

# RAJYA SABHA

Tuesday, the 22nd July, 1986] 31 Asadha,  
1908 (Saka)

The House met at eleven of the clock,

Mr. Chairman in the Chair.

## ORAL ANSWERS TO QUESTIONS

### Cotton destroyed by fire in Andhra Pradesh

\*61. PROF. C. LAKSHMANNA: Will the Minister of TEXTILES be pleased to state:

(a) whether it is a fact that huge stocks of cotton belonging to the Cotton Corporation of India and two private companies and also property worth crores of rupees were destroyed in a major fire at Pulladigunta near Guntur town of Andhra Pradesh on that 10th June, 1986; and

(b) if so, what were the causes of the fire and what are the details of the loss of cotton and property as a result thereof?

THE MINISTER OF STATE OF THE MINISTRY OF TEXTILES (SHRI KHURSHID ALAM KHAN): (a) and (b) A Statement is laid on the Table of the House.

### Statement

(a) and (b) There was a fire at M/s. Sesahadri Cotton Ginning and Pressing Factory, Pulladigunta on the 10th June, 1986. The factory was hired by Cotton Corporation of India for processing its stocks and worth Rs. 77.5 lakhs approximately, stored stocks of Cotton Corporation of India worth Rs. 77.5 lakhs approximately, property and goods worth about Rs. 1 crore belonging to private parties including the owner of the factory are reported to have been destroyed. The cause of the fire is under investigation.

PROF. C. LAKSHMANNA: Mr. Chairman, Sir, the fire took place on the 10th June, 1986 and there has been a loss of Rs. 77.5 lakhs worth of goods for the Cotton Corporation of India. It is also stated that approximately Rs. 1 crore has been the loss of the private parties. And it is also stated that most of these have been

covered by insurance. I would like to know from the hon. Minister whether any cause *prima facie* could be established or is there some foul play in this.

SHRI KHURSHID ALAM KHAN: Sir, the departmental enquiry which was conducted by one of the Directors of the Corporation failed to establish some definite causes and, therefore, I decided to hand over the case to the CBI, and the CBI are investigating into it.

PROF. C. LAKSHMANNA: Sir, as in the case of this particular incident and also in some of the other deals, there have been increasing number of involvements on the part of some companies or the other. In view of this, what specific steps will be taken by the Government of India to prevent the abuse of such facility by these parties?

SHRI KHURSHID ALAM KHAN: Sir, everything possible is done to ensure that no such practices are allowed to continue. I will be obliged to the hon. Member that if he has got any particular information he could pass it on and we will look into it.

MR. CHAIRMAN: Question No. 62.

### Loans given to the Reliance Textile Industries by the Nationalised Banks

\*62. DR. (SHRIMATI) SARAJINI MAHISHI:†

SHRI VIRENDRA VERMA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that over Rs. 100 crores were loaned by the nationalised banks to Reliance Textile Industries in complete violation of the banking norms and in defiance of the directions of the Board of Directors of the banks;

(b) if so, what are the details thereof; and

(c) whether Government have made any inquiry into the advances made by

†The question was actually asked on the floor of the House by Dr. (Shrimati) Sarajini Mahishi.

the nationalised banks to the Reliance Textile Industries; if so, what is the result thereof stating the action taken or proposed to be taken by Government in the matter?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHAN POOJARI): (a) to (c) A Statement is laid on the Table of the House.

#### Statement

(a) to (c) Reserve Bank of India has reported that according to available information, in 1985, 9 Banks had granted loans in India totalling Rs. 59.28 crores to 63 Companies which are reportedly connected with Reliance Industries Ltd. against the security of shares/debentures of Reliance Industries Ltd. Preliminary findings of the Reserve Bank of India are given in the enclosed Statement. (*see below*). Pursuant to the preliminary findings, RBI in exercise of powers conferred under Section 35 and 35A of the Banking Regulation Act read with Section 36 thereof and all other powers vested in the RBI under the said Act has set up a Committee with the following terms of reference:

(i) to enquire into the circumstances connected with the aforesaid advances made by various banks during the year 1985 against the security of shares/debentures of Reliance Industries Ltd.;

(ii) to determine whether or not in making the aforesaid advances the banks or any bank had acted in conformity with normal banking practices and procedures and, in particular, with the directions and guidelines issued by the RBI from time to time for regulating grant of advances against the security of shares/debentures;

(iii) to determine whether the aforesaid advances were sanctioned within the powers of the respective sanctioning authorities and whether there were any irregularities or improprieties with respect to such advances;

(iv) to consider whether it is necessary to modify or supplement the existing directions and guidelines of the RBI for

regulating bank advances against the security of shares/debentures keeping in view the interests of the banking system as also of trade and industry; and

(v) to consider any other relevant matter which may be referred to the Committee.

