

fixed deposit account and drew a higher rate of interest. He took the loan at 3.5 per cent interest but by depositing the same in a fixed deposit he drew the interest at 9 to 11 per cent.

MR. SPEAKER: I shall not allow this. You are making a speech instead of putting the question.

SHRI DINESH JOARDER: I want to know whether the man of his conduct should be kept in the Bank Administration whereas a man of conduct in what is required in the administration of the bank. Whether this man should be allowed to continue? (*Interruptions*).

MR. SPEAKER: There is no question there. So, we take up the next question.

Loan granted by Central Bank of India to Kohinoor Mills, Bombay

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*388. **SHRI OM PRAKASH TYAGI**
DR. VASANT KUMAR PANDIT.

Will the Minister of **FINANCE AND REVENUE AND BANKING** be pleased to state:

(a) whether Central Bank of India had given a loan of Rs. 25 crores to the Kohinoor Mills Company Limited, Bombay without the prior sanction of the Bank's Board and against the rules of the Reserve Bank;

(b) when was the loan given and how much amount thereof has been recovered;

(c) the names of the officers who violated the rules;

(d) the action taken against the officers guilty of negligence; and

(e) the steps which are being taken to realise the amount?

THE MINISTER OF FINANCE AND REVENUE AND BANKING (SHRI H. M. PATEL): (a) to (e). A statement is laid on the Table of the House.

Statement

The Kohinoor Mills Co Ltd. Bombay has been a client of the Central Bank of India since 1957 and has been extended credit facilities from time to time. The mill company employs about 8,000 workers.

Since the latter half of 1974, the company has been experiencing serious financial difficulties. The Bank has been trying to nurse it back into health and in the course of this process, it has also used its position to make important changes in the management. As a result of these changes in management effected in June, 1976, there has been an improvement in the financial position of the mills.

These facilities have been granted by the Bank with the knowledge of, and authorisation by, its Board of Directors. The position of the account has also been communicated, from time to time, to the Reserve Bank of India for the purpose of credit authorisation.

Certain allegations have however been made against the Bank in regard to these facilities to the company. Government of India had requested the Reserve Bank of India to look into the matter. A preliminary report has now been received from the Reserve Bank of India.

As regards the details of the account in accordance with the practices and usages customary among bankers and also in conformity with section 13(1) of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970 any information relating to the affairs of constituents is not to be divulged.

श्री श्रीम प्रकाश त्यगी: अध्यक्ष महोदय, मुझे आश्चर्य हुआ, मंत्री महोदय ने जो उत्तर दिया है, वह मेरे प्रश्न का उत्तर नहीं है, बल्कि गोल-मोल जवाब है। इसका तात्पर्य मेरी समझ में नहीं आया, ऐसा जवाब उन्होंने क्यों दिया है? आपने अपने जवाब में कहा कि कोहिनूर मिल जो लोन लेता रहा है, वह बोर्ड की अनुमति से लेता रहा है। आप ने अपने जवाब में यह भी कहा है—

“The position of the account has also been communicated, from time to time, to the Reserve Bank of India for the purpose of credit authorisation.”

अध्यक्ष महोदय, मैं यह जानकारी देना चाहता हूँ कि 90 लाख रुपया बैंक में वगैर चेअरमैन की स्वीकृति के दिया। 4 अक्टूबर, 1977 को रिजर्व बैंक की बैठक हुई, उस में इनके ऋण की मात्रा 4.90 करोड़ हो गई थी। बोर्ड ने सेंट्रल बैंक को निर्देश दिया कि वगैर पूरी गारन्टी के कोई ऋण न दे। 7-11-1975 को फिर रिजर्व बैंक ने हिदायत दी कि दो करोड़ से ज्यादा धन बिना कारण के न दिया जाये। 19 जनवरी, 1976 से 5 मई, 1977 तक 11 करोड़ दे दिया।

मेरा प्रश्न बिलकुल सीधा है—जब सेंट्रल बैंक लगातार दो वर्षों तक रिजर्व बैंक की अनुमति के बिना ऋण देता चला गया, तो रिजर्व बैंक असहाय दशक के रूप में सेंट्रल बैंक के मनमाने काम को क्यों देखता रहा, उसने सेंट्रल बैंक के विरुद्ध कार्यवाही क्यों नहीं की? यदि कोई कार्यवाही की है तो वह क्या है?

SHRI H. M. PATEL: Sir, I will give whatever information I can to satisfy the hon'ble Member. First, it has been mentioned in the statement itself:

“These facilities have been granted by the Bank with the knowledge

of, and authorisation by, its Board of Directors. The question of the account has also been communicated from time to time, to the Reserve Bank of India for the purpose of credit authorisation.”

