

[Shri V. G. Deshpande]

wealth citizenship by us. Therefore, I oppose the Bill.

3 P.M.

**Mr. Deputy-Speaker:** the question is:

"That the Bill, as amended, be passed."

*The motion was adopted.*

**Shri Kamath:** Three cheers for London! Bandung buried.

#### INSURANCE (AMENDMENT) BILL

**Mr. Deputy-Speaker:** The House will now take up the Insurance (Amendment) Bill.

**The Minister of Revenue and Civil Expenditure (Shri M. C. Shah):** I beg to move.....

**Mr. Deputy-Speaker:** On behalf of Shri C. D. Deshmukh.

**Shri N. R. Muniswamy (Wandiwash):** The hon. Minister of Finance is here.

**Shri Kamath (Hoshangabad):** The hon. Minister of Finance has got only a watching brief?

**Shri K. K. Basu (Diamond Harbour):** On a point of order. When a motion is in the name of a person, and that person is present in the House, can he authorise any other Member to move it on his behalf?

**Mr. Deputy-Speaker:** I think a Government Member can ask any other Government Member to move it.

**Shri M. C. Shah:** Shall I start?

**Mr. Deputy-Speaker:** Let me dispose of the point of order first. Under rule 2, this is what we find.

"Minister' means a member of the Council of Ministers, a Minister of State, a Deputy Minister or a Parliamentary Secretary;" and

"Member in charge of the Bill'

means the member who has introduced the Bill and any Minister in the case of a Government Bill;"

Shri M. C. Shah is as much a Minister as any other Minister.

**Shri K. K. Basu:** My point of order is this. I concede the position that so long as the Minister in whose name the motion stands is not present in the House, any other Minister can move it on his behalf. But when he is present in the House, is it in order that he should authorise some other Minister to move it?

**The Minister of Defence Organisation (Shri Tyagi):** A Minister actually working in the same Ministry is also a part of that Ministry.

**Mr. Deputy-Speaker:** Our rule does not make any difference in the case of a Minister, between his presence and absence. The rule does not say that the Member in charge means the Member who has introduced the Bill and if he is absent any other Minister. There is no such thing. So, the presence or absence does not matter. Now, Shri M. C. Shah.

**Shri M. C. Shah:** I beg to move:

"That the Bill further to amend the Insurance Act, 1938, be taken into consideration."

This is a Bill to replace an Ordinance that was issued when the Parliament was not in session. We have already laid on the Table of the House a statement giving the reasons why it was absolutely necessary to issue that ordinance at that time.

As the House is aware, insurance companies have always been treated differently from other joint-stock companies. As such companies have for most of the time the moneys of the policy-holders who have very little say in their management, many more restrictions have been imposed on those companies and the control exercised over them also is more ex-

tensive in scope. These restrictions and measures of control are embodied in the Insurance Act. But even the provisions of the Insurance Act, have not been found sufficient to safeguard the policy-holders' moneys, or to bring to book persons who misappropriate such moneys or wrongfully cause losses to the insurance companies. It is only as each such case of disregard of the Insurance Act came to light that an endeavour was made to close the loopholes.

In a recent case of misfeasance we have found that the provisions of the Insurance Act are not adequate or effective. Section 106 of the Insurance Act which deals with misfeasance was found to be limited in its application. I may explain that the chief ingredients of section 106 are firstly that there should be a contravention of some provision or other of the Insurance Act, and secondly that that contravention must have caused a diminution of the life insurance fund. If both these conditions are fulfilled, then the directors and other officers of the insurer are liable under that section to make good the loss. Losses, however, may occur in other ways, but this section is powerless in such cases. For example, the loss may be caused by a criminal act, but without any contravention of the provisions of the Insurance Act. Or again, the loss may be caused by some person who is not in any way connected with the insurer. Section 106 does not cover such cases.

But the interests of the policy-holders demand that any loss in their funds caused wilfully should be made good by persons responsible for that loss.

There is another unsatisfactory aspect in the Insurance Act. Misfeasances may be omitted, and section 106 may enable court action to be taken. When a decree is obtained, there must be some way of executing the decree and realising the losses. No purpose

will be served if on obtaining a decree we find that the delinquent has disposed of his property or transferred it to other persons. In such an eventuality, the very purpose for which the section was enacted is foiled. It is therefore essential that the properties of the delinquent person or persons who may finally be found liable to make good any loss should be available for meeting the decree granted by a court. This can be done only by attaching all such properties at as early a stage of the proceedings as possible.

It is for these reasons that section 106 is being enlarged so as to include within its ambit all possible cases of misfeasance and to give power to the court to attach the property. As the powers are rather wide in scope it is also proposed that jurisdiction under that section should only be vested in the High Court.

Even this is not enough, for it is not always possible to detect misfeasance against any insurance company as soon as it is committed. In fact, several acts of misfeasance may be committed before there is any clue that something is wrong with the company. It may be that what has come to light is bad enough to warrant the appointment of an administrator under section 52A of the Insurance Act, but the administrator will take some time before he finds out acts of misfeasance committed so far as the losses suffered by the company are concerned. Once the administrator is appointed the delinquents may well feel that their game is up and that they would be brought to book for all their past misdeeds. In order to avoid having to make good the losses suffered by the company under their regime, they may fraudulently sell or transfer their properties even before the administrator is in a position to file cases. In order to prevent the delinquents from escaping the consequences of their misdeeds, it is necessary that the administrator should have some power to prohibit the delinquent persons from transferring

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their misdeeds, it is necessary that the administrator should have some power to prohibit the delinquent persons from transferring their properties to others until such time as he can bring up the matter before the court. Accordingly, it is proposed that any order of prohibition of this nature passed by the administrator shall be valid only for three months.

In other words, it is in the nature of a prelude to his filing of a case in a court of law within this period. Properties relating to which he can pass orders are those which the court can attach when he files a case under section 106. Once a case is filed by the Administrator, it will be for the court to decide whether the prohibitory order should continue or not.

The House may be aware that this Bill only seeks to replace the Insurance (Amendment) Ordinance, 1955, promulgated by the President on 1st November, 1955. As I have earlier stated, the reasons for this Ordinance were mentioned in a statement which was placed on the Table of the House. The special circumstances under which the Ordinance was promulgated are probably known to the whole House. There was a case when a large amount of policy-holders' money was missing from the coffers of an Insurance company. In tackling that case, it was found that these additional powers were absolutely necessary to safeguard the interests of the policy-holders. It was also found that these additional provisions should be incorporated quickly in the Insurance Act to meet the exigencies of that case, and so the Ordinance was issued. As the House is well aware, after the Ordinance was issued, we have been able to recover the loss that was caused to that insurance company by the delinquent person. The powers incorporated in the Ordinance are necessary to safeguard the interests of the policyholders in general, and to deal effectively with

delinquents. With these words, I commend this motion to the House.

**Mr. Deputy-Speaker:** Motion moved:

"That the Bill further to amend the Insurance Act, 1938, be taken into consideration".

**Shri Feroze Gandhi** (Pratapgarh Dist.—West cum Rae Bareli Dist.—East): I rise to support the motion moved by my friend. This amendment to the Insurance Act was long overdue, and at least I am happy that it has come. Better late than never.

Now, we have an interesting collection of insurance companies in our country—a large number—and the names of some of them are really attractive. We have the Empire of India. We have the Free India. Then we have New India.—I would like to draw your attention to how India is being exploited.

**Shri M. S. Gurupadaswamy** (Mysore): Even Jupiter is exploited.

**Shri Feroze Gandhi:** Then we have the Happy India Insurance Company, and we have the Mother India Insurance Company. Then our Devis and Devtas have also not been left out. They are well represented. We have the Lakshmi Insurance Company, and we have got the Saraswati.

**An Hon. Member:** Prithvi.

**Shri Feroze Gandhi:** Then our good friend, Hanuman, has also not been left out. We have the Mahavir Insurance Company.

**An Hon. Member:** Mahavir Tyagi?

**Mr. Deputy-Speaker:** I suppose the hon. Minister has nothing to do with it.

**Shri Feroze Gandhi:** In the end, we have the Bharat Insurance Company. Sir, there is a very interesting story behind this Bharat Insurance Company, and all the things that it has indulged in since it came into 'the

clutches of what in this country is popularly known as the Dalmia-Jain Group.

But before I tell you how this company was acquired it is a very interesting story—the way in which it was acquired.

**Mr. Deputy-Speaker:** I hope all this story is necessary for the Administration.

**Several Hon. Members:** Yes, yes.

**Mr. Deputy-Speaker:** At every stage, I am anxious to know the relationship which will clarify this thing in the very beginning. I am allowing it freely.

**Shri Feroze Gandhi:** The concerns that I will mention and the names of people that I will mention will be directly or indirectly connected with the Bharat Insurance Company.

**Shri V. G. Deshpande (Guna):** And Jupiter also.

**Shri Feroze Gandhi:** I do not know.

Before I reveal to the House how the Bharat Insurance Company was acquired, I would like to give the House an insight into the mind of the man who founded, and is today running, the Dalmia-Jain group of industries. In 1949, Ramakrishna Dalmia visited America. He gave several interviews to the Press. I would like to read a part of it which appeared in a magazine called the *Magazine Digest*. This is how the career began:

“His first step in finance began, strangely enough, with an astrologer. There is a saying in India, ‘A pauper goes to an astrologer, a wealthy man goes to doctors’. Seth Dalmia relates:—

I went to an astrologer. He told me that in two months I would have \$30,000. I laughed at first, but then I was prepared for the inevitable. I said God’s name

over and over again each morning, as I bathed in the Ganges. Then one day a cable came England advising me to buy silver’.

“The small problem of where to get the money with which to buy the silver was quickly overcome by Seth Dalmia. He borrowed \$30,000 from the astrologer.”

He overcame the problem. This goes on:

“This speculation led to others in silver, jewels, cotton, linseed oil, sugar and so forth. Seth Dalmia went from boom to bust—this is American language—

“ten times...”

**Shri V. G. Deshpande:** On a point of order. All this story of one person, however interesting it may be, is not relevant to the issue before the House. Only relevant things may be allowed.

**Shri S. S. More (Sholapur):** Why not relevant?

**Mr. Deputy-Speaker:** Order, order. The main thing here is with regard to the powers of the Administrator. In case Government or any authority which appoints the Administrator finds it necessary to take charge of the administration as a preventive measure first, he is authorised to issue the order not to transfer property. Within three months, it is open to the party to go to a court of law and have it set aside and so on. These are all necessary powers. It may be possible to say how necessary they are—there will be such and such things happening, the policy-holders will break down and so on. To show how necessary these exceptional powers are, it is mentioned that speculators have entered into it. Therefore, the history is being given. He mentioned the names of many insurance companies, a number of Devatas, Devis and so on—Hanuman including. Those persons in charge

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of insurance companies have proved a failure; only the titles and the names of Devatas have to save. That was how he started, and to exemplify it, he says they alone can save, because these people have failed to save. They have embarked upon astrology for the purpose of speculation and have indulged in speculation of the money of third parties who have contributed to safeguard against risks to their life—in case of accidental death and so on. That money is being speculated and to deal with that, the Administrator must be clothed with these exceptional powers. I think that is what he is driving at.

**Several Hon. Members:** Yes, yes.

**Shri Feroze Gandhi:** In any case, I know the rules of the House better than Shri Deshpande.

**Shri V. G. Deshpande:** No, no.

**Shri Feroze Gandhi:** Let me continue the quotation.

“Seth Dalmia went from boom to bust ten times before he decided that speculation led only to bankruptcy courts. He turned to industry fifteen years ago with great zeal”.

And this, Sir, which I am going to read next is important because this interview was given sometime after the so-called partition of Dalmia Jains. It was given in 1949, August or September and the so-called partition took place—or did not take place, I do not know what happened—in 1948.

