

## HALF-AN-HOUR DISCUSSION

## PURCHASE OF SHARES OF SHAW WALLACE AND COMPANY.

SHRI JYOTIRMOY BOSU (Diamond Harbour): Mr. Chairman, Sir, today's discussion will reveal a story of back-door deal between Indian tycoons, bags of foreign exchange owners and greedy British Merchant adventurers. Foreign banks, especially British, and chartered banks like Punjab National Bank and United Commercial Bank have been involved and the Government of India is a silent spectator.

It is all about Shaw Wallace and Company which is very prosperous. They had given a dividend of 17 per cent in 1970 and 27.5 per cent in 1971.

The whole thing reads like a detective novel. It is a story of manipulation and evasion and inter-locking of companies. Shaw Wallace has been dealing with essential commodities like food, flour, wines and spirit, fertilisers, medicines, animal feed and engineering. People are paying through their nose for these commodities. Similar thing happened recently in the case of Amalgamated Coal Fields Ltd. and the price paid for this vast property was only Rs. 45.40 lakhs. I want to ask this question whether such a vast property could be sold for this sum. The balance was paid in black money by Mr. Poddar to the owners of this Amalgamated Coal Fields Ltd.

In reply to Unstarred Question No. 4763 it says: holding of Shaw Wallace and Company is held by:

1. R. G. Shaw & Co. Ltd.,
2. Shaw Darby & Co. Ltd.
3. Shaw Scott & Co. Ltd.
4. Thames Rice Milling Co. Ltd.

The Company Law Board has passed an order that any transfer of shares held by the above companies shall be void for a period of three years. I am told that the whole deal is an accomplished fact. This is only an eye-wash. The Government has misled the House. Before the takeover attempt 39 per cent of the foreign holdings were in the hands of these four companies. On 24-12-1971 the London Financial Times had said:

"R. G. Shaw and SIME DARBY holdings have stated that talks are going on which might lead to a closer association between the two. Both are London based merchanting and plantation interests. Each has a holding of more than 30 per cent in the other. The market thinks SIME DARBY will bid for Shaw, whose shares jumped from 190 d. to 800 d. valuing the company at £ 18.2 million."

It further said on 23rd March, 1972:

"SIME DARBY holdings and R. G. Shaw & Co. announce that the scheme providing for the merger was sanctioned by the High Court on March 20, and will become effective tomorrow."

So, the four companies were wholly owned subsidiaries of Shaw Darby Trading Ltd., and an attempt was made to get the ownership and control of these four companies. This was being done through a stage-managed operation, namely the setting up of a company for this purpose and Luxembourg which has liberal laws was chosen for this purpose, and the services of a suitable showman, namely Kalyan Basu whose mental stability was questioned by the Canadian Government's letter dated 12th June, 1972, were obtained for this purpose. These people wanted Mr. Kalyan Basu, and he wanted to settle down in London after completion of the deal. And he staged a complaint. He thought that he would get enough

money which would enable him to settle down in London. Among these collaborator is Mr. S Deb, brother-in-law, superintendent of Hukamchand Jute Mills which is owned by Birlas, G. D. Kothari, a very close relation of Birlas and the principal operator is K. K. Birla, brother-in-law of B. P. Poddar who has already considerable bulk shares in Shaw Wallace & Co. The root of this evil is stockpile of black foreign exchange abroad, and a thorough probe is wanted, and it should be done if necessary through private detective agencies.

18.05 hrs.

[SHRI K. N. TIWARY in the Chair]

The cable speaks for itself. This was from Kalyan Bosu to Mr. Jhubber, a Jew Solicitor in London. It reads:

"K. absolutely out. B funds will be transferred 14th September 1972."

K. means Kalyan Bosu and B means Birlas.

I have got with me here a copy of the affidavit which reads thus. It is an affidavit made by the Government. It says:

"Thereafter, he met Mr. G. D. Kothari on 28th June, 1972 at the Ruby House, Calcutta. Shri Basu claimed to have known Shri G. D. Kothari since 1960, when Shri Basu discussed with Kothari about the financing of an aluminium rolling plant to be imported by Shri Kothari in India. Shri Basu claims that his meeting with Shri G. D. Kothari was by way of courtesy call. Shri Basu also met Mr. Wadswell of M/s Place Siddon & Gough.