The Committee has been asked to submit its report in two months.

Preliminary findings of the Reserve Bank of India as per the Report submitted to Government of India, pending further examination are as follows:—

(i) Based on the scrutiny of the accounts, 9 Banks have given advances in India totalling Rs. 59.28 crores in 1985 to Companies, *prima facie* connected with Reliance Industries Ltd., against shares/debentures of Reliance Industries Ltd. Although the total number of loan accounts with different banks is 187 some companies have availed finance from more than one bank and, as such, the number of companies which were given loans works out to 63 only.

(ii) In the case of all Banks which have sanctioned advances to Companies in 1985, substantial deposits of RIL have been placed with them (not as collateral for the advances). The aggregate deposits placed with Banks by RIL at Rs. 91.90 crores are nearly 1.5 times the total amount of advances granted to the Companies connected with RIL.

(iii) Several Companies were established only very recently (in 1984 or 1985) with meagre capital, and in certain cases, even with a capital of only Rs. 1,000 or Rs. 10,000 had borrowed amounts of as much as Rs. 95 lacs. Certain Companies, although established earlier, had approached these Banks for one time facility only against the shares/debentures of RIL but the Banks had not obtained opinion from their previous bankers, although the names of bankers were indicated in the applications. The business activity of almost all the Companies is stated as "trading in yarn, fabrics, shares and securities". The purpose of loans is generally stated as "for

“working capital” or “for purchase of shares” or “for purchase of shares/debentures of RIL”.

(iv) In all the cases, the security offered was shares/debentures of RIL. Even where the purpose was mentioned as “working capital”, the requirements of the Companies for working capital towards their business (viz., trading in yarn, fabrics, shares and securities) were not assessed. In some cases, the shares offered were held in the names of the borrowing companies themselves or in the names of other companies connected with RIL. The main consideration for these disbursements of loans of these Companies seems to be availability of security (share/debentures of RIL) which commanded high premium in the market and the Banks never bothered about the repaying capacity of the borrowers having regard to their business.

(v) The advances were given in September/October 1985 in most of the cases; ‘F’ Series of RIL had closed by that time.

(vi) The Banks have not ensured end use of funds lent. In most cases the funds had been withdrawn by “Self” cheques or transferred to the accounts of other connected concerns.

(vii) In terms of RBI directives, DBOD No. Ins. H27/C. 450A-70 dated 28th August 1970, every banking company which grants or renews an advance limit over Rs. 50,000/- against the security of shares, shall stipulate as one of the conditions of such grant or renewal that the said shares shall be transferred to its name. The Banks have generally complied with the provisions of the aforesaid directives.

(viii) So far as stipulation of instalments for repayment of loans is concerned, the Banks have mostly granted the loans repayable within 2-1/2 years in half-yearly instalments and in some cases, the repayment was to be made within a year. Thus, the banks have complied with this requirement. They have not granted long-term loans for periods exceeding 5 years, which require approval of RBI.

(ix) By granting large advances to companies connected with RIL against the shares of RIL and for the purpose of purchasing shares/debentures of RIL, perhaps with a view to strengthening the controlling interest, the Banks have not adhered to the spirit of RBI guidelines, viz., that the advances should generally be granted to assist genuine productive activity.

2. The above preliminary findings, which are based on a quick scrutiny of accounts in Bombay, are subject to confirmation in the light of further enquiry to be undertaken by the Committee which has been set up by the Reserve Bank of India on 14th July 1986.