“Seth Dalmia's career has been fabulously successful and the zenith of his industrial achievement has not yet been reached, although his industries, the Dalmia-Jain group now employs nearly 50,000 people and is one of the largest in India.”

Now, comes the very relevant portion.

**Mr. Deputy-Speaker:** The hon. Member ought not to say it lest others might say that it was not relevant so far.

**Shri Feroze Gandhi:** Whilst the interview was going on, an American newspaper woman was also there. The American newspaper woman, slightly overwhelmed by the list of Seth Dalmia's industries, probed further into the question. She asked: ‘What position do you hold in these companies?’ He says—and it is of very great importance to the Finance Minister—‘No position’.

**Q.** Well, are you not a member of the Board of Directors of these Companies?

**A.** No.

In a slightly exasperated tone she pressed. ‘Mr. Dalmia, what is your connection with these companies?’

**Mr. Dalmia:** I am the lord of all I survey. I own them.

This is, Sir, just to give you an idea. I wanted to give the House an idea as to what kind of person he is who heads these insurance companies, banking companies, cement companies and I do not know what other companies.

Now, we will come to the present question. I would like to take this House along a journey, a hazardous journey; nothing to worry about; we will have crores and crores on the way. I would like to give you and the House an idea as to how the moneys of these insurance companies as well as the moneys of those companies in which these moneys were invested were misused.

**Mr. Deputy-Speaker:** Hon. Member is only suggesting that more and more detailed powers should be given to the administrator.

**Shri Feroze Gandhi:** Sir, I am suggesting the nationalisation of insurance companies and the sooner we do it the better.

**Shri M. S. Gurupadaswamy:** The hon. Member is a misfit in the Congress benches.

**Shri Feroze Gandhi:** In the year of grace, 1946, the tentacles of Dalmia-Jain reached out to Bombay. They seized two mills. One was called the Shapurji Barucha Mills and the other Madhoji Dharamsey Manufacturing Co., or Mills. These were purchased in October, 1946, for a fantastically high sum. It was Rs. 3½ crores. I hope my friend, Shri Shah will now start taking note of the crores. This was purchased for Rs. 3½ crores. I would draw the attention of the Finance Minister to the fact that it was in the year 1946 that most of these transactions, call them dubious, call them illegal, call them whatever you like, took place, apart from the ones that came to light later.

The Dalmia-Jains have a very sound method of operation. The method consists of this. Get hold of this company, get hold of that company, get hold of half a dozen bogus companies.

**Mr. Deputy-Speaker:** This is all very interesting. The only point is that if he brings in some insurance company I should like to take it as relevant.

**Pandit K. C. Sharma (Meerut Distt-South):** He is connected with insurance companies.

**Mr. Deputy-Speaker:** We are not concerned here with companies other than insurance companies.

**Pandit K. C. Sharma:** They are the mothers that produce the insurance companies.

**Shri Feroze Gandhi:** The favourite method was to jumble up the accounts of several companies. That was started in October, 1946, when they got these two new mills. In October,

1946, there came into the clutches of this group what is known as the Bennett Coleman & Co. This Bennett Coleman & Co., was purchased by the Shapurji Barucha and the Madhoji Dharamsey Mills. To what extent it is legal or illegal, it is for the Finance Minister to say.

**Mr. Deputy-Speaker:** Is Bennett Coleman Company an insurance company?

**Shri Feroze Gandhi:** This Bennett Coleman Company had very close connection with insurance companies and all the revelations that came out, came out as a result of these transactions. I will come to that later. I must clarify this so that you may not ask the question over and over again. I am not going to mention the names of any companies or any individual where the moneys of the Bharat Insurance Company have not been used directly or indirectly. I give you that much assurance.

Now, the two mill companies started purchasing the shares of Bennett Coleman & Co. But the shares were not in the hands of the original Bennett Coleman. The holding was something like this. Out of 38053 preference shares and 7750 ordinary shares, Dalmia-Jain had acquired 32,000 preference shares and 4800 ordinary shares some time in 1946. By October, 1946, these shares had been transferred to the names of J. Dayal Dalmia, Shriyans Prasad Jain and Shanti Prasad Jain. This deal was effected at cost of about Rs. 1½ crores. And the shares were held by these three gentlemen. Where the money came from, I do not know.

**Mr. Deputy-Speaker:** If the hon. Member does not know it, then there is no relevancy. He must at least say that it belongs to the Bharat Insurance Company.

**Shri Feroze Gandhi:** These shares, which were purchased and were held by these three individuals in October were passed on to the mill companies in lots. The first instalment, which was purchased by the mills, was

[Shri Feroze Gandhi] 16,350 preference shares of Bennett Coleman & Co. in December 1946; from October to December, 16,350 shares, that is, preference shares, passed into the mills. On the 31st March 1947, the Shapurji Barucha held 9,500 preference shares of Bennett Coleman & Co. at cost of Rs. 62,92,000.

**Mr. Deputy-Speaker:** I do not want to take the time of the House, but how are we all interested unless....

**Shri Feroze Gandhi:** These two companies became the proprietors of Bennett Coleman & Co.

**Mr. Deputy-Speaker:** Were they all started with Bharat Insurance money?

**Shri Feroze Gandhi:** Yes. It is all interlinked.

**Mr. Deputy-Speaker:** The hon. Member goes on stating that it is interlinked.

**Shri Feroze Gandhi:** If it is interlinked, it is interlinked.

**Mr. Deputy-Speaker:** I am willing to give any amount of time to the hon. Member who has prepared his points, got a number of figures, etc., for the enlightenment of the House as to what attitude it should take with respect to the Bill. At every stage we are concerned with the abuse by persons who are in charge of insurance companies and how in one or two instances the top men who held a position have abused it to the detriment of the company. If he had said that the Bharat Insurance invested in the Bombay Company or Bennett Coleman & Co., or in the name of some other persons and so on, that there was no security, the money is about to be lost, etc., then all these will be relevant. At every stage, when he passes on to another incident, he must say how Bharat Insurance is there in the picture.

**Shri Feroze Gandhi:** I will say how Bharat Insurance is there when I come to the conclusion of one incident. As I told you, on the 31st March 1947,

Shapurji Barucha Mills held 9,500 preference shares at a cost of Rs. 52,92,000 on the same day Madhoji Dharamsey held 6,850 preference shares of Bennett Coleman & Co. at a cost of Rs. 37,67,500. The ownership of Bennett Coleman<sup>11</sup> rested in these two textile mills. As I said, I do not know whether this was legal for the textile mills to invest in Bennett Coleman & Co. because the nature of business in which they were indulging was quite different. To the best of my knowledge, no machinery for the spinning of yarns was installed in Bennett Coleman & Co. till then—might have been installed later on.

Now I come to a very significant entry. That also is with regard to the purchase of shares, and I will show you how various other banks and companies were brought in to the rescue of Bennett Coleman & Co. for the purchase of their shares.

On the 2nd May 1947—a very significant date—a sum of Rs. 84,00,000 was withdrawn from the Gwalior Bank. Gwalior and Bombay are some distance apart, but on that very day, Rs. 84,00,000 or a little more than Rs. 84,00,000 was paid out by the mills for the purchase of 15,000 more preference shares of Bennett Coleman & Co. and they became the owner or the proprietor of Bennett Coleman & Co. What happened to the Gwalior Bank a few years later is probably known to Shri Deshmukh—it was liquidated.

**Mr. Deputy-Speaker:** Money was only withdrawn from it; was it liquidated for non-payment?

**Shri Feroze Gandhi:** As an ordinary Member I can find out only a few things and I am only pointing out the type of transactions that took place, which resulted in the liquidation of banks and companies.

**Mr. Deputy-Speaker:** Were they the bankers of Bharat Insurance Company?

**An Hon. Member:** He is coming to that.

**Shri Feroze Gandhi:** I will come to companies which had direct dealings with Bharat Insurance Company—Bennett Coleman & Co. and what is called the Dalmia Cement and Paper Marketing Company.

**Mr. Deputy-Speaker:** The hon. Member has not said what Bennett Coleman has to do with this; he has taken us right through various stages to Bennett Coleman & Co.

**Shri Feroze Gandhi:** I will show you what Bennett Coleman has to do, with this.

**The Minister of Finance (Shri C. D. Deshmukh):** There has been some connection between Bennett Coleman and Bharat Insurance and I do not know whether the hon. Member is assuming that the House will take judicial notice of it.

**Mr. Deputy-Speaker:** The hon. Member may not be able to link these transactions with the present one.

**Shri C. D. Deshmukh:** Perhaps he will give it at the end.

**Shri Feroze Gandhi:** I have given you the assurance that I will not mention the name of any company or individual which in one way or another, directly or indirectly, has not come into contact with the Bharat Insurance Company.

**Shri C. D. Deshmukh:** I think it is in his mind to portray the background against which legislation of this kind becomes necessary, when the finances of the public and industrial concerns and banks and insurance companies are inextricably mixed together by a person of extraordinary capacity to intermix them.

**Shri Feroze Gandhi:** I hope you will allow me to proceed.

**Mr. Deputy-Speaker:** The House is anxious to hear the hon. Member and I will not stop him.

**Shri Feroze Gandhi:** The total amount of shares of Bennett Coleman held by these two mills was about Rs. 1,75,00,000. Now the auditors of

these two concerns were getting worried and they did not like what was going on. The auditors are two of the finest in this country—one is called Fergusson and the other is called Billimoria. They refused to certify certain items on the balance-sheet which I would like to read out to the House because of the nature of the transactions. This is a report by Fergusson and Company and by Billimoria and Company. It states that the company from time to time during the year under report made advances to the following companies, there being some directors common to the company and to each of these concerns. Some of the directors were in Bharat Insurance Co.; some were in Bennett Coleman and some were I do not know where. The directors were common to many companies. The first item which the auditors refused to certify was an advance which was made to the Dalmia Cement and Paper Marketing Company of India, Rs. 10,32,616.

On 31st March, 1947 the company owed to Messrs. Dalmia Cement and Paper Marketing Company the sum of Rs. 23,53,000. Thereafter this advance was cleared up and the Dalmia Cement and Paper Marketing Company borrowed from the Company. Its borrowings stood on 30th November, 1947 at Rs. 1,53,56,799. This was one.

The second advance to Messrs. Madhovji Dharamsey Manufacturing Co. Ltd., of Rs. 9,00,000 was not certified. Regarding this on the 28th February, 1947 the book showed a receipt of Rs. 9,00,000 by the company from the Dalmia Cement and Paper Marketing Co. Ltd. This sum was deposited with the Bharat Bank Ltd., but on the same day a similar amount was withdrawn from the Bharat Bank Ltd., and paid through the company to Messrs. Madhovji Dharamsey Manufacturing Co. Ltd. On the 14th March, 1947 a reverse procedure was adopted with the result that the advance of Rs. 9,00,000 to the Madhovji Dharamsey Manufacturing Co. Ltd., was eliminated. A very beautiful process.



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The third one is this. The company received the following sum from the following concerns. One is a sum of Rs. 52,00,000 from the Bharat Bank Ltd.. With regard to this the auditors have pointed out:

"As regards this item on the 27th December, 1946 a sum of Rs. 52,00,000 was received from the Bharat Bank Ltd. under a cash credit arrangement. This amount was transferred on the same day in the books of the company to the Dalmia Cement and Paper Marketing Co. Ltd. On 3rd January, 1947 the Dalmia Cement and Paper Marketing Co. Ltd., transferred a like amount and the cash credit was paid of."

This is how it was all done. This is what the auditors had to say about it. Both Messrs. Fergusson and Billimoria have said:

"The attention of shareholders is directed to the question whether these advances and investments made by the Company and the borrowings received by the Company are within the powers of the Company as expressed in the Memorandum and Articles of Association of the Company."

