Shri Baburao Patel, M.P., so as to obstruct or impede him in the discharge of his duty as a Member of Parliament would not appear to be even *prima facie* plausible. It is beyond question that in her own right, Her Highness Vijayaraje Scindia of Gwalior enjoys a very high position in social and political life of this Country. She would be fully aware that even an attempt to influence a member of Parliament so as to obstruct or impede him in the discharge of his duty as a Member of Parliament would constitute a breach of privilege of the Member and of the Parliament and would amount to penal contempt. She would also be perfectly aware that a person who allows herself to be an instrument for carrying out such an attempt would be as guilty of the breach of privilege and contempt as the person at whose instance such an attempt is made.

Therefore, it is inconceivable that a person in the position of Her Highness Vijayaraje Scindia of Gwalior would ever think of influencing the Hon'ble Shri Baburao Patel, M.P., let alone the making of such an attempt. If she was convinced of my *bona fides* and of the factual inaccuracies and insinuations and aspersions in Shri Baburao Patel's article, the utmost that she would have agreed to

do or done would be to tell Shri Baburao Patel about her own satisfaction regarding the *bona fides* of the transaction and of myself and of the desirability of the propagating the factual inaccuracies, insinuations and aspersions in the article which would undoubtedly affect the prestige and business of the State Trading Corporation of India. I sincerely believe that when Her Highness Vijayaraje Scindia of Gwalior spoke to the Hon'ble Shri Baburao Patel, M.P., she could have and has done no more than stating and may be explaining the points regarding *bona fides* of the transaction and of myself and regarding the factual inaccuracies and insinuations and aspersions made and contained in Shri Baburao Patel's article.

18. Another aspect which shakes the plausibility of the allegation against me of breach of privilege is that in his letter to me dated February 21, 1968, (copy enclosed at Annexure III to this Appendix X the Hon'ble Shri Baburao Patel states that by seeing Her Highness Vijayaraje Scindia of Gwalior, I had tried to influence her mind regarding Shri Baburao Patel's article in Republic Number 1968 of Mother India and I requested her to talk to him about my *bona fides*. In this letter, the Hon'ble Shri Baburao Patel does not say that Her Highness Vijayaraje Scindia of Gwalior had attempted to influence him so as to obstruct or impede him in the discharge of his duty as a Member of Parliament or to influence or deter him in his Parliamentary conduct or from performing his Parliamentary duties. The Hon'ble Shri Baburao Patel did not consider the talk which Her Highness Vijayaraje Scindia of Gwalior had with him on that day as constituting a breach of privilege of the Hon'ble Shri Baburao Patel as a Member of Parliament. In fact, even in his speech on the floor of the Lok Sabha on April 2, 1968, the Hon'ble Shri Baburao Patel does not himself say that any attempt was made by Her Highness Vijayaraje Scindia of Gwalior to obstruct him from discharging his duties as a Member of Parliament nor did he himself claim the breach of privilege.

19. I categorically deny the allegation that I requested or asked Her Highness Vijayaraje Scindia of Gwalior to influence the Hon'ble Shri Baburao Patel, M.P., because—as the Hon'ble Shri Baburao Patel, M.P., himself says—he was “the representative of the Rajmata in Parliament” or because of her hold over him or otherwise. I also categorically deny the complaint and allegation that I told Her Highness Vijayaraje Scindia of Gwalior to tell the Hon'ble Shri Baburao Patel, M.P., “to keep quiet....”.

20. I also categorically deny the allegation of the Hon'ble Shri Kanwar Lal Gupta, M.P. that I requested Her Highness Vijayaraje Scindia of Gwalior to bring pressure on the Hon'ble Shri Baburao

Patel, M.P. and to tell him not to say in Parliament what he had been saying in Parliament against either the State Trading Corporation of India and/or myself as its Chairman and/or its officers.

I also categorically deny the correctness of the Complaint of the Hon'ble Shri Baburao Patel, M.P. and the allegation of the Hon'ble Shri Kanwar Lal Gupta, M.P. that through Her Highness Vijayaraje Scindia of Gwalior I have attempted to influence the Hon'ble Shri Baburao Patel, M.P.

I also categorically deny the allegation against me of the Hon'ble Shri Kanwar Lal Gupta, M.P. regarding "molestation".

I also categorically deny the allegation against me of the Hon'ble Shri Kanwar Lal Gupta, M.P. regarding the attempt to influence the Hon'ble Shri Baburao Patel, M.P.

I also categorically deny the allegation of the Hon'ble Shri Kanwar Lal Gupta, M.P. against me that I have committed a breach of privilege.

VI. In Paragraph V above, I have set out the facts and circumstances relevant to the question for investigation before this Hon'ble Committee. However, since, in the present case, the question referred to this Hon'ble Committee for investigation has not been formulated and since, in the speech of the Hon'ble Shri Kanwar Lal Gupta, M.P. in the Lok Sabha on April 3, 1968, the Hon'ble Shri Kanwar Lal Gupta has made certain other allegations, in this Reply, I propose to deal briefly with these allegations even though they are not material or relevant for the purposes of the present investigation. Similarly, I propose to deal with certain allegations made by the Hon'ble Shri Baburao Patel, M.P. in his letter to me of February 21, 1968 and in his speech on the floor of the Lok Sabha on April 2, 1968. However, I respectfully submit that in connection with the present investigation, this Hon'ble Committee will be pleased to regard all these allegations of the Hon'ble Shri Kanwar Lal Gupta, M.P. and the Hon'ble Shri Baburao Patel, M.P., as irrelevant to the present investigation.

(a) The Hon'ble Shri Kanwar Lal Gupta, M.P., states that the Hon'ble Shri Baburao Patel, M.P., has shown how the Rs. 15 crore sulphur scandal took place. The matter of what the Hon'ble Shri Baburao Patel, M.P., calls as "Rs. 15 crores sulphur scandal" has been thoroughly examined by the Committee on Public Undertakings and as the Report of this Committee will show, it has not held that the transaction in question was a scandal. The matter of this Report of the Committee on Public Undertakings is now between the Government and the Committee and it will not be proper for me, at this stage, to say anything more about it.

