

**COMMITTEE ON PETITIONS**

**(THIRTEENTH LOK SABHA)**

**THIRTY-NINTH REPORT**

*(Presented to Lok Sabha on 30.1.2004 )*

LOK SABHA SECRETARIAT  
NEW DELHI

**January, 2004/Pausa, 1925 (Saka)**

## COMPOSITION OF THE COMMITTEE ON PETITIONS

Shri Basudeb Acharia - *Chairman*

### Members

2. Shri S. Bangarappa
3. Shri Ambati Brahmaniah
4. Shri Ram Rati Bind
5. Shri Bikram Keshari Deo
6. Shri Anant Gudhe
7. Shri Babubhai K. Katara
8. Shri P.R. Khunte
9. Shri P.R. Kyndiah
10. Shri Sis Ram Ola
11. Shri Shriniwas Patil
12. Shri Sunder Lal Patwa
13. Dr. Bikram Sarkar
14. Shri C. Sreenivasan
- \*15. Shri Tarachand Sahu

### SECRETARIAT

1. Shri John Joseph - Additional Secretary
2. Shri R.C. Ahuja - Joint Secretary
3. Shri Brahm Dutt - Director
4. Smt. Neera Singh - Under Secretary

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\* Nominated w.e.f. 22<sup>nd</sup> December, 2003 vide para No. 4340 of Bulletin Part-II dated 22<sup>nd</sup> December, 2003 vice Shri G. Mallikarajunappa died.

**THIRTY NINTH REPORT OF THE COMMITTEE ON PETITIONS**  
**(THIRTEENTH LOK SABHA)**

**INTRODUCTION**

I, the Chairman, Committee on Petitions, having been authorised by the Committee to present the Report on their behalf, present this Thirty-ninth Report of the Committee to the House on the following matters:-

- (i) Representation to take action against Sanchayani Savings and Investments(I) Ltd. (SSIL) Kolkata and refund investments made by small investors in the company.
- (ii) Representation regarding grievances of the staff of Supplies and Disposals Office, Kolkata, as a result of downsizing of the staff strength.
- (iii) Action Taken by the Government on the recommendations made by the Committee on Petitions (Thirteenth Lok Sabha) in their Twenty-sixth Report on the representation regarding non-implementation of self-contributory Superannuation Pension Scheme to all eligible pensioners of Indian Airlines Ltd.
- (iv) Action Taken by the Government on the recommendations made by the Committee on Petitions (Thirteenth Lok Sabha) in their Thirtieth Report on the representation regarding the future of Burnpur Unit of Burn Standard Company Ltd.

2. The Committee considered and adopted the draft Thirty-ninth Report at their sitting held on 5 January, 2004.

3. The observations/recommendations of the Committee on the above matters have been included in the Report.

**NEW DELHI;**

**5 January, 2004.**  
**15 Pausa, 1925(Saka)**

**BASUDEB ACHARIA**  
**Chairman,**  
**Committee on Petitions.**

## CHAPTER - I

### **REPRESENTATION TO TAKE ACTION AGAINST SANCHAYANI SAVINGS & INVESTMENTS (I) LTD. KOLKATA AND REFUND INVESTMENTS MADE BY SMALL INVESTORS IN THE COMPANY.**

1.1 Shri Kirit Somaiya, M.P. forwarded a representation on 6<sup>th</sup> November, 2001, signed by Smt. Chetna Ashok Chawda & others, r/o, Hamam Chahal, Indira Nagar, No.1, Jawaharlal Nehru Road, Mulund (East), Mumbai – 400 080, requesting for action against Sanchayani Savings & Investment (I) Ltd. (SSIL), Kolkata and refund of investments made by small investors in the company.

1.2 In the representation, the petitioners inter-alia submitted that many people including housewives belonging to the down trodden section of the society had deposited their life-time savings of Rs.5000/- to Rs.50,000/- in SSIL. The deposited savings were liable to be paid to the investors upon maturity. Several investors whose deposits had matured were not paid or refunded their monies by the company. The investors approached the Company's Office at Thane and Dadar in Mumbai many times but the company refused to pay back their deposits.

The petitioners further submitted that the branch offices of SSIL had been closed or made non-operational. The company had collected above Rs.800/- crore from the small investors. More than 50,000 small depositors had blocked up their hard-earned monies in this company. Although, the depositors and other associations had approached the Reserve Bank of India and other regulatory bodies to take corrective action for refunds of their deposits in this company, the much required deposits/matured deposits had not been refunded back to them.

The petitioners, therefore, requested for the intervention of the Committee on Petitions and prayed for appropriate action to get their life-time savings refunded from SSIL.

1.3 The matter was taken up with the Ministry of Finance (Department of Company Affairs & Economic Affairs). The Committee also took oral-evidence of the representatives of the Ministry of Finance on the issue at their setting held on 14<sup>th</sup> January, 2002.

1.4 Asked about the punitive action taken by the Government/RBI and other regulatory bodies against SSIL, which had blocked the deposits of more than 50,000 depositors/investors, the representatives of the Ministry stated that the Company obtained stay orders at number of times and the matter was sub-judice in one Court or the other.

1.5 .Detailing the factual position in the matter, the Ministry of Finance (Department of Economic Affairs), informed the following events in regard to SSIL in chronological order:-

- “(i) SSIL was incorporated on September 23, 1978 and commenced its business with effect from November 21, 1978. The company was classified by RBI as a Residuary Non-Banking Company (RNBC) and as such is governed by the RNBC Directions, 1987 as amended from time to time.
- (ii) An inspection of the Company conducted by the Bank (RBI) in May 1994 with reference to its financial position as on March 31, 1993 revealed violations of various provisions of RNBC directions as well as its weak financial position. Therefore, the Bank in exercise of its powers under sec.45K of the Reserve Bank of India Act, 1934 issued prohibitory order dated November 23, 1994 prohibiting the Company from accepting deposits. The Company filed a writ petition No.3248 of 1994 before the Kolkata High Court challenging the prohibitory order. The Kolkata High Court had set aside the prohibitory order by its order dated July 23, 1996 on technical grounds and the Bank was directed to allow the Company to convert the investments made by it into approved securities. The Company was, however, to be given liberty to carry on its business of accepting deposits from the members of the public and to deploy the same in accordance with the directions issued by the Bank.

- (iii) State of West Bengal had filed a Public Interest Litigation viz Writ Petition No.3794 of 1994 before the Single Bench of Kolkata High Court, for the protection of the rights and interest of the small depositors, against three RNBCs including SSIL. By its order dated March 21, 1995 the Single Bench restrained these three companies including SSIL from transferring, encumbering, alienating, disposing off and dealing with the funds of the Companies. The company filed an appeal before the Division Bench of the Kolkata High Court. By an order dated September 12, 1996, the Appellate Court upheld the order of the Learned Single Judge and also directed RBI to take appropriate steps after conducting necessary inspection of the company to protect the interest of depositors.
- (iv) The Company as a Non-Banking Financial institution and, prima-facie, functioning as an RNBC, submitted an application on July 6, 1997 for grant of Certificate of Registration in pursuance of the provisions of Section 451A of the Reserve Bank of India Act, 1934. Initial examination of the application indicated that the company was not fulfilling the minimum requirements for registration. Accordingly, a show cause notice for rejection was served on the company on February 13, 1998. To consider the reply of the company to the show cause notice a scrutiny of the books of accounts of the company with reference to its financial position as on March 31, 1998 was carried out by the RBI in the month of December, 1998. From the scrutiny it was observed that the company was violating various provisions of the RBI Act and the Directions. The scrutiny also revealed that the company's financial position as on March 31, 1998 was not at all satisfactory. Investments made as required under Section 451B of the Reserve Bank of India Act and in terms of paragraphs 6(1)(a) and 6(1)(b) of the said Directions were only to the extent of 25.84% . Thus, the company did not provide adequate security for the deposits mobilized as stipulated in the said Act and the Directions. Moreover, the net owned fund of the company had turned negative to the extent of Rs.(-)219.42 crore due to the huge accumulated loss at Rs.213.51 crore as revealed in the balance sheet of the Company. A substantial portion of the deposits collected from the public was also observed to have been eroded.
- (v) Subsequently, an inspection of the Company was carried out by the Bank during February 22<sup>nd</sup> to April 8, 1999 with reference to the Company's provisional balance sheet as on December 31, 1998. The inspection revealed a very serious asset liability mismatch alongwith violations of almost all the provisions of RBI Act and Directions issued there under including those in respect of security to the depositors.
- (vi) Based on the findings of the inspection a show cause notice as to why SSIL should not be prohibited from accepting public deposits was issued to the Company on January 16, 1999. The reply of the Company dated January 21, 1999 was examined keeping in view the large number of depositors, reportedly in several lakhs. The Board of Directors of the Company was called on by the top management of the RBI on January 29,

1999 and was advised about the lack of safety of the depositors and the Company was instructed to stop accepting fresh deposits alongwith several other remedial measures for improving the position.