A few months later both the auditors resigned and left the company.

Now, Sir, we come to a rather interesting part of this whole transaction. That is, Messrs. Bennett Coleman & Co. had certain dealings with the Bharat Insurance Company about two years ago—or 2½ years ago. The Controller of Insurance then objected to certain investments by the Bharat Insurance Company with the firms of the Dalmia Jains and as a result of this objection, probably, the Company was asked to get back the money. They adopted a very clever technique. They sold the building of the Times of India, Bombay, at Bori Bunder and sold other building in Delhi and also one go-down. These were all sold to the Bharat Insurance Company at a very high price and I will use the words

of the Finance Minister and not my own words to say, the deal was of a very dubious nature. That is why the Government objected. Before that the Controller of Insurance objected to the investments of the Bharat Insurance Company in the concerns of the Dalmia Jains which were varied in number and spread all over the country. When he objected to the investments this deal was brought about which, again, the Government objected. They said: this is dubious. As a result of this dubious transaction today about Rs. 1,00,00,000 is still due to the Bharat Insurance Company from Messrs. Bennett Coleman and Company.

I would like to point out to the Finance Minister that this money, inspite of the fact that it has changed hands in the last few days and therefore it is likely to change hands again in the next few days—what might be going on inside we do not know—of the Bharat Insurance Company is also in danger because of the doings of the proprietors and the managers of Messrs. Bennett Coleman and Company. In the year—this is the Bombay Gazette dated 2nd January, 1955—1955 there was an adjudication and the adjudicator's award is what I am going to read to you. This adjudication was between the employees of Messrs. Bennett Coleman and Company and the proprietors. Certain remarks of the adjudicator will be of very great interest to the Government and to the House. In the accounts which were produced before the adjudicator of Messrs. Bennett Coleman and Company there were certain remarks:

"The accounts have been audited by the Chartered Accountants and have been accepted by the Income-tax authorities for the purposes of assessment of the Company."

This is the Company's version to the adjudicator. This is from the General Manager, Mr. Jaya Chandra Jain. It is a very unusual name in this country. He said:

"The accounts have been audited by Chartered Accountants and have been accepted by the Income-tax authorities for the purposes of assessment of the Company."

Therefore, he said, that these should be taken as they are. But, labour is not very easy to deal with these days and they located something. They located an item which ran into several lakhs and the Finance Ministry should also be interested in it. The adjudicator's award says: "The next item of dispute is a payment by way of commission to a certain party. The Company—that is, Messrs. Bennett Coleman and Company—furnished a list of names of firms to whom advertisement commission had been given but in respect of one item running into some lakhs it did not give the name of the party. The amount of agency commission was far in excess of the previous years. The Union contended that this amount was paid to an organisation controlled by Dalmia who has the controlling interest in Messrs. Bennett Coleman and Company. At the time of hearing the Company did not admit or deny the allegation but it was stated on its behalf" by the General Manager Shri Jaya Chandra Jain: "...that is would be prejudicial to the Company's interest to supply this information and that while the Company did not wish to disobey the order of the Court if the Court directed that the information should be supplied, it would prefer that the Court may add the amount of this item to the gross profits." This is the condition of Bennett Coleman and Company. The amount runs into several lakhs. It goes on:

"The company has not supplied this information"—that is, to the adjudicator. It says that the "company has not supplied this information. When the company has without objection supplied the names of a dozen other parties to whom the commission has been given, the refusal to disclose the name of this party and the vouchers regarding the

payment to this party three years ago on the ground urged during the argument that to do so might prejudice the interests of the Company in the eyes of advertising agents and the Indian and Eastern Newspaper Society of which Shri Jaichand Jain is the President, is not convincing". The reputation of Jaichand Jain has to be saved. It was all right. Several lakhs they were willing to transfer to profit, and the Finance Minister must have gained something out of it.

**Shri C. D. Deshmukh:** I do not know.

**Shri Feroze Gandhi:** When I talk of the Finance Minister, I talk of the Government. I have pointed out to you that this one crore has yet to come back from Bennet Coleman and Company to the Bharat Insurance Company. I ask the Government the question: Why is this money not being recovered in one lump sum? What is this business of instalment? Why has it been handed over to them at such a low rate of interest. It is a very low rate of interest. The Bharat Insurance Company has a claim to this full one crore of rupees. It can be invested. It can give a high rate of interest in a good investment and the Bharat Insurance Company would be a gainer. Why do the Government not get this one crore back straightway? They have made an agreement with the previous owners of Bennett Coleman and Company, and I would suggest a probe into the affairs of Bennet Coleman and Company. The Finance Minister can send for the documents which are in the possession of the Press Commission. He can have a look into it. Look at the evidence given by both,—Shri Ramakrishna Dalmia and the general manager, Shri Jaichand Jain. I cannot mention anything but I would suggest that the Finance Minister look into it. If the affairs of that company are not being managed properly, why should not we immediately ask for this Rs.1 crore and get it back for the Bharat Insurance Company? That is one thing.

[Shri Feroze Gandhi]

Now, I would like to give the House an idea of the number of concerns, the names of concerns with which Dalmia Jain is connected, I shall just read out the names to give you an idea as to how widespread the operations of this group were. The Dalmia-Jain Group consists of a large number of companies some of which have benefited through the monies of the Bharat Insurance Company. It consists of the following; and the list is not complete. I warn you. There are many more companies. I might say that the list is only illustrative and I am giving the names just to give you an idea. It is not exhaustive. They are: The Dalmia Jain Airways; the Punjab National Bank; the Bharat Bank. It has been now turned into Bharat Nidhi. It is a very peculiar thing. I shall reveal to you how company after company disappears. To continue the list: Dalmia Cement, Rohtas Industries, Bharat Collieries, Allenberry & Co.; Dalmia Jain Aviation, Govan Brothers, Raza Sugar, Buland Sugar Mills, Indian National Airways Rampur Maize, Rampur Distillery,—all these are limited companies and I am omitting the word 'limited'—Shapurji Bharucha Mills; Madhovi Dharamsey Mills; Dalmia Cement (Bharat); Maheshwar Collieries; Kharkhari Coal Co.; S.K.G. Sugar Mills; National Safe Deposit and Cold Storage, Bombay, Oswal Co; Allen Motors;—There is one Allenberry and there is one Allen Motors, just to confuse—Lahore Electric Supply; Bennet Coleman; Corswords Ltd.; Bharat Journals; Civil and Military Gazette; South Behar Sugar Mills; Dalmia Dadri Cement; Dalmia Jain & Co.; Dalmia Jain & Co., Jind State; Universal Bank of India Ltd; Allahabad Law Journal Press; Patiala Biscuits; Dharangdhara Chemical Works; Industrial Credit Co.; Sahu Jain; Dalmia Cement & Paper Marketing Co.; Sheoy Bauxite Products; Delhi Flour Mills; Rampur Engineering Co.; Indian Woollen Mills; Lothian Jute Mills; Albion Jute Mills; New General Jute Mills; Dehri Rohtas Light Railways; Dalmia In-

vestment Co., Gwalior Bank; Ashoka Marketing; Govan Agencies; South-East Aisa Industries; Asia Udyog.

There were a number of companies floated for special purposes, the special purpose being just to make some companies disappear. If one disappears, then it is absorbed into the next one and palmed off to Gurgaon! Some of these companies which were floated for this very special purpose are as follows: Asiatic Stores Ltd.; Sunbeam Corporation; India Traders Ltd; Vastra Vyavasaya, Ltd; Jaipur Trust Ltd; Dalmia Jain Charity Trust; Raghunath Investment Ltd; Hari & Co.; Vishnu & Co.; These are two Gods and obviously these are named after certain persons such as Hari Vishnu Dalmia and so on. I am not quite sure. Vyapari Ltd.; Hindustan Vyapari Ltd.; Jaipur Vyapari Ltd.; Rhastrya Investment Co. Ltd; Saurashtra Investment Co. Ltd.; Rashtriya Investments, Ltd.; Rashtriya Finance Corporation, Ltd; Indo-Pakistan Trading Co. Ltd; Rashtriya Agencies Ltd; Premier Merchants, Ltd; General Marketing Co. Ltd.; Dadri Marketing Co. Ltd; Rajputana Investment Co. Ltd., Bharat Ayurvedic Pharmacy Ltd.

**Mr. Deputy-Speaker:** You are reciting that with the zeal of one who recites the 1008 names of God!

**Shri Feroze Gandhi:** I am finishing. Only two are left. They too have played a very important role in this Dalmia Jain affair. One is the Yogiraj Trust and the other is called the Bhriguraj Trust. We will come to these two Trusts later.

In the year 1946, Dalmia Jain started an Airways Company, called the Dalmia-Jain Airways. Another company called the Dalmia-Jain Aviation was also started. I hope you will not get confused. One was called the Dalmia-Jain Airways and the other was called Dalmia-Jain Aviation. The Bharat Insurance Company was an important shareholder. I think about Rs. 25 lakhs, if I am not mistaken, were held as shares in the Dalmia-Jain Aviation. The Dalmia-Jain

Aviation and the Dalmia-Jain Airways were started for the purpose of starting airlines, but the Dalmia-Jain Airways never owned an aircraft. Never ran an Airline. Rs. 3½ crores were the paid-up capital of this company which consisted of about 25,000 shareholders. Instead of aircraft and flying aeroplanes, they started doing disposals work.

It was more paying.

4 P.M.

**Shri Matthen** (Thiruvellah): Bharat Jain Aviation had 18 lakhs.

**Shri Feroze Gandhi:** They are all interlinked; The Director-General of Supplies and Disposals in collaboration with the American officers left over here handed over to Dalmia Jain Airways disposal goods worth Rs. 5,86,32,500. The Dalmia Jain Airways started what they called—what was called in their books—as a joint venture with another Private firm of their own, Allen Berrys.

**Mr. Deputy-Speaker:** They had something to do with food products.

**Shri Feroze Gandhi:** I will tell you, if you all have the patience.

**Several Hon. Members:** Yes.

**Shri Feroze Gandhi:** In Allen Berrys, the Bharat Insurance held 30,000 preference shares and Dalmia Jain Airways with a paid-up capital of Rs. 3½ crores started what they called a joint venture. This joint venture was proving to be very profitable. I will read from the speech of the Chairman, Shri Ramakrishna Dalmia, Chairman of Allen Berry Company Limited, published in the *Statesman* of 13-3-1947. I have already told you that 30,000 preference shares were held by the Bharat Insurance Company in Allen Berrys. This was the speech:

“Your company purchased in co-operation and partnership with Dalmia Jain Airways Limited the entire lot of American surplus vehicles in India. I have already brought to your notice that we were able to get the best

vehicles ever disposed of as surplus by any army in India. The claim is substantially proved by the fact that during the past four months by a 10 per cent sale of your stock, your company has been able to move in 25 per cent. of our investment....”

This point is very relevant, as I will show later.

“...Your company has captured the market and confidence of customers by steadfast good service. It is estimated that by the time your 50 per cent. stock of surplus vehicles is sold out, your total investment will have returned. Your company's partners Dalmia Jain Airways Ltd., permit me to claim, will enjoy benefits of rich mechanical and technical resources of your company and shall have security and assurance for their sound investment which in future every business will seek and look for. Your partners will participate in the quick return which your company's business will bring and I hope they will be able to give dividends to the shareholders before any other Airways company will contemplate to do so. Experience has shown that the business of Air Transport has a slow and low tendency to arrive at maturity and offer return...” etc.