(b) The Hon'ble Shri Kanwar Lal Gupta, M.P., also refers to the expenditure in foreign exchange of Rs. 9 lakhs on foreign tours. The reference is apparently to an actual expenditure of about Rs. 8,32,000 inclusive of the amount spent in rupee currency incurred during a period of over 2 years and 6 months from April 1, 1965 as a part of the normal commercial conduct of the trading operations and the expenditure in respect of foreign exchange is approximately Rs. 2,35,000. It will be observed that the expenditure in foreign exchange is small (a little over one-hundredth of one per cent) looking to the magnitude of the State Trading Corporation's foreign business amounting to about Rs. 209 crores for the same period.

(c) The Hon'ble Shri Kanwar Lal Gupta, M.P., refers to an item of Rs. 30,000 paid as advance commission. This amount was given in advance of actual exports to promote the export trade of the State Trading Corporation of non-traditional items, never before exported from India.

(d) The Hon'ble Shri Kanwar Lal Gupta, M.P., states that in league with some people, I, as Chairman of the State Trading Corporation of India, am doing some "gol-mal". This is wholly unfounded and it would not be possible for anyone to deal with such a vague allegation.

(e) The Hon'ble Shri Kanwar Lal Gupta, M.P., alleges that I tried to contact and meet the Hon'ble Shri Baburao Patel, M.P., because he was exposing the "ghotalas" of the State Trading Corporation of India. This is wholly incorrect and contrary to true facts. Since the Hon'ble Shri Baburao Patel, M.P., appeared to take keen interest in the working of the State Trading Corporation of India, I had spoken to him over the telephone sometime in November, 1967 and had suggested that, if he also wished, I would be glad to have a discussion with him on any aspect of the working of the State Trading Corporation of India which may be of interest to him. The Hon'ble Shri Baburao Patel, M.P., had welcomed this suggestion and stated that such a meeting could be arranged in course of time. However, until December 13, 1967, when the Autumn Session of the Parliament came to a close, no meeting as contemplated could be arranged. Having learnt that the Hon'ble Shri Baburao Patel, M.P., was spending a part of his vacation in Ahmedabad and was at Cama Hotel, I talked to him on telephone over the direct line and enquired of him when we could meet. He confirmed the desire to meet but it was not then possible to fix a date. Therefore, the observation of the Hon'ble Shri Kanwar Lal Gupta that when the Hon'ble Shri Baburao Patel was in Ahmedabad, I told him not to say in Parliament what he had been saying in Parliament about the "ghotalas" of State Trading Corporation of India is wholly without any foundation. Even the Hon'ble Shri Baburao Patel, M.P.,

makes no grievance of this kind either in his letter to me dated February 21, 1968, or in his speech on the floor of the Lok Sabha on April 2, 1968, or in any other manner.

It is also incorrect that the Hon'ble Shri Baburao Patel, M.P., had stated that it was unnecessary for me to meet him.

(f) The Hon'ble Shri Kanwar Lal Gupta, M.P., alleges that during the meeting between the Hon'ble Shri Baburao Patel, M.P., and myself at Bombay on January 29, 1968, I had told him that the way in which he was bringing out "ghotalas" of State Trading Corporation of India was not right and that I had requested him not to do so. Even the Hon'ble Shri Baburao Patel, M.P., does not say so in his letter to me dated February 21, 1968.

(g) In his letter to me dated February 21, 1968, the Hon'ble Shri Baburao Patel, M.P. states that Her Highness Vijayaraje Scindia of Gwalior informed him that though I did not know her personally I had called on her. This cannot be correct, inasmuch as Her Highness Vijayaraje Scindia of Gwalior and myself have known each other for quite some time and have met at several private and public functions and occasions. For example, at the invitation of Her Highness Vijayaraje Scindia of Gwalior my wife and myself had participated in a Private dinner party at her residence in Delhi in August, 1966.

(h) Until the receipt of the Hon'ble Shri Baburao Patel's letter, all that I knew was that the Hon'ble Shri Baburao Patel, M.P. was an independent Member of the Lok Sabha from Shajapur Constituency of Madhya Pradesh. It was not known to me that he as he says—was the representative of Her Highness Vijayaraje Scindia of Gwalior in Parliament or that Her Highness Vijayaraje Scindia of Gwalior had hold over him of the nature adverted to by the Hon'ble Shri Baburao Patel, M.P., in his letter.

VII. In the premises, I respectfully say and submit that I have not requested Her Highness Vijayaraje Scindia of Gwalior to bring pressure on the Hon'ble Shri Baburao Patel, M.P., not to say in Parliament what he had been saying in Parliament against the State Trading Corporation of India and/or myself as its Chairman and/or its Officers in the manner alleged or otherwise howsoever. I respectfully say and submit further that I have not influenced or attempted to influence the Hon'ble Shri Baburao Patel, M.P., so as to obstruct or impede him in the discharge of his duty as a Member of Parliament in the manner alleged or otherwise howsoever. I respectfully say and submit further that I have not "molested" or attempted molestation of the Hon'ble Shri Baburao Patel, M.P., in the manner alleged or at all nor have I committed any breach of the privilege of Parliament and/or of the

Hon'ble Shri Baburao Patel, M.P., as a Member thereof, in the manner alleged or otherwise howsoever. I respectfully say and submit that it was at no time my intention and in fact I have not, in any manner, influenced or attempted to influence the Hon'ble Shri Baburao Patel, M.P., in his freedom of speech and expression or action as an Hon'ble Member of the Parliament. I respectfully further say and submit that I have not, in any manner, disregarded or attempted to disregard any rights or privileges either of Parliament or of the Hon'ble Shri Baburao Patel, M.P., as one of its Hon'ble Members. Nor have I, in any manner, obstructed or impeded or attempted to obstruct or impede either the Parliament in the performance of any of its functions or the Hon'ble Shri Baburao Patel, M.P., as one its Hon'ble Members, in the discharge of his duty nor have intended or acted so as to produce such results. Nor have I intended or attempted to influence or deter by improper means or otherwise the Hon'ble Shri Baburao Patel, M.P., in his Parliamentary conduct or from performing his Parliamentary duties.

