

May I know whether such instructions have been issued to the banks already or whether the whole thing is still under consideration? That is not clear from his reply. Two clear questions I have put.

SHRI H. M. PATEL: The instructions I have read out have already been issued. That is the answer to his question No. 2. With regard to the first one, certainly we are aware of this concealed overdraft that occurs as a result of the situation. But it is almost certain that the amounts involved are not as large as the hon. Member claims them to be (*Inter-ruptions*) if he assumes that so much money is involved in these concealed overdrafts....

SHRI N. K. P. SALVE: It was five crores at 12 per cent, in one month's delay.

SHRI H. M. PATEL: I do not question his calculation. I am merely saying that the amounts involved will not be of that magnitude. That is all that I am saying. When I said we cannot form an estimate, it does not mean that we have no idea of it. But we must get actual figures and this is what the Reserve Bank and the banks concerned will now be working on. But this situation arises only because the persons—these are mainly the inward remittances from the Indians who have gone abroad—remit their moneys which have to be disbursed in remote villages where naturally the bank branches make payments immediately. Then those branches report to this main Head Office where the accounts are maintained. So there is that time-lag in between. The system that is now being evolved, or which has been ordered to be evolved, will ensure that this 'concealed overdraft' does not occur.

MR. CHAIRMAN: Second supplementary.

SHRI N. K. P. SALVE: No supplementary.

Sale of foreign holdings to Indian companies at low prices

*482. SHRI JAGDISH JOSHI: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that permission has been given recently to some foreign companies to sell their holdings to Indian companies at prices less than those agreed upon between the buying and the selling companies;

(b) if so, what are the names of these companies, what is the price of shares agreed upon between the buyer and the seller companies and the price approved by Government;

(c) whether Government are aware that payment in these transactions has been made in black money;

(d) whether any company has paid the sale price abroad; and

(e) whether there is any proposal to modify the procedure of approving prices or to fix fair prices so as to invite public and non-monopoly houses participation in the companies?

THE MINISTER OF FINANCE (SHRI H. M. PATEL): (a) No, Sir.

(b) to (d) Do not arise.

(e) So far as valuation of share price is concerned, Government follows guidelines based on well established valuation and accounting principles. As regards the policy followed in the matter of disinvestment or dilution of foreign shareholding, a statement is laid on the Table of the House.

Statement

A Note on the policy followed with regard to the dilution of foreign shareholding under FERA

According to the directives given to foreign companies operating in India under FERA they have to dilute their

non-resident shareholding to 74 per cent or 51 per cent or 40 per cent depending on the nature and character of their activities. Foreign branches operating in India will have to convert themselves into Indian companies in which the foreign shareholding should not exceed the stipulated level.

2. The dilution of the foreign shareholding is brought about either by disinvestment of the foreign shareholding or by fresh issue of shares to Indian residents or by a suitable mixture of both depending in the circumstances of each case.

3. The policy followed with regard to the mode of disinvestment/dilution of foreign shareholding is as follows:

(1) *Public Issue*: The first preference is for the placement of the shares (whether they arise out of disinvestment of the foreign shareholding or by fresh issue or by a mixture of both) on the market for subscription by the public through a prospectus. In the case of foreign branches converting themselves into Indian companies, the Indianisation is necessarily to be brought about by the issue of the shares of the Indian company to the public. The placement of shares on the market for public subscription is also insisted upon in the case of companies which are today not listed on the Stock Exchange, but which will become listed companies as a result of the public subscription.

(2) *Rights Issue*.—If the foreign companies concerned are already listed on the Stock Exchange and their Indian shareholding is already widely dispersed, then the shares are offered to the existing Indian resident shareholders of the company as a "rights issue". The scope for making a suitable reservation of shares for allotment to the public financial institutions is also considered together with a rights issue.

(3) *Mixture of public and rights issue*.—If the shares being offered are of a sufficiently large magnitude,

or if the company is to be listed on the Stock Exchange, then a suitable mixture of rights and public issue is prescribed.