Leave alone the dividends; the Dalmia Jain Airways went into liquidation. After starting with Rs. 3½ crores—one day suddenly Rs. 3,10,47,345 were made over to Allen Berry and the shareholders of the Dalmia Jain Airways were ruined. This money never came back to them. I will draw your attention to this point—who were the directors of the Dalmia Jain Airways and Allen Berrys? They used to change from time to time; that was a very common practice.

**Shri Tyagi:** Did you say that Bharat Insurance had 30,000 shares in Dalmia Jain Airways?

**Shri Feroze Gandhi:** No. In Allen Berrys and another 30,000 preference shares were held by Allen Berrys. Don't ask questions; you will get confused. It is with great difficulty that I have kept these figures in proper order. I was saying that the directors were changing from time to time. There was Shanti Prasad Jain in Dalmia Jain Airways;—Shanti Prasad Jain, Director and Managing Director in Allen Berrys right up to 1948; the other directors were one Rajendra Kumar Jain and one J. N. Gupta. I would like to bring to the attention of the Government and yourself, Sir, that it was a total contravention of section 86 (d) of the Indian Companies Act. Dalmia Jain Airways was a public limited company and Allen Berrys was a private company; it was not a public limited company. This loaning, handing over its entire capital would be a total violation of section 86(d) of the Indian Companies Act. They did it. They could not have done it according to law. I will draw your attention to the speech of the Chairman which I have already quoted 10 per cent. of sales brought in 25 per cent. of the investment. If this is correct, I will make a small calculation. Since the matter of Allen Berrys is with the Finance Minister, these days, I am emphasising this point. If 10 per cent. of sales were to bring 25 per cent. of the investment, reducing it to rupees, annas and pies, it would mean that disposal goods worth Rs. 60 lakhs would yield Rs. 1½ crores; how much would goods worth Rs. 5,86,32,500 bring in, I leave it to the Finance Minister to calculate. There are too many zeroes.

**Shri S. S. More:** Let Mr. Tyagi do it!

**Shri Feroze Gandhi:** This venture of selling disposals goods was started by Dalmia Jain Airways as a partnership. The Chairman has said that the Company purchased in co-operation and partnership with Dalmia Jain Airways; but shareholders of Dalmia Jain Airways got nothing out of this. It got zero. The partnership was

suddenly dissolved one fine day and this amount of Rs. 3,10,47,345 was just shown as a loan. It was shown as a loan to Allen Berrys. All that the shareholders of Dalmia Jain Airways—25,000 of them—got was a receipt for that amount; they never saw that money again. It is a very peculiar thing. I would ask this question. Bharat Insurance Company was a shareholder in Allen Berrys; I think I can ask the Finance Minister what has happened to all the profit of Allen Berrys? Where has it gone? I have made quite a lot of research into this affair of the Dalmia Jains and I have come to the conclusion that almost all the monies that have been spent, in the East, West, North and South, have come out of this disposals affair, with which the insurance company was roped, with which the Dalmia Jain Airways company was roped. This is where the Government have to look into: disposals.

I will give you another illustration. The entry is in the possession of the Government and the Finance Minister can look into it, or he has already seen it. Out of Rs. 5 crores and 86 lakhs odd, Rs. 50 lakhs consisted of spare parts, motor vehicle spare parts, new parts. There is an entry in the books of Allen Berry, which entry I think is in your possession. This entry is as follows. 20,000 tons of spare parts were all sold by weight, not according to what each part would cost; just weight. One thousand tons out of 20,000 tons were sold for I am told about Rs. 94 lakhs. That entry is perhaps in your possession. One thousand tons were sold for Rs. 94 lakhs. How much 20,000 tons must have fetched, is for the Government to inquire and investigate. I can only lead them. I do not occupy those Benches.

**Mr. Deputy-Speaker:** The hon. Member is yet young.

**Shri Feroze Gandhi:** I am getting old now. This affair has made me at least five years older.

There is another question which is of very great interest. Who were the owners of Allen Berry? The Bharat

Insurance company held preference shares. In doing all this research, I located a trust. It is called the Yogiraj trust. This trust was registered on the 7th day of March, 1949, after the so-called partition of Dalmia Jains. They had all parted in 1948. We will see how one of them comes in. I shall read it:

"The Declaration of Trust made at Delhi this the 7th day of March 1949, by Seth Ramakrishna Dalmia, son of Seth Harjimal Dalmia by caste Vaish, by occupation merchant, residing at Dalmia House, New Delhi, hereinafter referred to as the 'Founder', is as follows:

Whereas the Founder had dedicated therefor and endowed the same with Rupees Ten Thousand only and has handed over the said sum of Rupees Ten Thousand to the Trust to be called Yogiraj Trust, subject to the terms and conditions set out herein:

The entire holding of this trust was Rs. 10,000 a very important point. We come to the objects of the Trust. What are the objectives? Very good intentions.

To promote the well being of humanity by establishing or assisting the formation or aiding of humanitarian institutions and to start, encourage, promote or support institutions and societies to harmonise social and economic interests of the peoples of the world and to unite them in such a manner as may best ensure peace and happiness of the humanity at large.

**Some Hon. Members:** Only Rs. 10,000?

**Shri Feroze Gandhi:** All this for Rs. 10,000.

**An Hon. Member:** To defraud the Government of income-tax.

**Shri Feroze Gandhi:** Then,

To open, found, build equip, take over, conduct, maintain, grant aids to, dispensaries, hospitals and lunatic asylums;

To help widows, orphans and to give relief to the poor and distressed and also lunatics.

This is a very important provision:

To revive, investigate, promote and spread the ancient science of astrology;

Now, how to carry out all these nice objectives? This is what they will do. For the first time when I looked into it, I myself felt giddy. This is a very good method of having a joint stock company and calling it a trust. Why worry about, the new Companies Act? Make a trust. I am drawing the attention of the Finance Minister as to how these trusts have been misused and how their registration is accepted. I suppose the law is there, you go and register and the Registrar has no choice in the matter. A note can be taken now.

For the purposes of carrying out the aforesaid objects, the trustees may purchase or otherwise acquire any property rights, leases and assignments, concessions, etc....

purchase or otherwise acquire, start, establish, equip or close any business;

I have never come across this kind of power in the hands of any board of directors. I have never seen any articles of association or memorandum where this kind of power to close business is also there.

Purchase, acquire or undertake the whole or any part of property and liabilities of any person, firm or company;.....

In the lifetime of the founder, the founder being Ramakrishna Dalmia, any one not otherwise disqualified will be eligible to be nominated, appointed or cooped as a trustee. After his death, every trustee must be a vegetarian, non-smoker and a teetotler. Then, this is very important:

The trustees shall have full power and discretion to acquire, hold, carry on and manage any trade or business or any part

[Shri Feroze Gandhi]

thereof and to employ the whole or any portion of the trust property or any funds of the trust in such trade or business or in running concerns or managing agencies or in securities or shares and debentures of public or private limited companies or other investments and realise or vary the same or any branch or portion thereof...."

These are the methods by which all these lunatic asylums were going to be established.

Now, as I told you, in 1948....

**Mr. Deputy-Speaker:** Is it the hon. Member's contention that even the charity has come from the Bharat Insurance company?

**Shri Feroze Gandhi:** I will just show how lakhs can be produced out of Rs. 10,000. Who were the trustees? The first trustee is Seth Ramakrishna Dalmia, Dalmia House, New Delhi. The second trustee, I cannot name.

**Some Hon. Members:** Why?

**Shri Feroze Gandhi:** It is not in the public interest to do so.

The third trustee I cannot name. Again, if anybody wants to know, it is not in the public interest to do so. That is the responsibility of the Finance Minister and the Prime Minister.

**Shri Tyagi:** Are they both trustees? Are the Finance Minister and the Prime Minister both trustees?

**Mr. Deputy-Speaker:** What is the connection between the two?

**Shri C. D. Deshmukh:** We never heard of this trust before.

**Mr. Deputy-Speaker:** Of course, this is very interesting but how is this connected with Bharat Insurance?

**Shri Feroze Gandhi:** I will show you how these trusts are practically the controllers and proprietors of all the ordinary shares of Allenberrys in

which Bharat Insurance has a holding of 30,000 preference shares. I will not mention anything not connected with Bharat Insurance because the monies of that company have always been misused.

Shri Tyagi did not hear me. I said it is the responsibility of the Finance Minister and the Prime Minister, not mine.

The fourth trustee is Shri Sital Prasad Jain, one of the high-ups in the Jains. He comes in as a trustee. I have not read the names of the two important trustees, but I would like to point out all the same the position that they had in this Yogiraj Trust:

"The power to fix the number of trustees from time to time, to vary the maximum or minimum number or to appoint new or additional trustees to fill up any vacancies, the conditions or which any of these trustees are appointed or the manner, if any, in which their successors are to be appointed shall vest in the founder."

That is, the two who are in between whose names I did not state were nowhere, they need not have been there.

Now, we come to another very important thing.

"After the death of the founder, the power to appoint trustees to fill up vacancies...."

**The Minister of Revenue and Defence Expenditure (Shri A. C. Guha):** This trust must be a registered body, and so this document he is reading from is a registered and public document. What is the necessity of withholding two names.

**Shri Keshavaiengar (Bangalore North):** What is public interest? . . . is for you to decide, and not for the speaker.

**Mr. Deputy-Speaker:** Order, order. Let us hear the connection between the two. All this is very interesting.

**Shri Tyagi:** It is a matter of Rs. 10,000. Why bother so much about it, when he is talking of crores?

**Shri K. K. Basu:** Let it be even one pie.

**Mr. Deputy-Speaker:** Hon. Members will kindly bear in mind that we are not going into the general discussion as to what Dalmia did. Dalmia Jain may have acquired property in a thousand ways, we are not concerned with it. We are concerned with the Bill here. An administrator is appointed under this Bill. He is clothed with powers to prevent alienation upon investigation. There are certain powers given. Instances can be cited as to how grave injustice has been done, how interlocking has been made and it has become almost impossible to trace these monies, and therefore the Administrator must be given powers. Incidentally he might point out this is the way in which a company which is holding shares in it has been started, with very little capital of its own and so on. All that is very interesting. But independently they might set up a number of lunatic asylums or milk societies, we are not worried here.

**Shri Feroze Gandhi:** May I proceed?

**Mr. Deputy-Speaker:** I would like the hon. Member to show, so far as this concern is concerned, how any amount belonging to Bharat Insurance has been used, or whether these people have got a hold over this.

**Shri Feroze Gandhi:** That is the point.

**Mr. Deputy-Speaker:** He must establish some connection.

**Shri Feroze Gandhi:** I have already pointed out that I suspect that crores and crores have been made to disappear out of Allen Berrys and Dalmia Jains, a joint venture. In Allen Berrys Bharat Insurance was a shareholder. Of course, you know this interlocking is horrible. If I have to explain it, I cannot. I can only lay the facts before the House which I am doing.

**Mr. Deputy-Speaker:** What are the assets of this company now?

**Shri Feroze Gandhi:** This trust had only Rs. 10,000. Let me finish it.

These two very important people were trustees and I have read out to you that the founder had the sole power to vary the maximum or the minimum number of trustees. That is, any time they can be chucked out.

"After the death of the founder, the power to appoint trustees and to fill up vacancies shall vest in the Board of Trustees on the express condition that three of the trustees shall always and perpetually be from the family of the founder, and the first appointment will be of the following persons:

- (1) eldest son of the founder from his wife X;
- (2) eldest son of the founder from his wife Y;
- (3) eldest son of the founder from his wife Z.

Subsequently, every one of these three sons will be succeeded by the eldest, provided that....."

**Mr. Deputy-Speaker:** With all respect, I am not going to allow any more reading of this. This is all about a man who starts some charities with Rs. 10,000. We are more concerned as to what connection there is.

