

श्री उदयभार्ति एच० पटेल : हाँ, बड़ी मशीन लगाने के लिये।

### Violation of conditions of letter of Intent by M/s. Pepsi Foods

\*63. SHRI DIPEN GHOSH: Will the Minister of FOOD PROCESSING INDUSTRIES be pleased to state:

(a) what action has been taken against M/s. Pepsi Foods for violation of conditions of Letter of Intent;

(b) whether inspite of violation of conditions of Letter of intent that company is still working; and

(c) what is the itemwise break up of the exports of Rs. 962 crores as claimed by M/s. Pepsi Foods?

THE MINISTER OF STATE (IN-DEPARTMENT CHARGE) OF THE MINISTRY OF FOOD PROCESSING INDUSTRIES (SHRI GIRIDHAR GOMANGO): (a) to (c) A statement is laid on the Table of the House.

### Statement

The Government has issued a show cause notice to M/s. Pepsi Food Pvt. Ltd. for *prima-facie* violation of the conditions stipulated in the Letter of Intent with regard to the production of soft drink concentrate. The Company has contended that the turnover of the Company includes all items sold by it. This Ministry had taken a view that turnover means only those items which are mentioned in the Letter of Intent as under:

(a) Processed potato/grain foods

(i) Marine Products	Rs. 58.49 lakhs
(ii) Tea	Rs. 58.95 lakhs
(iii) Rice	Rs. 545.90 lakhs
(iv) Cashew, pepper etc.	Rs. 298.99 lakhs

Rs. 962.33 lakhs

(b) Soft Drink Concentrates

(c) Processed fruit/Vegetable Products.

Since M/s. Pepsi Foods Pvt. Ltd. contend that the matter involves legal interpretation of the term "turn-over of the Company for the year", advise of the Ministry of Law has been sought before taking further action.

Regarding the export obligation, this Ministry's views on turn-over of the Company were communicated to the Company as well as the Ministry of Commerce. The attention of the Chief Controller, Imports and Exports was also drawn by this Ministry about the fact that the items exported by the Company were not found to be the products of the units for which Letter of Intent was granted.

The Office of Chief Controller of Imports and Exports have issued a 'show cause notice' to the Company. It is for the Chief Controller of Imports and Exports in the Ministry of Commerce to take further action in this regard.

The Company has set up three units for which Letter of Intent was granted and are in production. The question now is to decide the further course of action for making the Company to fulfil its obligations. It is the intention of the Government to make the Company fulfil its obligations rather than cancel the Letter of Intent.

The Company has given the break-up of the exports for the year 1990-91 as under:—

**SHRI DIPEN GHOSH:** I appreciate that the Minister has taken pains to give a very longish reply. But at the same time there is a sort of helplessness ...

**SHRI A. G. KULKARNI:** And a factual reply also.

**SHRI YASHWANT SINHA:** It is almost bordering on honesty.

**SHRI DIPEN GHOSH:** But at the same time there is a sort of helplessness on the part of the Ministry in taking action against the firm violating the letter of intent. It appears from the reply that there were certain conditionalities in the letter of intent. This Western multinational was allowed to enter here with a collaboration for manufacturing certain items with certain limitations that the manufacture of soft drink concentrate must not exceed 25 per cent of the total turnover of the company. And the definition of 'turnover', as the Minister has kindly stated, is "turnover means only those items which are mentioned in the letter of intent as under: (a) processed potato/grain foods, (b) soft drink concentrates, (c) processed fruit/vegetable products." Now it appears that the company has violated the letter of intent; it has been producing more than 50 per cent soft drink concentrate in its turnover. When this was found out and the company was asked why it was so, the company has been saying that whatever it will be selling, that will be added to the turnover and since it is a collaboration firm, it can buy anything from other collaborating firms and sell it and that it wants to take advantage of it. I want to know, first of all, what the actual explanation given or the interpretation given was for the term 'turnover' in the letter of intent. Was there any ambiguity in it which the company took advantage of? If not, why did the Ministry prefer referring it to the Ministry of Law for interpretation? This is the first part of my first supplementary. Secondly, now the company has been indulging in another

type of irregularity to circumvent the application of this particular clause of the letter of intent. Now they are allowing re-labelling facility, re-labelling of the soft drink products. Through this re-labelling facility the company wants to show that it is within the stipulated turnover, that is, 25 per cent. Therefore, the second part of my first supplementary is whether the Government proposes to stop this re-labelling facility being enjoyed by M/s Pepsi Foods.

