

Title: Shri Basudeb Acharia called the attention of the Minister of Finance to the situation arising out of disinvestment of Juhu Beach Centaur Hotel, Mumbai.

**12.06 hrs.**

### **CALLING ATTENTION TO MATTER OF URGENT PUBLIC IMPORTANCE**

Situation arising out of disinvestment of Juhu Beach Centaur Hotel,

Mumbai and steps taken by the Government in regard thereto

SHRI BASU DEB ACHARIA (BANKURA): Sir, I call the attention of the Minister of Finance to the following matter of urgent public importance and request that he may make a statement thereon:

"The situation arising out of disinvestment of Juhu Beach Centaur Hotel, Mumbai and steps taken by the Government in regard thereto."

\*THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Sir, the facts regarding the sale of Centaur Hotel Juhu Beach, Mumbai, as appearing from the official records, are detailed below:

Disinvestment of the Hotel/flight kitchens of Hotel Corporation of India, a subsidiary of Air India, was initiated by Air India under the supervision of the Ministry of Civil Aviation. A Sub-Committee of the Board of Air India was constituted by the said Board to oversee the disinvestment process. On the basis of the Sub-Committee's recommendations, Air India appointed M/s. Jardine Fleming Securities India Limited (currently known as M/s. JP Mogan India Private Limited) as Global Advisors on June 6, 2000. An advertisement inviting Expressions of Interest from the prospective bidders was issued by Air India on October 11-12, 2000 for all the business of Hotel Corporation of India including Centaur Hotel Juhu Beach, Mumbai. The Sub-Committee, with the assistance of the Global Advisors, accomplished: (i) Finalization of the transaction structure of selling the individual business on slump sale basis; (ii) Finalization of the Confidential Information Memorandum; (iii) Shortlisting of bidders; (iv) Appointment of Legal Advisors and Asset Valuers; (v) Conducted data room study and due diligence by the bidders; and (vi) Finalization of transaction documents.

\*(Also Placed in Library, See No. LT 2056/05)

On 27<sup>th</sup> September 2001, based on a Government decision, the Department of Disinvestment took over the process of disinvestment in Hotel Corporation of India. After taking over the process, Department of Disinvestment constituted an Inter-Ministerial Group and adopted the transaction structure and transaction documents as finalized by Air India.

For the five businesses of Hotel Corporation of India that were offered for sale, the Qualified Interested Parties had already been identified. In respect of Centaur Hotel Juhu Beach, Mumbai, Expressions of Interest were received initially from 20 parties of whom three were found to be ineligible. Of the remaining 17 Qualified Interested Parties, 16 did not furnish the prescribed Expression of Intent Letters along with the Earnest Money Deposit of Rs.5 lakh, thereby withdrawing themselves from further participation from the disinvestment process. Therefore, there was only one Qualified Interested Party. On 24<sup>th</sup> October, 2001, the Global Advisors addressed the Qualified Interested Party, namely, M/s. Tulip Hospitality Services Limited (Hereinafter called THSL) asking it to submit its price bid on 6<sup>th</sup> November, 2001. THSL submitted its price bid on 6<sup>th</sup> November, 2001.

An Evaluation Committee comprising the concerned Joint Secretaries of the Ministry of Civil Aviation and the Ministry of Disinvestment and the Managing Directors of Air India and Hotel Corporation India under the Chairmanship of the Joint Secretary and Financial Advisor, Ministry of Civil Aviation met on 8th November, 2001. After detailed consideration of the asset valuation report prepared by the Asset Valuer (M/s. Kanti Karamsey & Co., Mumbai), the valuation report prepared by the Global Advisor and the merits and demerits of the various methods of valuation adopted by them, and the then prevailing market conditions, the Evaluation Committee determined the reserve price for Centaur Hotel Juhu Beach Mumbai at Rs.101.60 crore. The price bid, which was in a sealed cover, was thereafter opened by the Evaluation Committee on 8th November, 2001. The bid was for Rs.153.00 crore.