(4) *Reservation for employees*.—In all cases, a reasonable reservation of shares is made for the employees of the company or of the group of companies, subject to the stipulations that allotment per individual will not exceed 200 shares (of Rs. 10 each) and the shares will not be transferable for a period of 2 years.

(5) *Sale through the Stock Exchange*.—If the number of shares is small, the sale is permitted through the Stock Exchange within a stipulated ceiling price.

(6) *Sale to other major shareholder*.—If the company consists of only two or few shareholders, and the transaction involves the transfer of the shareholding to the Indian promoter of the companies, then the transaction is permitted as it does not involve sale to any outside party and/or change in the management of the company. Such approvals under FERA are, however, subject to any further approvals that may be required under the Companies Act/MRTP Act in the ordinary course.

(7) *Allotment to business associates*.—If the company so desire, a very small allotment of the shares is made for the business associates of the Company, subject to the stipulations that allotment in an individual case will not exceed 200 shares and the shares will not be transferable for a period of 2 years.

4. Thus, the disinvestment/dilution of foreign shareholding is brought about by offer of shares to the public through prospectus, rights issue to the existing Indian resident shareholders and firm allotment to the public financial institutions, employees and business associate, except in those cases where the transaction involves the

disinvestment of the foreign shareholding to the Indian promoter/partner within the company. The sale of foreign shareholding, especially of substantial or controlling block of shareholding, to an outside party through private arrangement is not permitted.

श्री जगदीश जोशी : श्रीमन्, क्या माननीय मन्त्री महोदय का यह जानकारी है कि हाल ही में सिलोनीबारीटी कम्पनी के शेयर खरीदने की इजाजत मोरघाट टी कम्पनी को दे दी गई है और उसका कोई प्रकाशन वगैरह नहीं हुआ ताकि दूसरे लोग भी शेयर खरीद सकें और गैर-मोनोपली हाउस और छोटे इनवेस्ट करने वाले लोगों को भी शेयर खरीदने की सुविधा मिल सके। मैं यह जानना चाहता हूँ कि इस प्रकार का आपका कोई नज़रिया है? उस पर क्या माननीय मन्त्री जी ने कोई जानकारी हासिल की है?

SHRI H. M. PATEL: Sir, I may say that what the hon. Member apprehends cannot happen because of the procedure that has been evolved. We are not allowing private settlements. Even the settlements have to be approved by Government. And there are various principles laid down. We have not allowed any foreign company to dispose of its shares direct without our approval and, in fact approvals to such direct disposals have not been given. Various restrictions have been laid down and, therefore, it cannot happen.

श्री जगदीश जोशी : श्रीमन्, माननीय मन्त्री जी ने जो कहा वह नियम के तहत सही है लेकिन जहाँ सेटलमेंट और अप्रूवल का सवाल आता है वह वित्त विभाग से मंजूरी ले लेते हैं और इस प्रकरण में जिसका उद्घरण मैंने दिया उसमें वाकायदा रेट उनके पहले से तय हुए फिर विभाग ने रेट कम कर दिया, रेट कम करके बड़ी पार्टी ने बड़ी पार्टी को बेच दिया। मेरा तात्पर्य था कि क्या माननीय मन्त्री महोदय कोई ऐसी नीति बनाने की सोच

रहे हैं जिसके जरिये बेचने वाली कम्पनी के शेयरों की संख्या की जानकारी मिल सके और मन्त्रालय उसकी दरों का निर्धारण करे और उचित प्रकाशन कर दे जिससे छोटे इंटरप्रेन्यार, छोटे पूँजी लगाने वाले लोग, गैर-मोनोपली हाउसेज के लोग भी उसमें शिरकत कर सकें और शेयरों को खरीद सकें। जैसे दो हजार शेयर किसी कम्पनी के बिकने हैं और उसके सेटलमेंट का मामला वित्त मन्त्रालय में आए। वित्त मन्त्रालय अपनी ओर से यह प्रकाशित करे, देश भर की जनता को जानकारी हो कि फलां कम्पनी के दो हजार शेयर बिकने वाले हैं जिसकी फेयर प्राइस तय कर दिया जाए जिसको खरीदना हो वह खरीद ले। इसमें यह देखा जाए कि बड़े धरानों के लोग, मोनोपली हाउसेज हावी नहीं जाएं। इस प्रकार का इन्तजाम हो ताकि छोटे लोगों को मिलने में प्राथमिकता मिले। क्या ऐसा कोई नियम बनाने के लिए मन्त्री महोदय तैयार हैं?