**SHRI GIRIDHAR GOMANGO:** Sir, the letter of intent *inter alia* states that the turnover from soft drink concentrate manufacture sold in one year should not exceed 25 per cent of the total turnover of the Company for that year. This is the condition laid down in the letter of intent. The interpretation given by the Company is that they have not exceeded the limit and the Ministry has taken the view that they have exceeded the 25 per cent limit. There is a difference in the stand taken by us and the contention of the Company. We have referred the matter to the Law Ministry. Meanwhile, we stand by whatever we have decided, i.e., the Company has exceeded the 25 per cent of the limit. Since the Company has given a different opinion, we are waiting for the legal opinion and then we would come to a conclusion. As regards the second part of the question about re-labelling facilities that the Company has given to Voltas Ltd. and Residency foods and Beverages Ltd. then hon. Member asked whether we are cancelling the re-labelling facilities. I would like to assure the Member that we will not hesitate to do so if the need arises. We are looking into the matter and if the Company has violated any condition, we will take suitable action.

**SHRI DIPEN GHOSH:** I come to my supplementary now. The Minister has already admitted that there has been violation not only of the letter of intent on account of keeping 25 per cent of the turnover on the produc-

tion of soft drink concentrate, but also on the exports and they have referred it to the CCI&E. The Company was to export 40 per cent of other own manufacture and 10 per cent of other select goods. Now it is seen that they are not exporting 40 per cent of their own manufactured goods and instead are exporting certain other items which they do not manufacture. They want to circumvent the application of the rule. The Company has also referred it to the CCI&E. Sir, Mr. Jagdish Tytler, his predecessor, had given an assurance to the House in 1989 that the Company would not be allowed to produce soft drink concentrate and that they would be allowed to produce more of processed foods. Our apprehension was that the Company was going to circumvent all the stipulations in order to enter the domestic market in the production of soft drinks. In reply to an Unstarred Question on 20th July, 1989, Mr. Tytler had given an assurance that the firm would not be allowed to start production of soft drink concentrate unless they started production of other items contained in the letter of intent. But now the Government comes out with the information that the Company is producing more than 25 per cent of the turnover.

My question is why, in view of this commitment given by the Government on the floor of this House, the Government did not take any action to prevent M/s Pepsi Foods from producing soft drinks concentrate to the extent of more than 25 per cent of their turnover and what prevents the Government even now from taking action to ask the Company to stop the production of soft drinks concentrate and keep it below the level of 25 per cent.

**SHRI GIRIDHAR GOMANGO:** Sir, I have given in my statement the details of the action taken as well as the reply given by M/s Pepsi Foods and the steps taken by the Government. Sir, the honourable Member has asked a number of questions and I will try to reply.

**MR. CHAIRMAN:** You also make your reply short.

**SHRI GIRIDHAR GOMANGO:** Sir, with regard to the question of exports, a team of officers visited the plant and their finding was that M/s Pepsi Foods had made no effort to export 40 per cent of the goods manufactured by the three factories which they have set up. I have already stated in my statement that the goods said to have been exported amounting to Rs. 9.62 crores are not being produced by any of the factories. Therefore, we had referred the matter to the Ministry of Commerce and the Ministry of Commerce have issued a "show-cause" notice. It had been found that none of their factories was producing cashew, marine products, rice, tea, pepper, etc. The opinion given by the Ministry of Food Processing Industries on the aspect of export commitment in the letter of intent which they have not fulfilled was contested by the Company. They contend that the interpretation is not correct and they have exported these items which are to be treated as total turnover. But we differed on this. Therefore, the matter was examined by the Ministry of Commerce and the Company asked for some more time to give their reply to the query raised by the Ministry of Commerce. They had to state whether they had fulfilled their export obligation as per the letter of intent or not and it will be difficult for me to give a categorical reply whether we are going to stop production of the soft drink concentrate or not. Unless we get the opinion of the other Ministries, it will be difficult for me to give a categorical reply now. But I can tell the Honourable Member that the Inter-Ministerial Committee, which has been constituted recently, is scheduled to meet next month, on the 6th, to examine all the aspects which are related to the violation of the Letter of Intent by the Company. After we get the opinion from the Ministries concerned, we will take such action as would be appropriate for these violations.

MR. CHAIRMAN: Mr. Ghosh, you have got all that you could get.