That means the Reserve Bank has been kept informed. The position is this account has been going on since 1956. The Kohinoor Mills is a public limited company incorporated in 1896 and has three cotton textile manufacturing units in Bombay with an installed spindle capacity of 1.30 lakh and 1960 looms. The average turnover of the mill was between 13 and 16 crores upto 1974. The average labour force is 8000 workers. The Kapadia group are in control by holding 57 per cent of the share capital directly including shares held through badla transactions by Magan Lal Chhagan Lal Pvt. Ltd., the Investment Company of Kapadias. The affairs of the mill were satisfactory upto mid 1974 when the mill started incurring losses which progressively increased both due to inept management and the general worsening of the fortunes of the textile industry. The year 1974 closed with a loss of Rs. 32 lakhs for the mill. From January, 1975 to March 1977, i.e., for the 27 months the mill incurred a loss of Rs. 12.38 crores which were financed entirely from increase in bank borrowings. It is this which seems to be agitating the Hon'ble Members.

Losses by a manufacturing unit are reflected in erosion of margins available to banks on current assets and continued losses result in the current liabilities and even the secured short term loans exceeding the current assets. This is precisely what has happened in the case of Kohinoor Mills Ltd. The mill maintains a cash credit account with the Central Bank of India. The present account was started on December 15, 1976. Upto December 15, 1976 the Mill had a cash credit account which showed a total drawal of Rs. 15.96 crores. From 16th

December 1976 a new account was opened. The drawal in the new account upto 31st May 1977 is Rs. 1.62 crores. Excluding about 1 crore from this on account of certain adjustments the total outstanding is Rs. 16.44 crores as against the value of stocks less margin of Rs. 5.89 crores. The account thus shows a deficit as on 31st May 1977 of roughly Rs. 10.5 crores in current assets. Statement No. I and II show the account of Kohinoor Mills Ltd., with the Central Bank of India. I do not have more figures. If more figures are required, I can give them.

According to the Bank, it constantly monitored the progressive decline in the condition of Kohinoor Mills from January 1975 onwards. It sought to bring about management changes to improve the situation. Thus, in September 1975 at the instance of the Bank, the term of Shri Neemji Bhai Kapadia, Managing Director, was not renewed. Soon thereafter the guarantee of Magan Lal Chhagan Lal Pvt. Limited was obtained. This Company is the investment company of Kapadias who were the persons in control of Kohinoor Mills Ltd., till June 1976.

In November 1975, the Tata Economic Consultancy Services were engaged by the Bank for carrying out a detailed techno-study of the company.

SHRI JYOTIRMOY BOSU: Who recommended?

SHRI H. M. PATEL: The Tata Consultant recommended. The report of the consultant recommended that for retrieval of company's fortunes a change in the management was required. The bank was able to use its claim over 35 per cent of the share capital as a handle to bring about changes in management because this holding plus the 15 per cent holding by the LIC gave the Central Bank voting control over 50 per cent of the share capital. The Bank was able to pressurise the management into making far reaching management changes

and it is the view of the Bank that since July 1976 the mill is being run by the newly constituted professional management. (Interruptions).

AN HON. MEMBER: It is a statement. It is not a reply.

SHRI H. M. PATEL: If you kindly see the question. (Interruptions).

MR. SPEAKER: First you will have to sit down now. Anybody cannot get up and shout (Interruptions). If everybody does that will there be any order in this House? You will have to ask when your chance comes.

SHRI H. M. PATEL: The question is put in such a form that it makes it necessary for me to give a long explanation. The question reads "Whether the Central Bank of India had made a loan of Rs. 25 crores to the Kohinoor Mills." The answer would be—if I interpret it strictly—'No'. But that will not be correct. (Interruptions).

MR. SPEAKER: If you are interrupting like this, you will not get any answer)

SHRI H. M. PATEL: I have already said that it is a running account. This is what I wanted to say. So, there is no question of giving a loan of a large sum as Rs. 25 crores at any one point of time.

SHRI JYOTIRMOY BOSU: What is the present outstanding?

SHRI H. M. PATEL: I will tell you. The present outstanding is Rs. 16.45 crores. In addition to that there is Rs. 3.5 crores on Bills. These are self-liquidating.

(Interruptions)

MR. SPEAKER: Mr. Tyagi, Will you kindly put your second question?