The Evaluation Committee recommended for acceptance the financial bid submitted by THSL of Rs.153.00 crore for Centaur Hotel Juhu Beach Mumbai, since it was above its determined reserve price. The Inter-Ministerial Group in its meeting held on 9th November, 2001 accepted the recommendations of the Evaluation Committee. The recommendations of the Evaluation Committee/Inter-Ministerial Group were accepted by the Core Group of Secretaries on Disinvestment on 9th November, 2001 and by the Cabinet Committee on Disinvestment on 10th November, 2001. Initially, Air India proposed to execute the Agreement to Sell by 21st December, 2001 and notified M/s. THSL. However, M/s. THSL made a series of representations from time to time, seeking extensions for conclusion of the transaction. Three extensions were given to M/s. THSL, the last being on 23rd February, 2002. These extensions were given apparently with the view to complete the sale of Centaur Hotel Juhu Beach Mumbai at a price of Rs.153.00 crore, which was above the reserve price of Rs.101.60 crore.

Since some concerns had arisen with respect to M/s. THSL's ability to meet the financial obligations under the transaction, a decision had been taken on 21st February, 2002 to invoke the Bank Guarantee of M/s. THSL and terminate the deal. However, the Chairman of M/s. THSL met the then Minister (Disinvestment) on 22nd February, 2002 and sought an opportunity to demonstrate M/s. THSL's intent to complete the transaction by producing his consortium of bankers before the Minister. On 23rd February, 2002, M/s. THSL and a consortium of bankers met the then Minister (Disinvestment) and committed to finance the sale transaction by 9th March, 2002. On this commitment, a further extension was granted on 23rd February, 2002 until 9th March, 2002. Since, 9th March, 2002 was a Saturday, high value clearing did not take place and, consequently, the transaction was completed on 11th March, 2002. The business

was transferred to M/s. THSL on 31st May, 2002 on completion of the required formalities.

As per the transaction Agreement, M/s. THSL, the purchaser, was bound to offer a Voluntary Retirement Scheme to the employees of the hotel by 30th May, 2003. Anticipating that the management might not offer the scheme in time, the Officers' Association filed a writ in the Bombay High Court on 9th May, 2003. On the directions of the High Court, M/s. THSL introduced a Voluntary Retirement Scheme (VRS) on 1st October, 2003. Not accepting this Scheme, the Association approached the High court again, but no relief was given by the Court. The Association then moved the Division Bench of the Bombay High Court on 1st July, 2004. The concerned parties reached an agreement on all critical issues on 6th August, 2004. On the basis of this agreement, M/s. THSL filed an affidavit before the Bombay High Court on 12th August, 2004.

As per report received from Hotel Corporation India M/s. THSL have released under VRS all the officers covered under Notice of Motion No.319 of 2004 in Writ Petition No. 1248 of 2003, namely, HCI Officers association and Others VS. HCI and Others. Hence this case stands disposed of in terms of Minutes of Order dated 31st December, 2004. Apart from the above, HCI has also informed that M/s. THSL have also released 140 unionised category of employees. Thus a total of 314 employees have been released under VRS.

The CAG took up the audit of this transaction in the month of February, 2004. Preliminary report from the CAG was received in January, 2005. Reply of the Government to the preliminary report was sent to the Audit in the month of January, 2005. The final report of CAG is awaited.

Latest available audited and unaudited reports of M/s. Tulip Hospitality Services Limited reveal that the company has incurred a net loss of Rs.34.66 crore for the year ending 31<sup>st</sup> March, 2003 and a net loss of Rs.36.08 crore for year ending 31<sup>st</sup> March, 2004. The existing loans of the Banks/Financial institutions to M/s. Tulip Hospitality Services Limited are secured by equitable mortgage of fixed assets.

It is learnt that M/s. Tulip Hospitality Services Limited is seeking strategic investors for their project. As per article 13.4 of the Share Purchase Agreement signed between Hotel Corporation of India (Vendor) and M/s. Tulip Hospitality Services Limited (Purchaser), "Neither this Agreement nor any benefits or burdens under this Agreement shall be assignable by either party without the prior written consent of the other party."

The public sector banks are vigilant in protecting their financial interests *vis-à-vis* the loans/banks guarantees provided by them to M/s. Tulip Hospitality Services Limited. The Ministry of Civil Aviation (Administrative Ministry of Air India/Hotel Corporation of India) is monitoring the other non-banking related post-disinvestment issues of erstwhile Juhu Beach Centaur Hotel, Mumbai.