SHRI DIPEN GHOSH: Sir, my question has not been answered. The Government had committed on the floor of this House that they would not allow M/s Pepsi Foods to produce soft drinks concentrate before they start production of other commodities which they are supposed to produce according to the letter of intent. What happened to that commitment?

MR. CHAIRMAN: They are taking action and are consulting the other Ministries.

SHRI DIPEN GHOSH: What prevents them from taking action against M/s Pepsi Foods and what is stopping the Government from preventing M/s Pepsi Foods from producing more than 25 per cent? Is there any monitoring cell to see that the commitment made is honoured?

MR. CHAIRMAN: Mr. Minister, you take note of what he says and take action.

SHRI DIPEN GHOSH: The second thing is, what action now they have proposed to take? If they are trying to...

MR. CHAIRMAN: You have already put two questions. You have taken so much time for your supplementaries.

SHRI DIPEN GHOSH: Why are they dragging their feet to take action against the Pepsico?

MR. CHAIRMAN: They are consulting the Law Ministry. They have said it.

SHRI DIPEN GHOSH: I do not know why.

MR. CHAIRMAN: His other supplementary is: Have you got a monitoring cell?

SHRI GIRIDHAR GOMANGO: We do not have a monitoring cell. They have to submit monthly returns. However they have said

that they will not supply any monthly returns. But when was insisted...

MR. CHAIRMAN: You are monitoring. That is all. The question is answered.

SHRI GIRIDHAR GOMANGO: And about the action we are taking, I have already given the reply.

श्री अणुद तिव मान : सभापति जी, मैं पेप्सी के संबंध में यह पूछना चाहता हूँ कि पेप्सी ने एक और कमिटमेंट किया है, रिसर्च सेंटर के संबंध में कि फार्मर्स को रिसर्च सेंटर देंगे, ताकि व प्रोडक्शन बढ़ान के लिए कुछ कर सकें। क्या इस कमिटमेंट की तरफ वह कुछ बढ़े हैं, कुछ शुरू किया है या नहीं किया है और जो उनके कमिटमेंट्स हैं, वह पूरा करने के संबंध में पेप्सी फूड ने क्या-क्या उल्लंघनायें की हैं, क्या-क्या वह करते जा रहे हैं और जो उनकी डायरेक्शन्स हैं, उनके बारे में हम क्या कुछ नहीं कर पा रहे हैं, इसके बारे में मंत्री जी कुछ बतायें ?

SHRI GIRIDHAR GOMANGO: There are two questions. Setting up of Agro Research Centre is one of the conditions given in the foreign collaboration approval. There are two types, Sir. Letter of intent and foreign collaboration approval. There it was stated that they will have to set up the Agro Research Centre.

MR. CHAIRMAN: Have they done it? He wants to know it.

SHRI GIRIDHAR GOMANGO: There is an Unstarred Question regarding that today, Sir, which I have replied.

MR. CHAIRMAN: Now he has asked whether they have set it up.

SHRI GIRIDHAR GOMANGO: They have taken steps to set up the Agro Research Centre. They have conducted some extension work for improvement of the variety of tomatoes. All these they have recently

started. And the other question relates to the violation of the conditions which have been laid down in the Letter of Intent and whether they have fulfilled them or not. I have already given in my statement that they have violated.

**SHRIMATI MIRA DAS:** Mr. Chairman, Sir, there was a three-man committee set up by the Government to enquire into the non-performance of Pepsi. And the Committee has reported that the commitment of export of manufactured goods was not upto the expectation. My question to the Ministry is whether the Government is taking any action on this report or in this regard.

**SHRI GIRIDHAR GOMANGO:** Sir, I have already said...

**MR. CHAIRMAN:** You have taken action?

**SHRI GIRIDHAR GOMANGO:** A team of three officers visited the factory and their finding is that Pepsi has made no effort to export 40 per cent of their manufactured goods. Secondly, sales turnover of soft drink concentrate was depressed. And there were no concrete steps for setting up of the Agro Research Centre, which I have already replied.

**MR. CHAIRMAN:** Her question was very crisp and that type of supplementary should be there.

**SHRI HARVENDRA SINGH HANS-PAL:** Sir, the former Food Processing Minister, Shri Jagdish Tytler, made a statement in Rajya Sabha on November 3...