As the Chairman of the State Trading Corporation of India, I would have failed in my duty to it and its business if I had not endeavoured, as I did, to point out and to obviate the further propagation of the patent factual inaccuracies, insinuations and aspersions contained in the article by Shri Baburao Patel, released not in his capacity as an Hon'ble Member of Parliament but only as an Author, Editor, Printer and Publisher thereof. No privilege of any kind attached to this article and what is more Shri Baburao Patel had even renounced the Copyright therein. The motive behind what I did was purely and solely the safeguarding of the image, reputation and business of the State Trading Corporation of India against the apprehended evil-effects of an inaccurate and misleading piece of journalism. In the premises, I respectfully say, submit and pray that this is a case which calls for a complete and honourable exoneration of myself of all allegations made against me in the question referred for investigation to this Hon'ble Committee and that this Hon'ble Committee will be pleaded to recommend accordingly.

VIII. In the foregoing paragraph, I have respectfully submitted that I have committed no contempt or breach of privilege of the Parliament and/or of its Hon'ble Member and I have prayed for a complete and honourable exoneration from the allegations made against me and referred to this Hon'ble Committee. Without prejudice to this, and in the alternative I respectfully say and submit that should this Hon'ble Committee be pleased to come to the conclusion that in the present case there is a contempt or breach of privilege of the Parliament and/or its Hon'ble Member. I respectfully say and submit that such contempt or breach is not a

deliberate attempt on my part to bring the institution of Parliament into disrespect and/or to undermine public confidence and support of Parliament and/or to commit any breach of privilege of the Hon'ble Member of the House. I may assure this Hon'ble Committee that I had at no time any intention to bring the institution of Parliament into disrespect and contempt or to commit a breach of privilege of an Hon'ble Member of the House and that if this has been the result produced by what I have done then I have no hesitation in expressing an unconditional and unqualified regret and I pray that, taking into account the peculiar facts of this case and the totality of the circumstances, this Hon'ble Committee will be pleased to recommend that no further action be taken by the House in the matter.

Yours Faithfully,
Sd./- B. P. PATEL

Chairman,
The State Trading Corporation of India Ltd.,
New Delhi.

NEW DELHI,
April 23, 1968.

ANNEXURE I TO APPENDIX III

PHOTO

(of Shri B. P. Patel)

Shri B. P. Patel, I.C.S., Chairman of the State Trading Corporation, just missed being the Sulphur King of poor India, that is Bharat.

15-CRORE

SULPHUR SCANDAL

SULPHUR! SULPHUR! SULPHUR!

1. In India, that is Bharat, sulphur is mostly used in the manufacture of sulphuric acid which in turn is required for industries like: fertilizers, chemicals, steel, rayon and petroleum. Elemental sulphur is used in the manufacture of explosives, matches, insecticides, fungicides, etc. In the form of sulphur dioxide it is used for sugar refining and paper and rayon pulp manufacturing. About 60 per cent of the sulphur we get is used for the production of sulphuric acid.

2. Sulphur is not produced in India. All our sulphur has, therefore, to be imported mainly from U.S.A., Mexico and Canada.

3. Our total annual requirements of sulphur during the last five years and what we actually imported are shown in the table below:

Year	In Metric Tonnes	
	Annual Requirements	Actual imports
1962-63	225,000	254,154
1963-64	250,000	204,165
1964-65	275,000	277,781
1965-66	325,000	97,998
1966-67	400,000	284,073

4. The above statement shows that we badly fell short of our requirements in the year 1965-66. In fact till 1964, there was no shortage of sulphur in the world. World-wide shortage of sulphur began in the beginning of 1965.

5. As years go by and our fertilizer and chemical factories multiply, our requirements of sulphur will increase. In fact, for the year 1967-68 we shall require 620,000 tonnes. What we shall actually get is altogether another matter, as usual.

6. Sulphur is a world commodity in the hands of a few operators. Its price, therefore, varies from year to year according to the manipulations of the operators.

7. The cost to our country of imports of sulphur was as follows:

<i>Year</i>	<i>Landed Cost (Rs. per ton)</i>	<i>Appr. Cost of Total Annual Imports</i>
1963-64	192·10	Rs. 480 lakhs
1964-65	190·33	Rs. 523 lakhs
1965-66	280·00	Rs. 910 lakhs
1966-67 (upto July 1966)	323·64	—
February 1967	537·18	—

8. That is a lot of money spent on a single item for a country that has been squeezed dry and made bankrupt. Since food has become an ancillary product of fertilizer manufacture these days because we have ceased to be agriculturists and have now become chemical manufacturers, we shall need more and more sulphur every year. If we do not find more and more foreign exchange for purchasing more and more sulphur, we shall have less and less fertilizers and less and less foodgrains. That is the problem our new scientific agriculturists have created for us now. Our forefathers did not have this problem. They had plenty of food in the fields and plenty of freedom in their beds. They sowed well and produced well in both soils.

9. Sulphur is a common mineral. It can be mined through several methods, processed from other materials such as pyrites or refined from petroleum and 'sour' natural gas. Mineral deposits of "Fresh" sulphur are found in Texas, U.S. Gulf Coast and Mexico where the mineral is mined from salt domes. The sulphur is melted underground by hot water and piped up. Most of the present production from this source comes from Texas and Louisiana coastal areas. In France and Canada, sulphur is obtained in large quantities from gas fields. Major deposits of pyrites, a source of sulphur, are found in Japan, Germany, France, Spain, Portugal, Norway and Cyprus.