SHRI BASU DEB ACHARIA : The sale of Centaur Hotel, Juhu Beach to Mr. Ajit Kelkar's M/s. Tulip Hospitality Services Limited was a highly questionable sale. Every stage of its disinvestment was dubious. It was sold at a throw away price of Rs.153 crore. Now, the market price of this particular hotel is more than Rs.350 crore. It means a profit of nearly Rs.200 crore was there for him in just two years. It is an incredible profit for a Group whose authorised share capital was mere Rs.5.05 crore. Now the new name of Centaur Hotel, Juhu Beach is Tulip Start, Mumbai.

According to the Minutes of the Air India Board meeting held on November 3, 1998, Shri Ajit Kelkar became a part of the sub-committee for the disinvestment of the Hotel. So, the seller and the buyer were the same person. The Hotel Corporation of India, which then owned the Juhu Beach Centaur Hotel, had also recommended to the sub-committee for the disinvestment of the Hotel Corporation of India. Its main objective was to meet the Air India's requirement as early as possible.

It is also surprising that Kelkar's M/s. Tulip Hospitality Services Limited was the sole bidder. The bid was submitted on 6<sup>th</sup> November, 2001. It was accepted and communicated through a confidential letter to Mr. Kelkar on 21<sup>st</sup> November, 2001. Though, it was made clear on the note that the payment of Rs.153 crore shall be made within 30 days – 30 days from the date of acceptance – and the last date of payment was 20.12.2001, yet he got extension after extension from the Ministry of Disinvestment and the money was finally paid in March, 2002.

Sir, the authorised share capital of M/s Tulip was only Rs. 5.05 crore and the company needed bank loan to purchase this property. To get bank loan, a sale agreement was necessary. In simple terms, the sale agreement was a security that the banks needed to clear the loan. M/s Tulip had no other security to offer. The pre-condition of the transaction document in regard to mode of payment of the amount by scheduled date approved by the Government of India was also violated and yet no other bidder was invited because the Ministry of Disinvestment was determined to see that Shri Kelkar alone acquired this property. Encashment of bank guarantee was held back by the Department of Investment. They decided to invoke the bank guarantee. Why did that decision of invoking the bank guarantee was not implemented? The extension for payment of money was given from 21<sup>st</sup> of December to 31<sup>st</sup> of December 2003. On February 23, the Minister of Disinvestment himself held a meeting with the representatives of M/s Tulip along with several bankers in which several nationalised banks agreed to give loan. The loan amount was to be disbursed on 9<sup>th</sup> March, 2002, the very date on which the sale agreement was to be signed. The nationalised banks and other financial institutions that agreed to advance the loan were Punjab National Bank, United Bank of India, Bank of India, LIC and UTI. It may not be wrong to say that public funds were used to give effect to the sale of public assets.

Sir, moreover, M/s THSL violated many conditions relating to employees. The Minister has stated in his Statement that all the employees were given VRS. But after the agreement was signed, employees were asked not to come for duty. There is a move to retrench almost all the unionised employees of the erstwhile Juhu Beach Centaur Hotel. I would like to know whether the background of a seller becoming a buyer was explained to Air India, Ministry of Disinvestment and Ministry of Civil Aviation.

Sir, in the first meeting of the Sub-Committee Shri Ajit Kelkar suggested that the fund that would come out by way of disinvestment of hotels under Hotel Corporation of India would be utilised for the benefit of Air India. I would like to know from the Minister, the Minister of Civil Aviation is also present here today, whether out of the Rs. 153 crore, how much fund was utilised for the benefit of Air India? Is

it also a fact that a member of Air India himself has asked this question about how much has been utilised out of that Rs. 153 crore for the benefit of Air India?

Sir, I would like to know why extension was given, whether extension was asked for in any other case of disinvestment and whether such an extension was given in other cases also.