SHRI H. M. PATEL: Sir, there is no question of making a rule. The rule is there. We have made . . .

SHRI JAGDISH JOSHI: It is not being implemented.

SHRI H. M. PATEL: It is being implemented. I can assure the hon. Member that there is not a single case—not a single case—in which the kind of transaction that he mentions has been allowed to take place. I have set out . . .

SHRI JAGDISH JOSHI: But where is the publicity for the ordinary person who wants to purchase those shares?

MR. CHAIRMAN: The Minister has said that there is not a single case.

SHRI JAGDISH JOSHI: He has not answered my question.

SHRI H. M. PATEL: How else can I answer except to say that it does not happen?

But I will show you why it should not happen. The policy that is followed with regard to the mode of disinvestment or dilution of foreign share-holding is as follows:

(1) The first preference is for the placement of the shares (whether they arise out of disinvestment of the foreign shareholding or by fresh issue or by a mixture of both) on the market for subscription by the public through a prospectus.

And that is exactly what my hon'ble friend desires. In any case this is the first alternative that is sought to be adopted. But there may be certain cases in which some other methods may have to be adopted.

(2) If the foreign companies concerned are already listed on the Stock Exchange and their Indian shareholding is already widely dispersed, then the shares are offered to the existing Indian resident shareholders of the company as a "right issue.

Again, the scope for making suitable reservation of shares for allotment to the public financial institutions is also considered together with a rights issue.

(3) There is a mixture of both public and rights issue. (*Interruption*) Let me finish, If you do not want to hear I have no objection. The hon'ble Member should know that if the shares being offered are of a sufficiently large magnitude, or if the company is to be listed on the Stock Exchange, then a suitable mixture of rights and public issue is prescribed.

(4) In all cases, a reasonable reservation of shares is made for the employees of the company or of the group of companies, subject to the stipulations that allotment per individual will not exceed 250 shares (of Rs. 10/- each): it was until recently 500 shares.

SHRI ARVIND GANESH KULKARNI: These guidelines are already given.

SHRI H. M. PATEL: These are the guidelines which are followed by the Controller of Public Issues.

SHRI ARVIND GANESH KULKARNI: But it is not being followed.

MR. CHAIRMAN: Please listen. He is replying.

SHRI H. M. PATEL: If my hon'ble friend, Mr. Kulkarni, will bear with me. This is the position. These are the guidelines. As to who follows the guidelines, it is done in the Finance Ministry.

SHRI ARVIND GANESH KULKARNI: Whatever the rules, no government goes on as per the rules. There are State laws. What Mr. Jagdish Joshi is speaking of is the State laws and not the rules. Rules we also know.

SHRI H. M. PATEL: Unfortunately, if you had known, the question would not have arisen.... (*Interruption*). Will you kindly listen? Sir, these rules are being implemented in the Finance Ministry. The Controller of Capital Issues has to implement them. And if there is any deviation it would come to me. I would certainly know exactly what is happening. If there is any case that you think has not been complied with, please bring it to my notice. I will be very happy. But there is not a single case.

SHRI KALYAN ROY: What about tea gardens?

SHRI HAREKRUSHNA MALLICK: May I request the hon'ble Minister to lay on the Table of the House in course of time as to how many monopoly houses are there and how many shares are sold *in toto* and how many common men have been so far helped?

SHRI H. M. PATEL: These are shares which have to be disposed of by foreign companies who are required to bring down their shareholdings under the Foreign Exchange (Regulation) Act. Some company may be holding 80 per cent. Shares. It has to bring it down to 40 per cent. Then the question is as to how these 40 per cent. shares shall be disposed of. As I said, in the main, we endeavour to see that they are placed through the stock exchange. Sometimes dependent upon the extent of the Indian shareholding we may say that it may be done through rights issue. Sometimes it is a mixture of both.

