

SEVERAL HON. MEMBERS: Yes.

SHRI SHYAMNANDAN MISHRA: After the Chair goes through the proceedings, it will find its position untenable. This is my respectful submission. After you go through the proceedings, you will find your position untenable. (Interruptions).

MR. CHAIRMAN: That point is over. I have moved on to other question. I am taking the consensus of the House on Half-an-hour discussion because in the agenda papers, only half-an-hour has been allotted for discussion. (Interruptions).

SHRI NATWARLAL B. PARMAR (Dhandhuka): Sir, there is no quorum.

MR. CHAIRMAN: He says that there is no quorum. Let me count. (Interruptions)

PROF. P. G. MAVALANKAR: Shanti Bhushanji, this is not fair; please do not do this. (Interruptions).

SHRI SHANTI BHUSHAN: He is not pressing his objection on quorum. (Interruptions).

18.42 hrs.

HALF-AN-HOUR DISCUSSION

CHARGES AGAINST THE MANAGING DIRECTOR OF SOUTH INDIA VISCOSE

MR. CHAIRMAN: Now, we take up Half-an-Hour Discussion. Shri Jyotirmoy Bosu.

SHRIMATI INDIRA GANDHI
Chairman

CENTRAL YOUTH ADVISORY COMMITTEE

S. INDRASAIN REDDY
General Secretary.

SHRI JYOTIRMOY BOSU (Diamond Harbour): I am raising the discussion on charges against the Managing Director of South India Viscose and its sister concern, Madras Aluminium. I would like to say that there is a gloomy picture of mismanagement, malpractice, fraud, invoice manipulation, misappropriation of public money, violation of economic laws. What we see in case of South India Viscose and its sister concern, Madras Aluminium, is a common feature of the private economic empire today. The capitalist path of development is the profit as the motive. And this is inevitable because maximisation of profit is the sole objective here. And that is not an isolated case. But since information of allegations against this company have reached us, it needs to be high lighted and we want information from the Government as to what they proposed to do in this regard. We do not wish to go into the quarrel that is now coming within the family we are not interested. Government should ensure that decision should not give undue benefit to any private party. But the benefit should go to the people of the country, and to the Government. For two brothers' quarrel and anxiety to loot, the nation cannot suffer. The worst part is that Shri Venkataswami Naidu, the present Managing Director, was able to purchase protection, help and patronage from Shrimati Indira Gandhi and her Youth Congress leaders like...**Indersain Reddy, General Secretary, Youth Congress, 10, Janpath, and many others. I have a photostat of a letter which reads like this. The top of the letter head is:

INDIAN YOUTH CONGRESS
COMP OFFICE.

No. 10, JANPATH,
NEW DELHI:

28th OCTOBER, 1976.

**Expunged as. ordered by the Chair.

"Dear Shri Venkataswamy Naiduji,

In continuation of our discussions in Delhi, I am writing this letter. I had detailed discussion with Gokhaleji about your Viscose matter. It seems Mr. Chandrasekhar has also spoken to him.

Gokhaleji has already signed the file giving you only one year as the charges against you are quite serious. I managed to stop issue of the letter communicating this to you."

He managed.—

"I also stopped any enquiry being conducted against you"

—This is most interesting.—

"Please come yourself or send Manohar to Delhi so that we can settle matters here".

What settlement, I leave you to guess.

SHRI K. P. UNNIKRISHNAN (Badagara): Are you laying it on the Table of the House?

SHRI JYOTIRMOY BOSU: I would like to lay it on the Table of the House, authenticated by me.

SHRI K. P. UNNIKRISHNAN: Who signed this?

SHRI JYOTIRMOY BOSU: S. Indrasain Reddy, Youth Congress leader. The Company Affairs Minister is present here.

MR CHAIRMAN: Are you laying it on the table? It will be examined by the Speaker.

SHRI JYOTIRMOY BOSU: Thank you.

In reply to Unstarred Question No. 55 dated 21-2-1978, he confirmed that there were serious allegations and charges—note the word—against the Managing Director of South India Viscose and Madras Aluminium Co. Ltd. The House was told that

CBI Enforcement and Customs were asked to enquire into them. I would like the hon. Minister to tell the House what sort of investigation the Company Law Board asked the CBI Enforcement and Customs to undertake. Were they given specific charges and asked to investigate these charges? Were adverse remarks pending against Mr. Naidu in existing remarks? Also may I know whether the investigation was done under section 237 of the Companies Act; if not, what were the reasons for the same?

