

LOK SABHA DEBATES

LOK SABHA

Friday, April 20, 1990/Chaitra 30, 1912
(Saka)

The Lok Sabha met at Eleven of the Clock

[MR. SPEAKER *in the Chair*]

ORAL ANSWERS TO QUESTIONS

[*English*]

Acquisition of Shares of Larsen and Toubro by BOB Fiscal Services

*534. SHRISAMARENDRAKUNDU
SHRI HARISH RAWAT:

Will the Minister of FINANCE be pleased to state:

(a) whether the Bank of Baroda has decided to wind up the Bank of Baroda Fiscal Services;

(b) if so, the reasons therefor:

(c) whether Government's attention has been drawn to the alleged role of the Bank of Baroda Fiscal Services in acquiring Larsen and Toubro equity on its account and subsequently transferring them to investment companies belonging to a certain industrial group; and

(d) if so, the action taken or proposed to be taken in this regard?

THE MINISTER OF FINANCE (PROF. MADHU DANDAVATE): (a) to (d). A statement is laid on the Table of the House.

STATEMENT

(a) Yes, Sir.

(b) The issue relating to the transfer of shares and change in control of Larsen and Toubro Limited and the manner in which this was brought about has aroused considerable public controversy. To avoid consequential effect on the fair image of the Bank of Baroda, the Board of Directors of the bank has decided to direct BOB Fiscal Services Limited to take immediate steps for winding up its affairs and to take all requisite proceedings under the provisions of the Companies Act, 1956 for voluntary winding up of the company.

(c) and (d). In response to a request from BOB Fiscal Services Limited (a wholly owned subsidiary of Bank of Baroda), Unit Trust of India, Life Insurance Corporation and General Insurance Corporation had in August-September, 1988 offered them a basket of blue chip equity shares, including 39,00,000 shares of Larsen and Toubro Limited, which was accepted by BOB Fiscal Limited at the market rates prevailing on the date of purchase. The shares of L&T ultimately got transferred to a Private Investment and Leasing Company through BOB Fiscal Services Ltd. These shares have subsequently been repurchased and got transferred in the name of the public financial institutions. The matter is sub-judice in the Supreme Court.

In the meantime, the Chairman and Managing Director of the Bank of Baroda has proceeded on leave and has since re-

tired. CBI has been asked to look into his conduct. As already stated, the Board of Bank of Baroda has decided to wind up BOB Fiscal Services Limited and has initiated action in this regard. Separately, LIC, as the shareholder, had issued a notice requisitioning an Extraordinary General Meeting of L&T Limited under Section 169 of the Companies Act, 1956.

SHRI SAMARENDRA KUNDU: Mr. Speaker, Sir, the affairs of the Reliance Company rocked the entire nation before the elections. This company had a reputation of distributing patronage to top people in the Administration. I should congratulate the Finance Minister for the fact that as he answered this question. The Ambani group, the Reliance group have come down crumbling.

Sir, after Mr. V.P. Singh left the Finance Ministry, this Ambani group, the Reliance group shot up its assets from Rs. 1000 crores to Rs. 3000 crores. Fantastic indeed; and it is an indication of how these big monopolists have a control over the political situation of the country.

MR. SPEAKER: Mr. Kundu, please put the question.

SHRI SAMARENDRA KUNDU: As I said, I thank the Finance Minister for revealing one of the most, what I should say, heinous, clandestine, deals and the subterfuge which was used to cover the real nature of transfer. Kindly see parts (c) and (d) of the answer given by the Minister. In response to a request from BOB Fiscal Services Limited (a wholly owned subsidiary of Bank of Baroda), the public institution controlled by the Government like Unit Trust of India, Life Insurance Corporation and General Insurance Corporation in August-September, came crawling to the feet of Mr. Ambani and looted the shareholders. (*Interruptions*)

MR. SPEAKER: He is an experienced member. He knows how to put a question. Order please.