**Shri Feroze Gandhi:** I will bring that out.

**Mr. Deputy-Speaker:** I would like the hon. Member to satisfy me first before he reads the rest. It is not as if the time of the House is unlimited. We have heard something, that this is the way in which it has been interlocked by a kind of society or company, through Allen Berry, Bennet Coleman, newspaper etc., various ways in which it has been interlocked. It is very interesting, but he should show how this Rs. 10,000 has connection and then go on reading. With all



[Mr. Deputy-Speaker]

respect to the hon. Member, I would like to know the connection first, how much money has been invested, before he proceeds. Otherwise, it is such a small matter over which I cannot allow the time of the House to be spent.

**Shri Feroze Gandhi:** If you want to know the connection, I will let you know first. I want to draw the attention of the House to a very peculiar thing, that is, that there was one trust called the Yogiraj Trust, and two days later another trust was registered which is called the Brighuraj Trust. From first page to the last page they are exactly the same, and the trustees are the same except with one variation, namely that is in place of S. P. Jain there is Premnath Mehta. Two shareholders are required in a private company, and these two trusts it is alleged became ordinary shareholders of Allen Berrys with each of them holding Rs. 8 lakhs worth of shares. In Allen Berrys Bharat Insurance money was there, and Allen Berrys' control came into the hands of the two trusts. It is not for me to answer how. I want to know. It is for the Government to answer as to wherefrom this alleged amount of Rs. 8 lakhs came in before they could purchase the ordinary shares.

**Mr. Deputy-Speaker:** Am I to understand the hon. Member to say that these trusts became shareholders?

**Shri Feroze Gandhi:** These two trusts became the proprietors, the controllers.

**Mr. Deputy-Speaker:** Did these trusts become shareholders as institutions?

**Shri Feroze Gandhi:** These two trusts became the holders of almost all the ordinary shares of Allen Berry & Co., Ltd.

**Mr. Deputy-Speaker:** The hon. Member must start with that and then go into the other details.

**Shri C. D. Deshmukh:** I do not know how much this will enable us to trace things, but the point obviously is that we may be able to trace something which could be called the property of Bharat Insurance through these transactions.

**Mr. Deputy-Speaker:** I agree.

**Shri C. D. Deshmukh:** Secondly, we may be able to find out what has happened to that property and if there has been any misfeasance or misappropriation in regard to that property. Certainly when we do trace the property, then we want to find out who is holding it. And there again, it is necessary not only to know the holdings which were formerly in the name of Shri Dalmia, but in the names of other concerns, trusts and others associated with it, because it is that property whether held directly or *benami* that we are concerned with.

**Mr. Deputy-Speaker:** I entirely agree. Had I only known that these two small trusts had Rs. 2 lakhs each, I would have allowed the hon. Member to go on with it. I only wanted to know what exactly is the connection.

**Shri Feroze Gandhi:** I cannot reveal wherefrom these Rs. 8 lakhs in each trust came; I do not know. I had mentioned earlier Allen Berrys. These were the trusts' holdings. Now, the picture is complete.

Now, what happens is that the Dalmia Jain Airways with a paid-up capital of Rs. 3½ crores is liquidated completely. The Dalmia Jain Aviation has also been liquidated. But under article 153 of the Companies Act, it has been either renamed, or I do not know what exactly has happened to it. Let me explain how the whole thing has happened. The Dalmia Jain Airways after a threat of liquidation or actual liquidation was sent into Dalmia Jain Aviation, and both—one company with a capital of Rs. 1 crore and the other with a capital of Rs. 3½ crores—were rechristened

as 'Asia Udyog', and registered not in Delhi, not in Bombay, not in Calcutta, but in Gurgaon.

There is another very significant entry to which I want to draw the Finance Minister's attention. There are several trial balances I am told in the possession of Government relating to Allen Berrys. Now a sum of Rs. 1.35 crores is shown in the books of the Dalmia Jain Airways as the amount to be realised from Allen Berrys. This is the sum which has to be realised from Allen Berrys to Dalmia Jain Airways. One day suddenly, this amount is transferred from the Airways to the books of the Dalmia Cement and Paper Marketing Company, I do not know how, but here is something which will be of very great interest to the hon. Minister and his investigating staff. The records of Allen Berrys in their possession will show that the secretary of the company has signed trial balances on 21st July 1951 saying that the sum of Rs. 1.35 crores which was to be realised from Allen Berrys remains as payable to Dalmia Jain Airways. This was a wrong entry, which I am told is in your possession. The trial balance of Allen Berrys for August, September, October, November and December shows that Rs. 1.35 crores is due to Dalmia Jain Airways. So, you will see that here is some bungling which has been caught. They probably forgot, or I do not know what happened. But it was a wrong entry. I cannot say how it happened, but it is a wrong entry that is I think in the possession of Government, and therefore this can lead on to something more.

Now, I come more or less to the last company in which the Bharat Insurance Company had some interest, or I should say, quite some interest. Peculiarly, it is called the Lahore Electric Supply Company Limited. Some of you might have heard of it. Probably, my hon. friend Pandit Thakur Das Bhargava has heard of it. This is the last company, and after this, I shall not torture the House

further. The Lahore Electric Supply Company had a paid-up capital of Rs. 50 lakhs. And before you ask any question, I shall straightway say that the Bharat Insurance Company was a shareholder in that company. It held preference shares in the Lahore Electric Supply Company. The Government of Punjab (pre-partitioned Punjab) did not want to renew the licence to this company for supplying electricity, and in compensation they were prepared to give them Rs. 1 crore in cash. Now, this sum of Rs. 1 crore was given by the Government of Punjab to that company. And the shareholders met at an extraordinary general meeting on 30th June 1944 and passed the following resolution unanimously. This is a resolution of the general meeting of the shareholders, but again I do not know how it was got rid of, and what they did to it; but they did not carry it out.

**The Minister of Natural Resources (Shri K. D. Malaviya):** What was the resolution?

**Shri Feroze Gandhi:** The resolution was as follows:

"Having considered at length the question of continuing the business of the Lahore Electric Supply Company Limited, in the event of the Lahore Electric undertaking having been acquired by the Provincial Government, the shareholders are definitely of the view and they do hereby resolve to take early steps to close down the business of the Company in accordance with the provisions of law and the prescribed procedure. In pursuance of that decision to ultimately close down and to wind up the entire business of the Company as referred to above the Directors are hereby authorised to sell and dispose of all the rights and interests in the various subsidiaries... Further the shareholders in pursuance of the same objective of eventually closing down the business of the Company hereby resolve that all the shares or other instruments with

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all the transferable rights or interests therein held by the Company in other companies or securities or properties, movable or immovable, be sold and disposed of by the Directors in the best manner and at the best available terms they deem fit.

The shareholders further resolve that the moneys so realised by the Company in consequence of the aforesaid sales and transfers or otherwise from any other source whatsoever including the Provincial Government in respect of the undertaking and any other assets, tangible or otherwise directly or indirectly held by the Company, be distributed amongst the shareholders after having satisfied all the liabilities against the Company and having defrayed all the various items of expenditure that the directors may deem fit, proper or essential, which distribution shall be in accordance with the provisions of law and prescribed procedure

At the time this resolution was passed the chairman of the company was a gentleman called Rai Bahadur Sohan Lal. He took action in pursuance of this resolution. As a result, some of the shares were sold away, and about Rs. 70 lakhs was brought into the funds of the company. The electricity work had ceased. On 2nd September 1946, the company was taken over by the Punjab Government, and a payment of Rs. 1 crore was made. Now, the company held about Rs. 1.70 crores in cash. By January 1947, the Bharat Insurance Company held in the neighbourhood of about 40 to 50 per cent of the shares, besides those shares which were held by the others—I think the directors were Sital Prasad Jain and some others.

Now, by January 1946, the Bharat Insurance Company held 40 to 50 per cent of the shares. The shares of all these directors, Rai Bahadur Sohanlal etc. etc. were brought out it is al-

leged by the monies of the Bharat Insurance Company. This is what I want to emphasise.

**Shri Tyagi:** What is the proof of that?

**Shri Feroze Gandhi:** How is it possible for me to give proof? I am just a private Member. You are in the Government. I am not the Government. You come and sit here, and let me come and sit there. Then I will give you proof.

**Mr. Deputy-Speaker:** This may be easily verified by looking into the accounts of the Bharat Insurance Company.

**Shri Feroze Gandhi:** Very easily. I have given everything. What more can I give? I am only a private Member.

Now, who are the directors? This is also very important, because all along I take the stand that there has been no real partition between the Dalmias and Jains. That is my point. In fact, there has been no separation. There is some sort of understanding—we have collected so much. You look after this, I look after this. You take this. I take this.

**Shri K. K. Basu:** That is income-tax arrangement?

**Shri Feroze Gandhi:** 'I am the master of all I survey'.

Who are the directors? Take the Lahore Electric Company. I would like to read out their names and to show you that on the 1st of May 1951, according to the report filed with the Registrar, the following persons were the directors—it also gives particulars of the other concerns in which they were directors. First is S. P. Jain. Now I am in a mess. There are three S. P. Jains—I cannot say which one is the director here. But I have a vague suspicion that it is Sital Prasad Jain, because I have something in my possession where his signature does occur. Now, Sital Prasad Jain was the director of Lahore Electric Company, Indian National Airways Ltd., Dalmia Jain

Agencies, Ashoka Marketing Ltd., Dalmia Dadri Cement Company Ltd., Allen Motors Ltd., Govan Agencies Ltd., Raza Sugar Mills Ltd., Edward Keventer (Successors) Ltd., Govan Brothers Ltd., and—this is a very interesting company of the companies that are going round which would interest the Finance Minister—the Dairymen and Farmers Ltd., and also Bennet Coleman Ltd. This Sital Prasad Jain was director of Bennet Coleman Ltd., he was director in the companies of Dalmia, he was director of the companies of so-called Jains.

There was a second man called Ram Sarup Jain, Najibabad. He is an innocent man—I do not know—a zamindar from Najibabad. The third man is Virender Singh Chordia. He is director of Jaipur Agencies Ltd., Dalmia Jain Airways Ltd., Lahore Electric Company Ltd., Rajputana Investments Ltd., Dalmia Jain Co. (Jind State) Ltd., Dalmia Dadri Cement Ltd., Shapurji Bharucha Mills Ltd., Delhi Glass Works Ltd. and Jaipur Udyog Ltd. The Delhi Glass Works Ltd. is very near Delhi. How such a huge company like the Dalmia Cement and Paper Marketing Company which was the clearing house of the entire Dalmia-Jain group was sent into liquidation and later rechristened into Delhi Glass Works Ltd., I do not know—I have not been able to understand the process at all, how this is possible. The Dalmia Cement and Paper Marketing Company which dealt in crores—7 to 8 crores of rupees were the total dealings of the company—was turned into the Delhi Glass Works Ltd. Dalmia Jain Airways became the Asia Udyog Ltd., this became the Delhi Glass Works.

**Mr. Deputy-Speaker:** Is it producing glass instead of producing cement?

**Shri Feroze Gandhi:** This is something which would prove what you have been enquiring.

R. L. Chordia was another director in Lahore Electric Company, in Bharat Insurance Company, Bharatiya Vastra Ltd., Bennet Coleman Ltd., General Investors Ltd., and

Sunbeam Corporation Ltd.

There was another director called R. Sharma. He was director of Lahore Electric Company Ltd., Dalmia Jain and Company Ltd., Sahu Jain and Co. Ltd., Allenberry and Co. Ltd., C. Lazarus & Co. Ltd., Oxy. Acetylene Welding and Metal Cutting Co. Ltd. and Hindustan Industrial Agencies Ltd.

What I am trying to emphasise is that all the time you look into these people who are here, who are there, you find that they are in everything. Therefore, I say that Dalmia-Jain is just a false name. It is only some sort of an outward thing which is being put out, probably to convince the Government about something—I do not know what is the reason? But this is a fact.