SHRI M. ANANDAM: Mr. Chairman, the hon'ble Finance Minister deals with public limited companies whereas it is public issue. But there are a number of foreign companies which are investing companies and which do not go for public issue. In all such cases this investment is made by *benami* transactions by giving share to shareholders who hold them on behalf of certain parties and foreign shareholders. Is the Minister aware of this? If that is so, what type of remedy he is going to take for stopping this type of disinvestment?

SHRI ARVIND GANESH KULKARNI: He is a pious Minister. He does not know all these things.

SHRI H. M. PATEL: Sir, a *benami* transaction cannot take place because it would not be approved by the Reserve Bank. The Reserve Bank has to approve of any sale transaction. I am afraid, this is really correct. There is no need for you to shake your head about it.

DR. M. M. S. SIDDHU: The whole idea was to disperse it as widely as possible. Will the Minister give a list of the last ten companies which have disposed of their assets and lay it on the Table of the House so that we can satisfy ourselves that the shareholders are widely dispersed?

SHRI H. M. PATEL: Sir, the shareholding is being widely dispersed. If the hon. Member desires this information, I shall place on the Table of the House illustrative cases of a certain number of companies, in which it will be shown how exactly it is being done.

SHRIMATI HAMIDA HABIBUL-LAH: Sir, by this system which has been carried on, the debt of about Rs. 2,000 crores which the British left in 1947 has been dissipated in this manner, I think. We are told that Mundhra was also dealing in this manner and that is why he went to dizzy heights through these illegal pipelines, and we totally lost our sterling balances. I would like the hon. Minister to state as to how much money has leaked out of India through dollar and sterling exchange in this manner.

SHRI H. M. PATEL: How much is leaked out? I do not think anything has leaked out in this manner.

SHRI G. C. BHATTACHARYA: The question which my friend Mr. Joshi had raised was specifically about the publicity. The Minister has said that they are informed. May I know from the hon. Minister what the mode of that information is? How are you informing people? Are you giving wide publicity in all the national dailies or certain dailies which are connected with the business news? That is the only information that we want; that is what he wants to know. If there is wide publicity, then all this mystery will be solved.

SHRI H. M. PATEL: If shares are to be placed on the stock exchange through a prospectus, that prospectus will be advertised as and when the company goes and places those shares on the stock exchange. When the rights issues are made, the rights issues naturally go to shareholders concerned. But, as I said, such a thing would be done only when the shareholding is widely dispersed.

And in that case, the number of persons who would come to know about it will be very large indeed. In fact, the endeavour always is to work through the stock exchanges.

SHRI N. K. P. SALVE: Sir, the Finance Minister has been less than fair in dealing with the questions of the Members. The issue is not whether or not you have issued the guidelines for extensive dispersal of shares in the foreign companies or to dilute their shareholding. The question is whether these guidelines have brought about a dispersal. They have not brought it about; and they cannot, as a matter of fact, bring it about. Number one guideline is that they should be publicized through a prospectus. Do you know, Sir, that a person who applies for 10,000 shares has to deposit a lakh of rupees and then he gets only 10 shares. How many people can in this manner acquire anything? A large chunk of shares, say, 10,000 are applied for, but they get only 10 shares. The small people are left out. If shares are given to the existing shareholders, you are aggrandising the concentration of power. Which one of these guidelines which you have given has been used or misused to circumvent the rather supposed objective of wider dispersal? Have you made any objective study to find out as to whether these guidelines are effectively bringing about a real dispersal?

SHRI H. M. PATEL: I do not have to make any special study because my hon. friend has not informed himself fully about it. All these companies which have placed their shares on the stock exchanges according to the schemes approved by the Government and by the Reserve Bank, have been over-subscribed, not twice but ten times or more . . . (Interruptions) Please listen. Instructions have been issued that no one is to be allotted more than 500 shares. Where over-subscription is there the allotment it will be a minimum of 25 shares. Now, we have reduced

even those 500 shares to 250 in some cases. Very few have come along, but 500 shares were the maximum and we have made it to 250 in some cases because we found that they had to come to us to ask what they should do under the circumstances.