DR. (SHRIMATI) SAROJINI MAHISHI: Sir, the Reserve Bank of India Act was there having very stringent rules and regulations. And the reminder to that extent was given to the Banks also in 1978 and again in August, 1985. In spite of these things, Sir, how was it that the Banks gave the loans to the Reliance Company? They not only gave the loans but it was also discovered by the Reserve Bank of India that this transaction had not been reported. But later when it was discovered by the Reserve Bank, an Inspection Team was appointed and the Inspection Team went into the whole matter. The Team has given its interim report also. And in the interim report they say that obviously the rules and regulations which were there according to the Reserve Bank of India for lending of loans have been flouted. And these different companies which were connected with the Reliance went on asking for loans. And the Punjab National Bank have rejected that. And the report points out again that on July 10, 1985, the Board of Directors of the Bank of India sanctioned Rs. 50 lakhs each to the following ten companies and from the very names of these companies, Sir, you can make out. They are: The Inspiration Investment and Trading Company Limited, the Erasmic Textiles Limited, the Exclusive Textiles Limited, the Resen Trading Company, the Ipana Trading Company, the Jagadamba Investment and Trading Company Ltd., the Jagdishwara Investment and Trading Company Limited, the Kanakhal

Investment and Trading Company Limited, the Kartikaya Investment and Trading Company Limited, the Kedariswara Investment and Trading Company. From the very names of these companies you can make out. Some of these companies were started very recently. They had the deposits of Rs. 1,000 or Rs. 10,000. Even then, they have been getting these loans. These loans were advanced for what purpose? It was for speculative purposes. And the rules under the RBI Act say that they should be for the productive purpose only and not against security of the shares of the company. But, Sir, I would like to know how this was discovered at such a later stage and how these companies which have come into existence very recently have been able to get the loans. I would like the Finance Minister to answer these questions.

**SHRI VISHWANATH PRATAP SINGH:** Sir, there were series of articles in the newspaper that drew the attention towards certain matters of loaning regarding the Reliance debentures series. The RBI conducted a preliminary inquiry and came up with a preliminary report by going through some of the Bank accounts. So far as the report is concerned, I am ready to lay it on the Table of the House, the report of the CBI that we have received and share with the House whatever information we have got from the RBI. So far as the RBI guidelines are concerned, in this preliminary report one is that if the loan is beyond five years then permission should be taken by the RBI. This has, by and large, been honoured by the banks and the loans are within five years. But what the hon. Member has said that the RBI has advised banks time and again that advance against shares should not be given for speculative purposes and the bank's should exercise caution against making advances against shares, both from the point of its effect on the borrowers' ability to repay and because advances against large blocks of shares are liable to be used for other short term purposes. On this, this is the RBI report I am reading it from there. In the findings on policy regarding credit, the RBI has concerned itself much more with what the advances are for rather

than what the advances are against. The bank should in considering the proposal for advances against shares primarily take into account the nature, purpose and need for credit facilities ensure that the bank finance is not utilised for speculative or anti-social purposes. However, by granting large advances to companies connected with RIL against the shares of RIL and for the purpose of purchasing shares and debentures of RIL perhaps with a view to strengthening the controlling interest the banks have not adhered to the spirit of our guidelines that the advances are generally being granted to assist genuine productive activity. This is the RBI preliminary report. The other things that have been pointed out are regarding appraisals. About that the RBI preliminary report says that appraisal of proposals for advances has not been done properly by the banks. Several companies were established only very recently in 1984 and 1985 with meagre capital, as the hon. Member has said. And in certain cases even with a capital of Rs. 1,000 or Rs. 10,000, and they borrowed amounts of as much as Rs. 95 lakhs. Certain companies although established earlier had approached these banks for one time credit facility only against the shares and debentures of RIL but the banks had not obtained the opinion from their previous bankers, although the names of the bankers were indicated in the application. The registered addresses of several companies have been shown as 222, Maker Chamber, Fifth Floor, Nariman Point, Bombay, which is the address of RIL. When one of our inspecting officers visited the said premises, no name boards of the operating companies were exhibited, nor any official representatives of such companies were present there. It also goes on to say that...

**MR. CHAIRMAN:** Nothing is in the Annexure. Wherefrom are you reading?

**SOME HON. MEMBERS:** We have also not received it.

**SHRI VISHWANATH PRATAP SINGH:** I am sorry, Sir.

**SHRI SANKAR PRASAD MITRA:** Sir in answer to the question this has not been given.

**SHRI VISHWANATH PRATAP SINGH:** Anyway, Sir, I am giving full report to the House. Therefore, for the benefit of the House, I am reading the relevant portion. In all the cases the security offered was shares and debentures of RIL even where the purpose was mentioned as working capital. The requirements of the companies for working capital towards their business that is trading in yarn and fabric shares and securities was not assessed. In some cases the shares offered were held in the names of the borrowing companies themselves or in the names of the companies connected with RIL. In certain cases it was indicated that directors of the companies were employees of RIL. In several cases although the connection of the companies with RIL has not been mentioned the accounts were introduced to the banks by the RIL or Ambanis. The advances were given in September/October 1985 in most of the cases; 'F' Series of RIL had closed by that time. Only in the case of BCCI loans were sanctioned against allotment of these debentures. Then, it says, banks have not ensured end use of funds lent. In most cases, funds have been withdrawn by Self cheques or transferred to accounts of other connected concerns with Syndicate Bank. At Syndicate Bank also, frequent transfers of funds from one company to another or on account RIL were noticed.