Now, I come to this question of partition. I have given you several instances where all these directors are in the concerns of Jains as well as in the concerns of Dalmias. But, Sir, I have something to do with newspapers and I know that publishers sometimes get caught. Here is a book called *Who's Who in India* published by the Times of India, Bombay, owned and controlled—until a few days ago by Dalmia—now by Shanti Prasad. The very opening sentence about Shanti Prasad Jain says.....

**An Hon. Member:** What year is it?

**Shri Feroze Gandhi:** 1950. The so-called partition took place in 1948. The very first sentence is:

“Jain, S. P., B. Sc., managing director, Dalmia-Jain group of industries.....”

Then, of course, there is something said about marriage etc.

**An hon. Member:** Is it not interesting?

**Shri Feroze Gandhi:** Then it says:

“Possesses wide experience, extending over 12 years, of the various industrial and commercial units of the Dalmia-Jain group of industries, owning collieries, banks, insurance companies.....”

[Shri Feroze Gandhi]

The so-called Jains do not own insurance companies—I think there is one, the Bharat Fire and General Insurance Company or whatever it is called. But that is a general insurance company, and that has also disappeared.

**Shri Sadhan Gupta:** That does not belong to the Jains. That belongs to Jaidayal Dalmia.

**Shri T. N. Singh (Banaras Dist.—East):** Ownership is not yet clear.

**Shri Sadhan Gupta:** I said 'apparently'.

**Shri Feroze Gandhi:** But my point is that this publication is their own and is of the year 1950. If Shanti Prasad Jain had nothing to do with the Dalmia group, then a certain thing would never have appeared in this book.

Now we will come to Sahu Shriyans Prasad Jain. He is "controlling authority of the Sahu-Jain group of industries". I do not want to read the rest. I just want to emphasise that at one place it is Sahu Shriyans Prasad Jain, controlling authority of the Sahu-Jain group of industries and at another it is Shanti Prasad Jain, managing director of the Dalmia-Jain group of industries. This is only to emphasise that as between Dalmia and Shanti Prasad, I do not think, there is any real partition. The way the *Times of India* has been bouncing about is ample evidence. The day the Ordinance was issued, the day the Government issued the Ordinance, Mr. S. P. Jain made a mistake. The mistake that he made was—as many people do, and which I never count—that he issued a Press statement. People feel rather nice when they issue press statements. As soon as they have issued it they feel terrible because they do not know what is going to come out and what are the consequences. Mr. Shanti Prasad Jain, who was new to the newspaper business, handed out a statement. In the statement he said that the order of the administrator only concerns shares of the Bennett

Coleman Company to the value of Rs. 75,000. That is the face value.

Now, the important thing here is this. He said that he purchased these shares in July 1955, not in October after all this came to light. He purchased these shares in July 1955. I think they are ordinary shares of the face value of Rs. 75,000. That means about 7500 shares. That means virtually the control of the Bennett Coleman Company because the preference shares have no voting right. If this deal took place in July, then, apparently, Mr. S. P. Jain must have known about all this. Otherwise, why did it take place in July, I cannot understand. He came to the Finance Ministry and said, 'this is how I intend to pay. I will be purchasing Bennett Coleman Co.' But, that statement shows that this was done in July and the administrator's order only concerns those shares of the face value of Rs. 75,000. I have not been able to solve the mystery. Mr. S. P. Jain only can answer the question. Every side that I have tried to look into this Dalmia-Jain affair, whether it is Bharat Insurance or whether it is Bharat Bank—whatever it is—usually these concerns disappear. The Bharat Bank disappeared; the Bharat Bank and the Bharat Insurance Company had very close connection. What happened to the Bharat Bank? These gentlemen who adorn the gallery above you get things published, some day about the Bharat Bank, some day about this Company or some day about that company in their newspapers. The consequences of such publications are that the shareholders get nervous and they think the Bharat Bank is going to collapse, the Dalmia-Jain Airways is collapsing and so on. Whatever is happening, they want to sell out and the regular game of Dalmia-Jain was always to create nervousness in the minds of those who have invested their money. Then, after making them nervous, they take over their shares—buy them. I am giving you this information.

**An Hon. Member:** Others also do it.

**Shri Feroze Gandhi:** Yes, others also do it. I am not saying that these are the only people who do this thing. You will be shocked if I were to tell you that the Bharat Bank had a paid up capital of over Rs. 2 crores and there was no danger of its collapse. It was mismanaged. The Reserve Bank Report is there. But, when it was being mismanaged and the Reserve Bank reported, Government did nothing. They just left it to do what they liked. The result of that was, the Bharat Bank got converted into a company called the Bharat Nidhi. The Bharat Bank becomes Bharat Nidhi and still has a holding of Rs. 2 crores. This Rs. 1,80,00,000 has been paid to Government. How much of it has come from the Bharat Nidhi, the Finance Minister alone can reveal. I am told it is about nearly Rs. 60 lakhs or something like that. A big slice of Rs. 1,80,00,000 which you have realised has come from the Bharat Nidhi. I do not know how much it is. Mr. S. P. Jain has purchased the shares of those shareholders who have been holding shares of the value of Rs. 2/8 for four annas and six annas and become the controller or the controlling authority—or God alone knows what—of the Bharat Nidhi. The entire money of the shareholders has been squandered, their shares it is alleged have been taken over for four annas. The shares of Dalmia-Jain Airways, worth Rs. 10 were purchased by Dalmia and Jain for Rs. 2 and Rs. 2/8/-. I would like to ask the Finance Minister and the Government, 'What are you going to do?'

I have only more or less brought out certain facts. The way Government are proceeding, I am afraid, will lead us nowhere. I do not think that by resorting to the ordinary process of law you are going to reach anywhere. It is a lengthy process and moreover the nature of the enquiry is such. As I told you, this Dalmia-Jain group spreads from north to south, from east to west and right

into the heart of India, in Bihar. What are you going to do? There are hotch-potch enquiries, one enquiry here and one enquiry there. Mr. Shah took 2½ years to get back the building money of the Bharat Insurance. For 2½ years, I have been asking him, 'Mr. Shah, what is happening?' He said, 'I am consulting the Attorney-General'. After some days, I asked him what is the difficulty. He said, 'Constitution'. Good. Again after some days, I ask, 'Mr. Shah how far has it progressed?' He says, 'We are taking legal opinion.' Now, it took 2½ years. You will be surprised.....

**Shri M. C. Shah:** We got the money back.

**Shri Feroze Gandhi:** Yes, I am very grateful.

Mr. Tyagi was the Minister in charge when the enquiry began.

**Shri Tyagi:** The subject was Dalmia—and not me.

**Shri Feroze Gandhi:** He was in charge at the time of the enquiry. What I mean to say is this that the ordinary process of law cannot work with any effect. Perhaps, these laws were made for, if I may say so, decent criminals. By that I mean criminals who were willing to play the game. When they committed a crime they left something behind; they left a finger mark or something like that. It is not for people who never leave anything behind. They leave no trace. What are you going to do?

**Shri Tyagi:** From where did you get all this information?

**Shri Feroze Gandhi:** It cannot be revealed in public interests.

**The Parliamentary Secretary to the Minister of External Affairs (Shri Sadath Ali Khan):** I would, with your permission, ask one question. All this Dalmia affair emerged out of the Rs. 30,000 which Shri Dalmia borrowed from an astrologer. Did he pay back that money?

**Shri Feroze Gandhi:** You may table a short notice question. What I meant to say was that the ordinary

[Shri Feroze Gandhi]

process of law is going to get us nowhere. The facts are in our possession and Government have most of the things that I have said before the House or placed before the House. In fact, I have got them from several Government publications.

5 P.M.

**Shri C. D. Deshmukh:** Not the Yograj and Briguraj.

**Shri Feroze Gandhi:** That I got, but I am only saying that I got some of the facts from the Government publications. My suggestion to the Finance Minister is to proceed in a bold way and take a bold step. What you have now taken will not do. My suggestion is that you should appoint a Commission of Inquiry with full judicial powers to investigate the entire Dalmia-Jain affairs from 1945-46 or whenever it began up to date. A very big responsibility lies on the shoulders of Government. That responsibility is this. Just as our friend, Shri Shah—I seem to forget his official designation, he is Minister of Revenue and....

**An Hon. Member:** Civil Expenditure.

**Shri Feroze Gandhi:** Just as he has got back the money of the insured in the Bharat Insurance Company, I say that it is the responsibility of Government, and greater than Government, it is the responsibility of this House to get back the entire monies of all the shareholders of Dalmia Jain Airways, of the Lahore Electric Company and of the Bharat Bank, all three of which total up to a tidy figure of about Rs. 8 crores or thereabouts. I say that these monies have to be returned. If you have to change the Constitution, change it; if you have to change the laws, change them. The House is with the Finance Minister and I can assure him that not a single voice either from this side or that side will be against it. Let him act quickly as years have passed, people are dying, some of the people who held evidence have died. Now what are you going to do? I

have also thought over this problem. Whichever side you look there are lawyers and they get you into trouble just as they get my friend, Mr. Dalmia, into trouble. Instead of going to the Attorney-General, for a change, come to us—that is what I say. We assure Government and assure the Finance Minister that the entire House will be with him in whatever he wants to do, but he should do it.

Shri Deshmukh, our Finance Minister, when he speaks, always recites something at the end. I have also more or less come to the close of my speech.

**An Hon. Member:** Then give an Urdu couplet.

श्री फिरोज गांधी : हुजूर वाला, अपने अर्थ मंत्री से मैं एक चीज कहना चाहता हूँ। अब वक्त आ गया है कि जो कुछ थोड़े से सुझाव मैं ने रखे हैं आप उन को कर डालें। जहाँ तक हमारा सवाल है, हम सब आप के पीछे हैं। आखीर में मैं आप से एक बात और कहना चाहता हूँ :

“अयते हस्तो भगवान्, अयते भगवत्तरः।”

आप के हाथ भगवान हैं, आप के हाथ भगवान से भी ज्यादा ताकतवर हैं।

**Mr. Deputy-Speaker:** This is the hon. Member's maiden speech, possibly,—a fairly long speech—and it has been more than a maiden speech.

**Shri Tyagi:** Accompanied by overtures....

**Mr. Deputy-Speaker:** I think the hon. Member evidently supports the motion for consideration.

**Shri K. K. Basu:** In the course of his long speech, the hon. Member referred to many documents and two of them are important, as the hon. Minister said, as they are registered documents. I think they should be laid on the Table of the House because there is some serious implication in it. So far as the laws are concerned, he says that in the name

of two persons two trusts are created—it may be eight persons or twenty persons—and some back-door methods are found for circumventing the provisions of law. I would request that those two documents may be placed on the Table of the House as he has given many important facts in this connection.

**Mr. Deputy-Speaker:** As the hon. Member who referred to them said, he will certainly show, according to his own ideas, the documents both to the Finance Minister and the Prime Minister, and if they find that the documents have got any relevance, I am sure they will ask him to place them on the Table of the House. Unless particular portions extracted are read, I am not in a position to ask him to place them on the Table. He said that these are the persons who are connected and, therefore, it was up to him to place the documents on the Table and nobody prevented him from doing so. It was open to him to read out those names. We do not even insist upon the Government to place those papers. An hon. Member uses particular portions for his speech; it is not a published book or document, and therefore, let both the Finance Minister and Prime Minister see them and if they feel that the documents should be placed on the Table, then they can easily ask him to place them on the Table of the House and he will do so. Now it is premature for me to ask him.