This was a British-controlled company.

This was on 27th June, 1972. Let me now give an extract from the cable. It reads thus. It is a telegram

addressed to Mr. Jhubber care Thomas Cooper, TLX 886344, London. It reads thus:

"K absolutely out. B funds will be transferred your account 14 September stop suspect our inclusion arranging further solicited tomorrow stop bank guarantee will be advised after Reserve Bank India written clearance stop Also note do not give information

Bosu care Deb."

No permission from the Reserve Bank was, of course, ever sought.

An overdraft from the Chartered Bank was also sought. It says:

"It is also submitted that Shri Bosu has already entered into a firm agreement for purchase of shares of R. G. Shaw & Co. Ltd., London at a price of pond 18 lakh equivalent to Rs. 3.24 crores, for which purpose he appears to have, as reported earlier, obtained an overdraft of \*19,70,000 from the Chartered Bank, equivalent to Rs. 3.7 crores, thereby contravening the provisions of section 4 (1) (a) of the Foreign Exchange Regulations Act."

I want to ask the hon. Minister: can he reply to our satisfaction against what the Chartered Bank allowed this overdraft? I can say Kalyan Basu had no money. Let us see what Kalvan Basu was worth. This is from page 3 of the affidavit:

"Inquiries further reveal that the said Shri Kalyan Basu also owned a house in Basel, Switzerland, which was registered in his own name and the house was sold by the Swiss Government a couple of years ago for liquidation of the said Shri Basu's debts which, according to the information received, amounted to over a half million francs.

"Information received further indicates that the rents and taxes

[Shri Jyotirmoy Bosu]

on the house had not been paid for a long time and were ultimately recovered from the sale proceeds of this house."

Let us see what they say more about it.

"Message dated 8-4-72 from the French Police to Interpol Hq: 'According to a complaint received by the French Police, Bosu was suspected of cheating involving 10,000 only francs committed in beginning of 1971. As a result of action taken taken by the Canadian Police...'

MR. CHAIRMAN: He is also Basu.

SHRI JYOTIRMOY BOSU: He is another Basu unfortunately

"...regarding the Toronto case, the fraud charges against Basu was suspended as he was ordered for deportation. Basu was finally deported from Canada by Japanese Air Line..." etc. etc.

Then it says:

"Letter dated 21-7-72 from German Police to Interpol Hq: 'Preliminary proceedings at Dusseldorf pending against Basu for hit and run driving and the embezzlement of a motor car hired by him, and also for two fraud cases'."

Then it says:

"Letter dated 11-1-72 from French Police to Interpol Hq: 'There was a complaint against Basu in France for cheating involving 10,000 francs in the beginning of 1971'."

THE MINISTER OF STATE IN THE  
MINISTRY OF LAW, JUSTICE AND  
COMPANY AFFAIRS (SHRI D. R.  
CHAVAN): Why does he not come to the points raised in the half hour discussion?

SHRI JYOTIRMOY BOSU: Do not get worried.

Then:

"Inquiries were also conducted with the Canadian authorities which disclosed the following:—

"...A Canadian company would be incorporated to own the investments. No mention was made of what securities would actually be pledged or their term. The transaction was not concluded because of Basu's lack of creditworthiness' "

The French police wanted him for not supporting his wife and children. Yet in his memorandum addressed to the Prime Minister, he said he had accumulated foreign exchange capital to the tune of \$25 million which is about Rs. 18 crores. This is nothing but a smokescreen. Let us see his background, integrity and character

In 1952, this man was involved in a case in Calcutta. He deserted his wife and children. The Swiss Government refused him entry. Under the Canadian Government letter dated 12-6-72, he was deported from Canada. On 8-8-72, he appeared before the Immigration Appeal Bench at Toronto. But the appeal fell through. He even stole a car.

Then this very man adores the Prime Minister and dedicates himself to *garibi hato*. Here is a booklet which he has published where he says:

"I have seen you on television and have heard your mammoth call of *garibi hatao*."

Of course, he has now denied it—

"I decided to join the team and make my contribution to the nation, as a businessman..." etc. etc.