So, these are, I suppose, the main substantive portions of the RBI report. When this was the preliminary finding based on certain preliminary investigations, the RBI thought to constitute a committee to go into details and to verify all these facts further. That committee has been formed; it has been asked to give report within two months. And the terms of reference are: to enquire into the circumstances in which loans and advances have been given; whether the normal banking practices have been followed, and whether RBI guidelines have been followed, and also whether there has been any excess of anyone using more powers than sanctioned by the Boards, etc. It has been given in the statement itself.

So, I have shared all the facts that I have. I am giving to the House the report of the RBI. Committee has been set up at the highest level to go into all these matters.

**DR. (SHRIMATI) SAROJINI MAHISHI:** Did not the banks know that the 'E' Series of non-convertible debentures could fetch Rs. 57 crores and the other 'F' Series could fetch Rs. 270 crores, together netting something like Rs. 327 crores, which would by an investment fetch only 13.5 per cent interest, whereas they could borrow this loans at the rate of 18 per cent interest? Could the RBI not read in between the lines? Could the Finance Ministry not read in between the lines as to for what purpose they were asking these loans? It was for speculative purpose so that capital gain would go up by 400 per cent. Having known all these things, how was it allowed to happen? The Government or the RBI could come to know of it later. Such things must have happened in the case of so many other also. It is a very conspicuous and flagrant violation of the rules and regulations of the RBI. In spite of strict reminders in August 1985, these things have been done in September/October 1985. I would like to know how the vigilance part is working and how were these things allowed to continue.

**SHRI VISHWANATH PRATAP SINGH:** There is no question of allowing it to happen, as if permission was asked and it was allowed to happen. But it has happened. At the very first instance, we have taken the fullest action.

And so far as convertibility is concerned, the hon. Member knows that for the non-convertible series, even for non-convertible portion of 'E' Series as well as of 'F' Series the Government did not allow convertibility.

**श्री वीरेन्द्र वर्मा :** सभापति महोदय, माननीय वित्त मंत्री जी बताने की कृपा करेंगे कि रिजर्व बैंक आफ इण्डिया के इम्पेक्टर ने यह रिपोर्ट कब दी और क्या माननीय वित्त मंत्री जी को केवल अखबारों की कटिंग से ही इन अनियमितताओं की, इर्रगुलरिटीज की जानकारी हुई अथवा रिजर्व बैंक आफ

इंडिया के इस्पेक्टर की रिपोर्ट उन्हें प्राप्त हुई थी। यह भी मान्यवर, बता दें कि जो उन्होंने अपने उत्तर में बताया है, उन्होंने कमेटो गठित की है, तो गालबन यह कमेटो रिजर्व बैंक ने गठित की है, तो कब गठित की गई है? और क्या माननीय मंत्री जी को यह भी जानकारी है कि बोर्ड आफ डायरेक्टर्स के स्पेसिफिक रिजोल्यूशन के अगेंस्ट उनके डिप्टी जनरल मैनेजर ने दसियों कंपनियों को, जैसा आपने खुद अभी पढ़ा है एक हजार की उनकी शेयर-पूजी, पांच हजार की शेयर-पूजी, दस हजार की शेयर-पूजी पर उनकी इक्विटी, डेट इक्विटी की रेंजों 1:43 के मुकाबले 1:292 के हिसाब से उनको ऋण दिया गया। क्या मंत्री जी को यह जानकारी है और अगर ये बातें सिद्ध हो जाती हैं तो ऐसा फ्राड करने वाली रिलायंस कंपनी को ब्लैकलिस्ट करके जिससे उसके डायरेक्टर्स को किसी भी बैंक से भविष्य में कर्जा न मिले और देश भर में जो कंपनियां गड़बड़ियां कर रही हैं उनकी रिजर्व बैंक लगातार जांच करता रहेगा।