- (vii) On February 9, 1999 the Company was advised in writing to stop immediately from accepting any fresh deposits. Subsequently on February 16, 1999 the Bank advised Chairmen/Chief Executives of 14 commercial banks with which SSIL had fixed deposits accounts as on November 30, 1998 not to allow the Company, use of balances held except for the purpose of repayment of deposits. Although a Special Officer was also appointed to oversee the functioning of the Company w.e.f. from April 1, 1999 the Company did not allow the Special Officer any access to its books. The Company filed a Writ Petition No.1335 of 1999 before the Mumbai High Court, Nagpur Bench challenging the appointment of Special Officer as also the instructions relating to non-acceptance of deposits. By an order dated April 13, 1999 the Nagpur Bench of the Mumbai High Court has directed the maintenance of status quo. In the meantime on June 2, 1999 another Writ Petition bearing No.2080 of 1999 had been filed by the company praying to be declared that it is not a NBFC/RNBC. On May 27, 1994 a policy holder of the Company Shri Gajkumar Manekar and another filed a Writ Petition No.1420/1994 in the Nagpur Bench of Mumbai High Court in which RBI was made a respondent, praying the Court to restrain the respondents including the RBI from taking any steps for attachment of the properties of the Company and also from appointing a Receiver over the Company. The High Court granted an interim relief to the petitioner by restraining the RBI from taking any such action against the Company. Although the writ petition was dismissed on February 16, 1998 on technical grounds, the same was restored on September 9, 1999 by the High Court; and
- (viii) In the matter of public interest litigation (W.P.No.3794 of 1994) filed by the State of West Bengal before the Kolkata High Court, the Court in its orders dated 6<sup>th</sup> and 10<sup>th</sup> August 1999 prohibited the Company from accepting fresh deposits and appointed a Special Officer to take charge of the assets of the company. The Company filed an appeal before the Division Bench against the said order, however, the Division Bench in its interim order dated September 15, 1999 allowed the continuation of Special Officer and injunction on deposit acceptance. The Company filed a Special Leave petition in the Supreme Court against the Division Bench order of Kolkata High Court dated September 15, 1999. As there are several court cases involving SSIL and RBI, pending at various courts, to avoid multiplicity of proceedings and conflicting orders being passed by different courts, the RBI filed a Transfer Petition Civil No.209-213 before the Supreme Court for transferring all the cases pending before Mumbai (Nagpur Branch) and Kolkata High Court to the Supreme Court of India. The SLP as well as the Transfer Petition were heard on September 18, 2000 by the Supreme Court of India when the Court admitted the Transfer Petition filed by the RBI and ordered the issuance of notice to all the concerned. The Supreme Court also admitted for hearing the SLP filed by

the company and directed that pending disposal of the appeal, the status quo as of September 18, 2000 should be maintained. The company's application for grant of Certificate of Registration under Section 45 IA of RBI Act, 1934 was prima-facie examined by RBI and it was observed that the company was not fulfilling the minimum requirements for registration. The application is kept in abeyance in view of the status quo order of the Supreme Court of India."

1.6 Asked about the amount of deposits collected and investments made from these deposits and the liabilities of SSIL; the Ministry of Finance, Department of Economic Affairs in their written note informed that as per the Company's financial position as on 31<sup>st</sup> March, 2000, the outstanding deposits (including interest) amounted to Rs.599.76 crore and Investments made from these deposits, including loans to staff and unsecured loans, were Rs.436.76 crore.

1.7 Asked whether the investment of Rs.476 crore were permitted securities as per guidelines of RBI, the Ministry stated (October, 2003):-

"The total assets (net of intangibles) of the company was Rs.476 crores out of which, Rs.436.77 crore was investment made by the company. The Company was last inspected by RBI during February 2001, with reference to its financial position as on 31<sup>st</sup> March, 2000 and the inspection revealed that out of total investment of Rs.436.77 crore as on 31<sup>st</sup> March, 2000, aggregate investment of Rs.88.24 crore was as per the manner prescribed and the amount of investment in form other than the prescribed manner stood at Rs.348.53 crore. The realizable value of the company's total assets as on 31<sup>st</sup> March, 2000 was estimated at Rs.316.70 crore."

1.8 Asked about the complaints filed by the depositors against the company to police authorities and the criminal proceedings against the SSIL, the Ministry in their note stated that RBI had reported that they do not have any reference from the Police Authorities about any complaint registered against the Company or its directors by the public. However, as per a news report, the Mumbai police had registered a FIR against the Company and its directors under Section 406, 420 and 120 (B) of IPC on receipt of complaints from some investors.

In regard to the criminal proceedings against the Company pending in various courts, the Ministry stated that RBI had reported that they were not aware of pending

criminal proceedings against the Company in various courts. However, Reserve Bank of India has filed a criminal complaint (No.219 of 2003) against the company and its directors under section 200 of Code of C.P. and Section 45K of Reserve Bank of India Act 1934 on 10<sup>th</sup> July 2003 before the Sub-Divisional Judicial Magistrate, Kalyani Town, West Bengal.

1.9 On the query regarding the number of complaints received by the RBI from investors of SSIL; the Ministry of Finance, Department of Economic Affairs in their note informed that the total number of complaints received by RBI as on 8<sup>th</sup> July, 2003 was 3996, which included small depositors. On receipt of the complaints, the same were brought to the notice of SSIL but no compliance/reply had so far been received by the Bank.

1.10 When the Committee desired to know the status of repayment of deposits to the investors by M/s.SSIL; the Ministry of Finance, Department of Economic Affairs informed that the Company had not been submitting the return indicating the deposits position for long time. The outstanding public deposits including interest, as on 31<sup>st</sup> March, 2000 was Rs.599.76 crore. Of late, the Bank had been receiving large number of complaints from the depositors regarding non-payment of deposits by the company. Consequently the Bank filed an application No.10 of 2003 in the Supreme Court of India for appointment of Receiver/Special Officer for the Company. The application was heard by the Hon'ble Supreme Court on 28<sup>th</sup> April 2003 and the Hon'ble Court appointed M/s.N.C. Banerjee & CO, Chartered Accountants, Kolkata as "Special Officer" for M/s. SSIL and directed them to examine the feasibility of framing a scheme for repayment to depositors.

**The Hon'ble Supreme Court had further issued, vide their Orders dated 22 July, 2003, the following directions regarding the duties and powers of the Special Officer appointed by the Court:**

- (i) The Special Officer is given full access to all books of accounts of all offices of the company irrespective of any orders passed by any other court.
- (ii) All banks having the company's accounts have to provide details of accounts to the Special Officer, who would conduct all the transactions with the banks.
- (iii) The Special Officer should take all steps necessary to protect company's assets so as to safeguard the depositor's interests.
- (iv) The Special Officer is given complete financial authority to meet all expenses incidental to discharge of his duties as the Special Officer.
- (v) The Directors of the company should furnish an exhaustive list of all the movable and immovable assets of the company along with their locations and addresses.
- (vi) The Special Officer is allowed to seek police assistance, if required.
- (vii) The Special Officer has been permitted to reimburse to the Reserve Bank of India all legal expenses incurred by the Bank on behalf of the Special Officer, from the company's assets.
- (viii) The Special Officer is empowered to take possession of the company's all movable and immovable assets in India and abroad after obtaining necessary permission of the courts having jurisdiction over them.
- (ix) The Special Officer is permitted to do and perform all the acts and deeds including engaging assistants & professionals and initiating legal proceedings required to protect the rights and interest of the depositors.