These are all high-sounding words and so I had better not go into them.

I want to ask the Government, Mr. CBI, I mean Shri Ramniwas Mirdha: What was the Government of India doing? What were the CBI, the RBI and the Company Law Department doing? Why was section 4 IPC not applied?

Kalyan Basu left India on 8-7-72, but returned on 27-8-72 to Delhi. My question is: Did he meet any Minister here? My report is that he did meet a Minister. On 21-9-72, he left and returned on 4-11-72. This way he made three trips before he was arrested. There was a warrant against him, issued by Interpol in 1970. The NCB Canada's letter addressed to New Delhi.

MR CHAIRMAN: Do not go into so much of detail

SHRI JYOTIRMOY BOSU: It says that "he has attempted many frauds in this country (Canada), using fraudulent letters of credit of bank in Switzerland. He is also well known to the police in Germany and France for similar frauds concerning finances. He is also presently wanted in Switzerland for non-support of his wife, etc. The mental stability is questioned on his activities should be watched as he will no doubt attempt further crimes. I have notified the interested Bureaux by radio."

The advice from the French police came on 8-4-1972; from the German police on 3-3-1972. The Canadian Government said that Basu was a specialist in crimes of financial swindles, and no doubt he would continue his activities. On 16-6-1972, Kalyan Basu reached Calcutta on deportation. Then came the cable to the Punjab National Bank from the manufacturers, Hanover Trust, London.

The question arises, what about the story that has been given out—the bank swindle of Rs. 76 crores, that is, five crores in dollars and 2.15 crores in Swiss francs. It is nothing but a smokescreen. Why no prosecution was

launched because it involves a lot of money, and it is this money that one is talking about; the money which they are spending to get control of Shaw Wallace & Co. This is nothing but India's black money is foreign exchange. The method is, deposit black money in foreign exchange through one door of a bank and take overdraft from the other. The collaborating Chartered Bank should not be allowed to do business in this country. Their assets should be frozen. You must punish the Punjab National Bank, the Reserve Bank of India and the CBI, for they have taken no steps. Deliberately they have been bribed and a lot of money went through and that is why this man had so much of freedom of movement. The Shaw Wallace company's employees were alert and they rushed to us; things came to light. We raised questions here and we raised the issue here, and this Government took the stand, "No information to the Reserve Bank of India." You are nothing better than Rip Van Winkle. You are always in sleep. I want to ask Mr. Chavan here, who immobilised the CBI which is controlled by the Prime Minister herself. I want to ask, is it not the same story that happened the Oriental Carpet Manufacturing Company, by Sudarshan Birla, and the man went to Shri Lalit Narayan Mishra? Shri Lalit Narayan Mishra must have taken him to Mr. Mirdha. I ask Mr. Mirdha to say yes or no whether you have stayed in the OCM guest house in Amritsar seven days before their search? I want to ask him a straight question. Say yes or no.

THE MINISTER OF STATE IN THE MINISTRY OF HOME AFFAIRS AND IN THE DEPARTMENT OF PERSONNEL (SHRI RAM NIWAS MIRDHA): I can straightway say that I never stayed in that guest house. (Interruptions).

SHRI JYOTIRMOY BOSU: I am very glad to hear that. Two promises were raided.

MR. CHAIRMAN: There is one thing Mr. Bosu. Before you levy any such charge, you must verify the facts.

SHRI JYOTIRMOY BOSU: I have given it in writing. I have given notice under the rules well in advance. You are cautious, and I admire you.

MR. CHAIRMAN: You have given notice; that is true. but without verifying it, you are making a charge. It should not be done like that.

SHRI JYOTIRMOY BOSU: He has denied it. He has said no. I am glad to hear that.

Now, I am told that a senior Cabinet Minister, and one recently promoted State Minister are deeply involved in this matter. They are showing a lot of interest in the Shaw Wallace matter.

The Calcutta paper said that the Prime Minister knew Kalyan Basu. We want a statement on this. Why is it that the Deputy Director, Mr. Guha, whose house had been recently burgled, has been transferred? They spread chloroform and they were in deep sleep for two hours, and the papers were taken out and torn into pieces. I want to ask the Government—Mr. Mirdha particularly—has any enquiry been instituted as to who has done it, because there is a suspicion that even a Government agency is behind it.