10. Export of sulphur from America is largely controlled by Sulphur Export Corporation (SULEXCO). Sulexco has two agents in India: M/s. Dharamsi Morarji & Co. and M/s. E.I.D. Parry. Though stray sulphur could be picked up at a price in America and other countries, bulk of the supplies till 1963 was imported through the two Indian agents. It has been a monopoly which could be used for blackmailing a country if necessary.

11. In the year 1963-64, the State Trading Corporation stepped into the market for the first time to import 30,834 tonnes of sulphur in the very first year as against 204,165 tonnes imported by other parties. The landed cost of sulphur imported by STC was Rs. 192.10 per ton. It sold its sulphur to Indian consumers at Rs. 223 per ton (ex-jetty) and made a net profit of Rs. 30/90 per ton, i.e., a little over 16 per cent. That is a sample of State profiteering in our country.

12. The international prices of sulphur during the years 1963-64 to 1966-67 were as under:

1963-64	U.S.A.	US \$ 25 per ton FAS.
	Canada	US \$ 18.50 to \$ 20.50 per short ton FOB.
	Europe	US \$ 24 to \$ 27 per ton (European post).
1964-65	U.S.A.	US \$ 43.50 per ton CIF (Indian post).
	Canada	US \$ 23 per ton FOB.
1965-66	U.S.A.	US \$ 35 to \$ 36 per ton FMB.
	Canada	US \$ 34-35.50 per ton FMB (Under Colombo Plan)
1966-67	U.S.A.	US \$ 38 to 48 per ton FOB.
		(Slexco & Members).
	Mexico	US \$ 52 per ton FOB.

13. Let us now summarize the sulphur situation in India:

- (1) India now needs over 600,000 tons of sulphur every year.
- (2) That is sulphur worth over Rs. 40 crores, landed cost.
- (3) India does not produce any sulphur. So all the sulphur has to be imported from foreign countries.
- (4) India badly needs sulphur for its fertilizer and sugar factories apart from the requirements of other industries.
- (5) So far sulphur had been imported through two Indian firms: M/s. Dharamsi Morarji & Co. and M/s. E.I.D.

Parry, Sole Agents in India of Sulphur Export Corporation of America, the world monopolists.

(6) The State Trading Corporation stepped into the sulphur business in the year 1963-64 and made a 16 per cent profit on its first transaction.

(7) Beg, buy, borrow or steal, we must have over 600,000 tonnes of sulphur every year.

That, in short, is the background of the sordid sulphur tale that follows:

14. An annual business of Rs. 40 crores is a terrific incentive for mighty bureaucratic brains to work all the three shifts. Even at 10 per cent—a small family cut, it might mean to some—of course to the dishonest ones only—a private earning of Rs. 400 lakhs i.e. four crores of rupees every year. Don't stagger! Bigger sums have been swallowed—and are still being swallowed. There are bureaucrats with fat accounts in 11 international banks in as many foreign countries.

15. An annual business of Rs. 40 crores! What a golden opportunity for big profits and small patriotism!

16. The bureaucrats—like the famous musketeers of Alexandre Dumas swearing 'one for all and all for one'—immediately went into action to bring sulphur into their dear and poor motherland.

17. On 17th February 1966, representatives of the Ministries of Industries, Finance, Commerce, Petroleum and Chemicals and of the State Trading Corporation and fertilizer industry met to solve the sulphur shortage of India, that is Bharat. At the meeting the bureaucrats authorised B. P. Patel, I.C.S., the Chairman of the State Trading Corporation, to formulate proposals to pick up floating supplies of sulphur in Mexico and United States from time to time at varying spot prices subject to the ceiling determined in consultation with the Finance/Economic Adviser who should visit the foreign countries for this purpose.

18. This decision straightway sowed the seeds of several foreign picnics for all concerned. How wonderful! The price consultation part was, of course, a family affair between members of the same bureaucratic order in which, generally, differences are quickly dissolved in a few pegs of Scotch whiskey supplied by our Congress contractors.

19. In April 1966, after spending Rs. 6,199 in Indian currency, Rs. 3,868.83 in foreign one and paying for a round-the-world ticket,

B. P. Patel, I.C.S., Chairman of the State Trading Corporation landed in New York. At the airport he was heartily received and affectionately embraced by the Muskat Brothers—the Jews in the boot business with only the boots on their own feet as their stock-in-trade.

20. John Muskat, President of Dunbar Boot Company, and H. Muskat, Vice President of Dunbar Boot Company and both similarly related to another signboard called Oval Industries Incorporated, were already dear friends of Chairman B. P. Patel, because the Muskat Brothers had signed a middle-man's contract with the State Trading Corporation to import from India Rs. 91 million worth of "Cowboy shoes, uppers, cut-soles, in-soles, Wellington boots" for the Acme Boot Co., plus navy shoes worth Rs. 1.87 million for Oval Industries (para. 3.33 p. 13, 11th Annual Report of STC). It is altogether a different matter that not a single shoe or a sole against this fabulous contract has yet gone out of India, that is Bharat.

21. Muskat Brothers were in the boot business without boots. They traded on boots belonging to someone else. In short, they were commission agents, ready to jump into any deal.

22. Chairman, B. P. Patel, I.C.S. was anxious to "develop the business" of Muskat Brothers and asked them to "take interest" in sulphur of which India wanted quantity worth several crores every year.

23. The Muskat Brothers decided to "take interest" in sulphur at the persuasion of B. P. Patel though at the time they did not know even the colour of sulphur nor where to find it. But a guaranteed order of several crores of rupees every year can make a Jew do more desperate things.

24. Having persuaded his friends, the Muskat Brothers, to "take interest in sulphur", Chairman B. P. Patel, I.C.S. returned to India via Canada, Bolivia, Argentina, Mexico and Panama—the usual honeymoon round from New York.