1.11 When asked about the steps taken by RBI to caution the small investors against M/s. SSIL, the Ministry of Finance, Department of Economic Affairs informed in their

note that in the interest of the depositors, the RBI had given wide publicity to the Supreme Court Order. Subsequently, RBI prohibited the Company and its directors from acceptance of fresh deposits and alienation of assets under Section 45MB(1) & 45MB(2) of the Reserve Bank of India Act, 1934 vide its letter dated 4<sup>th</sup> December, 2002. The application of the company for issue of Certificate of Registration under Section 451A of the Reserve Bank of India Act, 1934 had been rejected by the Bank on 8<sup>th</sup> January, 2003 and the same was published in one English daily and one vernacular daily on 13<sup>th</sup> January, 2003.

### **OBSERVATIONS/RECOMMENDATIONS**

**1.12 The Committee are informed by the petitioners that many people, including the low-income group section of the society, had deposited their life-time savings and hard-earned monies ranging from about Rs.5000/- to Rs.50,000/- in M/s. Sanchayani Savings & Investments (I) Ltd., (SSIL), Kolkata based on the assurance by this company to repay their investments on maturity. SSIL, classified by RBI as a Residuary Non-Banking Company (RNBC), had collected about Rs.800/- crore from more than 50,000 small depositors. However, their matured deposits were not repaid by the SSIL. Moreover, many of the branch offices of SSIL were closed or made non-operational. Eventually, the investors were compelled to approach the regulatory bodies and the RBI but in spite of their best efforts within the legal framework, they did not receive back their matured deposits from the SSIL. The petitioners have, therefore, prayed for appropriate action by the Government to get their deposits refunded from the SSIL.**

**1.13 The Committee note that the RBI at first conducted an inspection of the Company in May 1994 with reference to the SSIL's financial position as on 31<sup>st</sup>**

March, 1993 and the inspection revealed violations of the provisions of RNBC Directions. As a result of this inspection it also emerged out that SSIL had a weak financial position. The RBI, in exercise of its powers under sec. 45K of the Reserve Bank of India Act, 1934, issued orders on 23<sup>rd</sup> November, 1994 prohibiting the SSIL from accepting deposits but this company continued to accept deposits from the investors, after an order by the Kolkata High Court. In April, 1999 another inspection was conducted by the RBI with reference to the Company's provisional balance sheet as on 31<sup>st</sup> December, 1998. The second inspection revealed a very serious asset-liability mismatch alongwith violations of almost all the provisions of the RBI Act. Subsequently, the RBI again issued prohibitory orders against the company in 1999, barring it from raising fresh funds. Another inspection of the company was conducted by RBI in February, 2001, with reference to its financial position as on 31<sup>st</sup> March, 2000 which revealed an outstanding deposits (including interest) amount of Rs.599.76 crore. The total assets (net of intangibles) of the company were Rs.476 crore out of which, Rs.436.77 crore were investments made by the company from the public deposits. Due to litigations in various Courts and stay orders obtained by the SSIL against prohibitory orders of the RBI, this company continued to accept public deposits making a mockery of directions of the RBI.

1.14 The Committee have been informed that all litigations pending in various Courts relating to the SSIL were transferred to the Supreme Court in 2000, on an application placed before the Supreme Court by the RBI for appointment of Receiver/Special Officer for the Company. The Supreme Court on 28<sup>th</sup> April, 2003 directed for appointment of a "Special Officer" and M/s. N.C. Banerjee & Co, Chartered Accountants, Kolkata were appointed as "Special Officer" for M/s. SSIL. Subsequently in July, 2003, the Supreme Court gave further directions in regard to

**duties and powers of the Special Officer. These powers include the power to access and examine all accounts of the SSIL, take possession of all assets of the SSIL and initiate legal proceedings required to protect the rights and interests of the depositors. The Committee trust that the Government/RBI will review and monitor regularly, the progress made by the Special Officer and ensure that the small depositors get such their money with due interest at the earliest.**

**1.15 The Committee's examination of the matter has revealed that the present laws/directions and Government's/RBI's supervisory/monitoring control over the private financial institutions are not at all effective. Even though the RBI had found irregularities in the accounts of SSIL as back as 1994, it could not protect the interests of small investors for about a decade as the Company took advantage of flaws in the Government rules/directions by approaching the Courts for obtaining stay orders against the RBI orders. After prolonged litigations, the Supreme Court has appointed a Special Officer in April, 2003. The Committee strongly recommend that the Government should review all relevant Acts/Rules/Directions to remove the loopholes with a view to protecting the interests of small investors and to have purposeful supervision and control over private financial companies. The Committee would await Government's conclusive action taken in this regard.**

## CHAPTER-II

### **REPRESENTATION REGARDING GRIEVANCES OF THE STAFF OF SUPPLIES AND DISPOSALS OFFICE, KOLKATA, AS A RESULT OF DOWNSIZING OF THE STAFF STRENGTH.**

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2.1 Shri Narayan Mukhopadhyay, Secretary, Supplies and Disposals Employees' Association, Kolkata and others submitted a representation on 3<sup>rd</sup> June, 2002 regarding grievances of the staff of Supplies and Disposals Office, Kolkata, as a result of downsizing of the staff strength.

2.2 The petitioners, in their representation submitted that Supplies and Disposals office is a Central Purchase Organisation working under the Ministry of Commerce & Industry. For downsizing the manpower in DGS&D Office about 412 posts had been abolished from Director General of Supplies & Disposals (DGS&D) Hqs and its Regional Directorates. Out of these 412 posts; 208 posts belonged to the Regional Directorates of Supplies and Disposals/Textiles and Quality Assurance. The DGS&D vide its order No.A-1/5(1)/93 dated 17<sup>th</sup> November, 1995 informed that another 156 posts from the Quality Assurance Wing should be abolished in stages as and when they become vacant.

The petitioners stated that the Staff Inspection Unit (SIU) conducted a work study of the Supplies and Disposals Offices in May, 2000 and recommended for further downsizing of the staff strength in its offices. However, in the course of implementation of the SIU assessment, the work load of DGS&D Kolkata Office got doubled as the Rate Contract Agreements had increased from 12 to 33. In case of jute purchases, the work load had increased four times and the supply orders had increased from 600 to 2800. The SIU did not conduct any field study but prepared its work study report based on presumptions/assumptions.

The petitioner also submitted that while the DGS&D Office, Kolkata had been undergoing reduction in its manpower/staff; the Expenditure Reforms Commission (ERC) further recommended to reduce the staff strength in DGS&D by more than 100 numbers without conducting a study.

2.3 The petitioners, therefore, requested to review the entire ERC Report and any redundant staff of Directorate of Supplies and Disposals if found, after such review should be adjusted in any Central Government Civil Offices at Kolkata as had been done in Quality Assurance Wing in Kolkata by the Ministry of Commerce & Industry vide their Office Order No. A-1/5(1)/93 dated 17<sup>th</sup> November, 1995. The surplus staff may not be sent to Central Surplus Cell (Divn.) under the Ministry of Home Affairs.

2.4 The Ministry of Commerce & Industry (Department of Commerce) were requested on 17<sup>th</sup> June, 2002 to furnish their comments on the points raised in the representation. The Ministry of Commerce & Industry, Department of Commerce (Supply Division) vide their communication dated 5<sup>th</sup> July, 2002 furnished the following comments:-

“The organisation of the Directorate General of Supplies & Disposals (DGS&D), with its regional office located in all the regions, is a central purchasing organisation, presently under the administrative control of Department of Commerce. The mandate for the DGS&D is conclusion of rate contracts for items used by more than one Department/Organisation, and their pre-despatch inspection for ensuring quality.

The Staff Inspection Unit (SIU) of the Department of Expenditure have given their recommendations in regard to staff requirement for DS&D, Kolkata.