I want to ask why this Mr. Guha has been transferred to another department one year prematurely. We demand his return till the enquiry is completed. At the same time, I demand that the voting rights of the four sterling companies should be frozen immediately, because Kalyan Basu claims that he has them already under his control. There are four directors' vacancies. They should take employees' representatives and an additional Government director. Why not take over the company? A thorough probe is absolutely essential in

the following matters; one, sale of two coal companies to Shri B. P. Poddar; two, sale of R. G. Shaw shares to Shaw Wallace & Co.; three, the magnitude of illegal accumulation of foreign exchange account by Shaw Wallace & Co., or the account of Shaw Wallace & Co., in the United Kingdom.

This is a very serious matter. This country is being bled white and the money in black form is taken out and the Government is callous. Either they are hand in gloves with them or they are having an eternal sleep. I thank Mr. Mirdha and I wanted to get it clarified.

SHRI INDRAJIT GUPTA (Alipore): I should like to seek a couple of clarifications arising out of the order passed under section 250 (4) of the Companies Act on 18th December, 1972 banning the transfer of equity shares in this company. This order among other things speaks about substantial block of shares held by public financial institutions. I want to know whether it is a fact, or not, that the present board of directors are practically the nominees of the employees of the same Sime Darby R. G. Shaw Group including Mr. Hayward himself. By this order of December 18, while they have banned the transfer of shares, does it not mean also that this board of directors of Shaw Wallace is kept intact for the next three years and therefore through the voting rights which they control they are in a position to carry on all sorts of back door deals during the next three years? Why, along with this order another order has not been passed under section 250(3) freezing the voting rights of these four sterling companies? Have they any such move under contemplation? We are told that Mr. Hayward as a nominee of Sime Darby R. G. Shaw still holds by proxy 38.63 per cent. of Shaw Wallace shares. What steps are contemplated if any, to curb these loop-holes which still exist there.

Secondly, I want to know whether any enquiry or investigation as demanded here in the House earlier has been ordered into the activities of four managing directors? I refer to the famous sale by R. G. Shaw of Shaw Wallace shares which were sold for £ 5 each but immediately after the sale their value appreciated to £12. The same two directors, who were directors in both the companies manipulated the sale in such a way that the prices would appreciate immediately after the sale. Has any enquiry been held into this and also into the transfer of the two coal companies, which Mr. Bosu referred to, to Mr. B. P. Poddar, another director of Shaw Wallace? Is any enquiry proposed to be held into the allegations about the considerable amount of illegal foreign exchange which is accumulated in the London account of the Shaw Wallace Company? Is there any proposal to change the composition of the board of directors? This is the most vital question. If large blocks are held by the Government financial institutions why no Government nominees have been put on the board? When partnership of employees in management is being talked about why are the employees' representatives not allowed to buy shares? They are willing to collect the money and buy a part of the shares which will also entitle them to representation on the board of directors and they have made an offer. What is being done about all these things? Till now the board is left intact as it is packed with the people who are nominees of R.G. Shaw Group. That means the whole company including those 34,000 indirect employees are still being kept poised in a most precarious condition.

I would like to know what is the Government's over-all policy in this matter?

**THE MINISTER OF STATE IN THE MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS (SHRI D. R. CHAVAN):** Sir, I listened to the speech made by my friend, Shri Bosu

and Shri Indrajit Gupta, very carefully. Shri Gupta has raised certain points. I shall come to the points raised by Shri Gupta. The points raised by him for the half-an-hour discussion are being taken up by me and the rest of them are irrelevant.

**SHRI JYOTIRMOY BOSU:** How can I irrelevant?

**SHRI D. R. CHAVAN:** Your point with regard to an unstarred question has been answered by me. Out of that question, this half-an-hour discussion arises. It is not clear as to why the transfer of shares has been declared void only for a period of three years. And what will happen after three years? This is point number one. Further, you desire to know as to when exactly is the enforcement directorate expected to finish the inquiries. This is your point number two. The third point is this. In the meanwhile, several thousand employees are passing through a time of suspense. The reported move to shift the head office and other offices from Calcutta has given rise to apprehension and anxiety. These are three points that he has raised.