25. In business—and in such a big business as that—it is always considered necessary to have a "Man-on-the spot" according to the popular advertisement of the Bank of America. An annual business of 40 crores of rupees can fertilize any ova. So—

26. On 11th July 1966, a new company of commission agents was born at 32, Okhla Industrial Estate, New Delhi. It was called "Amarjyothi", meaning the Flame Immortal. A wonderful name!

The mysterious man who founded this firm was one Mr. M. R. Dutt. He stayed out of the firm for free movement. His wife, Satya Dutt, however, became a partner with two others, viz., Major Vipin K. Khanna and Vinod K. Khanna—obviously brothers, like the Muskat ones of America.

27. M. R. Dutt, the mystery man, became an “associate” of Muskat Brothers of Oval Industries Inc. of America. He was apparently to be the shuttle for passing the wool thread between the warp threads of the S.T.C. sulphur business.

28. “Amarjyothi”, the new firm which had done no business at all—whether export or import except the frequent transport of Mr. and Mrs. Dutt from Okhla Industrial Estate to the STC headquarters—was according to its pre-designed destiny appointed agents of M/s. Oval Industries Inc. of America. There was no formal agreement of agency signed between the two new firms.

29. ‘Amarjyothi’ was obviously a firm created only to receive some commission on the sulphur business of STC. This conclusion is inescapable because since the sulphur deal mercifully fell through, “Amarjyothi” has had no business activity—not even of transporting Mrs. Satya Dutt from place to place. Anyway, let us not get ahead of the exciting sulphur story.

30. The set-up for paying commission, on both sides of the seas was now ready—“Amarjyothi” to receive it in India partly in rupees and partly in US dollars, and Oval Industries to collect the cream—all in US dollars—in America.

31. But “processing” a deal to make it look as genuine as possible has always been an art with our I.C.S. administration. In this “processing” the impossible is shown as made possible only by the genius of the I.C.S. fraternity.

32. On 18th August 1966, Shri G. S. Sial, Director of S.T.C. and right hand man of Chairman B. P. Patel, I.C.S., addressed a letter to Shri S. S. Marathe, Economic Adviser to the Government of India, Ministry of Industry, mainly stating:

(1) That STC had a firm offer of supply of 30,000 tons of sulphur per month for 12 months. (This offer was verbally given to Sial on the previous day by Major V. K. Khanna of “Amarjyothi”, from a party in U.S.A. The name of party was not mentioned.)

(2) The price offered was \$57 per ton F.O.B. California—but “we shall press for a reduction and it is my feeling that we might be able to get a small reduction”. A prophetic assurance!

33. The letter ended with: “I shall be grateful if the S.T.C. could be allowed to negotiate and conclude the deal at the most favourable terms that we may be able to secure. I am sending a copy of this letter to Secretary Economic Affairs, Secretary Industry and Secretary Chemicals as well”.

34. This letter was written to maintain the procedure decided upon in the Ministries' meeting held on 17th February 1966.

35. Seasoned administrators like Chairman B. P. Patel, I.C.S., never let the grass grow under their feet. Therefore—

36. On 20th August 1966 (within two days of seeking sanction) “Amarjyothi” sent the following letter to S.T.C.:—

“Reference the undersigned's personal meeting with the Chairman and the Director Mr. G. S. Sial, we are pleased to inform you that we are in receipt of the following firm offer from our principals M/s. Oval Industries Inc., New York, for the supply of sulphur:

(a) Quantity 30,000 tons monthly, minimum 12 months with option to you for 5 years.

(b) Price, \$55 per ton F.O.B. California.

(c) First shipment is available at once, second within 90 to 180 days. However, this can be expedited. Thereafter, shipment shall be monthly.

(d) Performance bond shall be supplied by our principals.

“It is submitted for your kind information that the price has been reduced to \$55 by hard bargaining and by foregoing our commission in U.S.A. as advised by Mr. G. S. Sial and his assurance that we will be given reasonable commission on the total value of purchase in India.

“Our principals have confirmed that the sulphur being offered is not being diverted from Sulphur Export Corporation. A copy of their latest cable is attached herewith for your information. However, we request you to kindly note that as submitted personally, the offer is open through August 22, 1966.”

This looks like the case of the blindman who fervently prayed to God for one eye and God in His boundless mercy blessed him with two eyes.

37. Whatever that be, this was the clumsiest business letter ever written. It contained answers for anticipated objections. It paid an apparently grudging compliment for "hard bargaining", which sounds like an unwilling homosexual pointing out the spot where the outrage was committed. G. S. Sial could not be a very intelligent person to get a compliment to himself recorded in such a blatant manner and expect intelligent people to believe it.

38. The unasked for assurance in the 'Amarjyothi' letter that sulphur was not being diverted from the traditional suppliers, Sulphur Export Corporation, was to support the proposal "to pick up floating supplies of sulphur at spot prices" as decided by the multi-Ministries' meeting held on 17th February 1966. It also created an accommodation for the intended play with prices from time to time.

39. The clumsiest mistake in the letter, revealing an unholy anxiety to close the deal anyhow at least for a year, was, however, the option given to STC for 5 years. Which business firm in the world with some experience of the unsteady constantly fluctuating and highly speculative sulphur market with world shortage of sulphur and monopoly distribution of all available stocks would bind itself to a fixed-price deal for 5 years? This was the clumsy carrot dangled before the bureaucratic donkeys in the Ministries above the STC bosses.

40. The offer was to be accepted or rejected in just 2 short days—a part of the first day being lost in meeting Major Khanna of "Amarjyothi". A deal worth Rs. 14,85,00,000 (14 crores and 85 lakhs of rupees) to be closed within a day and a half! Since when has a government, which does not even pay pensions to their old retired servants for years, become so prompt?