Both the SIU and the ERC have made their recommendations in respect of DS&D, Kolkata following their own procedures. According to the extant guidelines, the SIU reports are not open to review but to be placed in the Departmental Council (JCM) of the respective Departments where views of the Staff Side are obtained. This has been duly done. The recommendations given by the Expenditure Reforms Commission are also

not open to review. There has been one more round of detailed discussion with the representatives of Supplies & Disposals Employees Association and Supplies & Disposals Class IV Employees Service Union, Kolkata, held at New Delhi on 9<sup>th</sup> May, 2002, where all the connected issue arising out of implementation of the SIU as well as the ERC recommendations have been discussed. The Government have examined the recommendations made by the SIU as well as the ERC and have decided to implement the same.

Employees who may become surplus in the process of implementation of the SIU/ERC recommendations shall be relocated/redeployed in accordance with the relevant guidelines/instructions issued by the Government. The Government have issued detailed guidelines dealing with the identification of surplus posts/staff and the further procedures to be followed for their redeployment, vide DoP&T's O.M. No.1/1/2002-CS. III dated 26<sup>th</sup> March, 2002. These guidelines shall be strictly followed in all the offices. There is no separate scheme of redeployment of the surplus employees for the office of the Quality Assurance at Kolkata. The Office Order dated 17.11.1995, cited in the representation, is not relevant in this context.”

2.5 On the question of the outcome of the discussions held at New Delhi on 9<sup>th</sup> May, 2002 between the representatives of Supplies and Disposals Employees Association; Supplies & Disposals Class IV Employees Service Union, Kolkata and the Ministry of Commerce & Industry on the issue the Ministry vide their communication dated 20<sup>th</sup> May, 2003 informed that:-

“A meeting was convened on 9.5.2002 with the representatives of Supplies and Disposals Employees Association and Supplies and Disposals Class IV Employees Service Union, Kolkata under the Chairmanship of the Director General (S&D) and Ex-Officio Additional Secretary, to discuss issues arising out of the ongoing process of the restructuring, following the recommendations of the SIU/ERC. The Staff representative expressed their apprehensions about the adverse fall-out on implementation of the SIU/ERC recommendations. It was brought out during discussion that the modalities and guidelines framed by the DoP&T and circulated in their O.M. dated 26.03.2002 regarding declaration and re-deployment of surplus staff would be followed. The staff representatives requested that intrinsic care may be taken to deploy the surplus staff in Kolkata only so as to avoid dislocation. It was pointed out that no commitment could be given on the aforesaid suggestion, however, this factor would be kept in mind. The staff representatives were also apprised about the guidelines, including the option a surplus employee can exercise to avail the scheme of Special VRS. It was also decided to take

up with certain Kolkata-based Offices to ascertain the feasibility of re-deployment of surplus employees against vacancies, if available, in any of these offices.”

2.6 As regards, the redeployment of surplus staff as per DOP&T's OM dated 26<sup>th</sup> March, 2002 the Ministry informed that the service conditions of the relocated/re-deployed surplus employees would be decided by those offices where the concerned employees were relocated/redeployed.

2.7 After perusal of the comments furnished by the Ministry of Commerce & Industry the Committee decided to take evidence of the officers of the Ministry to examine the matter. Accordingly, the Committee took evidence of the representatives of the Ministry of Commerce & Industry at their sitting held on 16<sup>th</sup> September, 2003.

2.8 Asked about the number of officials in the office of Directorate of Supply and Disposals in Kolkata had been proposed to be reduced the representative of the Ministry of Commerce & Industry stated that:-

“The original sanctioned strength in the Kolkata Office was 331 and SIU, in its report, had recommended that the number should be reduced by 80. Subsequently, the ERC have recommended a further reduction of 90. Against 331, as of 31<sup>st</sup> August, 2003, the actual strength is 237. So, the SIU's recommendation was to reduce the strength from 331 to 251, if not exactly on each category. But the overall strength has already come down to 237. The Staff Inspection Unit, as the Hon'ble Members are aware, is constituted by the Department of Expenditure and they have O&M experts who go into the work measurement techniques like time-study, activity sampling/work sampling, analytical estimation, etc. for assessing the manpower requirements of Government offices and they make their recommendations. This is the general broad principle on the basis of which the SIUs work and the same kind of principles have been taken into account by the ERC while making their recommendations also.”

2.9 The Committee enquired about the recommendation of the Expenditure Reforms Commission (ERC) for reduction of staff in DGS&D. The Ministry of Commerce & Industry in a written note stated that ERC had analysed the function of rate contracts,

ad hoc purchases with specific reference to procurement of Jute and had recommended further reduction of 90 number of staff in DGS&D, Kolkata Office.

2.10 The Committee enquired about the yardstick applied by the Expenditure Reforms Commission and the need for further reduction of staff strength. The representative of the Ministry of Commerce & Industry stated during evidence that:-

“The DGS&D work profile has been undergoing a change. Earlier, they were doing direct purchases and settlement of bills. Over a period of time, the quantum of work is on the decline and therefore, the SIU had done a study in 1999 whereas the Expenditure Reforms Commission have given their recommendations in 2001. The recommendations given by the SIU and ERC have been examined both by the DGS&D and in the Department of Commerce. The recommendation have been examined keeping in view the present workload in DGS&D, the technological development in the area of office work and the procedures prescribed for carrying out of the job. Further, the recommendations of the SIU were also discussed with the staff representatives in the meeting of the Departmental Council and it was agreed to be implemented. Pursuant to the accepted the recommendations and orders were issued on 8.4.2002 reducing the sanctioned strength of DGS&D, Kolkata to 150 from 240. That is, additional 90 was agreed to be reduced.”

2.11 The Committee pointed out that the petitioners had pleaded that the workload in DS&D, Kolkata had increased and asked about the justification of downsizing the staff strength in that office. The Ministry of Commerce & Industry in their written note stated that during the year 2001-2002, number of items of Rate Contract were 31 which reduced to 27 during the year 2002-2003. The number of Supply Orders in respect of Jute purchase were 2324 (value Rs. 1148 crore) which reduced to 1743 (value Rs. 1143 crore) in the year 2002-2003. The number of ad-hoc indent was 12 (value Rs. 3.14 crore) during 2001-2002 which reduced to 6 (value Rs. 2.05 crore) in the year 2002-2003. Thus, the manpower recommended by the SIU/ERC for DS&D, Kolkata has been considered to be adequate.

2.12 When the Committee asked about reconsideration and review of the ERC recommendation; the representative of the Ministry during evidence stated that the Department had not gone into that question of review.

2.13 Subsequently, in their written note, the Ministry stated that Prime Minister vide letter dated 23<sup>rd</sup> November, 2001 directed that “Expenditure Reforms Commission conducted extensive consultations before finalizing its recommendations and accordingly there should be no need for de novo examination of its recommendation”.

2.14 On the question of redeployment of the surplus staff of DS&D, Kolkata in Kolkata, itself, the Ministry in their note stated that as far as the request for their redeployment in Kolkata is concerned, this will be dealt with in accordance with the detailed guidelines issued by DOPT in this regard. DoP&T vide their O.M. No.11/1/2002-CSIII dated 26.3.2002 issued detailed guidelines for identification, reporting and redeployment of employees becoming surplus.

2.15 The Committee pointed out that verbal assurance had been given to the petitioners that the surplus manpower of DS&D, Kolkata would not be redeployed outside Kolkata and asked about the progress made in this regard. The Ministry of Commerce & Industry in their written note stated that Offices, such as Central Board of Direct Taxes, Office of the Comptroller & Auditor General, Director General (National Test House) have been approached at the level of DG(S&D) to ascertain whether any vacancy exists in their organizations in Kolkata for accommodating the surplus employees of DS&D. This had not met with any success so far.