Besides, charges of manipulation, foreign exchange account, company funds, contravention of Companies Act were also alleged. Is it also a fact that Naidu invested money in companies like SAE (India) Ltd. an Indian subsidiary of a foreign Company? Is it a fact that he placed large orders to the tune of Rs. 5 crores in companies like ACCL, of which he is also the Chairman? Did he obtain the specific permission of the Company Law Board before diverting South India Viscose funds to companies under the same management?

It is alleged that one-time followers of Indira Gandhi like Rajni Patel and Narender Kapadia are also a party to this alleged swindle. I have given notice of the allegations. I regret if these allegations are true.

SHRI K. LAKKAPPA (Tumkur): How is it relevant?

SHRI JYOTIRMOY BOSU: Not only the Indira Gandhi Government stands concerned, but this Government also stands in the dock. The late Shri Gokhale in the most corrupt Government of Indira Gandhi even did not dare to give Naidu more than one year. From the sister concern of Madras Aluminium, Naidu and Brother, both had to be removed for mismanagement, bungling and malpractices.

SHRI JAFFER SHARIEF (Bangalore North): What about the Morarji Government?

SHRI JYOTIRMOY BOSU: I have said they are in the dock. I have clearly said that.

How could Naidu, and for that matter also if need be, his brother be fit for South India Viscose Managing Directorship? IDBI was asked to enquire into the matter. It is alleged that Naidu influenced certain IDBI officials and the report has been suppressed. I would like the report to be laid on the Table of the House if the hon. Minister has a clean slate behind this.

The money of Madras Aluminium Co. belongs to the people. The Tamilnadu Government, I am told, has invested Rs. 9 crores in this. Electricity bills and arrears to other financial institutions total Rs. 1.2 crores. Narendar Kapadia, a member of the Advisory Committee of the IDBI, is alleged to have helped suppression of the adverse report.

Madras Aluminium Company, one of the four primary aluminium producing companies, with a total share capital of Rs. 6 crores, with a turnover of Rs. 20 crores, with Government and the financial institutions holding 60 per cent shares, is it or is it not a fact, Shri Shanti Bhushan, that Shri Naidu with one per cent share is controlling it, and in the loot, Alumetal of Italy, the foreign collaborators, are having the cream out of it?

Invoice manipulation is a common feature in the country. Shri Naidu is alleged to have got fat cuts in payments made to the Italian Collaborators for on account purchase of equipment and machinery abroad.

Is it a fact that due to mismanagement, share values of Madras Aluminium has come down to half? Is it also a fact that due to losses, depreciation in 1975-76 could not be provided? Is it also a fact that arrears in payment to the financial institutions amount to Rs. 120 lakhs? Is it also a fact that arrears of preference share

divided to the extent of Rs. 80 lakhs is pending payment and the equity shareholders have received no dividend for 1972? These are all the monuments of mischief within the same family.

South India Viscose invested Rs. 15 lakhs in shares in SAE, which is a subsidiary of a foreign company. South India Viscose produces goods worth Rs. 25 crores per year. Because of deep manipulations by Dr. Rosy, an Italian, in price settlement, the prices quoted are invariably lower than in the market.

I want to ask Shri Shanti Bhushan of these questions. Is it a fact that Dr. Rosy's house and office were raided by the Enforcement Directorate under instructions from the CBI? There were allegations that when ACCL was in bad shape, with accumulated loss of Rs. 3 crores, Shri Naidu became the Chairman of this Company with the help of Dr. Rosy. Is it a fact that Shri Naidu placed an order on ACCL for Rs. 3 crores at inflated price on the pretext of meeting the requirement of equipment of South India Viscose? This is one way of looting South India Viscose also. Is it a fact that Rs. 75 lakhs has been paid as advance by South India Viscose to ACCL of which Shri Naidu is the Chairman against this order? Is it also a fact that there are specific reasons for the Central Board of Direct Taxes passing orders, transferring all income-tax files of these two companies and of Shri Naidu to a special cell and, if so, what is the reason?