SHRI SAMARENDRA KUNDU: Can the Minister throw some light on how this deal was worked out by the then Government. This shoddy transaction could not take place, all the public sector financial institutions could not come crawling to the feet of Mr. Ambani without the help of the Government. The hon. Minister will do good to us by revealing what information he has got and how these things were worked out in the Finance Ministry them?

PROF. MADHU DANDAVATE: I will not like to induct politics into this question and reply just as Finance Minister. We are basically concerned with only ensuring that certain norms for the financial institutions are followed irrespective of what Reliance does. If he finds that the financial institutions are doing something by which the very norms that have to be observed in any transaction are violated, if they themselves first decide to retrieve their steps, I would be very happy about this. In this episode, there are so many bids; they are take over bids and all that. But if the financial institutions try to help any backdoor arrangement and for that their finances are used, then again they try to transfer a large number of shares to BOB Fiscal Services; and again they give them to some broker; and that broker gives them to some subsidiary of the Reliance. If all that procedure comes, then unnecessarily the reputation of the financial institutions is at stake. I am very happy that the entire matter ended very honourably. Firstly, all these shares, which have come to the Reliance Group, have travelled back already. The very fact that they have travelled back, it has been realised that there is something wrong. Therefore, there is retracing of the steps. Further, when the LIC demanded an emergency General Body meeting of the Larsen and Toubro, then ultimately the Chairman, Mr. Ambani had stepped down. A new Chairman has been proposed by the Board of Larsen and Toubro; and as a result, the former Chairman has also made a statement. He said, "In the new context and in the new situation when the situation of the economy is very bad, I would not like to stick to the post; I would like to come down." Even the

name has been proposed. I think the matter has ended. I am quite happy that there is no confrontation for the industrial climate of the country and investment climate of the country. Any perpetuating confrontation is bad. I would not call it an irregularity, because my difficult, is that the matter is pending before the Supreme Court. Just as in Parliament I cannot say that a particular member has uttered a lie, I can say that he has told an untruth, similarly, I have to say that a certain phenomenon has taken place which can be termed as a back-door phenomenon. I am happy that the whole thing has ended and has been settled once and for all.

SHRI SAMARENDRA KUNDU Mr Speaker Sir the hon. Minister has made the position very lucid and clear. But one thing is the nation has been told so many times that the interests and the rights of small shareholders must be protected. So to protect the rights and the interests of the small shareholders it is very much necessary that a progressive legislation is brought to give the power to the securities Exchange Board of India. To see that without the knowledge of this Board nobody can go and acquire shares. I am sure that the Government is thinking in this regard. But I would be very much thankful to the hon. Minister if he could tell us what steps are being taken in this regard.

PROF. MADHU DANDAVATE Sir as far as the legislation is concerned, I do not think that any further legislation is necessary, because under the MRTP clearance from the Department of Company Affairs for holding shares beyond a particular ceiling of 25 per cent is necessary. And that has already been done. I do not think that any further change is necessary. As far as the shareholders' rights are concerned, if the General Body meeting of the shareholders is there, in that case, the voice of the shareholders would always prevail. And for that also, no legislation is necessary.

As far as the procedure to be followed by financial institutions and also whether they have been in collusion with others—as

far as that aspect is concerned, on the merits of the case the Supreme Court is already dealing with the matter and I do not want to transgress my limits and enter into an arena where I might be actually dealing with a matter which is *sub judice*.

[Translation]

SHRI HARISH RAWAT Mr Speaker, Sir, hon. Shri Madhu Dandavate has said that the Government will not become a party to the corporate sector dispute. But there are two instances which speak otherwise. The first is the winding up of the Fiscal Wing of Bank of Baroda which not only indulged in the buying and selling of shares of Larsen and Toubro alone but the shares of other companies as well. Bank of Baroda Fiscal Services was wound up because it sold the shares of Larsen and Toubro to Mr. Ambani. Secondly, the L I C, which held substantial shares of Larsen and Toubro, called the E G M. However, today's newspapers carried reports to the effect that the persons with Prime Minister's backing intervened and put an end to Larsen and Toubro dispute. Therefore I would like to know from the hon. Minister whether Government has issued some guidelines to various financial institutions which hold a large number of shares of different companies in the matter of calling E G M and whether the L I C had followed these guidelines in calling the E G M of Larsen and Toubro? If not, the action proposed to be taken against the Management of L I C who violated the guidelines set by the Government?