Sir, how was the evaluation done? Within a year, the price of this Hotel is increased from Rs. 153 crore to Rs. 350 crore. I want to know whether it was undervalued and the hon. Minister may clarify this point. He has stated that a preliminary report was submitted by C&AG in the month of February. What were the observations of the Comptroller and Auditor-General of India? The Government of India has already replied to the observations made in that report. But what were those observations? Why was the Government in a hurry to go ahead with only one bidder who was not fulfilling the obligation as per the transactions? He was being pursued as he was trying to get time for delaying so far as the transaction was concerned. Sir, he was given extension time and again. I want to know whether it was in the knowledge of the Ministry of Disinvestment that the same person is the seller and the purchaser. When there was only one bidder and when he failed to fulfill the formalities, why was it not cancelled and why was not a fresh bid asked for?

Everything was done in a fraudulent manner. Sir, I demand that the disinvestment of Juhu Beach Centaur Hotel should be inquired into by CBI. I also demand that, as there are many questions arising out of this agreement, the agreement should be cancelled. It should be re-opened and should be inquired into by CBI to find out why a particular person was favoured, why was the value of this Hotel undervalued; and how, within a year, was the value of the particular Hotel increased from Rs. 153 crore to Rs. 350 crore.

Action should be taken against the persons who are responsible for this fraudulent deal. So, there is a case for inquiry by CBI. I want to know from the hon. Finance Minister as to whether he will hand over this fraudulent deal to CBI for a proper inquiry.

MR. SPEAKER: Now, we will take up item No. 8. Hon. Defence Minister to make a statement.

...(Interruptions)

MR. SPEAKER: We shall come back to the Calling Attention.

...(Interruptions)

MR. SPEAKER: It was fixed for 1230 hours. So, nothing unusual is being done.

...(Interruptions)

**12.39 hrs.**

**CALLING ATTENTION TO MATTER OF  
URGENT PUBLIC IMPORTANCE – contd.**

Situation arising out of disinvestment of Juhu Beach Centaur Hotel,  
Mumbai and steps taken by the Government in regard thereto

MR. SPEAKER: Shri Gurudas Dasgupta. Only questions please and no preface.

SHRI GURUDAS DASGUPTA (PANSKURA): Sir, this is one of the rare of the rarest examples of the Government which was in power at that time to deviate from normal accountable practices in order to give benefit to a person who was known to the Government, was connected with the Government, and who was on the Board of Air India.

MR. SPEAKER: What is your question?

SHRI GURUDAS DASGUPTA : It is rare of the rarest incidences.

MR. SPEAKER: You have made it.

SHRI GURUDAS DASGUPTA : Sir, I will take only two minutes. Another exceptional circumstance that you can find is this.

The hon. Minister himself had piloted the transaction. It is the Minister who did it!...(Interruptions)

MR. SPEAKER: What is your question?

SHRI GURUDAS DASGUPTA : Therefore, one plus one is equal to two. The Government did something which was not only ....(Expunged as ordered by the Chair) dubious but also against the interest of the country because this hostel was built with our money, the public money. The Government is holding in trust the public money....(Interruptions)

MR. SPEAKER: What is your question? I will not allow this. Rules are there.

SHRI GURUDAS DASGUPTA : I am coming to that.

MR. SPEAKER: Well-known rules are there. I am here to regulate the House proceedings according to the rules.

SHRI GURUDAS DASGUPTA : As I said earlier, the Government is holding in trust the public money. Therefore, the question arises. I would like to know whether the hon. Finance Minister takes note of the fact that the former Minister himself was interested in the deal. This is question number one.

Secondly, I would like to know whether it is palpably clear that the Department of Civil Aviation had deliberately pre-decided, pre-judged the sale.

Thirdly, this was all done to reap the benefit. I would like to know whether the benefit of the transaction had been distributed among those who decided the sale, among those who purchased it....(Interruptions)

MR. SPEAKER: These are assumptions. I cannot allow.

...(Interruptions)

SHRI GURUDAS DASGUPTA : This is a matter of inquiry. The Government should find it out....(Interruptions)

MR. SPEAKER: You can ask for an inquiry but do not make assumptions.

SHRI GURUDAS DASGUPTA : These should be the parameters of the inquiry.

MR. SPEAKER: Very good. You can suggest that but such assumptions will not be proper.