41. Regarding the prices of sulphur prevailing in the market at the time of this deal, the Committee of Public Undertakings says:

"At about the time the contract with M/s. Oval Industries was being negotiated in August 1966, the contracts with M/s. Sulexco of U.S.A. had been at \$39.5 per ton FOB US East Coast". (Para 132, p. 50, 5th Report).

42. That is a clean difference of \$ 15.5 per ton between the market price and the price quoted by Amarjyothi and its principals, Oval Industries Inc. to STC. On 360,000 tons of the first year's contracted supply of sulphur this difference amounts to Rs. 4,18,50,000 (4

crores 18 lakhs and fifty thousand rupees) extra money—enough range to play ducks and drakes with the finances of a poor and trusting country.

43. With vindictive haste and relentless pursuit of the design, both characteristic of the I.C.S. fraternity when in a hunting mood, on 23rd August 1966, a joint note to place before Finance Minister Sachin Choudhury was prepared by B.P. Patel, I.C.S., Chairman, S.T.C., S. S. Marathe, Secretary (Industry), C. S. Krishnamoorthi, Jt. Secretary (Finance), Bhoothalingam, I.C.S., Secretary (Department of Economics). The note said the offer was genuine and workable. And demanded immediate sanction of the Finance Minister.

44. Poor Sachin Chaudhury! As an old and experienced lawyer working for rich Marwaris of Calcutta, he was used to many surprises. But this note made him jump out of his skin. A sulphur deal of Rs. 14 crores and 85 lakhs presented as fait accompli and his sanction demanded in a minute? Gasping for breath, Finance Minister Cachin Chaudhury wrote on the note:

“I have just received this (Joint Note) at 2-30 p.m. It is strange that this proposal which involves many factors for consideration and has been through many channels was not put up before me earlier. I have certain queries and would like Secretary E.A. (Economic Affairs) to see me at about 4 p.m. today.”

45. The bureaucrats knew that Sachin Chaudhury was a Marwari-trained seasoned lawyer. If more time was given to a man like him, he would riddle the deal with unanswerable questions. That was why the bureaucrats had decided to use time against him. For Sachin Chaudhury it was at once the first and last day for acceptance of the proposal of Rs. 14 crores and 85 lakhs.

46. Sometime after 4 p.m. on the same day (23rd August 1966) Finance Minister Sachin Chaudhury wrote on the Joint Note:

“I have discussed the matter with Secretary and Shri Krishnamoorthi. I understand the question has been discussed thoroughly by the concerned officers. While price seems to be steep the risk of losing the bargain is also real. The lesser of the two evils seems to be to accept the offer.”

47. Poor Sachin! The bureaucrats had threatened with “the risk of losing the bargain.” No sulphur! No fertilizers! No food! and all

because of a stupid Finance Minister who would not sanction a wonderful deal in time. That was the grim possibility the Finance Minister was made to visualize. And yet the Marwari-trained lawyer did talk of "steep" price, "lesser evil" before putting his dhobi-mark on the Joint Note.

48. The news of the sanction by the Finance Minister was rushed by Krishnamoorthi over the telephone wires to Chairman B. P. Patel, I.C.S., who had been keeping his fingers crossed since morning and swallowing a pill of Aspro every hour to relieve the tension. G. S. Sial, the Director of S.T.C., was seen going too frequently to the W.C. after 2/30 p.m. the time when the Finance Minister expressed a desire to see the Secretary of Economic Affairs before sanctioning the deal. After the telephone message Sial suddenly became constipated.

49. 24th August 1966: The State Trading Corporation cabled Oval Industries Inc. New York, to send their accredited representative within one week to sign the contract.

50. 25th August 1966: The State Trading Corporation addressed cables to the Indian Embassy, Washington and to M. Varadarajan, the Madrasi General Manager of Handlooms and Handicrafts Export Corp (a subsidiary of STC) at New York to obtain a Dun and Bradstreet Report on the credentials of M/s. Oval Industries.

51. This mock procedure was adopted probably to satisfy the Finance Minister, who had said that "the Chairman, S.T.C. should be alerted to the need for taking adequate guarantees and warantees for performance by Oval Industries Inc."

52. 5th September 1966: H. Muskat, Vice President of Oval Industries Inc. and an old friend of Chairman B. P. Patel, I.C.S., arrived in India accompanied by Shri Tauber, Attorney for Oval Industries. Both were given what looked like a State reception at the Palam Airport. It was, of course, a State Trading reception.

53. 7th September 1966: The fateful contract for supply of 360,000 tonnes of sulphur in 12 months at a cost of Rs. 14,85,00,000 (Rs. 14 crores and 85 lakhs) was signed by S.T.C. with Oval Industries Inc. Here are some of its important terms:

Quantity: 360,000 metric tonnes plus an option of 20,000 tonnes to be exercised by S.T.C. before 30th June 1967. (The carrot of 5 years' option in the original offer by Amarjyothi disappeared mysteriously.)

Price: US \$ 55 per metric ton net FOB Long Beach or Stockton, California.

Delivery: Entire quantity before August 31, 1967.

Payment: By an irrevocable, i.e., non-cancellable, letter of credit, transferable in whole or part, in US dollars established by S.T.C. in favour of Oval Industries Inc.

Performance Bond: Oval Industries Inc. to furnish to S.T.C., a performance bond in the form of a bank guarantee from a Bank or Insurance Company, approved by STC for due performance of the contract of 5 per cent of the total amount of this contract. The Bank guarantee was to be furnished within 12 days of the signing of the contract in the form approved by the S.T.C. and should remain valid for a period of 3 months after the expiry of the contract. (At 5 per cent the Performance Bond amounts to Rs. 74.25 lakhs, an amount to be guaranteed by a Bank.)

(It was this lighthouse on the rock, insisted upon by Finance Minister Sachin Chaudhury, that saved poor India, that is Bharat, from the tremendous consequences of what was planned to be a monstrous design—*The Editor*).

Total F.O.B. Value: For 360,000 metric tonnes of sulphur US \$ 1,98,00,000 (Rs. 14,85,00,000/-).