**श्री विश्वनाथ प्रताप सिंह :** जहां तक इस्पेक्टर्स की रिपोर्ट है, वे अपनी रिपोर्ट आर.बी.आई. को देते हैं और जो आर.बी.आई. से आता है वह हमारे पास है।

**एक माननीय सदस्य :** आप हैल्पलैस हैं।

**श्री विश्वनाथ प्रताप सिंह :** जहां कहीं भी इस्पेक्टर्स रिपोर्ट कर रहे हैं वे सब गवर्न-मेंट को भेजें, इसका कोई अर्थ नहीं होता। पहले से ही सरकार की ओर से कदम लिए गए हैं। आप ऐसी चीजें न कहें।

**श्री वीरेन्द्र वर्मा :** कमेटो कब गठित की?

**श्री विश्वनाथ प्रताप सिंह :** 14 जुलाई का नोटिफिकेशन है।

**श्री वीरेन्द्र वर्मा :** 14 जुलाई '85 या 14 जुलाई '86? साल भर से गड़बड़ चल रही है।

**श्री विश्वनाथ प्रताप सिंह :** रिपोर्ट है कि अक्टूबर-नवम्बर में लांच हुए। आप यह नहीं कर सकते कि जितनी बैंक्स हैं हिन्दू-

स्तान में, जो लोन कर रही हैं उनसे कहा जाय कि गवर्नमेंट को रिपोर्ट करें डेली। कुछ व्यवहारिकता रखिए प्रश्न में। उसका सिस्टम है, रिपोर्ट बोर्ड्स के चयरमैन के पास आती है। अगर कोई चीज नोटिस में आती है तो एक्शन लिया जाता है। जैसे यह चीज नोटिस में आई तो तुरन्त उसके बारे में कार्यवाही की गई। आर.बी.आई. की प्रिलिमिनरी रिपोर्ट आ गई। उनको और गहराई में जाना है और सबकी बात सुनकर फाइनल निर्णय लेना है। जब यह गवर्नमेंट के पास आया तो एक कमेटो गठित करके उससे जांच करवाई जाय यह फैसला किया गया। उसके अन्दर डिप्टी गवर्नर रंगराजन, एडीशनल सेक्रेटरी, मिनिस्ट्री आफ फाइनेंस, गीता कृष्णन, प्रिंसिपल लीगल एडवाइजर रिजर्व बैंक, बी. सी. हैगड़े और श्री एस. एम्. बगई, कमिशनर आफ इनकम टैक्स, सैन्ट्रल बोर्ड्स आफ डायरेक्ट टैक्सोजे मembre बनाए गए हैं और उसमें कहा गया है कि दो महीने के अन्दर अपनी रिपोर्ट दें।

**श्री विश्वनाथ प्रताप सिंह :** सिद्ध हो क्या किया जायगा?

**श्री विश्वनाथ प्रताप सिंह :** सिद्ध हो जाने पर कानून के अन्दर जो है वह सब किया जायगा। उसमें दो राय का सवाल नहीं है।

**श्री वीरेन्द्र वर्मा :** ब्लैक लिस्ट?

**श्री विश्वनाथ प्रताप सिंह :** मैंने कह दिया है कि कानून के अन्दर जो कुछ सम्भव है वह सब किया जायगा।

MR. CHAIRMAN: Shri Sharad Yadav (Interruption) He is a new Member. He has precedence.

**श्री शरद यादव :** श्रीमन्, किसानों और मजदूरों को जब बैंक से लोन मिलता है तब उनके लिए बहुत कानून है। तत्काल पकड़ लेंगे। यह घोटाला करोड़ों रुपये का है। इसमें बड़े-बड़े अधिकारी इन्वाल्ड हैं। मैं फाइनेंस मिनिस्टर साहब से पछना चाहता हूँ कि जो अधिकारी इस घोटाले में इन्वाल्ड हैं उनको बर्खास्त करके सी.बी.आई. की जांच का काम देंगे। इतना बड़ा घोटाला है, साल-डोढ़ साल से बात चल रही है। क्या

इसमें तत्काल कार्यवाही करने का आपका मन है या नहीं ?