SHRI GURUDAS DASGUPTA : There is a parameter.

MR. SPEAKER: They are absent today. I cannot allow this. Therefore, you put the question.

SHRI GURUDAS DASGUPTA : There are four questions that I want to put to the hon. Minister of Finance. After four extensions, why did the banks come to the rescue of the bidder? ...(Interruptions)

MR. SPEAKER: Very well, you have put your question. Shri Shailendra Kumar.

SHRI GURUDAS DASGUPTA : There are just two more questions to be put. Why did the banks come to the rescue? Will the Minister clarify? Is it a part of the banking system to finance a palpably clear, fraudulent deal? Will the hon. Minister look into that?

MR. SPEAKER: Very strong words are being used.

SHRI GURUDAS DASGUPTA : My last question is this. I am not for any CBI inquiry. Let me be very clear. I demand an open judicial inquiry because the sale of the Centaur Hotel is an example of how India's old, the best public sector company was deliberately sold out to make money....(Interruptions) He is considering the seriousness of it. ...(Interruptions)

MR. SPEAKER: Next, Shri Shailendra Kumar. Are you putting the question?

**श्री शैलेन्द्र कुमार (चायल)** : अध्यक्ष महोदय, मैं क्वेश्चन ही पूछ रहा हूँ। ...(व्यवधान)

MR. SPEAKER: Shri Gurudas Dasgupta, you have made your point. Please sit down.

SHRI GURUDAS DASGUPTA : I would implore upon my friend Shri Chidambaram to kindly respond to it. He should not order just a CBI inquiry but should order an open judicial inquiry to put on toes those who were responsible for draining out India's public sector.

MR. SPEAKER: You have made your point more than clear. Shri Shailendra Kumar. You should put only the question. I will not allow a discussion. We are becoming too much habituated to making prefaces.

**श्री शैलेन्द्र कुमार** : अध्यक्ष महोदय, मैं आपके माध्यम से कहना चाहूंगा कि अभी माननीय मंत्री जी ने जुहू बीच सेंट्रल होटल, मुम्बई के बारे में वक्तव्य दिया जिस पर श्री बसुदेव आचार्य जी ने अपने तर्क से स्पष्टीकरण प्रस्तुत किया है। यह बहुत बड़ा घोटाला है। मैं आपके माध्यम से मंत्री जी से कहना चाहूंगा कि आप पूरी डील को कौंसिल करके इसकी सीबीआई जांच करायें। इसमें जो भी व्यक्ति दोषी पाये जायेंगे, उनके खिलाफ आप क्या कार्रवाई करेंगे ?

MR. SPEAKER: Next, Shrimati C.S. Sujatha. Please put your question only.

SHRIMATI C.S. SUJATHA (MAVELIKARA): Sir, in connection with the just referred issue, I wish to draw the attention of this House to the controversial sale of the ITDC Hotel, Kovalam in Kerala. I want a clarification regarding this. The C&AG made a clarification....(Interruptions)

MR. SPEAKER: ITDC Hotel, Kovalam has nothing to do with this. I am sorry.

SHRIMATI C.S. SUJATHA : It is the same subject.

MR. SPEAKER: No. I am sorry. Please wait for another opportunity! If there is a *ghotala*, then, you can come up with this.

Shri Rupchand Pal.

SHRI RUPCHAND PAL (HOOGHLY): May I know from the hon. Minister one thing? Is it not a fact that in the course of the reply given on the BALCO debate, the former hon. Finance Minister had given an assurance that every sale, every case of disinvestment would be scrutinised by the C&AG? ...*(Interruptions)* It was not made by you but the former Finance Minister made this in the course of the debate on BALCO. Here, the point is this.

It took about two years for CAG to be provided with the necessary details about the transaction after all these things have become public. The CAG preliminary report was received in January, 2005, that is, after more than two years. The reply of the Government to the preliminary report was sent in the same month, that is, January. What was the main thrust of the report? It is known to the public. It is nothing secret. What is the main thrust of the preliminary report? What is the response of the Government?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Sir, it is true that Shri Ajit Kerkar was a member of the Board of Air India at the relevant time. On 3<sup>rd</sup> November, 1998, Air India constituted a sub-committee to advise on the disinvestment of assets belonging to its subsidiary, the Hotel Corporation of India. On 10<sup>th</sup> December, 1998, the sub-committee decided to disinvest the hotels held by the subsidiary company and to appoint certain consultants. It is also true that on the very next day, 11<sup>th</sup> December, 1998, the Air India Board was reconstituted and Shri Ajit Kerkar's name did not figure in the reconstituted Board.