**Shri K. K. Basu:** These two documents are registered documents, as far as I understand from his speech. Secondly, it is not for the Finance Minister to determine whether it is to be laid on the Table, not even for the Prime Minister; it is for you and for the Speaker to determine it because it is a document of the House. So far as the House is concerned, the Prime Minister, the Finance Minister and any other Member stand on the same footing. If the Speaker chooses to say that something should not be disclosed in the public interest, it is all right and let him say so, but it

should not be left to the Finance Minister or Prime Minister to determine whether it should be disclosed or not.

**Mr. Deputy-Speaker:** The hon. Member, who used those documents, himself deliberately withheld those names and said that the person in charge of this Bill, leaving alone the Prime Minister, has also the other matter under investigation, that is the Finance Minister. All he said before the House was that a kind of humanitarian society or trust was started with all the powers in the hands of the founder, with the right to nominate his son by any of his various wives. The investment was only Rs. 10,000. But that trust has invested some lakhs of rupees in another concern. Wherefrom could it come? We do not have those documents. We are not in a position to say where it came from and even the hon. Member did not say whether the money came from Bharat Insurance, or this company or that company. If any entry is there, we can certainly pursue it. After all, a big businessman may have many sources and this is not the only source. How can I insist upon the hon. Member to place the documents on the Table? If he is willing to place them, let him do. But from the material placed before the House, I am not able to insist upon his placing them on the Table.

**Shri K. K. Basu:** Here we are enacting a law. As you remarked earlier, we are not only trying to get hold of the persons who are directly involved in this, but we are also trying to get hold of those indirectly involved in these transactions like the benamidars, etc. They must also be brought in, and we are considering whether further powers should be given to Government for this purpose. There is absolute necessity for these documents and we want to know how these so called benamidars or trusts are created to circumvent the provisions of the normal law. In our legislation we should tighten up



[Shri K. K. Basu]

the provisions and allow no scope for any mischief to be played. Therefore, I suggest that either the Speaker or yourself might look into those documents and unless there is something there which goes against the Government policy, they should be laid on the Table of the House.

**Shri Jaipal Singh** (Ranchi West—Reserved—Sch. Tribes): Sir, I have one difficulty from the point of privilege and it is, I do not quite know if the Treasury Benches have a Cabinet responsibility, that is to say, if any one of them says something it is on behalf of the Cabinet as a whole. My hon. friend Shri A. C. Guha got up on his feet and said: "Well, it is public knowledge, why can't you give it?" The hon. Member in his own light and his own discretion said that it was not in the public interest. Now if Members on the other side insist that it should be divulged I want to know where we stand as Parliament here? The Cabinet as a whole, do they speak with one voice or with different voices?

**Mr. Deputy-Speaker:** There is no point in it. On a question whether the documents ought to be placed before the House the hon. Member brings in Cabinet responsibility, whether they speak with one voice and so on. So far as this matter is concerned the hon. Member when he was winding up has said that this kind of Bill is not good and a big Commission with judicial powers and other things ought to be appointed. Ultimately he said in such matters as these it is not the lawyers who can decide but it is the House that has to be taken into confidence. The hon. Member expressed so much of confidence in the hon. Finance Minister—on whom all of us, the whole House has confidence. As a matter of fact, wherever there was doubt as to how far this was relevant I was anxious to know the link with the earlier portions of his remarks. The hon. Finance Minister stated that the last portion will come which will give the intention. Therefore, the matter is very safe in the hands of

the hon. Finance Minister when particularly the hon. Member has placed practically everything before the House. He only thought, for his own reasons, that the documents ought not to be placed on the Table of the House unless he consults the Finance Minister. I think he is a Member who is an absolute democrat and if he thinks at any stage that they ought to be placed before the House I am sure he will do so. He will consult the Finance Minister. Let us not hustle the hon. Member who has not made a secret or withheld any of these matters from the House.

**Shrimati Renu Chakravarty:** May I seek a clarification on your ruling, Sir? In the past whenever anything has been quoted by Members of this House then the Chair has generally, almost on every occasion, asked that the actual document should be placed on the Table of the House. Now, by this ruling of yours does it mean that in future it would be left to the discretion of the Member who quotes to leave that document on the Table or not?

**Mr. Deputy-Speaker:** I will consider this matter. Now, so far as this is concerned I can easily give an answer. The hon. Member has quoted from a huge book containing correspondence and various other things. The portion which he quoted will be marked and given to us omitting the two names. Let us, therefore, wait and see. This is not going to be disposed of today. We are coming again and meeting here tomorrow. Let him take his time and let me also take time to consider the points regarding my rights and other things. Let us proceed now.

**Chaudhuri Muhammed Shafiee** (Jammu and Kashmir): Sir, may I know since when this 'light' came to the hon. Member?

**Pandit Balkrishna Sharma** (Kanpur Dist.—South cum Etawah Dist.—East): The documents from which the hon. Member quoted are two Trust Deeds which are registered documents and, which, I believe, every member of the public is entitled to have. Therefore anyone can

get it and it is no use insisting upon their being placed on the Table of the House. That is what I have to submit.

**Shrimati Renu Chakravartty:** There have been quotations read out from books which have been published and at the same time they were asked to be placed on the Table of the House.

**Mr. Deputy-Speaker:** The hon. lady Member raised a question of practice and procedure. This Bill is not to be closed today. It will be held over till tomorrow. The hon. Member I am sure will attend the House tomorrow with his documents and if I consider that the documents ought to be placed on the Table of the House I have a right on behalf of the House to insist on their being placed on the Table or only that portion which is required. I will decide that tomorrow. In the meanwhile hon. Members will hold with patience. Let us proceed with the work now.

**Shri Raghavaiah (Ongole):** Unless the two members are members of the Cabinet.....

**Mr. Deputy-Speaker:** I am not prepared to hear anything more regarding the point that has been raised.

**Shri M. S. Gurupadaswamy, Sir,** I want to raise another point. The hon. Member has taken more than two hours and the total time allotted for this Bill is only 5 hours. Therefore, the time left is only about 2½ hours. In view of the large number of Members who want to participate in the debate may I request you, Sir, to either extend the time or we may sit longer?

**An Hon Member:** It will be extended.

**Shri Jaipal Singh:** Sir, you have overlooked completely the point that I raised. I was not concerned with my hon. Member from Uttar Pradesh being asked to place the documents on the Table of the House. That was not my point at all. All that I tried to remind you was that my hon. friend Shri A. C. Guha himself pointed out that they are public documents. So, why do the Government not put those documents on the Table? That was my point.

**Mr. Deputy-Speaker:** That is a matter between him and his chief. If they want let them do so.

So far as the question about time is concerned 5 hours have been allotted. Considering the fact that the hon. Member concerned was giving so many details and making the matter very interesting to the House I thought other hon. Members here would surrender their time in his favour.

**Some Hon. Members:** No, no.

**Mr. Deputy-Speaker:** Before starting I looked into the list of amendments. There were no amendments tabled so far. Under these circumstances I thought only one or two hon. Members will speak.

**Shri N. C. Chatterjee:** I may remind you, Sir, that the Speaker has already said that the amendments may be tabled tomorrow and we will be sending them tonight. Because the sequence in the order paper was changed and this Bill was taken without previous intimation the Speaker agreed to this arrangement.

**Mr. Deputy-Speaker:** I shall convey these views to the hon. Speaker and possibly in consultation with the Business Advisory Committee he may extend the time in view of what has happened.

Now, let us proceed with the work. Hon. Members may proceed with their speeches and each Member may take 15 or 20 minutes.

**Shri Sadhan Gupta:** This particular Bill has been necessitated by a very particularly outrageous incident regarding one company. It is that incident of the defalcation of a large amount of money belonging to policyholders that has necessitated the particular provisions that are being sought to be enacted under this Bill. From that point of view, of course with certain amendments, we do support the principles which are involved in this Bill and the nature of the provisions that are being enacted in this Bill. I also agree with Shri Feroze Gandhi when he says that this kind of provision is very necessary

[Shri Sadhan Gupta]

in these kinds of cases. These people are so adept at evading the law that you cannot get at them through the medium of the ordinary Civil Procedure Code or through the medium of the ordinary Criminal Procedure Code. You can recover a stolen property from a thief but it is not possible to trace the money they take because they take it through so many devices and so many ways of concealing things they take they have though they can still retain them for their own use.

What I want to emphasise in this connection is that although this Bill has been necessitated by the coming into light of the affairs connected with the Bharat Insurance Company, yet it has a bearing on the insurance business in India as a whole. I do not know how far you are aware that the affairs of many insurance companies are similar to the affairs of this particular insurance company. We have a saying in Bengali that the science of theft is the greatest of sciences as long as it is not detected. That is the sort of saying which is applicable to many insurance companies, to many of the biggest insurance companies operating in this country. A big authority connected with a fairly big general insurance company once confessed to me that there was no general insurance company in India which did not indulge in malpractices.

[SHRIMATI SUSHAMA SEN *in the Chair*]

That was a very correct statement of affairs. If it is true of general insurance companies, it is equally or even more true of life insurance companies. I have been connected with certain insurance companies through the trade unions of the employees and I can tell you that I know many ways in which the money of the policy-holders, the money of the public, is utilised for the private gains of insurance authorities. In the case of one insurance company, it happened that the boss of the insurance company had all his private expenses met from the funds of the

insurance company. From the stenographer to the bearer, every one was paid by that particular insurance company. He had one of the most attractive houses in Calcutta at a nominal rent of Rs. 1,000 per month.

**Shri Raghavaiah:** May I point out, Madam, that there is no quorum in the House? If there is no quorum, the House may be adjourned.

**Mr. Chairman:** The bell is being rung. Now there is quorum. The hon. Member, Shri Sadhan Gupta, may continue.

**Shri Sadhan Gupta:** As I was pointing out, a gentleman concerned who was the boss of that insurance company, had his private expenses, all manner of expenses,—from the pay of his stenographer and his secretary, down to that of the bearer,—met from the funds of that insurance company. He had the most attractive house at a most nominal rent of Rs. 1,000 per month, and although he had to pay a rent of Rs. 1,000, furniture was supplied to that house every six months to the value of some Rs. 1,000 or Rs. 2,000. When he went to Europe, he took a secretary with him and both his and his secretary's expenses were all paid by this particular company. When he retired, he retired from a post with a salary of Rs. 1,200, and then, after retirement, a pension of Rs. 3,000 was sanctioned to him, and that pension was later on increased to Rs. 5,000. Then, an honorarium was given. The pension and the honorarium together came up to Rs. 8,000 a month, and then that gentleman became a Minister but still the honorarium continued. That is the way that money is taken.

Then there is another aspect of it. When that gentleman went to U.S.A., we found in the account-books of that company that thousands of rupees were given to the Ramakrishna Mission in the U.S.A. You may think that it was a charitable thing. It was not. While in the United States, that gentleman had borrowed several thousand dollars from that institution and then he paid back not from his own pocket but from

the funds of the insurance company, and with the dollars, he engaged himself in transactions which brought him profit.