## **OBSERVATIONS/RECOMMENDATIONS**

2.16 The petitioners have stated that about 412 posts had been abolished in the Director General of Supplies & Disposals (DGS&D) Hqs. and its Regional Directorates. Out of these 412 posts 208 posts belonged to the Regional Directorates of Supplies and Disposals/Textiles and Quality Assurance Wing. Also, DGS&D vide its order No.A-1/5(1)/93 dated 17<sup>th</sup> November, 1995 informed that another 156 posts from the Quality Assurance Wing be abolished in stages. In May, 2000 the Staff Inspection Unit (SIU) conducted a work study and further recommended for downsizing of the staff strength in its offices. Thereafter, the Expenditure Reforms Commission (ERC) recommended for reduction of the staff strength in DGS&D by more than 100 numbers. The petitioners have contended that before arriving at the decision to downsize the staff in DGS&D offices including the DS&D office in Kolkata proper and conclusive study was not conducted by the concerned governmental bodies. The petitioners have also informed the Committee that there is increase in workload whereas the Ministry have informed that the workload has decreased in DS&D Office, Kolkata. They have, therefore, requested to review the said decision to downsize the DGS&D/DS&D staff and re-deploy the identified surplus/redundant staff in Kolkata office or adjust them in any of the Central Government Civil Offices located at Kolkata.

2.17. The Committee have been informed that SIU and ERC have made their recommendations in respect of downsizing of staff employed in DGS&D including the DS&D, Kolkata. Subsequently, discussions with the representatives of Supplies & Disposals Employees Association and Supplies & Disposals Class IV Employees Service

Union, Kolkata have been held by DGS&D, where all the connected issues arising out of implementation of the SIU as well as the ERC recommendations have been taken up. After examination of the recommendations of ERC and SIU, the Government have decided to implement the same. Since ERC and SIU have also given different requisite levels of the manpower for the organization, the Committee feel that there is a case for having an independent scientific manpower study for DGS&D/DS&D. The Committee accordingly recommend that before further reduction in the staff strengths of DGS&D Offices including the DS&D Office, Kolkata, a proper independent manpower study should be carried out.

2.18 The Committee have been informed that the DoP&T vide their O.M. No.11/1/2002-CSIII dated 26<sup>th</sup> March, 2002 have issued detailed guidelines for identification, reporting and redeployment of surplus staff. The Committee recommend that earnest efforts should be made by the Government to re-deploy the surplus staff of DGS&D Offices/DS&D in other Government Departments with a view to adjusting them without changing their place/city of posting. Similarly, affected employees/workers identified as surplus in the DS&D Office at Kolkata, be suitably adjusted in other Government Departments located at Kolkata.

## CHAPTER - III

### **ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS MADE BY THE COMMITTEE ON PETITIONS (THIRTEENTH LOK SABHA) IN THEIR TWENTY-SIXTH REPORT ON THE REPRESENTATION REGARDING NON-IMPLEMENTATION OF SELF-CONTRIBUTORY SUPERANNUATION PENSION SCHEME TO ALL ELIGIBLE PENSIONERS OF INDIAN AIRLINES LTD.**

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3.1 The Committee on Petitions (Thirteenth Lok Sabha) in their Twenty-sixth Report presented to Lok Sabha on 23<sup>rd</sup> April, 2003 had dealt with a representation regarding non-implementation of Self-Contributory Superannuation Pension Scheme to all eligible pensioners of Indian Airlines Ltd.

**3.2 The Committee had made certain observations/ recommendations in the matter and the Ministry of Civil Aviation were requested to implement these recommendations and furnish their action taken notes for the consideration of the Committee.**

3.3 Action Taken notes have been received from the Ministry of Civil Aviation in respect of the recommendations contained in the report.

3.4 The Committee will now deal with the action taken by the Government on their recommendations.

3.5 In para 2.20 of the Report, the Committee had recommended as under:-

“The main contention of the petitioners is that the Indian Airlines Ltd. Self-Contributory Superannuation Pension Scheme introduced w.e.f. 1.4.1994 had not been implemented for all the eligible employees of the Company. The amount of contribution paid by the eligible pensioners had been refunded back by the company on the plea that the scheme had to undergo a revision. As a result, the pensioners, the widows and dependents of deceased employees have been denied the benefits of the said Contributory Pension Scheme. The petitioners have,

therefore, requested that the benefits of Indian Airlines Self-Contributory Superannuation Pension Scheme should be extended to all the eligible pensioners and their dependents by effectively and fully implementing the scheme.”

3.6 In their action taken reply, the Ministry of Civil Aviation have stated:-

“Since the Scheme had to undergo a revision and the retirees were facing financial hardships, it was considered appropriate in the 10<sup>th</sup> Meeting of the Trust that the retirees desirous of withdrawing their money deposited by them may be allowed to do so. On the request of the individual retiree, the amount so deposited had been refunded back by the Trust. The withdrawal of money, however, will not affect the right of receiving the annuity as and when the changes are approved and advised to the retiree concerned.”

3.7 In para 2.25 of the Report, the Committee had recommended that:-

“While the Committee note that the finalisation of the ‘Deed of Variation, in January, 2003 would change the character and focus of the Pension Scheme from ‘Benefit Defined, to ‘Contribution Defined’, the Committee deprecate the inordinate delay in the implementation of the Self-Contributory Superannuation Pension Scheme in Indian Airlines. The Committee, therefore, recommend that timely and concerted efforts should now be made to fully implement the new Self-Contributory Superannuation Pension Scheme covering all serving employees of Indian Airlines and that it is made available to all eligible employees as per agreement entered into with a employees associations/unions. The Committee would like to be apprised of the conclusive action taken in this matter within three months of presentation of this Report.”

3.8 In their action taken reply, the Ministry of Civil Aviation have stated that:

- The final deed of variation agreed by the Union representatives was forwarded to law firms for their opinion on 23<sup>rd</sup> January, 2003.
- The Trustees in the 17<sup>th</sup> Meeting of the Trust held on 4<sup>th</sup> March, 2003 unanimously approved the revised Deed and accordingly placed signatures on the Deed of Variation.
- The above approval was intimated to the Board of Directors of Indian Airlines in the 65<sup>th</sup> Meeting held on 27<sup>th</sup> March, 2003. The Board noted the Deed of Variation incorporating amendments to change the Scheme from ‘Benefit Defined’ to ‘Contribution Defined’ and also that there is no financial involvement of Indian Airlines in the proposed change.
- The approval from the Commissioner of Income Tax was received on 27<sup>th</sup> May, 2003.

- The present scheme of pension now stands as Contribution Defined Pension Scheme.
- The process of building up the data base in respect of 19124 serving employees as well as 3746 retired employees is in progress. The above process includes collating the monthly as well as year-wise contribution for all the previous years starting from 1998-99 to 2002-03 in respect of the 22870 employees (serving as well as retired).

### **Observations/Recommendations**

3.9 The Committee note with satisfaction that the newly approved 'Contribution Defined Pension Scheme' is being implemented for all the eligible employees for their contribution made in the previous years. The Committee also note the assurance given by the Ministry that the withdrawal of deposit money by the needy retirees would not impinge on their right to receive annuity as per revised scheme. The Committee recommend that the Ministry of Civil Aviation should ensure effective implementation of the newly approved pension scheme expeditiously to enable the pensioners and their dependents to get their long awaited benefits under the scheme. The Committee also recommend that the process of collating and building up of a data base in respect of all the 22870 serving as also retired employees should be expedited so that the scheme becomes operational without any further delay.

## CHAPTER - IV

### **ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS MADE BY THE COMMITTEE ON PETITIONS (THIRTEENTH LOK SABHA) IN THEIR THIRTIETH REPORT ON THE REPRESENTATION REGARDING THE FUTURE OF BURNPUR UNIT OF BURN STANDARD COMPANY LTD.**

4.1 The Committee on Petitions (Thirteenth Lok Sabha) in their Thirtieth Report presented to Lok Sabha on 22<sup>nd</sup> July, 2003 had dealt with a representation regarding the future of Burnpur Unit of Burn Standard Company Ltd.

4.2 The Committee had made certain observations/recommendations in the Report and the Ministry of Heavy Industry and Public Enterprises (Department of Heavy Industry) were requested to implement those recommendations and furnish their action taken notes for the consideration of the Committee.