There are serious allegations against both the brothers. There are malpractices in EID Parry Limited also. There is shortage in stock of fertilizers to the extent of Rs. 70 lakhs. EID Parry is saddled with the management of ACCL, with Chairman Shri Naidu, like OMEGA Cables.

There is a serious allegation by one Shri Iyer—I do not know about his antecedents or background; the hon. Minister can enlighten the House—that

one CBI official, Shri Sabapathy came to intimidate him in his village. It is reported that Shri Iyer made complaints against Shri Naidu.

Regarding the import of capital goods, for which sanction for Rs. 6.5 crores was given in 1966, it included know-how fees also, which is not permissible. Is it not correct? Was it not done through the backdoor?

There are details of only 23 items, which were actually imported, against the original requirement of 43 items which were needed. We suspect there is some foul play in the whole matter. Even if there is price rise, was the cost of the 23 items equivalent to the original quotation of the 43 items? Is it a fact that the quotations were much higher, compared to other foreign suppliers to the neighbouring countries?

Why did the CBI and the Enforcement Directorate of the Customs under the present regime take one year and four months to enquire and submit a report? I deprecate this. I am sure the House is with me in this matter.

There are serious malpractices in sales and purchases. Since rayon yarn staple prices are quoted daily in the bazar, a check on the sale price of South India Viscose and market quotations is necessary to get at the truth. I am suggesting this because both these companies are very important in the national industrial life, especially in the share of providing employment.

Aluminium is a very scarce raw material, for which there is an acute shortage. Because of high petroleum price, all rolling stock should be made of aluminium and it should be reserved for that. In fact, this should be in the public sector.

I demand the nationalisation of Madras Aluminium. 60 per cent of its capital is of Government and institutional advances. South India Viscose also has enormous Government loans and advances. Now the shareholders' money is being misappropriated and

mismanaged. Government should ensure that none of the brothers has any access to this organisation and they should not be allowed to come near it.

The only way out is that it should be made into a Government run company and an assurance should be given that none of the brothers and other cronies and opportunists is allowed to come in the management and a thorough high level enquiry from every possible angle is to be instituted immediately and the Report should be laid on the table of the House. Thank you.

MR. CHAIRMAN: Mr. Minister.
(Interruptions)

THE MINISTER OF LAW, JUSTICE AND COMPANY AFFAIRS (SHRI SHANTI BHUSHAN): First of all, I have to reply.

SHRI K. LAKKAPPA: The procedure adopted is....

SHRI SHANTI BHUSHAN: The procedure is laid down in Rule 55. May I now invite your attention, Mr. Chairman, to Rule 55 clause (5), which says:

"There shall be no formal motion before the House nor voting. The member who has given notice may make a short statement and the Minister concerned shall reply shortly. Any Member who has previously intimated to the Speaker may be permitted to ask a question for the purpose of further elucidating any matter of fact."

The hon. Member has, of course, made what was supposed to be a short statement and I am supposed to give reply. Thereafter, any questions for elucidation can be asked.

SHRI MALLIKARJUN (Medak): Once we hear the Minister, what questions can we ask? Therefore, the Members who have given prior intimation.... (Interruptions)

SHRI K. P. UNNIKRISHNAN: It is a part of the whole discussion.

MR. CHAIRMAN: In the ballot, four Members have got priority to out questions. I will ask one by one to put questions if time permits.

SHRI MALLIKARJUN: Once the Minister gives the reply, those members who have given their names cannot put any questions. Let him wait and hear all the questions and then give his reply to them. (*Interruptions.*)

MR. CHAIRMAN: I will ask the Members to put questions. Shri Yuvraj.

श्री युवराज (कटिहार) : सभापति महोदय,

श्री नायडू के खिलाफ बहुत ग्रेव एलीगेशनस थे और स्वयं विधि मंत्री जी ने पिछली 25 तारीख को अपने जवाब में कबूल किया था कि—
He has ceased to be the Director of Madras Aluminium.