PROF. MADHU DANDAVATE It was not the Government who took the decision regarding winding up of BOB Fiscal, the Board of Directors of Bank of Baroda took this decision and I think this decision was right, because all the shares of Larsen and Toubro worth Rs. 39 lakhs were bought fraudulently from the financial institutions and they added to it the shares of other companies as well. If in a basket, there are only mangoes, then it is a different matter, but when other fruits are kept along with mangoes it cannot be said that the basket

contains only mangoes. The shares of Larsen and Toubro were in large number and these were worth Rs. 39 lakhs. What they did was that they did was that they mixed other shares and sold them away. But the question was regarding Larsen and Toubro. The shares first of all go to BOB Fiscal, thereafter BOB fiscal gives them to the broker and finally they are purchased by the Trishna Investment Firm from the broken. This is how the entire transaction took place. This is a very fishy matter. I think the financial institutions should function openly. This work was improper. Thus the board has decided to wind it up. I think, this decision is correct.

As regards the reports appearing in the newspapers paying compliments to me, I do not know whether I am worthy of those compliments or not. But I would certainly like to declare that

[English]

It will be the constant endeavour of my Government not to participate in their corporate war.

[Translation]

It is a dispute between two institutions and we shall not interfere in it. If they happen to come to us for seeking advice, we shall ask them to stop this sort of inter-rivalry. This will have an adverse effect on investment as well as on the development of the country. Individual faith in any particular party is not important, what is important is the development of India. I thank their party for having taken a right and appropriate decision.

SHRI HARISH RAWAT: Hon. Minister. kindly tell us about the guidelines.

(Interruptions)

[English]

SHRI ANIL BASU: You will be losing their support... (Interruptions)

PROF. MADHU DANDAVATE: It does

not matter. I do not care. So long as I have my own support, that is all right.

[Translation]

I would like to state very clearly that as far as the question of calling Emergency General Body meeting is concerned, there is no need to give any clarification. There is no such provision in their constitution and bye-laws and, thus, L.I.C. has got every right to call an Emergency General Body Meeting without assigning any reason. The whole world knows the purpose for which Emergency General Body Meeting has been called.

[English]

PROF. K.V. THOMAS: Sir, I am not disputing an issue whether Reliance has purchased this Government or this Government has crushed Reliance. I am also not disputing an issue whether the influence of the group of Ambani has gone for increase in L & T or for decrease... (Interruptions)

MR. SPEAKER: Come to the question.

PROF. K.V. THOMAS: I am coming to the question. This BOB Fiscal Services was constituted by Bank of Baroda with the main aim of purchasing and selling the shares. This BOB has purchased the thirty nine lakhs shares of L & T from Unit Trust of India, LIC and other institutions. They sold it to one of the companies of the Reliance. Later they purchased it back. I want to know whether in these transactions, this BOB has made a profit or a loss. The main aim of BOB is to make a profit. If they have made a profit, you should compliment them and if they have made a loss, you should liquidate them.

PROF. MADHU DANDAVATE: Sir, firstly very clearly and emphatically I will try to denounce some sort of aspersion that is sought to be put by the Member by his initial remark... (Interruptions)

SHRI P.R. KUMARAMANGALAM: He did not mean that... (Interruptions)

PROF. MADHU DANDAVATE: He understands it very well. I know sarcasm. He also knows sarcasm. And I wish you understand it also.

He said: "I am not concerned whether the Reliance group has purchased this Government". Let me tell you. Even God may come from Heaven, nobody can purchase us. Rest assured. Because that is the only capital we have got. Do not even by implications suggest that we can be purchased by anyone. The day I became a purchasable commodity,..... (*Interruptions*)

SHRI VASANT SATHE: No God should be brought into this House.