4.3 Action taken notes have been received from the Ministry of Heavy Industry & Public Enterprises (Department of Heavy Industry) in respect of all the recommendations contained in the Report. The recommendations made by the Committee and the replies thereto furnished by the Ministry are discussed in succeeding paragraphs.

4.4 In paragraph 2.21 of the Report, Committee had made the following recommendations/observations:-

“The Committee regret to note that Government are in a hurry to carry out disinvestment in PSUs. All the 49 PSUs under the administrative control of the Department of Heavy Industry have been categorised as non-strategic. Out of these, 26 have been taken up for disinvestment. The Committee find that the categorisation has been done without proper study and assessment. For instance, the Burnpur Unit of Burn Standard Company Ltd. is primarily in the line of manufacture of railway wagons, springs and forgings. The Secretary, Heavy Industries deposed before the Committee that as against the annual requirement of 65000 wagons, the indigenous production capacity is about 44000 only. The

Committee are, therefore, of the firm opinion that the Railway wagon manufacturing PSUs should be treated as strategic sector like the Railways. Accordingly, such PSUs should remain as PSUs only in the national interest. On an earlier occasion, on a reference from the Ministry of Industry, Railways did not agree to take over the Burnpur Unit. However, on a suggestion of the Committee, officers of the Ministry agreed to examine and pursue the proposal of making the Burnpur Unit of BSCL as a joint venture unit of BSCL and Railways. This will ensure regular supply of quality wagons to Railway as per their requirement. The Committee would like to be apprised of the progress made and concrete action taken in the matter within three months. Needless to emphasize that BIFR would be suitably apprised of the matter which has given time to the Ministry upto 31<sup>st</sup> July, 2003 for deciding the future of BSCL.

4.5 In their action taken reply the Ministry have stated:-

“All the companies under the administrative control of DHI fall under the non-strategic category. As regards making the Burnpur Unit of BSCL as a joint venture unit of BSCL and Railways, it may be mentioned that this Department had taken up the matter with Ministry of Railway, but they did not agree to take over the Burnpur Unit. However, this Department has again written to Ministry of Railway to explore the possibility of formation of JV.”

#### **Observation/Recommendation**

**4.6 The Committee note that the Department of Heavy Industries have taken up the matter with the Ministry of Railways to explore the possibility of making Burnpur unit of BSCL as a Joint Venture of the BSCL and the Railways. Since this unit manufactures wagons for the use of Railways, the Committee are of the firm view that the Burnpur Unit would be a more viable unit after its formation into a Joint Venture with the Railways. The Committee, therefore, recommend that all out efforts be made in coordination with the Ministry of Railways to pursue this matter conclusively. The Committee would like to be apprised of the progress made in this regard.**

**4.7 The Committee have come to know that Railways are in process of taking over Mokama unit a closed unit of Bharat Wagon. The Committee feel that since**

**Burnpur Unit manufactures good quality Railway wagons, taking over of this unit should be reconsidered by the Railways.**

4.8 The Committee in paragraph 2.22 of the Report made the following recommendation:-

“Examination of the Ministry of Heavy Industries and Public Enterprises has revealed that the quality of railway wagons manufactured by the Burnpur Unit is very good and at its full capacity utilisation, the unit can break-even. The Committee, therefore, would like the Ministry to coordinate with Railways for giving maximum orders to this Unit. This will also help in revival of the unit at the earliest.”

4.9 In their reply the Ministry have informed that presently, the order position is comfortable in BSCL including Burnpur Works. Ministry of Heavy Industries and Public Enterprises intervenes only when there is any serious problem.

#### **Observation/Recommendation**

**4.10 The Committee would like the Ministry to review and monitor the working of PSUs under its administrative control including BSCL with a view to providing necessary assistance and guidance wherever required.**

4.11 In paragraph 2.23 of the Report, the Committee recommended as under:-

“With the introduction of VRS, the number of employees in BSCL has come down considerably. As on 1.6.2003, the total manpower of the company is 1933. Out of these, 1177 employees are working in the Burnpur Unit. On the demand of employees for their wage revision which is due from January, 1997, the Ministry informed the Committee that in none of the PSUs under the administrative control of the Ministry of Heavy Industries & Public Enterprises placed at par with BSCL (i.e. loss making ones), pay revision has been allowed. The proposed pay revision would put extra burden of Rs. 7 crore per annum. Considering the increase in cost index since 1997, the Committee feel that the demand of employees for pay revision is genuine and should be considered positively. Enhanced pay will help in maintaining the morale of workers and production level high even with the reduced manpower level.”

4.12 In their reply the Ministry have stated that the Government have adopted a consistent policy that PSEs have to generate their own resources to meet the requirements on account of pay revisions. In case of sick PSEs, the Government are at times required to give financial assistance from their limited resources for payment of wages and salaries as per pay scales revised w.e.f. 1.1.1992. BSCL happens to be one of such sick PSEs. In such a situation the revision of pay scales w.e.f. 1.1.1997 is not possible for the present.

#### **Observation/Recommendation**

**4.13 The Committee reiterate that the Government should consider the plight of workforce in PSUs who are getting wages at the 1992 level and provide economic relief to the workers.**

4.14 In paragraph 2.24 of the Report, the Committee recommended that the BSCL should make all efforts to increase the production of wagons at Burnpur Unit to make the Unit viable.

4.15 In their reply the Ministry have stated that the recommendations of the Committee have been conveyed to the PSE for compliance. All efforts are being made to increase the production of wagons at Burnpur Unit.

#### **Observation/Recommendation**

**4.16 As recommended in paragraph 4.9 of this Report, the Committee trust that the Government would continue to monitor the working of PSUs under its administrative control with a view to giving them necessary assistance and guidance.**

4.17 In paragraph 2.25 of the Report, the Committee recommended that the Ministry of Railways should extend all assistance including free supply of certain items to this Unit as was done earlier.

4.18 In their reply the Ministry have stated that the Ministry of Railways have been requested to take necessary action on the recommendation of the Committee.

**Observation/Recommendation**

**4.19 The Committee would await conclusive action to be taken by the Ministry of Railways in this regard.**

**NEW DELHI;**

**5<sup>th</sup> January, 2004**  
**15 Pausa, 1925 (Saka)**

**BASUDEB ACHARIA**  
**Chairman**  
**Committee on Petitions**  
**Lok Sabha**

**MINUTES OF THE FORTY-FIRST SITTING OF THE COMMITTEE ON PETITIONS (THIRTEENTH LOK SABHA).**

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The Committee on Petitions sat on Monday, 14 January, 2002 from 1500 hrs. to 1720 hrs. in Committee Room 'C', Ground Floor, Parliament House Annexe, New Delhi.

**PRESENT**

Shri Basudeb Acharia - Chairman

**MEMBERS**

2. Shri S. Bangarappa
3. Shri Manibhai Ramjibhai Chaudhri
4. Shri P.R.Kyndiah
5. Smt. Renu Kumari
6. Dr. Nitish Sengupta
7. Shri V. Vetriselvan
8. Shri Ramjee Manjhi

**SECRETARIAT**

1. Shri Ram Autar Ram - Joint Secretary
2. Shri C.S. Joon - Deputy Secretary
3. Shri J.S. Chauhan - Under Secretary
4. Smt. Neera Singh - Assistant Director

**WITNESS**

1. Shri S.K. Purkayastha - Additional Secretary,  
Financial Sector
2. Shri N.Rangachary - Chairman, IRDA
3. Dr. J. Bhagwati - Joint Secretary  
(Capital Markets)
4. Shri Shekhar Agarwal - Joint Secretary  
(Banking Operations)