Indian Agent's Commission: S.T.C. to pay to M/s. Amarjyothi a commission of 3/4 of one per cent (three quarters of one per cent) calculated on F.O.B. value of the goods supplied under the contract. 1/3 of commission to be paid in US dollars (to enable the Indian agents to arrange follow-up work abroad) and the balance to be paid in Indian rupees.

(This commission of Amarjyothi on the contract works out to Rs. 11,10,000/-). (Eleven lakhs and ten thousand rupees).

54. The contract was signed by Chairman B. P. Patel, I.C.S. and witnessed by his stable-mate, Director G. S. Sial on one side and by H. Muskat witnessed by H. Tauber on the other side.

55. Sulphur or no sulphur, our poor country was thus committed to a deal of Rs. 15 crores. Here are the salient features of the deal:

- (a) 360,000 tons of sulphur at \$ 55 per ton amounts to Rs. 45 crores and 85 lakhs! Which means that we agreed to pay Rs. 4,18,50,000 (4 crores 18 lakhs and 50 thousand more over the then market price of \$ 39.5 per ton probably

because we were "guaranteed" supplies for 5 years. But the 5 years' option given in the original offer disappeared in the final agreement).

- (b) Two commission companies were created to swallow the excess price of Rs. 4,18,50,000 plus Rs. 11,10,000. The first amount to be swallowed by Oval Industries Inc., a company dealing in boots with only the boots on the feet of the partners as their stock-in-trade, and the second amount to be swallowed by M/s. Amarjyothi, belonging to the wife of one mysterious man, M. R. Dutt, for writing one letter. Both the firms had never seen sulphur in their lives. They were obviously handy creations of some of the bureaucrats behind this deal to carry out their own nefarious designs.
- (c) The only fly in the ointment was the Performance Bond of Rs. 74.25 lakhs to be guaranteed by a Bank within 12 days of the signing of the contract, i.e., by 19th September 1966. In the original offer by Amarjyothi no percentage was attached to the Performance Bond. The percentage came in because of Finance Minister Sachin Chaudhury's fears. This proved to be the heel of Achilles.

56. 10th September 1966 (3 days after the contract was signed). The Dun and Bradstreet Report arrived giving suspicious details about Oval Industries Inc. According to the Report the firm was importing some women's boots and selling them to shops in U.S.A. Its office was in a rented room in midtown Manhattan. The firm declined to give any financial information. Its banking account was at an out-of-town bank. Jack Muskat had been in the boot business. Antecedents of Vice President H. Muskat were not available.

57. S.T.C. Chairman B. P. Patel, I.C.S., who knew the Muskat Brothers intimately knew all this and there was really no need to have obtained the Dun and Bradstreet Report. Actually no report of the credentials of Oval Industries was obtained before negotiating or signing the contract as is done normally in any business. This information was absolutely vital before signing a contract of Rs. 15 crores. The Report was obtained because of the fears of Finance Minister Sachin Chaudhury.

When the Committee on Public Undertakings asked Chairman B. P. Patel, I.C.S., "why S.T.C. did not wait for receipt of reports on credentials of the firm before signing the contract, Chairman S.T.C. stated that the parties, with whom they were negotiating, were known to them as reliable businessmen" (Para 34, p. 11, Fifth Report).

How can a man who had himself launched the firm into the sulphur business say anything else?

58. 15th September 1966 (4 days before the due date). M/s. Amarjyothi, agents of Oval Industries Inc., informed S.T.C. (no letter on file) that the Performance Bond was impossible without a confirmed letter of credit in favour of Oval Industries and unless the letter of credit was opened and confirmed, the deal was off.

59. That was a threat given by M/s. Amarjyothi. It was obvious that no bank in America was prepared to risk Rs. 74.25 lakhs on Muskat Brothers who had nothing else but only their own boots as security with, of course, the good-intentioned friendship of Chairman B. P. Patel, I.C.S.

60. Now that the prestige of the bureaucrats was involved in addition to their business skill, something had to be done.

The State Trading Corporation opened a letter of credit for the requisite amount of \$1,98,00,000 (Rs. 14,85,00,000) through the State Bank of India to be communicated and confirmed to M/s. Oval Industries Inc. through the Chase Manhattan Bank, New York, and extended the date of furnishing the Performance Bond to 27th September 1966 i.e. 8 days beyond the original date.

61. This means that all the Rs. 14.85 crores were paid out in advance without even a pinch of sulphur to make a matchbox within sight. What a unique way of doing business? The State Bank charged a bank commission of Rs. 9 lakhs to the S.T.C. on this letter of credit. That apart, any business house would have most willingly paid Rs. 135 lakhs as interest to use Rs. 15 crores for one year.

62. All these operations were obviously done under the instructions of G. S. Sial, Director of S.T.C. who was in New York probably to help the Muskat Brothers to obtain a Performance Bond from some Bank in America.

63. No bank in America would give the Muskat Brothers a guarantee of Rs. 74.25 lakhs in spite of STC's letter of credit of Rs. 14.85 crores. G. S. Sial even had discussions with the Chase Manhattan Bank who held the money. Oval Industries continued to make promises that Performance Bond would be forthcoming but it was not produced till the 29th of September 1966 i.e. 2 days beyond even the extended date.

64. American bankers evidently knew the Muskat Brothers better than The State Trading Corporation.

65. On 30th September 1966, it became clear to G. S. Sial, the S.T.C. "man on the spot", that the Oval Industries Inc. could not sustain the "stunt" contract and pursue the friendly and well-intentioned advice originally given by Chairman B. P. Patel, I.C.S. "to take interest in sulphur".

66. Now G. S. Sial, to save bureaucratic prestige, sent a message to Chairman B. P. Patel, I.C.S. Among other things the SOS says:

(1) There was no sulphur to pick up anywhere.

(2) Oval Industries were talking of some mines which were opposed to have worked last in 1953 and the ownership of which was doubtful.