SHRI BASU DEB ACHARIA(BANKURA) : After the decision was taken!...*(Interruptions)*

SHRI P. CHIDAMBARAM: I have given the facts. It is also true that the Department of Disinvestment presumably with the approval of the Minister decided to invoke the bank guarantee. According to records, which I have seen, the decision to invoke the bank guarantee was taken twice.

The first decision to invoke the bank guarantee was taken on 1<sup>st</sup> February, 2002 directing that the bank guarantee be invoked unless M/s. THSL fulfil the requirements by the 4<sup>th</sup> February, 2002. On the 4<sup>th</sup> February, 2002, M/s. THSL submitted a bankers cheque for Rs. 10 crore to the Hotel Corporation of India. It appears from the records that representatives of M/s. THSL met the Secretary, Disinvestment on the 6<sup>th</sup> February, 2002 and offered to pay Rs. 5.3 crore by the 15<sup>th</sup> February, 2002. They signed the agreement to sell and buy and pay Rs. 10 crore by the 1<sup>st</sup> March, 2002 and execute the escrow agreement and pay the balance of Rs. 127.70 crore by the 10<sup>th</sup> March, 2002. It appears that some schedule of payment was agreed upon on the 6<sup>th</sup> February, 2002. That is why, it appears that the decision to invoke the bank guarantee was actually not carried out.

SHRI BASU DEB ACHARIA : I would like to know whether any undue favour was shown to a particular person?...*(Interruptions)*

MR. SPEAKER: This is not right. Mr. Acharia, please wait till he completes his reply.

SHRI P. CHIDAMBARAM: I am answering the question. It appears that M/s. THSL failed to meet these deadlines set in the schedule. On the 21<sup>st</sup> February, 2002, the Minister of Disinvestment once again ordered the invocation of the bank guarantee.

And the advisors served a notice on THSL and requested Air India to proceed for invoking the bank guarantee. It appears from the record that Shri Kerkar met the Minister on the next day, the 22<sup>nd</sup> of February, 2002 and based on some understanding reached on that day that he would bring the bankers to meet the Minister on the 23<sup>rd</sup> February, 2002, the decision taken to invoke the bank guarantee was not actually carried out. So, from these events, it is a reasonable inference that while on two occasions the Minister took the decision to invoke the bank guarantee, in subsequent discussions with the representatives of THSL that decision was not implemented and further indulgence was shown to Shri Ajit Kerkar and M/s. THSL.

Sir, out of the price of Rs. 153 crore, it appears from the record that the consortium of bankers had lent Rs. 129 crore. The question was about the valuation and the hon. Member asked me whether the hotel was under-valued. Obviously I cannot come to any final conclusion on the valuation because the matter is under examination by the C&AG. However, there is a Valuation Report which encloses, what is called, an Asset Valuation Report. The Asset Valuation Report was made by M/s Kanti Karamsey and Company. They have adopted two methods to value the asset. The first method was the reinstatement value as on 31<sup>st</sup> May, 2001 and that value has been given as Rs. 246.50 crore. The second method was the depreciated value as on 31<sup>st</sup> May, 2001 and that value has been given as Rs. 214.14 crore. This Asset Valuation Report was considered by the Global Advisors and the Global Advisors gave their report and that was considered by an Evaluation Committee on the 8<sup>th</sup> of November, 2001. But from the

minutes of the meeting of the 8<sup>th</sup> of November, 2001 I find that the Global Advisors had observed that the results of the Asset Valuation Report must be adjusted and the adjusted value of Centaur Hotel at Juhu Beach was put at Rs. 134 crore.