माननीय गोखले जी ने एक वर्ष के रिपवाइटेड-मेंट का प्रपूर्व उन को दिया था और जब उन को बहुत चार्ज प्राप्त हुए तो उन्होंने बीच में अपना प्रपूर्व रोक दिया, उस की एन्क्वायरी होने लगी। जब इन के वक्त में यह मामला आया तो उन्होंने बहुत मेहरबानी कर के श्री नायडू जो मद्रास एल्यूमिनियम के डाइरेक्टर थे उन को तो रोक दिया लेकिन इंडियन एल्यूमिनियम की जिम्मेदारी भी उन पर थी, उस से उन को मुक्त नहीं किया। अपने ब्यान में उन्होंने इस बात की ओर इशारा किया है कि श्री नायडू के विरुद्ध ग्रेव एलीगेशनस हैं और इन तमाम बातों की वह जांच करायेंगे। जांच कराने के पूर्व जो शुरू से श्री नायडू के विरुद्ध ये आरोप आए जिन के सम्बन्ध में पिछली गवर्नमेंट के वक्त में डायरेक्टर इन्फोर्समेंट या सी बी आई की तरफ से जो जांच करायी गई उस में केवल इतनी ही बात कही गई कि कोई ऐडवर्स एन्डी नहीं है और जो बात आई थी उस की जांच उस समय इन के मार्फत नहीं करायी गई। केवल उन के डैरेक्टर रोल या कॉन्फिडेंशियल रिपोर्ट की जांच करायी गई और यह कहा गया कि कोई ऐडवर्स एन्डी नहीं है।

लेकिन इन के जवाब से यह बात स्पष्ट है कि जिन पदों को वे हलक करके दे सकी जो उन की जिम्मेदारी थी जैसे मद्रास एल्यूमिनियम की जिम्मेदारी उन पर थी, उस जिम्मेदारी से उन को मुक्त कर देना यह प्रमाणित करता है कि आरोप प्राइमा फेसी था। मैं यह जानना चाहता हूँ कि ऐसे करंट अफसर को दोबारा एक्सटेंशन न देने या उस के खिलाफ जो कार्यवाही की जा सकती थी, उस को सेवा से मुक्त किया जा सकता था या जो री-अप्वाइंटमेंट का प्रपूर्व दिया गया है उस का वापस लिया जा सकता था, उस को वापस न लेने या फर्दर एक्सटेंशन ग्रांट न करने में सरकार को क्या लोगल कठिनाई है ?

19.00 hrs.

SHRI V. KISHORE CHANDRA S. DEO (Parvathipuram): On the 25th July when this question was answered, we were given to understand that the income-tax files of this company and of some of those Managing Directors had been transferred to the Central Circle in Delhi—to a special cell. I would like to know from the hon. Minister as to what have come out of these investigations. I would also like to know from the hon. Minister whether the Company Law Board has been kept informed about these investigations which have been taken up by the income-tax authorities. Also I would like to know from the hon. Minister as to what was the investment of public financial institutions in this group of companies, and why these public financial institutions are supporting such a corrupt man who has been involved in misappropriation amounting to lakhs of rupees. I would also like to know from the hon. Minister whether a relation of the Director of the IDBI has been appointed as the Managing Director of MALCO—with the permission of the Ministry obviously.

SHRI MALLIKARJUN (Medak): Mr. Chairman, Sir, rightly agreeing with my hon. friend, Mr. Jyotirmoy Bosu—might be malpractices or misappropria-

tion of the funds of South India Viscose—I want to know this. What the Company Law Board had guided in this matter was that the Company Law Board had urged on the IDBI to conduct investigations. What is the outcome of these investigations? It is not merely that Mr. Naidu is the Managing Director. There is one Mr. P. R. Ramakrishnan. He is also a Managing Director. After the investigations of the IDBI, the Executive Directors have taken a decision to dismiss Mr. P. R. Ramakrishnan and his son, Mr. R. Prabhu, who is the General Manager of this firm. What for? Because these people are the Managing Directors of Jaipur Sugar Company also, and the Finance Minister and the Agriculture Minister have made a statement in this august House last session about their tax evasion—they have indulged in black-marketing to the tune of selling 14,000 tonnes of levy sugar and evading tax.... (Interruptions)

MR. CHAIRMAN: Put the question.

SHRI MALLIKARJUN: Apart from that, the most vital point is this Mr. Jyotirmoy Bosu has spoken and read out a letter. On the 25th of this month, Mrs. Mrinal Gore read out a letter here regarding Indrasen Reddy. Now he has also tabled the same letter....

MR. CHAIRMAN: Mr. Mallikarjun, we are interested in hearing the Minister also. Please put your question.