These are some of the ways in which the money of insurance companies, the money supplied by the policy-holders, is taken away for private purposes. But the most usual way and the most profitable way is to take the money of the insurance companies for speculative investments. When one speaks of speculative investments, it might be thought that it is really an investment which may be of profit or which may be of loss. It is true, but then the point is that in this kind of investment, when it is profitable, the shares are bought by the person concerned, the person who is in control of the insurance company, and when the investment leads to losses, it is left with the company itself. So, when there is profit, the shares are bought by the person concerned at a price which is either the face-value or which is nominal but it would be still very much less of what it would have fetched in the open market, and if there is loss, it is left to the company. That is the way in which the funds of the insurance companies are exploited. Life insurance is a very profitable business. You do not run risks as you run in an ordinary business. Your earnings are stable. They go on increasing from year to year and so, in spite of those thefts, life insurance businesses usually do not come to grief. It is a business which affords limitless possibilities of enriching oneself without drawing attention of the policy-holders, because, *prima facie*, the policy-holders do not lose. But what we are concerned about is that this kind of profit-making, this kind of trading with the money of others, even though it does not lead to disaster, even though it does not lead to the loss of the policy-holders' money should not be allowed to continue. If there is profit in the company, then let them take the share of the legitimate profits and let the further profits come back to the policy-holder in the shape of bonuses. The point

I want to make is that a situation in which the authorities in charge of the insurance companies are enabled to mint millions of rupees by simply arranging the investments and discretely buying off profitable shares should not be allowed to remain. In the case of the very insurance company I was talking about, they invested in a tea company. After sometime, the tea company began yield profits; after yet sometime, the tea company got so much profits that they issued bonus shares to the full value of the original shares. The authorities of the insurance bought these shares just before the bonus shares were issued and deprived the company itself of practically double the dividends which they could have earned in the subsequent years. In another case, the monies of these insurance companies were used to float which yielded no dividends for years and had no chance of yielding dividends. That is how insurance money is used. What I want is that the provisions of this Bill should be used not only to put a stop to malpractices through which money is removed; but it should be used also where money is removed under a legal cloak. If there is any legality in the cloak itself, that legality should be removed. I hope the Bill will be employed for the good of the insurance business and for the good of the policy-holders; but I must sound a warning. As it has been stated, this particular Bill was necessary because of the affairs of the Bharat Insurance Company; but we saw with great apprehension a report in the papers that Rs. 1,80,00,000 were accepted from Seth Dalmia, subject to the condition that if any further sum was found due, he would repay it. The question naturally arises as to how this voluntary contribution came about. Was there any inducement that if this voluntary contribution was made, he would escape any criminal punishment?

**Shri M. C. Shah:** In the ordinance it was provided that the property in his possession or in the possession of his benamidars would be taken. Therefore, this money was voluntarily

and unconditionally paid by him.

**Shri Sadhan Gupta:** But this voluntary and unconditional payment gives rise to some kind of suspicion. From what we know of human conduct, if one finds that even by paying Rs. 2 crores, he will not escape criminal liability, then he would not do it.

**Shri M. C. Shah:** It was made clear in the correspondence that criminal action would continue.

**Shri Sadhan Gupta:** We know that there are many ways of escaping criminal liability, even after making it clear in the correspondence. I will give one example. When I started practice, a case came to me where there was a bitter controversy between two enemies and apparently a false case was instituted. Finally, it was decided that there would be *rapprochement* and there would be a compromise. But my client said that if he was acquitted as a result of the compromise, he would lose the service in the Port Commissioner's office at Calcutta.

**Shri Raghavaiah:** May I make a suggestion? In spite of repeated requests from the Chair, there is no quorum in the House. Of course, we are glad to hear the speech of the hon. Member, but he may continue tomorrow.

**Mr. Chairman:** I suppose Mr. Sadhan Gupta will be taking only two minutes more.

**Shri Sadhan Gupta:** Yes, Madam, I was referring to a case. We found out a formula in consultation with the Judge. The Judge agreed that we would bring out certain technical objections to the case, because we did not want him to suffer. So, certain technical objections were brought in; the lawyer on the other side also conceded it and the case was decided accordingly. So, in the Dalmia case, we apprehend that unless he had an understanding—not necessarily from the Government, maybe from any other party—that there will be no criminal liability, I do not see why he should pay that sum. I hope it will not be said later on that no case for criminal liability was found and

so the investigation was dropped. This thing, we want to avoid.

With these words, I support the Bill and I hope that it will be used not only against the Bharat Insurance Company, but against all kinds of malpractices in the insurance companies, wherever they exist.

**Shri M. S. Gurupadaswamy:** Mr. Feroze Gandhi made a very long excursion in the affairs of Dalmia and I must say that his marathon performance was really splendid. He deserves really Bharat Ratna title. The whole House has listened very attentively to what he has said, and we are really grateful to the hon. Member who has made a lot of research either on his own account or through the help of the Department.

This Bill was brought forward by the Minister partly to deal with the Dalmia scandle. Previously, this House has been very familiar with so many scandals done by Government or private agencies. On the other day, the mystery of Birla House also was exposed on the floor of this House, but anyway, Government did not take any action about that. I am very glad that at least on this occasion, Government has made bold to trap a man or to catch a man who was known for his rapacities and crooked dealings in the world of business.

In 1937, when the Insurance Bill came before the Central Assembly, the then Law Minister, Mr. N. Sarkar, said that the insurance business is very complicated and very difficult for the Members to understand. I remember he quoted the instance of Einstein. It is said that only a dozen people in the world know really the theory of Einstein, i.e. his theory of relativity. In the same manner, it can be said that only 7 or 8 people in India really knew about the insurance business. But, today, in 1955, the position is different. Many Members know the business of insurance and the activities of insurance men.

Some time back, a suggestion was made on the floor of this House—the Government also have been consider-

ing this question—for the nationalisation of insurance and banking. The party to which I belong has all along been trying to convince the Government that banking and insurance are two important institutions which should be nationalised immediately. The reasons are obvious. Today, our economy is a monetary economy and the whole economic life depends on the factor of money. Today, land, industries, trade, and business are not so important as the fact of money. Whoever wields the power of money, whoever possesses money, can control not only industry and business, not only the entire economy of this country, but can also decide the national destiny of this country or of any country for that matter. Today, as you are aware, industrial capitalism has given way to finance capitalism and even industrialists, businessmen and traders have to depend upon the financiers. Industrial capitalism and mercantile capitalism have been substituted by finance capitalism. Those who control money always can wield a lot of power not only over business and industry, but also over the Government. I have been seeing that. So, we must decide whether we should not control money and through money, we should not control the economy of the country.

Insurance and banking have been controlling money and by their operations, they can decide the entire economic pattern, and also, they can either throttle or pervert economic development. So, by controlling insurance and banking, people can manipulate business. Dalmia has been able to manipulate all these things because he had an insurance company, and a bank under his control. Birla today is able to spread his business and control even the policies of the Government, because he controls some of the insurance and banking companies. I place before the House the question whether the time is not opportune now to decide on the policy of nationalisation of insurance and banking. I was glad to read in

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the papers a few days ago that the Government is considering the question of nationalisation. But, time is the essence of the matter. If you allow time to run, it may become too late and the financial resources may further be misused. We will be giving unnecessary scope to the capitalists to manoeuvre and manipulate. So, I would ask whether it is not the right and proper time to embark upon a policy of nationalisation of banking and insurance. We cannot separate the one from the other, because, as I said earlier, these two institutions deal with money. Whichever institution controls money will always decide the economic policies of a country, and the Government will be helpless. It has been helpless before the Birlas and Tatas today; it will be helpless hereafter. So, the Government should immediately take steps to consider whether insurance and banking companies should not be forthwith nationalised.

I may also state in this connection, the new Five Year Plan is coming and vast financial resources are required for financing the plan. I think we require near about Rs. 7,500 crores for financing the whole plan. Government is at a loss to find the money for financing such a large number of schemes and projects. May I submit that, if they take up the ownership and control of insurance and banking companies from private hands, they would be able to find the funds for financing the development projects. I would urge upon the Minister to think seriously about this matter. I thought that after the Dalmia affair the Government would be goaded at least now by the force of circumstances to deal with the question of nationalisation. I expected that the Bill that would come before the House would be a different Bill, a Bill for nationalisation. Unfortunately, the Bill is disappointing. Though it is welcome to a limited extent, it is disappointing in this way that we expected a better measure which would bring all institutions of insurance and banking com-

[Shri M. S. Gurupadaswamy]

panies under Government control and ownership. Unfortunately, Government are very halting. They are weak, they have not got the courage and the guts to bring all these companies under Government control and ownership.

I have nothing much to say on the provisions of the Bill. I generally endorse the contents. I would request the hon. Minister only that hereafter he must come out with a bold policy, as suggested by Shri Feroze Gandhi. He must set up a committee of enquiry not only to enquire into the affairs of Dalmia, but also into the affairs of Birlas, Tatas and others, so that this Parliament may know what is going on behind these Houses. And it would be in the interests of Government and also the country that such things are exposed before the public.

Lastly, I would appeal to the Minister to consider once again the plan for nationalisation of these banks and insurance companies.

**Shri D. C. Sharma** (Hoshiarpur): I welcome this measure not because it is a fiscal measure—I do not know much about things fiscal—not because it is a measure which has some legal consequences, (I do not know much about law and other things), but because it is a social measure of very great importance which affects the lives and fortunes of lakhs of families in India. It is a social measure brought forward to fight anti-social tendencies in our country.

As I was listening to the excellent speech of my friend Shri Feroze Gandhi I asked myself this question: "Am I reading a detective novel, or am I reading a tale of adventure, or am I listening to the tale of a big financial swindle perpetrated in this country or somewhere else?" I feel today it has been proved that truth is stranger than fiction, and the truth or the truths which Shri Gandhi brought out in his speech are startling and shocking and they reveal a very dreadful disease in the body politic of our joint stock companies whether those joint

stock companies have to deal with banking or insurance.

I have gone through this Bill twice, and I have asked myself this question....

**Shri Kamath**: Only twice?

**Shri D. C. Sharma**: You read it many times because you are not as intelligent as I am. I read it only twice and I get the hang of it.

**Shri Kamath**: I can learn from you.

**Shri D. C. Sharma**: You are the one person who cannot learn from anybody.

**Shri Kamath**: Not even from you?

**Shri D. C. Sharma**: I was saying that this Bill is fraught with grave consequences for our country and it deserves the widest possible support, but the question is: Are we, with the help of this Bill, going to be able to deal with this problem? I think there is a sentence in one of the plays of Shakespeare which says that desperate diseases require desperate remedies, and I feel that the Bill which has been brought forward is not in the shape of a drastic remedy. It is a toy gun manufactured to kill an elephant, and I do not believe that this toy gun will kill the elephant.

What has happened as a result of the revelations which have been made in the country recently? The faith of policy-holders of insurance companies has been shaken. It is not only the faith of the policy-holders but the faith of share holders of the company has been shaken.

On the one hand, we are extending the field of insurance. On the floor of this House I have heard about crop insurance. On the floor of this House I have heard of so many other kinds of insurance. A welfare State needs insurance, and insurance of all kinds, but I must say that these gruesome, scandalous and sensational revelations which have been made today by my friend Shri Gandhi have undermined the faith of the people in social insurance.

My friend Shri Gandhi said we should have a judicial commission to probe into the whole thing. But I would like to ask: How long will that judicial commission take to probe into the whole thing? And then, we know the fate of the reports which are brought out. Those reports take a long time in consideration. They are sometimes under consideration, and sometimes under active consideration, but very often their fate is very dismal and very tragic. So, I do not think a judicial commission will solve the problem. I do not think the problem can be given over to any criminal investigation agency. That may be one of the possible sources of information about this kind of swindle which is going on in this country, but I would say, as my friend Shri Gurupadaswamy said and as I think my friend Shri Gandhi implied, that the only solution to this problem is that the work of insurance should be taken away from the hands of unprincipled, unscrupulous adventurers and should be taken up by our own Government. In other words, I was afraid of using that word....

Mr. Chairman: Does he wish to continue.

Shri D. C. Sharma: Yes.

Mr. Chairman: He may continue tomorrow.

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REPRESENTATION OF THE PEOPLE (AMENDMENT) BILL

PRESENTATION OF REPORT OF SELECT COMMITTEE

Pandit Thakur Das Bhargava (Gurgaon): I beg to present the Report of the Select Committee on the Bill further to amend the Representation of the People Act, 1950, and to make certain consequential amendments in the government of Part C States Act, 1951.

The Lok Sabha then adjourned at Eleven of the Clock on Wednesday, the 7th December, 1955.

6 P.M.