(3) That Oval Industries had entered into the contract "just for speculative purposes of their own".

Sial's message concluded as follows:

"I would also suggest that under the contract we have with Dunbar Boot Company of which the Muskats are the principals we should immediately ensure that any letter of credit obligations they have are fulfilled at once before we undertake production".

67. This concluding paragraph written on 30th September 1966 by G. S. Sial, Director of S.T.C., radically contradicts paragraph 3.33 on page 13 of the 11th Annual Report of The State Trading Corporation signed by Chairman B. P. Patel, I.C.S., on 21st October 1967 (more than one year later). Chairman B. P. Patel's report states:

"With the expertise and marketing intelligence provided partly by an Indian businessman (who the hell is this commission man, now? —Editor) and the office-bearers of Dunbar Boot Co. of U.S.A. (He means the two Muskats), the Corporation has been able to make a noteworthy entry into the U.S. and Canadian markets by securing an order for the supply of about Rs. 31 million worth of cowboy shoes, uppers, cut-soles, in-soles, Wellington boots etc. to Acme Boot Co., one of the biggest merchandisers of speciality footwear in U.S.A. and an order for the supply of navy shoes worth Rs. 1.87 million to Oval Industries for the same country."

68. Now who is misguiding us about Oval Industries: Director G. S. Sial or Chairman B. P. Patel, I.C.S.? We shall soon find that out in Parliament.

69. Coming back to the sulphur deal, on 1st October 1966, S.T.C. terminated the contract with Oval Industries as from 30th September 1966 by giving a legal notice and demanded the traditional damages.

70. But in a well-intentioned friendly deal who is to pay damages to whom? Therefore, after the usual "negotiations", it was determined in early 1967 that Oval Industries should pay Rs. 75,000 as damages plus Rs. 6,614.56 actual expenses—probably postal expenses, because from April 1966 to December 1966, Chairman B. P. Patel, I.C.S., Director G. S. Sial and other officials of S.T.C. had spent over Rs. 1,00,979 in Indian and foreign currencies in flying to New York without counting their air fares.

71. From these "handsome" damages till 12th December 1967, i.e., a year after the settlement, STC has received only \$ 3,000 (Rs. 22,500) plus Rs. 5,000 paid by the mysterious M. R. Dutt, the Indian associate of the American Muskats. For the rest of the damages S.T.C. is still whistling.

72. This wicked sulphur deal was clearly a subtle and clever attempt to swallow the excess price of Rs. 4,18,50,000 (4 crores, 18 lakhs and 50 thousand rupees) in dollars in America plus Rs. 11,10,000 in Indian currency in India.

73. The attempt failed primarily because no American bank would back the Muskat Brothers with a guarantee of Rs. 74.25 lakhs. Another contributory factor was that there was no sulphur to pick up immediately. Both fortunate circumstances for poor India, that is Bharat.

74. After these shocking revelations if the present bureaucrats continue to be in charge of The State Trading Corporation, not only does Commerce Minister Dinesh Singh deserve to be thrown out of office but also the Government of Indira Gandhi.

75. A government that tolerates and encourages such deals cannot last long. It must go. Sooner the better.

"Girnar"

12th January 1968.

BABURAO PATEL.

ANNEXURE II TO APPENDIX III

15—CRORE

SULPHUR SCANDAL

DR. BABURAO PATEL, M.P. (LOK SABHA)

EDITOR: "MOTHER INDIA"

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ANNEXURE III TO APPENDIX III

COPY

BABURAO PATEL
MEMBER OF PARLIAMENT
LOK SABHA
Tel: 533414

"GIRNAR"
Pali Hill,
Bandra, Bombay—50.
21-2-1968

By Regd. Post A/D.

MY DEAR BHOGILAL,

On Monday, 29th January, 1968, you called at my house at your own instance with your daughter Vimal. We both, my wife and I, were happy to meet Vimal whom we considered to be charming and straight-forward.

After lunch we discussed the sulphur deal by the State Trading Corporation. During the discussion I pointed out to you some obvious mistakes made by the S.T.C. during the course of negotiating this deal. I was not quite convinced by the explanation given by you in this regard and I held to my point of view that these mistakes could have been avoided.

However, before parting, this is what I said to you: "Bhogilal Bhai, always think of our poor country with tears in your eyes and your conscience will automatically tell you what to do in difficult circumstances." You promised to follow this advice of a much older man.

On 10th February, 1968, Her Highness Rajmata Vijayaraje of Gwalior phoned me up inviting me for tea to her palace in Bombay. You know that I am the representative of the Rajmata in Parliament.

I was not prepared for the surprise that she gave me at this meeting. She informed me, that though you did not know her personally, you had called on her and tried to influence her mind regarding my article on the sulphur deal by S.T.C. The gracious lady did not know anything about the sulphur scandal till you handed her a reprint of my article and requested her to talk to me about your *bona fides*.

Till the point that you called on me I cannot take much objection to your visit because being a Member of Parliament, I have to receive people to know the other side of any vexed problem. I, therefore, do

not blame you for calling at my place. But when you called on Her Highness the Rajmata of Gwalior, knowing that I was her representative in Parliament and asking her to influence me because of her hold over me, I think you did a wrong thing.

Such a practice can be called a corrupt practice if one looks at it morally. It was indiscreet of you to try to influence the Rajmata. You have created an embarrassing situation between the Rajmata and myself. She did not know what to say and she was very apologetic to me for having to open the subject on your behalf before me. I do not know what made you do such a thing when I had given you an assurance that I would look at all the STC problems with more care in future.

Anyway, I am placing this incident on record so that you do not again perform the circus stunt of rushing to Her Highness the Rajmata and create further embarrassment between us.

God bless you and yours,

Sincerely yours,
Sd/- BABURAO PATEL.

Shri B. P. Patel,
Chairman,
State Trading Corporation,
6, Teen Murti Lane,
New Delhi.

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