SHRI MALLIKARJUN: I have also got a letter from Mr. Indrasen Reddy. He has written to the Speaker. I am reading out that letter. This has been written to hon. Shri K. S. Hegde, Speaker, Lok Sabha:

“I have gone through the Parliamentary proceedings dated the 25th July, 1978....”

MR. CHAIRMAN: What is your question?

SHRI MALLIKARJUN: This is my question. Please listen to me. When we are discussing a matter for half an

hour, why don't you have patience to hear?

MR. CHAIRMAN: That means, you will not hear the Minister's reply.

SHRI MALLIKARJUN: “.....dated the 25th July, 1978 relating to the discussion on the approval by the Government of one Shri R. Venkataswamy Naidu as the Managing Director of South India Viscose. I am surprised and shocked to read about the reference made by Mrs. Mrinal Gore, Member, Lok Sabha of a letter dated the 28th October, 1976, alleged to have been written by me to Shri R. Venkataswamy Naidu. As a matter of fact, till today I could not know who Shri R. Venkataswamy Naidu or Shri Manohar is—whose names are mentioned in the said letter. It is, therefore, quite obvious that the letter cited by Mrs. Mrinal Gore on the floor of the House on 25th July must be rank forgery and must be....”

SHRI VAYALAR RAVI: It is a matter of privilege. I am rising on a point of order. You must ask Mr. Mallikarjun to take the responsibility. (Interruptions) On a point of order.

Mrs. Mrinal Gore and Mr. Jyotirmoy Bosu are two hon. Members of this House. They read out a letter to the House.... (Interruptions) Mr. Mallikarjun must take the responsibility of this letter. Otherwise he must withdraw it. It is a privilege (Interruptions) He must take the responsibility.

MR. CHAIRMAN: Mr. Mallikarjun the question was debated. What is the point?

SHRI MALLIKARJUN: You have allowed him to read the letter but why cannot you allow me?

I am submitting to the Speaker to send it to the CBI for investigation whether it is a forgery or not. Now, the point is that since he has mentioned....

MR. CHAIRMAN: You are not putting a question. You are making a speech. What is the point?

SHRI MALLIKARJUN: I am coming to the point.

MR. CHAIRMAN: When are you coming?

SHRI MALLIKARJUN: Now he has taken the name of**...who is a member of the other House. Now a breach of privilege is also involved. She was also a member of this House....

MR. CHAIRMAN: He will not hear anybody.

SHRI MALLIKARJUN: However. Chairmansaheb, I am tabling this letter which has been addressed to the Speaker to please send it to the CBI for a proper investigation. Then I request the Law Minister to come with the investigation reports. Now, properly I put three questions to the hon. Law Minister. One....

SHRI K. P. UNNIKRISHNAN (Badagara): Now, on a point of order.—Mr. Mallikarjun.

SHRI MALLIKARJUN: Tahro Bai, what is the point of order?

SHRI VAYALAR RAVI (Chirayinkil): I am on a point of order...*(Interruptions)* ..

AN HON. MEMBER: Please quote the rule.

SHRI VAYALAR RAVI: 376.

MR. CHAIRMAN: The hon. Member has raised a point of order. Please sit down.

SHRI VAYALAR RAVI: The hon. Member was just now quoting a letter. In the name of asking a question, he was quoting a letter from a person who is not a member of the House. It is supposed to have been written to the Speaker of the House. If it is a letter

supposed to have been written to the Speaker, it is for the Speaker to decide whether he should mention it in the House or not. It is not for any member to bring a copy and quote it without the consent of the Speaker. So, it is quite irregular. It is not in order to place on the Table or read out a letter in this House which is supposed to have been written by some body else to the Speaker against a member of the House. It is against the Rules and he has not got your consent. It cannot go on record and it should be deleted...*(Interruptions)*.

MR. CHAIRMAN: Mr. Mallikarjun, you will not hear anybody, even me. Mr. Ravi, I will go through the proceedings and I will see. If there is anything which is not proper, I will expunge it.

SHRI K. P. UNNIKRISHNAN: I am on a slightly different point of order. Here something extra-ordinary has happened, it has happened before in this House also....

SHRI JYOTIRMOY BOSU: Many a time.