Sir, these are very complicated calculations and I do not think I should take the time of the House by disclosing the manner in which these calculations are arrived at. But the bottom line is, they put the value at Rs. 134 crore. Therefore, I infer that through a process of adjustment, the value reported by the Asset Valuation Report namely two values of Rs. 246.50 crore and Rs. 214.14 crore were adjusted and fixed at Rs. 134 crore.

As far as the Discounted Cash Flow method was concerned, that method yielded a range of Rs.81.70 crore to Rs.121.60 crore depending upon some assumptions that you will have to make for the DCF method. When the advisors were asked to give one number for the DCF value, they said, "if you want one number under the DCF value between Rs.81.70 crore and Rs.121.60 crore, we say that that is Rs.101.60 crore". It is that number, Rs.101.60 crore, which was taken as the reserve price. So, we have a reserve price of Rs.101.60 crore, which is the middle of the range of DCF value. We have two valuations given by the Asset Valuer, namely M/s Kanti Karamsey & Co., which is Rs.246.50 crore and Rs.214.14 crore. We have an adjusted value of Rs.134 crore and we have the bid of Rs.153 crore.

Whether the asset was under valued? I am afraid, speaking for the Government, I would have to await the C&AG's final report. Why was there a single bidder? I have given the facts in my statement. There was a single bidder because out of the original 20, three were disqualified and 16 withdrew, leaving only a single bidder.

Was Shri Ajit Kerkar both the seller and the purchaser? As on 10<sup>th</sup> of December 1998, Shri Ajit Kerkar was indeed a member of a sub-committee and a member of Air India Board and as a member of the sub-committee, he was a party to sell the asset. As on the day THSL put the bid, he was obviously the buyer of the asset. But in between, as I said, on 11<sup>th</sup> December 1998, he ceased to be a member of the Board of Air India.

Was the hon. Minister interested in the deal? The word 'interested' is a very loaded word. I cannot answer whether he was interested. Sir, it appears that the hon. Minister took an active interest in processing the transaction.

SHRI GURUDAS DASGUPTA : The hon. Minister piloted it. I thank Shri Chidambaram for saying that.

MR. SPEAKER: Your intermediate thanking is not necessary.

SHRI P. CHIDAMBARAM: He can thank me once for all in the end, Sir.

SHRI GURUDAS DASGUPTA : He said, the hon. Minister had taken an active role in processing. I said, he piloted it.

SHRI P. CHIDAMBARAM: I am using the words, which I am capable of using.

MR. SPEAKER: Yes, which you should use.

SHRI P. CHIDAMBARAM: The hon. Minister appears to have taken an active interest in processing the transactions.

SHRI GURUDAS DASGUPTA : *(Interruptions)\** â€

MR. SPEAKER: No interruptions, please.

SHRI P. CHIDAMBARAM: And not to be recorded, please.

MR. SPEAKER: Not to be recorded also. Yes, you are right.

SHRI P. CHIDAMBARAM: Did the Ministry of Civil Aviation pre-judge the sale? I doubt it. I do not think the Ministry of Civil Aviation really came into the picture at that time because as I said in my statement, the Ministry of Civil Aviation handed over the disinvestment process to the Ministry of Disinvestment. Here, it appears that the Air India Board appointed a sub-committee to commence the process. So, I have nothing on record to show that anybody may have pre-judged the sale.

Were benefits distributed among the people concern? I do not know what the word 'benefits' mean here, so I cannot answer this question. Why did the bank come to the rescue of the buyer? It appears that THSL and presumably Shri Ajit Kerkar, who was the Chief Promoter was able to persuade the banks that this was a bankable transaction.

**13.00 hrs.**

There is not one bank; there are seven banks. They form a consortium. They may have come to the conclusion that this is a valuable asset against which they are lending because the entire asset is an equitable mortgage to the bankers.

\* Not Recorded.

Purely from the banking point of view, as long as the loan was secured by an asset and as long as documentation was complete, perhaps the bankers thought that this was a bankable transaction. Whether they were encouraged to lend, these are not matters which can be found on record. Therefore, kindly wait until I make my concluding statement on this.