**श्री विश्वनाथ प्रताप सिंह :** तो हमको आर.बी.आई. की सक्षमता में पूरा विश्वास है और जो तथ्य कमेंटी देगी उसके बाद अगर कोई ऐसी चीज आती है कि जिसमें सी.बी.आई. की इक्वायरी की जरूरत हो तो उसके लिये निर्णय लिया जा सकता है। लेकिन अभी एक उचित कदम उठाया गया है जो परिपेक्ष्य है उस को देखते हुए। डेढ़ साल का सवाल ही नहीं उठता। यह जैसे ही हम लोगों के नॉटिस में आया, इस्पेक्टर्स ने आर.बी.आई. को लिखा और जैसे ही सरकार की जानकारी में यह बात आई उसने कदम उठाया और उस में कोई विलम्ब नहीं हुआ।

**SHRI NIRMAL CHATTERJEE:** Sir, the Government of India has a policy of self-reliance and it seems that it has to be achieved through 'Reliance'. It seems so because this Reliance has access to bank funds, has access to government, has access to non-resident Indian funds, has access to all kinds of things. Now the Finance Minister in his reply says that the preliminary report indicates that they are guilty, there is some guilt, but the details are being enquired into by the Reserve Bank of India only about the banking operations. Sir, there is no doubt that Reliance has access to bank people. Now my question is this. Fifty-nine companies are involved, they have got Reliance debentures and shares. What are they doing with this fund? Is there an enquiry by the Reserve Bank of India about this? The need of the situation is a CBI enquiry into this Reliance company apart from the RBI enquiry into the banking operations. In this connection, may I make a mention that Reliance also gets certain customs duties facilities also?

**MR. CHAIRMAN:** You put up a separate question about this.

**SHRI NIRMAL CHATTERJEE:** It involves Finance Ministry. That is why I am raising this.

Has the Government initiated any steps to enquire into the things of the Reliance

and these 59 subsidiary companies either through CBI or through Revenue Intelligence, whatever agencies are there? On the banking side, are they taking any disciplinary action or have they suspended any of the management personnel of these banks the guilt against whom has *prima facie* been established? Even on the basis of preliminary enquiry have any suspensions taken place?

**SHRI VISHWANATH PRATAP SINGH:** About the question, what they are doing with the money that they have taken as loan from the banks, the Reserve Bank is looking into the end use of the money that has been taken as loan. (Interruptions). I am telling you the fact.

**MR. CHAIRMAN:** At the end of the answer if you are not satisfied I will give you another chance.

**SHRI VISHWANATH PRATAP SINGH:** You have asked, what they have done with the money that they have taken from the bank as loan, that is, the end use of these funds has to be known. The Reserve Bank of India is looking into the end use of the funds that these 59 companies have acquired as loan from the banks. So, the end use is being enquired into whether the funds are being properly used for the purpose for which they had been taken. So, the end use is being examined.

About enquiry by other agencies, setting up of a Committee does not rule out other investigative agencies of the Revenue Department, be it the Revenue Intelligence, be it the Economic Intelligence Bureau. If any substantive matter comes up, that will be pursued by these agencies.

Regarding customs duty facilities, I think customs duty facilities are given on commodities. If there is any specific information with the hon. Member which relates to Reliance, certainly I am ready to go into that.

Coming to the question of suspension, etc., of course investigation is going on

into this, but may I tell you that there was one case in which here was back-dating of L.C.? Another is the case of PTA imports. Action has been taken and officers have been suspended in Canara Bank on that account. It is not that we have come across evidence and not taken action. In the case of Reliance, officers of the bank have been suspended.

MR. CHAIRMAN: I am satisfied with the answer.

SHRI NIRMAL CHATTERJEE: I thought you will allow me if I am not satisfied.

MR. CHAIRMAN: The answer is total. I am satisfied with the answer. Now Mr. Kulkarni.

SHRI A.G. KULKARNI: It seems that the Reliance have played: fiddle-faddle with every institution in this country—the banking institutions, bureaucracy, the Ministry—they are all in league with the Reliance. In this particular connection the Minister has given the figure of about Rs. 59 crores. To my knowledge, the Indian and NRI funds together come to about Rs. 180 crores. It is really surprising how Reliance have brought fictitious names as Dr. Mahishi has just now read out. Sir, he has brought in Gods also. Perhaps you will yourself be surprised if I read only a few names.

MR. CHAIRMAN: I hope there is no Venkataramana.