SHRI K. P. UNNIKRISHNAN: When Mr. Madhu Limaye raised an allegation Modi Rubbers, Mr. Modi wrote a letter to the Speaker and that was released to the Press saying that the document in question was a forgery.

Now, my friend, Mr. Mallikarjun..,

SHRI VAYALAR RAVI: It is a privilege issue.

SHRI K. P. UNNIKRISHNAN: My friend, Mr. Mallikarjun, I am sure, is a good friend and he is very responsible....

MR. SPEAKER: He will not hear you.

SHRI K. P. UNNIKRISHNAN: Please listen. He has said that what

Mrs. Mrinal Gore read out the other day during the Question-Hour as well as what Mr. Jlotirmoy Bosu, a little while ago authenticated and laid on the Table of the House, was a forgery. Mr. Mallikarjun's contention, if I understand him correctly, is that the letter alleged to have been written by Mr. Indrasen Reddy to the Speaker is a forgery. Am I right?

SHRI MALLIKARJUN: The previous one which was read out by Mrs. Mrinal Gore and Mr. Jyotirmoy Bosu. Now, the one I am having is the letter to the Speaker. I have got his signature while he has got the signature of the said Mr. Indrasen Reddy. Let us examine them.... (Interruptions)

MR. CHAIRMAN: That is what I say. He will not listen to anybody.

SHRI MALLIKARJUN: That is said and typed as Indrasen Reddy. This is the real Mr. Indrasen Reddy's letter. I am placing it on the Table for examination. In the presence of the whole House he has to prove. He has got it typed. I have got a signed one and sent it to the Speaker. Take it up.

MR. CHAIRMAN: Shri Inder Sain's letter is here. It will be seen by the Speaker.

SHRI K. P. UNNIKISHNAN: Sir, the charge levelled against is very serious that they are making use of the forged document. I reserve my right to move an appropriate motion of privilege against Mr. Mallikarjun, Mr. Bosu and against Mrs. Mrinal Gore also. This is a very serious matter if Mr. Mallikarjun is going to authenticate and lay it on the table.

SHRI MALLIKARJUN: Right now.

MR. CHAIRMAN: He has already sent this letter.

SHRI K. P. UNNIKISHNAN: I want to see that this should be treated as a very serious matter.

SHRI MALLIKARJUN: Mr. Chairman, here is Mr. Reddy writing a letter to which Mrs. Gore also was referring. How could she get that?

MR. CHAIRMAN: It is already here. It will be disposed of by the Speaker.

SHRI MALLIKARJUN: I shall put the question to the Law and Company Affairs Minister to answer.

MR. CHAIRMAN: How can he answer? You have got two minutes.

SHRI MALLIKARJUN: Let him answer tomorrow, if not or to-day. Therefore, I ask the hon. Minister whether it is proper to withhold approval to Shri Naidu, the Managing Director of Viscose merely because certain blackmarketeers have levelled certain charges. Number 2 is: whether the Minister proposes to give approval to Mrs. Rajeshwari Ramakrinar for the managing directorship of Jaipur Sugar Mills Co. which is a sister company—another sugar scandal.

Lastly, Mr. Chairman, I ask the Chair: What action does it propose to take against the person who forged this letter which was cited by Mrs. Gore in the House thereby she misled the House. Mr. Chairman, I am going to table the two letters written by Shri Inder Sain Reddy and I request that whatever be the body it may be, let that send these letters to the C.B.I. and to investigate and finally come to the conclusion how this has erupted.

MR. CHAIRMAN: Mr. Lakkappa, You put your question. There is no time for him to reply.

SHRI K. LAKKAPPA: Other Members have brought this matter. I am not responsible for this. Mr. Chairman, the other day, when the question was posed by the other Member.....

MR. CHAIRMAN: The House stands adjourned till 11 O'clock tomorrow....

SHRI K. LAKKAPPA: What is it: I protest.

PROF. P. G. MAVALANKAR: You may extend the time. You must take the sense of this House. I move that the time may be extended to enable the Law Minister to reply adequately.

MR. CHAIRMAN: I requested everybody to put short questions that the Hon. Minister could reply. He would

not reply now. The time was extended upto 19-15.

Now the House stands adjourned till 11 A.M. tomorrow.

19.15 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Tuesday, August 1, 1978/Sravana 10, 1900 (Saka)