SHRI SOMNATH CHATTERJEE: No devil will be able to purchase... (*Interruptions*)

PROF. MADHU DANDAVATE: We cannot refer to any one who is outside the House. But God is omnipresent and, therefore, we can refer to Him.

SHRI VASANT SATHE: God like the President should not be referred.

PROF. MADHU DANDAVATE: I completely reject that point of view and I must tell him that the day the Finance Minister becomes purchasable, not only he will not remain a Finance Minister but he will not remain even the member of Parliament and he will go out of politics. You be rest assured on that: you need not have worry on that... (*Interruptions*)

As far as BOB Fiscal is concerned, a very interesting factor is to be noted. Even the High Court in its order has stated very clearly that as far as these shares are concerned, they were purchased at a market value. In fact, normally one would expect that they would purchase at a value higher than the market value when such deals are involved. But as far as financial institutions are concerned, lot of profit was made. I shall like to tell him that as far as UTI is concerned, the profit earned was Rs. 7.27 crores. LIC

earned a profit of Rs. 14.93 crores. GIC and its subsidiaries earned a profit of Rs. 12.95 crores. And the total profit that was made in this transaction was Rs. 34.79 crores. And because the Board of Directors of the Bank of Baroda felt that there was something irregular and there were certain aberrations, they took a unanimous decision to wind up the BOB Fiscal Services. Not only that, they took one more step. The Chairman of the Bank of Baroda was asked to go on leave. He was earlier given an extension when his tenure was over. Now he was asked to go on leave. Further, winding up of BOB Fiscal Services was done. We have not stopped at that. Of course, that decision was taken by the Bank of Baroda. But as far as these affairs are concerned, the behaviour of the Chairman is concerned, the CBI enquiry is already on. When the enquiry report is available, I will lay it on the Table of the House.

PROF. K.V. THOMAS: Has BOB Fiscal Services made a profit or not?

PROF. MADHU DANDAVATE: Earlier I have made it clear in every sentence I have already said that they purchased the shares at the market value. There was no question of getting the profit. In selling they did make profit. I will lay on the Table the exact amount of profit that was made.

PROF. RAM GANESH KAPSE: There were two transactions. One was the fishy transaction and then the end of the whole fishy matter. I would like to know the exact date when the fishy transaction took place and when was the end of the whole matter came.

I would also like to know who else were involved in it; whether the Government, at the time of this fishy transaction, was in anyway involved in the whole matter? What steps the Minister propose to take to book the real culprit? What steps the Minister is going to take to see that this may not occur again?

PROF. MADHU DANDAVATE: Sir, my own assessment is of course we were not in

the Government at that time—that it was under the pressure of the previous Government that the entire transaction was made.

SHRI HARI KISHORE SINGH: Sir, most humbly, I beg to differ with the Finance Minister with regard to the reply he has given. The take over of Larsen and Toubro by Dhirubhai Ambani shows how degenerative is the economic and political life of this country. The Minister says that CBI Inquiry is being considered. There should be an open inquiry by the Members of Parliament. He should not be allowed to go away with this. I most humbly object to it. I would like to know how these share were bought and under what circumstances they were bought. It is not a question whether it makes money or not. The Larsen and Toubro was running at profit.

MR. SPEAKER: What is your question?

SHRI HARI KISHORE SINGH: My question is whether the Government is going to hold an inquiry into it. I would like to know how this agreement was made. Today we have read in the newspaper that LIC has made an agreement. Now, who is this LIC and under what direction is it functioning? How the LIC has to compromise?

PROF. MADHU DANDAVATE: Sir, as far as the financial institutions are concerned, time and again, I announced in this House that we want to give greater degree of autonomy to the financial institutions, subject also to the overall accountability to certain policies. I think after all the controversies that took place in the country, the LIC rightly took note of the fact that there is something fishy and especially when the financial institution and its subsidiary gets involved into it in a particular act—I want to tell the hon. Members more than what a particular industrial magnate or company magnate has done—more important to me is whether the financial institutions have become a party to that and acted in collusion

SHRI HARI KISHORE SINGH: They

have done it in the past.