- |     |                       |   |  |
|-----|-----------------------|---|--|
| 5.  | Shri Ajit M. Sharan   | - | Joint Secretary<br>(Banking and Insurance)     |
| 6.  | Shri R. Renganath     | - | Director (Insurance)                           |
| 8.  | Ms. Bidisha Chaudhuri | - | Deputy Director<br>(Stock Exchanges)           |
| 9.  | Shri Praveen Mohnot   | - | Managing Director                              |
| 10. | Shri A.V. Rammamurty  | - | General Manager (IDBI)                         |
| 11. | Shri P.K. Bindlish    | - | General Manager (SEBI)                         |
| 12. | Shri D. Ravi Kumar    | - | General Manager (SEBI)                         |
| 13. | Shri S. Sarkar        | - | Zonal Manager (UTI)                            |
| 14. | Shri Nikhil Nagle     | - | Chief Manager (ICICI)                          |
| 15. | Shri Rajeev Kumar     | - | Research Officer – BO II<br>(Banking Division) |

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**Representation requesting to take action against Sanchayani Savings and Investments (i) Ltd., Kolkata and to Refund the Investments made by Small Investors.**

29. The Committee pointed out that more than 50,000 small depositors and investors money have been blocked in Sanchayani and desired to know if any FIR has been lodged against this company. The representative of the Ministry replied:

“We do have some information from RBI regarding Sanchayani Savings & Investments Limited. Essentially, this is a company which was incorporated in September, 1978 and started doing business from November, 1978. It was classified by RBI as a residuary non-banking company. Therefore, it is to be governed by the residuary non-banking companies directions of 1987. Once these

directions came in, there was a lot of litigation. One set of litigation is in Calcutta High Court, another set of litigation is before the Nagpur Bench of Mumbai High Court. Ultimately, all these things are now before the Supreme Court. So, there has been a whole history of litigation. I can read out the history to you. But there have been so many cases as a result of which there has been a major problem of functioning rather of returning the money to the depositors.

I mention that in 1997, just after the directions for residuary non-banking companies directions were issued, the company had challenged the order before the Kolkata High Court and obtained an interim stay order on that order. This was subsequently got vacated by RBI.

Then again in November, 1994, RBI issued prohibitory orders under section 45(k) of the Reserve Bank of India Act prohibiting the company from accepting deposits. Against this, the company went up to the Kolkata High Court. The High Court passed an order directing the Bank to allow the company to convert the investments made by it into approved securities. The Company was also given the liberty of accepting deposits from members of the public.

In the meantime, State of West Bengal had filed a public interest litigation against SSIL in 1994. The order that we are talking about is of 1996. But two years prior to that, the Government of West Bengal had filed a public interest litigation before the Kolkata High Court for protection of the rights and interests of the small depositors who belong to the weaker sections of the society. Kolkata High Court had passed an order in March, 1995 restraining the company from transferring or alienating or disposing of or dealing with the funds of the company. The company again preferred an appeal to the Division Bench. But the Division Bench upheld to order of the Single Bench. Meanwhile, Reserve Bank of India had undertaken inspection of the company's accounts, and thereafter issued a show-cause notice to the company as to why they should not be prohibited from accepting public deposits. This was issued in January, 1999.

In February, 1999, RBI issued an order to the company to stop immediately accepting any fresh deposits. They also advised the Chairman of all banks and institutions concerned, with whom this particular company had fixed deposits, not to allow the company to use the balances concept for the purpose of repayment of deposits. A special officer was also appointed to oversee the functioning of the company with effect from 1<sup>st</sup> April, 1999.

Then, the matter shifted to the Nagpur Bench of Mumbai High Court where a writ petition was filed challenging the

appointment of the special officer who was asked to oversee the functioning of the company. The Mumbai High Court passed an order of status quo.

Another writ petition was filed again in 1999 by the company thus requesting that it be declared neither NBFC nor RNBC. Earlier to that, in 1994,

there was again a petition before the Nagpur Bench of the High Court praying to the court to restrain RBI and other respondents from taking any steps for attachment of the properties of the company and also from appointing a receiver over the company. The High Court had given an interim relief to the petitioner by restraining RBI from taking further action. This was on that petition of 1994.

This petition, however, was ultimately dismissed in February, 1998 on technical grounds but was restored again in September, 1999 and is pending before the High Court of Mumbai.”

He further stated:

“SSIL also filed a criminal case in the court of the Judicial Magistrate, Nagpur under section 500, that is, relating to defamation against the Statesman of Kolkata and the Regional Director of West Bengal. Now, Kolkata High Court, in the meantime, has issued an order on 6 August and 10 August, 1999 prohibiting the company from accepting fresh deposits and has appointed a special officer to take charge of the assets of the company. The matter moved back again to the Kolkata High Court. The company filed an appeal against this before the Division Bench. The Division Bench, however, allowed the continuation of the special officer and the injunction on deposit acceptance. Against this, the company filed a special leave petition in the Supreme Court in September, 1999.

Further, an order of status quo, as on November 3, 1999, was passed by the Supreme Court. The RBI thereafter filed a transfer petition before the Supreme Court for transferring the cases before the Mumbai and Kolkata High Courts to the Supreme Court and to prohibit the company from accepting deposits from the public. This matter is now pending before the Supreme Court.

This is the history of the litigation that has taken place in respect of this company. There have been at least two orders prohibiting the company from accepting deposits. They have been able to get order by which they have been allowed to continue accepting deposits and to utilise them.”

30. When asked if the company has been allowed to continue, the witness replied:

“We expect that now this matter is before the Supreme Court and there will be a final resolution, and will, of course, be asking the RBI to try to get an early hearing of this matter.”

31. The Committee desired to know if the Nagpur High Court passed any order in favour of the company to withdraw the deposits from the Bank. The witness stated:-

“I do not have that information with me so far as the Nagpur Bench is concerned. Kolkata High Court, of course, had allowed the appointment of the special officer. On 6 and 10 August, 1999, Kolkata High Court had prohibited the company from accepting fresh deposits. It also appointed a Special Officer to take charge of the assets of the company.”

32. When pointed out if the company had gone to Supreme Court against the appointment of a Special Officer to take charge of the assets of the Company, the witness stated the company went to the Supreme Court against the Order. They went first on appeal before a single judge Division Bench which upheld the Order, then, they filed a Special Leave Petition before the Supreme Court.

33. The Committee desired to know if the Court orders were only for appointment of the receiver and attachment of the assets. The representative of the Ministry replied that the other thing was that RBI had issued an earlier order asking all the banks and institutions not to pay out from the deposits of SSIL except for repayment of the deposits. This was in 1999.

34. The Committee desired to have the financial figures, to which the witness assured that they can collect the figures and submit them.

35. The Committee desired to know about the deposits made and collected by the Company, their liabilities and status of small investors. The representative from the Ministry stated:

“We have some financial figures of this company. The company had invested Rs.88 crore in approved securities and fixed deposits. That was according the provision of the scheme. They have collected the total deposits of Rs.599.72 crore. Their total investments work out to Rs.476 crore. That is their investment. But the assessment is that the realisable value of their assets is only Rs.316 crore. So, there is net erosion, and they cannot meet all their depositors’ liabilities. This is the position. The matter is now in the Supreme Court and the Supreme Court has ordered maintenance of *status quo*. So, at the moment, depositors cannot be serviced as per this Order.”

36. When the Committee desired to know if there is any complaint filed against this company or the Director of this company by anybody, the witness replied:-

“I do not have that information. RBI has reported that they have not filed any FIR.”

37. When pointed out if there is no criminal aspect, the witness replied in positive and stated there was a criminal case before the court of Judicial Magistrate, Nagpur but that is against the Regional Director of West Bengal and Statesman Ltd. For defamation. It was not connected with the company

38. The Committee desired to know the amount of deposits collected by the company since 1990. The witness replied:-

“I do not have the figures for the deposits collected by the company right from early 1990s. But I do have the figures as on 31.3.2000. The total deposits collected were Rs.599.72 crore. Now, this company was, as per the scheme approved by RBI, supposed to invest all these deposits in approved securities and fixed deposits.”

39. When enquired if the Company had done investment as per the scheme approved by RBI, the witness stated:-

“In violation of RBI direction, they invested in various other categories. The realisable value of their investments at the moment is much less than their book value. So, this company has all along been challenging the direction of the RBI and the history of the case has been brought out. This company is a residuary non-banking company and is supposed to invest only according the scheme approved by RBI. They have challenged the very directions of RBI in respect of this scheme.”