SHRI B. SATYANARAYAN REDDY: I want to know how many outsiders have been appointed as directors by the monopoly companies.

SHRI H. M. PATEL: These are foreign companies, not monopoly companies. They disinvest their shareholdings and these are offered to a large number of people through the stock exchange. Where is the question of outside directors coming in?

SHRI ARVIND GANESH KULKARNI: Whatever rules the Minister has placed on table now and read also, there is always an escape value for the administrator the bureaucracy and the politician as a Minister to find exceptions. Always escape valves are kept either for the politician or for the bureaucracy to operate. You are a pious man. You cannot see the hole. We see. We are in the Opposition. We see the hole. May I know from you whether you are aware, as has been rightly pointed out by my friend, that the Binny company's shares which were not listed, large chunks of them were sold in Madras to the Lakshmi Group in India privately, and by that transaction more money is kept abroad in foreign Exchange separately than has been allowed to repatriate to U. K. legally. Do you know of this transaction, and what action have you taken against it.

SHRI H. M. PATEL: It is not correct at all. The Hon. Member has not been correctly informed. In fact, the Binny shares have all been taken over by the State Bank of India.

SHRI ARVIND GANESH KULKARNI: On a point of order.

MR. CHAIRMAN: No point of order.

SHRI ARVIND GANESH KULKARNI: The Minister has given a totally wrong information.

MR. CHAIRMAN: May be.

SHRI ARVIND GANESH KULKARNI: Now the shares of the Binny Mills because of losses have been taken by the State Bank of India. But the first transaction was with the Lakshmi Group. You are not correctly informed.

SHRI H. M. PATEL: May I remove his misunderstanding? I merely mentioned it because you said that the Binny's shares have been bought by all kinds of people.

SHRI ARVIND GANESH KULKARNI: The first transaction.

SHRI H. M. PATEL: Please listen to me. I referred to the fact that the Binny Mills have got into difficulties now, and, therefore, the foreign shareholding has been disposed of entirely to the State Bank of India because the State Bank of India has lent an enormous sum of money to them. To revive them and to make them healthy naturally, more money will have to be pumped in, and, therefore, the foreign shareholding has all been taken over by the State Bank.

SHRI ARVIND GANESH KULKARNI: You upgrade your information.

SHRI H. M. PATEL: Should I upgrade my information on this subject?

SHRI R. R. MORARKA: Apart from the dilution of the foreign holdings under the FERA may I know what policy is followed by the Hon. Minister in connection with the sale of shares of companies held by foreigners in large quantities in one chunk with the transfer of management of the companies? Is any publicity given to that type of transactions?

SHRI H. M. PATEL: I do not know what is the type of transaction. There is really nothing new in this. Foreign shareholding will be large. That is why he has to disinvest and bring it down to a permissibly low level. Whenever that happens, I have said that these are the guidelines according to which they are disposed of. How does the difficulty arise?

SHRI R. R. MORARKA: The Hon. Minister has not followed my question properly.

SHRI H. M. PATEL: Yes, please explain.

SHRI R. R. MORARKA: Apart from issuing of shares or dilution of foreign shares through the stock exchange, there are private negotiations also where private Indian parties purchase those shares from foreign shareholders, as given out by Mr. Joshi. Similarly there are other instances also. I would like to know whether any publicity is given to that type of sale and whether the Government has any control on that.

SHRI H. M. PATEL: There is complete control. No transaction by any company here to buy such holdings has been approved by the Government, and, therefore, it cannot have taken place. But, if he has any information, I should be glad to know. There is no loophole in this.

Interim Report of the James Raj Committee on Public Sector Banks

*483. SHRI DEVENDRA NATH DWIVEDI:†

SHRI N. K. P. SALVE:

SHRI BIPINPAL DAS:

SHRI SAT PAUL MITTAL:

Will the Minister of FINANCE be pleased to state:

(a) whether Government had taken any decision on the recommendation of the James Raj Committee on public sector banks contained in

†The question was actually asked on the Floor of the House by Shri Devendra Nath Dwivedi.