PROF. MADHU DANDAVATE: Yes, they have done it in the past but we will not allow them to do it in future. (*Interruptions*)

MR. SPEAKER: Will you please take your seat? Let us hear the Minister.

PROF. MADHU DANDAVATE: Let me make it clear. There are many take overs that may take place in the country. Sometimes, some of the institutions demand that it should be merged with other Financial Institution to give the best relations..... (*Interruptions*)

Just listen to me. Don't get irritated. I will give you further scope to get irritated. (*Interruptions*)

AN HON. MEMBER: Are you defending him?

PROF. MADHU DANDAVATE: I am not defending. I never defend any irregularity in my entire life. What I want to tell you is that there are many take overs that take place. There are certain mergers. We are concerned about those take overs and mergers in which some back door activity has taken place.

Mr. Kundu rightly pointed out that if something is very fishy and at the top of it if the financial institution had acted in collusion then it is a very serious matter. Therefore, inquiry is called for. As far as the general issue is concerned, the shareholders are free. If he is an LIC policy holder, he is also free. Therefore, that freedom is not at all curtailed by the Government and we will never try to do it. As far as we are concerned and the LIC is concerned, I think LIC has acted in a proper way. I can assure the hon. Member that after getting the CBI inquiry report, if we come to the conclusion that a wider inquiry is necessary, and the parliament feels that even a parliamentary probe is necessary, I think it is perfectly within the rights of the Parliament to go into that.

MR. SPEAKER: Shri V.N. Gadgil...

(Interruptions)

MR. SPEAKER: I have called Mr. Gadgil. Mr. Kundu, I have not permitted you. Please take your seat.

SHRI V.N. GADGIL: Sir, I appreciate the moral fervor of Prof. Dandavate when dealing with this question. I would like to know from him whether with the same moral fervor he will deal with the subject which is raised by the Deputy Prime Minister in his letter to the Prime Minister about the Goenka Group

PROF. MADHU DANDAVATE: Moral fervor may be identical, Mr. Gadgil. You need not worry about it

MR. SPEAKER. Next question. Shri Kalp Nath Rai .

(Interruptions)

MR. SPEAKER: No cross talk please...

(Interruptions)

MR. SPEAKER I have called Mr. Kalp Nath Rai .

(Interruptions)

PROF. MADHU DANDAVATE: We have the moral fervor and you are the last person from whom I have to learn the lesson of morality... (Interruptions)

MR. SPEAKER: Mr. Akbar, Mr. Kumaramangalam, take your seats. I have called Mr. Kalp Nath Rai to raise his question.

Broadcast of Midnight Programmes

*535. SHRI KALP NATH RAI: Will the Minister of INFORMATION AND BROADCASTING be pleased to state:

(a) whether All India Radio broadcast

some programmes on its National Channel late in the night and from mid-night till early morning;

(b) if so, for whose benefit such programmes, late in the night, are intended;

(c) whether it is proposed to re-arrange the timings of these programmes and put them for broadcast during the day; and

(d) if not, the reasons therefor?

THE MINISTER OF INFORMATION AND BROADCASTING AND MINISTER OF PARLIAMENTARY AFFAIRS (SHRI P. UPENDRA): (a) to (d). A Statement is laid on the Table of the Sabha.

STATEMENT

All India Radio at present broadcasts programmes in its National Channel from 6.55 P.M. to 6.10 A.M.

2. These late night programmes are listened to by shift duty personnel who are on night duty, students who put in long hours of study during the night, travelling public including truck drivers, other categories of persons who keep awake till the early hours (like small shop-owners, workers, etc.).

3. There is no proposal to re-arrange the timings of these programmes and to put them for broadcast during the day as the day-time coverage of the transmitter is limited due to technical reasons and does not cover major part of the country, and there are other programmes being broadcast during day time.

[Translation]

SHRI KALP NATH RAI: Mr. Speaker, Sir, I would like to know from the hon. Minister through you the number of listeners who are benefited by the late night programmes broadcast by All India Radio? Will the hon.