40. The Committee desired to know if RBI was aware of the fact that these guidelines were blatantly violated by the company and in spite of that, that company was allowed to receive deposits. The witness replied:-

“From the note we have got from the RBI, I can answer this question partially. It cannot be a complete answer because the full details are not here. The residuary non-banking company directions were issued in 1987 and following that not only this company but several other companies also went before the Kolkata High Court and challenged the various provisions of those directions. They got an interim stay order. So, between 1987 and the time this order could be got vacated, these companies could go on collecting deposits. The Reserve Bank of India first issued an order on the 23 November, 1994 prohibiting the company from accepting deposits. Again that company went to the High Court and they were able to get orders, which to some extent still allowed them to go on accepting deposits. For a second time, the Reserve Bank of India, again carried out inspections and issued them a show-cause notice in January, 1999 to immediately stop accepting any fresh deposits. They also took the step of informing the Chairmen and executives of banks and financial institutions. In the meantime, the litigation shifted to the Nagpur Bench of the Bombay High Court and there were a series of orders that emanated from there. The Kolkata High Court issued orders in August, 1999 appointing a special officer and also prohibiting the company from accepting fresh deposits, thereby upholding the order of February, 1999 of the RBI. To that extend, it would seem that the RBI had been acting and there was this litigation but ultimately they were able to get orders, which supported their stand in the matter. Now, this matter, as I mentioned, is before the Supreme Court.”

41. When asked if RBI took any steps to caution small investors about the company, the witness stated RBI had inspected this particular company and thereafter issued the show-cause notice to them in January, 1999.

42. When pointed out as to why the RBI did not carry on the inspection before 1999, the witness replied in 1994 also they had issued an order, five years prior to this second order, prohibiting the company from accepting deposits.

43. When enquired about what happened from 1994 to 1999, the witness stated that the litigation went on.

44. The Committee further desired to know, where the investments were made. The witness stated:-

“While we have category-wise information about investments made like Rs.14 crore in equity shares and Rs.327 crore in real estates we do not have the exact break-up.”

45. When pointed out that Rs.327 crore in real estates is huge amount, the witness clarified that:

“They say they are housing loans. We will get the details whether part of it has gone to builders and developers. I do not have the break-up right now.”

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**MINUTES OF EIGHTIETH SITTING OF THE COMMITTEE ON PETITIONS  
HELD ON 16<sup>TH</sup> SEPTEMBER, 2003 IN COMMITTEE ROOM NO. 62,  
PARLIAMENT HOUSE, NEW DELHI.**

**The Committee sat from 14.00 to 16.15 hrs.**

**PRESENT**

Shri Basudeb Acharia - *Chairman*

**MEMBERS**

2. Shri Ram Rati Bind
3. Shri Ambati Brahmanaiah
4. Shri Anant Gudhe
5. Shri Shriniwas Patil
6. Shri Sunder Lal Patwa
7. Shri Sis Ram Ola
8. Dr. Bikram Sarkar

**SECRETARIAT**

1. Shri Brahm Dutt - Deputy Secretary
2. Smt. Neera Singh - Under Secretary

**WITNESSES**

**Representatives of the Ministry of Railways (Railway Board)**

1. Shri S.M. Singla - Member Staff  
(Railway Board)
2. Shri Anand Mathur - Executive Director Esstt. (N)

**SPECIAL INVITEE**

Shri K.P. Singh Deo, M.P.

**Representatives of the Ministry of Commerce & Industry**  
**(Department of Commerce)**

1. Shri S.K. Arora - Additional Secretary,  
& Finance Advisor  
(Department of Commerce)
2. Shri L.V. Saptharishi - Additional Secretary &  
Officiating DG (S&D)
3. Mrs. Veena Brahma - Joint Secretary
4. Shri M.K. Anand - Director

**Representatives of the Ministry of Steel**

1. Shri V.K. Duggal - Secretary
2. Dr. S.Y. Quraishi - AS&FA
3. Shri J.P. Singh - Joint Secretary
4. Shri P.K. Singh - Deputy Secretary
5. Shri Navin Soi - Deputy Secretary
6. Shri S.K. Sinha - Jt. DCI&S

2. The Committee took oral evidence of the representatives of the concerned Ministries/Organisations on the following subjects:-

- (i) The Ministry of Railways (Railway Board) on the petition regarding giving employment to the displaced families whose land has been acquired for Talcher-Sambalpur Railway link project of South-Eastern railway.

- (ii) The Ministry of Commerce & Industry (Department of Commerce) on the representation regarding grievances of the staff of Supplies and Disposal Office at Kolkata as a result of the downsizing of the Staff strength.
- (iii) The Ministry of Steel on the representation against the closure of the office of the Development Commissioner for Iron & Steel and its four Regional Offices (DCI&S Organisation).

3. At the outset the Chairman drew the attention of the representatives of each Ministry, to Direction 55(1) of the Directions by the Speaker regarding confidentiality of the proceedings. The Committee then put questions which were replied to by the witnesses on the subjects under consideration of the Committee.

4. A verbatim record of the proceedings was kept.

**The Committee then adjourned.**

**MINUTES OF THE EIGHTY-SEVENTH SITTING OF THE COMMITTEE ON  
PETITIONS (THIRTEENTH LOK SABHA) HELD ON 5<sup>TH</sup> JANUARY, 2004 IN  
COMMITTEE ROOM '62', PARLIAMENT HOUSE , NEW DELHI**

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The Committee sat from 15.00 hrs. to 16 .25 hrs.

**Present**

Shri Basudeb Acharia - Chairman

**Members**

2. Shri Ram Rati Bind
3. Shri Bikram Keshari Deo
4. Shri Anant Gudhe
5. Dr. Bikram Sarkar
6. Shri Ambati Brahmanaiah

**Secretariat**

1. Shri R.C. Ahuja - Joint Secretary
2. Shri Brahm Dutt - Director
3. Smt. Neera Singh - Under Secretary

**Witnesses**

**Petitioners**

1. Shri Virender Gupta,
2. Shri Pradeep Rawat
3. Shri K.M. Lal
4. Smt. Sushila Bhauguna

**Representatives of the Ministry of Railways (Railway Board)**

- |    |                   |   |   |
|----|-------------------|---|---|
| 1. | Shri K.K. Agarwal | - | Member Traffic                                |
| 2. | Shri Y. Singh     | - | Additional Member<br>(Commercial)             |
| 3. | Shri S.P.S. Jain  | - | Member Engineering                            |
| 4. | Shri A.K. Goyal   | - | Executive Director<br>Passenger (Marketing)   |
| 5. | Shri Uttam Chand  | - | Adviser/L&A                                   |
| 6. | Shri O.P. Chawla  | - | Joint Director                                |
| 7. | Shri J.P. Shukla  | - | Principal Chief Engineer,<br>Northern Railway |

At the outset the Committee considered the draft Thirty-Ninth Report of the Committee on Petitions and adopted the same with some minor modifications. The Committee also authorised the Chairman to present the Report to the House.

2. The Chairman welcomed the petitioners and invited their attention to the provisions contained in Direction 55(1) of the Directions by the Speaker regarding confidentiality of the proceedings. The petitioners placed before the Committee their grievances regarding improvement of railway facilities at Mandawali-Chander Vihar Railway Halt Station, East Delhi.

(The petitioners then withdrew and representatives of the Ministry of Railway attended the sitting).

3. The Chairman welcomed the representatives of the Ministry of Railways to the sitting of the Committee and invited their attention to the provisions contained in direction 55 (1) of the Directions by the Speaker regarding confidentiality of the

proceedings. The Committee then put questions relating to the representation regarding improvement of railway facilities at Mandawali-Chander Vihar Railway Halt Station which were replied to by the witnesses.

4. Considering the difference between the submissions made by the petitioners and the officers of the Ministry of Railways in regard to passenger amenities, the Committee decided to undertake an on-the-spot local study visit to Mandawali-Chander Vihar Halt Station, East Delhi, on 13<sup>th</sup> January, 2004 after having a sitting on that day.

5. The verbatim record of the proceedings was kept.

**The Committee then adjourned.**