श्री श्याम प्रकाश त्यागी : मेरे पहले प्रश्न का ही जवाब नहीं आया है ।

THE PRIME MINISTER (SHRI MORARJI DESAI): These are contradictory attitudes. When details are given, they say full details are not given. When they are furnished, they say it is a round-about reply. What is this? I do not know.

श्री श्रीम प्रकाश त्यागी : क्या यह सही है कि कार्पाडिया परिवार के एक सदस्य सुधीर कार्पाडिया मारुति लिमिटेड के डायरेक्टरों में से एक हैं और उन्होंने मारुति के 25 लाख के शेयरज लिए हुए हैं? क्या यह सच है कि राजनीतिक दबाव के कारण सेंट्रल बैंक के लातार 25 करोड़ तक के ऋण चलने आ रहे हैं और रिजर्व बैंक निर्देश पर निर्देश देता रहा है कि बिना अनुमति के वह ऋण देता रहा है लेकिन बैंक चुप बैठा रहा?

SHRI H. M. PATEL: Sir, although it does not arise from this question it is true that Mr. Sudhir Kapadia is believed to have contributed some shares in Maruti. Mr. Sudhir Kapadia is not necessary a person whose reputation in these matters has been satisfactory. But there is also another company in which he has been involved, which is also causing concern to us.

(Interruptions)

As far as the question of pressure is concerned, whether there was any pressure at that time or not—I cannot say because I was not here then. Here was a mill which had 3000 workers and it was a very sound concern. A decision was taken to nurse it and revive it and make it a profitable unit as it was before. It was with this object that the loans were given. I am not in a position to say whether there was any other pressure or not. (Interruptions). I am not defending anything. I am trying to give you the facts as they are known to me. If I give you facts which you do not like, you should not say I am defending something.

DR. VASANT KUMAR PANDIT: The Finance Minister said that RBI authorisation was taken and the Board of Directors also were consulted. This is a half truth, *suppressio veri*. May I know whether around 19th January 1976 the RBI wrote to the Central Bank of India in the following manner:—

“...in respect of your bank's application to us for authorising the additional credit limits, sanctioned by the bank in favour of the above company. In this connection, we observe that your bank has already allowed the authorised credit limits to the extent of the company of Rs. 4.75 crores, with your bank to the extent of Rs. 10.10 crores without obtaining our prior authorisation under the Credit Authorisation Scheme. Although your bank had adduced certain reasons for the above, we have to advise that your bank should avoid such violations of the scheme in future.”

In view of this, will the hon. minister tell the House whether proper authorisation as required by the RBI rules was obtained from time to time? Our information is that RBI authorisation and taking into confidence the Board of Directors were done only up to the limit of Rs. 4.75 crores. Thereafter, the borrowings increased to Rs. 25 crores and the subsequent borrowings were without proper authorisation of the RBI and only being ratified by the Board of Directors but the order of the Board of Directors was not taken. Is it true?

SHRI H. M. PATEL: The hon. member evidently has access to more reliable information than myself. My sources are the RBI and Central Bank.

SHRI JYOTIRMOY BOSU: You should extend your sources of information.

SHRI H. M. PATEL: Thank you; I will take your advice. Presumably you are meaning that I should come to you for information!

The present regulations regarding credit authorisation are that where the aggregate financial assistance from the banking system to a party exceeds Rs. 2 crores, credit authorisation from the Reserve Bank is required. For every subsequent increase, the prior authorisation of the RBI is necessary. Though the Central Bank has not in any formal manner obtained any credit authorisation over and above the limit of Rs. 4.75 lakhs it has been keeping the Reserve Bank informed of developments in the account and the position of the outstandings therein. There have also been meetings between the Central Bank officials and the Reserve Bank to discuss the whole question. We have now asked the Reserve Bank to go into the entire question and to submit a report about the situation of this account of this textile company. The Reserve Bank has not yet been able to complete its investigation. But when they complete it, we shall go into the matter.

SHRI K. MALLANNA: In para 3 of the statement it is said:

"These facilities have been granted by the Bank with the knowledge of, and authorisation by, its Board of Directors. The position of the account has also been communicated from time to time, to the Reserve Bank of India for the purpose of credit authorisation."

The question is whether the Central Bank of India had given a loan of Rs. 25 crores to the Kohinoor Mills Company Limited Bombay, without the prior sanction of the Bank's Board and against the rules of the Reserve Bank. May I know from the hon. Minister whether the sanction of loan is in contravention of the rules of the Reserve Bank of India, and what is the reaction of the Reserve Bank.

SHRI H. M. PATEL: Sir, I have already replied to this question. The authorisation of the Reserve Bank has

been taken. So there is no question of the reaction of the Reserve Bank.