SHRI A. G. KULKARNI: Venkateshwara is there, not Venkataramana. First it starts with God Ganesha; Sumukhaya, Ekadantaya, Kapilaya—10 lacs each. What is this? Is this the Reserve Banks? The Deputy Governor, Mr. Ghosh, has to be suspended immediately because he has connived at it everywhere. Then Sandhya Mantra, Kesava, Narayana, Madhava—10 lacs each. Sir, I do not want to take your name, but Venkateshwara is there. Then Lord Shiva has been brought in: Girija, Divya Inc.—10 lacs each, Natrajaya—10 lacs, Kartikaya—10 lacs. I have got these photostat copies of your Reserve Bank statement. I have mentioned that

Dr. Ghosh and you say he has again been appointed. It is really surprising. Sir, it is done through that Deputy Governor. He did every thing in this and then he comes again. It was speculative. The rate of Reliance debentures was Rs.120 in January 1985 and in April '86 it is Rs. 390. Who is benefiting? The common man, or what Yadava is waiting for? Mr. Poojari is having loan melas and these industrialists have all along tampered with the bureaucracy and government.

MR. CHAIRMAN: Your time is up.

SHRI A. G. KULKARNI: Only one minute more, Sir. Some friends have stated about the CBI enquiry. Actually CBI enquiry was instituted and withdrawn under the pressure of another Ministry. I challenge you. You say it was not instituted. Actually it was instituted and withdrawn under pressure.

In this connection, I will only ask you my last point. You have replied to Dr. Nirmal Chatterjee's question whether you will immediately withdraw.

SHRI VISHWANATH PRATAP SINGH: Which instance you are referring to? You are saying that CBI enquiry was withdrawn.

SHRI A. G. KULKARNI: It was reported in the press that CBI enquiry against Reliance.

SHRI VISHWANATH PRATAP SINGH: Which year, which period you are referring to?

SHRI A. G. KULKARNI: 1985.

SHRI VISHWANATH PRATAP SINGH: All right, I will answer you.

SHRI A. G. KULKARNI: Then it was withdrawn, as per the PTI news when UNI recorrected that this is the news. But whatever it is, whether you appoint CBI enquiry or not, what I want to know whether you would assure this House that these loans of Rs. 100 crores will be withdrawn from these Reliance beneficiaries or from these surrogate names

like Kesava and Shiva and all those Gods which have purchased these debentures and again put the money back from where it has come.

**SHRI VISHWANATH PRATAP SINGH :** Sir, firstly, equating actions of certain banks with that of RBI and the Finance Ministry is very unfair. Because it involves the Ministry as well as the RBI in certain action, I think it is not very fair. Certain banks have taken action and that is being gone into.

**SHRI M. S. GURUPADASWAMY :** They are nationalised banks.

**SHRI VISHWANATH PRATAP SINGH:** That is all right, but equating it with the action of the Ministry and the RBI is not fair. Of course, we are the ones who are taking action; it is the Government and the RBI that take action. So, let us be clear about what is what. About a CBI inquiry being ordered and withdrawn, the information of the honourable Member is totally wrong. I remember it and that is why I asked about the year. In the year 1985 there was a case of opening of LCs in PT. A CBI inquiry was ordered; it was not withdrawn; it is still continuing.

**SHRI A. G. KULKARNI:** Continuing? Okay.

**SHRI VISHWANATH PRATAP SINGH:** Yes. This is the information and so the cobweb should be removed. Not only that. Secondly, we did not wait for the CBI inquiry report. We ordered an administrative inquiry into the matter because it is not necessary that we wait till the CBI report comes and then take action. It was prolonging and so we ordered an administrative inquiry into it. The RBI went into it and found that there have been some lapses. On that basis certain officials of the Canara Bank have been suspended. So, action has been taken. Therefore, let us be clear about it.

**SHRI A. G. KULKARNI:** Sir, I asked him whether the funds already granted and which are now with Reliance to

increase their share will be withdrawn.

**SHRI VISHWANATH PRATAP SINGH :** The RBI is looking into the end use of the funds and if the end use is not for the purpose for which they have been withdrawn, the loans will be recalled.

**MR. CHAIRMAN:** Mr. Vithalbhai Motiram Patil....*(Interruptions)* .... He has given a very good answer in your favour. You are not understanding it. ....*(Interruptions)* ... The Minister has very clearly stated that if the end use is not proper the loans will be recalled. What more can you get? Mr. Patel.