**SHRI JYOTIRMOY BOSU.** What about the other question?

**SHRI D. R. CHAVAN:** The question was about the transfer of the four companies—non-resident foreign companies of the shares of Shaw Wallace & Company. This was the question that was answered. The answer given was that these transfers had been frozen. If any transfer takes place after the order that was passed by the Company Law Board for a period of three years, it shall be declared to be void. Under Section 250(4) it shall be declared to be void for a period of three years. That was the answer that was given.

Secondly, Shri Gupta wanted to know whether we were contemplating any action under Section 250(3). I have got with me the Company Law

[Shri D. R. Chavan]

Back with the relevant Section—Section 250(3). If the transfer has already taken place then the provisions of this Section are attracted. Here we do not know whether the transfer had taken place. We do not know whether the enforcement directorate has come to the conclusion or not; unless the enforcement Directorate goes into all matters and it comes to the conclusion that actually the transfer has taken place, maybe by somebody, how can the freezing order be passed under Section 250(3). That is the point. You raised another point concerning the two companies of Shaw Wallace whose shares have been purchased by Shri B. P. Peddar, one of the directors of Shaw Wallace & Company.

About that I may mention to the hon. Member that the books of accounts of the company were inspected. And the inspection report has been sent to the headquarters. It has been examined and this inspection report is before the Company Law Board.

You raised another point as to why the Government is still not contemplating to appoint some Government Directors on the Board of Directors of Shaw Wallace & Co. under Section 408. That also is under consideration of the Company Law Board. I may say that the Company Law Board is seized of the matter. It is before them and a summary has been prepared and I may assure the hon. Member that a decision with regard to this would be taken within about eight or ten days time about the appointment of additional directors under section 408.

As regards the point raised that under section 250(4) it is only for three years and what would happen after three years ...

SHRI JYOTIRMOY BOSU: Whom are you shielding?

SHRI D. R. CHAVAN: I am not shielding anybody. Under section 250 (4) it is for a period of three years. I think three years is a reasonably long period and it is expected that the affairs of the company are likely to settle down in this period. What action should be taken after the period of three years will be decided at the appropriate time when the period is about to expire.

As I said, the inspection of the books of account of the company has been made and the inspection report has been received. That is being looked into by the Company Law Board. They are likely to decide very soon.

SHRI INDRAJIT GUPTA: What about the employees' offer to buy the shares?

SHRI D. R. CHAVAN: That is also being looked into by the Company Law Board, which is a statutory body. All these matters including the representation from the Employees' Federation are being looked into by them.

SHRI JYOTIRMOY BOSU: On a point of order, Sir. I have made clear and categorical allegations against the inactivity of the CBI Reserve Bank etc. We want an answer to them. He is trying to run away from the issue.

MR. CHAIRMAN: I cannot force the Minister to speak in a particular way.

श्री ज्योतिरमोय बोसु : मिर्चा साहब कायज पत्र लेकर किये हैं वह श्री हमको बता दें क्योंकि सी० बी० आई० बैंक इन गलत है । (अवधान)

THE MINISTER OF STATE IN THE MINISTRY OF HOME AFFAIRS AND IN THE DEPARTMENT OF PERSONNEL (SHRI RAM NIWAS MIRDHA): The CBI is not at all concerned with this matter. It is the Directorate of Enforcement which is looking into the foreign exchange violations in the matter. Mr. Kalyan Bosu was arrested and produced before a magistrate for alleged contraventions of certain provisions of the Foreign Exchange Regulations Act. He has been let off on bail. We have asked the permission of the court to continue the investigations. The court has al-

lowed a few months time to finish the investigations. The matter is still in our hands. We have issued the various notices necessary under the Foreign Exchange Regulations Act to Shri Kalyan Bosu to explain certain facts, etc. Every possible action under the Foreign Exchange Regulations Act is being taken.

MR. CHAIRMAN: The House stands adjourned till 11 A.M. tomorrow. 18.35 hrs.

*The Lok Sabha then adjourned till Eleven of the Clock on Tuesday, April 17, 1973 (Chaitra 27, 1895 (Saka).*