**MR. CHAIRMAN:** This was referred to by Mr. Dipen Ghosh.

**SHRI HARVENDRA SINGH HANS-PAL:** Yes. And he said that the decision of the CCEA will definitely take into account the situation in Punjab, which requires specific measures to promote a climate of investment in the State, climate of generation of employment, climate for diversification of agriculture, climate for raising rural income which would, all put together contribute to the restoration of peace and stability in the

coming years in Punjab.

This was the statement made by Mr. Jagdish Tytler in this House.

**SHRI YASHWANT SINHA:** It was said in half joke!

**SHRI HARVENDRA SINGH HANS-PAL:** No, it is a written statement. I found that this company is exporting marine products, which has nothing to do with Punjab. (Interruptions).

श्री सभापति : पंजाब में मछली तो होती है

**SHRI HARVENDRA SINGH HANS-PAL:** I see that the company in collaboration with the Government is cheating the people of Punjab. I would like the Minister to assure us that till such time they complete their commitments they will restrict the production of soft drinks.

**MR. CHAIRMAN:** His question is that it was stated that the people of Punjab will be benefited and he says that the people of Punjab are not benefited. Will you see that this is done, otherwise you will not permit them?

**SHRI GIRIDHAR GOMANGO:** The objective for setting up of factories in Punjab, the intention behind giving the Letter of Intent is very clear. Sir, the three plants were commissioned during February, April and June, 1990, respectively. The intention behind giving Letter of Intent to set up the potato and grain processing, fruits and vegetable processing plants, was that they directly related to the farmers as well as to create development in rural areas. About the soft drink concentrate I have already replied. We are not able to accept their contention that they have fulfilled the conditions laid down in the Letter of Intent. But here, Sir, at this stage it will be difficult for me to say that we will stop the production of soft drink concentrate unless I get the replies from the Ministries concerned, about which I have al-

ready mentioned. After that we will see whether our position on this is correct. Then whatever action is.....

**MR. CHAIRMAN:** His question is very simple. He wants to know whether they have put any factories for processing potatoes, fruits and vegetables in Punjab.

**SHRI HARVENDRA SINGH HANSPAL:** The condition was that first they will process fruits and vegetables and then they will produce soft drink concentrate. That was the condition of the letter of intent.

**MR. CHAIRMAN:** But they have put in the processing plants?

**SHRI HARVENDRA SINGH HANSPAL:** No.

श्री गिरिधर गोमांगो : मेरा इंटेंशन तो वही था, लेकिन तीन प्लान्ट में जो प्रोडक्शन होना था.... (व्यवधान)

**MR. CHAIRMAN:** You have found the sense of the House that you will take drastic action, quick action, to see that they fulfil it or they quit.

**SHRI GIRIDHAR GOMANGO:** We are examining...

**SHRI YASHWANT SINHA:** He is not even responding to your suggestion—House. He is not even responding.

**SHRI DIPEN GHOSH:** Either they must fulfil their commitments or they should get out of India. They must get out of India.

**SHRI GIRIDHAR GOMANGO:** I am responding. (Interruptions)

**MR. CHAIRMAN:** Next question.

### Prices of essential commodities and raids against hoarders and black marketeers

\*64. **SHRI S. S. AHLUWALIA:**†

**DR. RATNAKAR PANDEY:**

Will the **PRIME MINISTER** be pleased to state:

(a) whether it is a fact that during the period preceding the presentation of the Annual Budget this year, prices of all the essential commodities have soared high;

(b) the details of prices of the essential commodities including edible oil prevailing in April, 1991 and at present;

(c) whether Government have launched any drive/raids to detect hoarding and black marketing of essential commodities including edible oils in various parts of the country; and

(d) if so, the number of raids conducted persons arrested therein and the quantum of commodities seized in those raids?

**THE MINISTER OF STATE IN THE MINISTRY OF CIVIL SUPPLIES AND PUBLIC DISTRIBUTION (SHRI KAMALUDDIN AHMED):**

(a) to (d) A statement is laid on the Table of the House.

#### Statement

(a) A statement showing the wholesale price index numbers in respect of selected essential commodities for the period before and immediately after the presentation of the Budget including the variation in the wholesale price index as on 20-7-1991 and 29-6-1991 and also the variation as on 27-7-1991 over 20-7-1991 is given at Annexure I. (See below)

(b) A statement showing the wholesale price index numbers as on

The question was actually asked on the floor of the House by Shri S. S. Ahluwalia.