Now, Shri Rupchand Pal asked me if it is not a fact that the former Finance Minister gave an assurance that every disinvestment would be scrutinised by C&AG. Frankly speaking, I need notice to answer the question because I need to look into the records. I have not gone through the records, so I cannot say anything. If he has made a statement on the floor of the House that would be a part of the Parliamentary record. But, I am willing to look into the record if you indicate me broadly the month or the year in which he made the statement. I will look into the record and send you an answer. I do not know the answer to the question.

Sir, what remains to be answered is the inquiry by the C&AG. C&AG has indeed made, what is called, a Report on Audit. It is a very long Report. The Ministry of Finance, Department of Disinvestment has responded to that audit Report. I believe, our response is fair, objective, unbiased and factual. I am awaiting the final Report of C&AG. I was informed this morning that C&AG is likely to submit its final Report very shortly. In the meanwhile, we have some information about what happened post-disinvestment. According to the information given to me by the Ministry of Civil Aviation, the total number of employees of the erstwhile Centaur Hotel, Juhu was 801. Both under the category of VRS and resignations; 593 employees have left the service leaving a balance of 208 employees. Again, according to the information given to me by the Ministry of Civil Aviation, it is learnt that the remaining 208 employees are receiving their salaries. I cannot say whether they are receiving the salaries on the due date or up to date. I have also received information from the banks concerned. M/s. Vijaya Bank have reported that there was a proposal from the Hotel to sell 55,000 square feet of land to a party, and Vijaya Bank had issued a No Objection Certificate in the year 2003. I have also received information that the borrower defaulted in payment of interest from the very beginning. Due to irregularities in repayment of instalments and servicing the interest, the account became an NPA with effect from November, 2002. When these irregularities came to the notice of the bank, the bank issued a public notice and published a cautionary notice in newspapers advising the members of the public not to deal with the company's assets charged to the bank without the consent of the bank.

M/s Vijaya Bank also decided to go ahead with the filing of a winding up petition in order to prevent the company, that is, M/s THSL, from transferring its assets or shares to a third party without the knowledge of the bank. It appears the bank has taken some pre-emptive action. As I said, the Report of the C&AG is expected.

The Bank of India has reported that out of Rs.129 crore, Rs.99 crore was converted into an ECB loan against the bank guarantee issued by the Bank of India, UBI, Canara Bank and the Punjab National Bank. M/s Vijaya Bank and the Indian Bank have not joined in that guarantee. They continue as regular term loans, RTLs. The Bank of India has reported that they have been informed by M/s THSL that they are looking for a strategic investor for the project. They propose to bring in a strategic partner into the company. Therefore, we have conflicting reports. One bank has reported that the company is apparently trying to sell the assets against which that bank has published a cautionary notice. Another bank has reported that the company intends to bring in a strategic partner into the company. Now I do not know which of these reports is correct. I also do not know what is the intention of M/s THSL. We have to be prepared for either eventuality and take appropriate action to defend the interest of the bankers.

Therefore, for the present, all I can say is this. My Ministry will advise the bankers to take all pre-emptive and protective legal and other action in order to secure the loan and the monies due to the banks. The Ministry of Civil Aviation has been advised to look into all the non-banking post-disinvestment issues. Once I get the C&AG's Report, we will decide whether it calls for further action. If further action is required and further inquiry is to be made, we will then take a decision what kind of inquiry should be made into this matter.

SHRI BASU DEB ACHARIA : Sir, as per the reply given by the Finance Minister, it is a fit case for the inquiry to be made by CBI. What is the difficulty in handing over this to CBI? Or, a JPC will inquire. ...(*Interruptions*)

SHRI GURUDAS DASGUPTA : Why can he not say that an inquiry should be conducted?...(*Interruptions*)

MR. SPEAKER: I cannot answer for him. You are asking me.

...(Interruptions)

MR. SPEAKER: Prof. Ram Gopal Yadav has to mention an important matter.

...(Interruptions)

SHRI GURUDAS DASGUPTA : There are a lot of irregularities. We should inquire into the irregularities.  
...(Interruptions)

MR. SPEAKER: Only the speech of Prof. Ram Gopal Yadav will go on record.

(Interruptions)\*

MR. SPEAKER: You have raised an important matter. The hon. Minister has replied to it.

\* Not Recorded.