SHRI JYOTIRMOY BOSU: But you said no formal sanction has been obtained?

(Interruptions)

SHRI H. M. PATEL: When I have said that the authorisation has been taken I mean it has been taken.

SHRI SHYAMNANDAN MISHRA: The hon. Minister was pleased to say that when they exceeded the limit of Rs. 4.75 crores, they did hold consultations with the officials of the Reserve Bank of India although there was no proper authorisation. Now, the question is when these consultations took place with the Reserve Bank of India and their officials, why did not the Reserve Bank take objection to this? Why did they not act against this? Now, they say that the Reserve Bank of India would go into the matter. When they were seized of that matter even informally, why did they not take action in this matter when that limit was being exceeded?

SHRI H. M. PATEL: I can only tell the hon. Member that these are precisely the questions which I am now asking the Reserve Bank. That is why I have asked them to go into it and give me the explanation. But I must at this stage, tell you what the position is.

SHRI SHYAMNANDAN MISHRA: There is a clear case of dereliction on the part of the Reserve Bank because the Reserve Bank of India was kept informed by the bank concerned.

SHRI MORARJI DESAI: There are seven such complaints. Therefore, the Reserve Bank's Governor has gone and a new man has been put in.

SHRI VINODBHAI B. SHETH: I would like to ask one question. *(Interruptions)*

MR. SPEAKER: Order now. It is impossible to manage. This laughing and shouting is not going to help. It

will bring down the dignity of the House. By this you think you are doing a great thing, but the dignity of the House is being brought down. I am calling one by one. You have already taken 40 minutes on this question. You still want to get up and ask questions. The answer may not be satisfactory, but then there are other methods. You can have a discussion on this some day. But I may tell you that this is bringing down the dignity of the House. It is not proper. One by one you can ask questions. If you are not satisfied, you can have a discussion or something like that later on. But this is not good.

SHRI VINODHAI B. SHETH: I would like to know whether the Reserve Bank or Central Bank had taken any hypothecation or security from that Company and what are the findings of the Tata Consultancy Service?

SHRI H. M. PATEL: I have already said that the account may be said to be overdrawn to the extent of Rs. 10-1/2 crores in current assets because the current assets of the Mills etc. are up to Rs. 5.89 crores.

MR SPEAKER: Rs. 10-1/2 crores are unsecured?

SHRI H. M. PATEL: Yes.

SHRI JYOTIRMOY BOSU: The hon. Finance Minister and the hon. Prime Minister said that the matter had been entrusted to the Reserve Bank of India to enquire and enlighten the new Government. In that context, may I ask the hon. Finance Minister to tell this House clearly whether the present Reserve Bank Governor Mr. Narasimham, till recently was the Secretary of the Banking Department? Is it not a fact that in every Board of the nationalized bank, there is one representative from the Reserve Bank of India, and one representative from the Department of Banking; and in view of that the Governor of the Reserve Bank and the Secretary (Banking) and their predecessors, in order to protect their own skins, will be hiding, more than guiding us in

this matter? In the circumstances, will the hon. Prime Minister and the Finance Minister think over it and institute a probe by persons who are unconnected with this affair altogether?

SHRI MORARJI DESAI: Government is very conscious of all these things, and is trying to see that all these things are changed in a proper manner.

SHORT NOTICE QUESTION

Deposits Received by Allahabad Bank From Kangra Cooperative Bank Limited, Himachal Pradesh

S.N.Q. 14. **SHRI SATISH AGARWAL:**

SHRI KANWAR LAL GUPTA:

Will the Minister of FINANCE AND REVENUE AND BANKING be pleased to state:

(a) whether Allahabad Bank, Parliament Street, New Delhi received Deposits of Rs. 6.45 crores from Kangra Co-operative Bank Ltd., Himachal Pradesh, between December, 1976 and March, 1977 at the interest rate of 17½ per cent per annum against the stipulated rate of interest of 12¼ per cent fixed by R.B.I.;

(b) whether more than a lakhs of rupees was paid as brokerage for getting loans in violation of Reserve Bank Rules;

(c) whether Allahabad Bank gave crores of rupees to Punjab and Sindh Bank Ltd., New Delhi during the last six months; if so, the details thereof;

(d) whether the outstanding balance against Punjab and Sindh Bank as on 30th May, 1977 was Rs. 3.44 crores against which receipts for only Rs. 95 lakhs were available with Allahabad Bank on 30th May, 1977; and

(e) if so, what action has been taken against the officers who were responsible for keeping the unac-