**SHRI VITHALBHAI MOTIRAM PATEL:** Sir, in the Minister's reply it is stated that Reliance have been given a loan of Rs. 59.28 crores. Looking to the investment and turnover of Reliance, it is no more. The turn over is more than Rs. 700 crores. So, may I know from the Minister whether only Rs. 59.28 crores have been given as loan to Reliance by the bank or the loan is much more than this?

**SHRI VISHWANATH PRATAP SINGH:** Sir, I have information regarding the present question only. If he wants the total, I need notice for it.

**SHRI PARVATHANENI UPENDRA :** Sir, I can't accept the Finance Minister's claim that his Ministry or the RBI have unearthed this fraud. These details of irregularities have come into the open in the course of a virtual warfare going on between rival groups of companies. But the Finance Minister's reply sounds as if there are some loopholes in the guidelines issued to the banks. Or there is something seriously wrong with the administration of the nationalized banks in our country. I would like to know from the honourable Finance Minister whether he is considering ordering a comprehensive inquiry into the loans given to various groups because there are many groups who have got similar investment companies. This may be only the tip of the iceberg and thousands of crores might have been siphoned off like

this. Is he considering a comprehensive inquiry into all the loans given to such investment companies owned by the various groups?

**SHRI VISHWANATH PRATAP SINGH:** Sir, regarding loopholes in guidelines, the RBI will be looking into it and one of the terms of reference was also to consider whether it is necessary to modify or supplement the existing directions or guidelines. That has been taken care of there. About looking into various groups, Sir I don't think, unless there is some preliminary evidence of that, to go into any wild goose chase all over the country in all the companies, will be appropriate. If there is any evidence regarding any company, certainly we will go into it.

**SHRI M. S. GURUPADASWAMY :** Sir, Reliance is the child of a most blatant and rapacious favouritism that we have come across in the recent history.

Sir, after listening to all the replies of my friend, Mr. V. P. Singh, I have come to this conclusion that in this country some industries and some persons can not only misuse the connections with some of the highest in the land but also can bypass the rules and guidelines issued by the Reserve Bank and other authorities. Sir, here is a case of lapse on the part of the Reserve Bank also. The Reliance episode has been going on for some time. That was the talk of the press and the public for long. If the Finance Minister takes shelter under the fact that it has come to the notice only at a particular point of time, I may dispute it. It has been there, and the Reserve Bank has been in the know of things. In spite of all this, this fraud has been going on for long.

My specific question is this. Various bogus companies have been formed by Reliance abroad. My friend has read out a few companies in which Reliance had interest. There are companies floated in the name of animals like crocodiles, and Fiasco, and they have been floated in "Isle of Man". Such companies have been floated. They have been in the knowledge of the Ministry. There is a clear case of collusion between Mr. Dirubhai Ambani

and some elements in the bureaucracy here and the Reserve Bank. Therefore, Sir, I would like the Ministry to unearth this thing. Who was responsible? Who are at the back of this patronage, most blatant and rapacious? Mr. Dirubhai Ambani, from a small beginning, has become a super economic power, and he has become a multi-millionaire overnight. By whose help? I cannot become and the Finance Minister cannot become a multi-millionaire overnight like Mr. Dirubhai Ambani. Who was at the back of it? He enjoyed, I charge, the political patronage at the highest level. That is how he has become a multi-millionaire overnight. I want this to be probed.

**AN HON. MEMBER:** It started in 1977.

**SHRI M. S. GURUPADASWAMY:** Let there be a probe into who is at the back of it.

**SHRI VISHWANATH PRATAP SINGH:** Sir, one point has been raised that there has been a lapse on the part of the RBI and that now the RBI has woken up. It is not so. In fact, on 31st August, 1985 itself the RBI reiterated its guidelines and sent them to the banks. So, it had been alert to this and took action at its level.

The other thing is about allegations against the bureaucracy and general allegations. Sir, I want to strongly deny. It is not fair to make such general allegations and accuse people in this manner. Certainly we are going into it. Against any person who is found to have acted against law, guidelines, certainly Government will not hesitate to take action. As regards the political connections and political patronage, it is very clear that as soon as we have taken action, there is no question of political patronage.

**SHRI M. S. GURUPADASWAMY:** Political patronage of the past, not of the present.

**SHRI VISHWANATH PRATAP SINGH:** Sir, am I to answer history or the present? (Interruptions)