

SHRI Y. B. CHAVAN : I can give certainly the receipts and loans under PL-480. It does include PL-480.

MR. CHAIRMAN : Next question.

**NATIONAL RAYON CORPORATION LIMITED,  
BOMBAY**

♦440. DR. (MRS.) MANGLA DEVI  
TALWAR : SHRIMATI VIMAL  
PUNJAB  
DESHMUKH : SHRI A. G.  
KULKARNI : SHRI S. B.  
BOBDEY : SHRI N. P.  
CHAUDHARI : SHRI T. G.  
DESHMUKH : SHRI B. S.  
SAVNEKAR :

Will the Minister of COMPANY  
AFFAIRS/^"ift \*\*>T4 "Hi be pleased to state  
:

(a) whether the Company Law Board has recently approved the appointment of directors in the National Rayon Corporation Ltd., Bombay ; if so, the names of the persons appointed ; and

(b) whether it has come to Govern-  
ment's notice that two powerful groups were trying to gain the control of the management of the said Company ; if so, the details in this regard ?

THE DEPUTY MINISTER IN THE  
DEPARTMENT OF COMPANY AFFAIRS/  
कम्पनी कार्य विभाग : उपमन्त्री (SHRI  
BEDABRATA BARUA) : (a) and (b) A  
statement is placed on the Table of the House.

**STATEMENT**

Some shareholders of the company filed an application with the Company Law Board under Section 250 of the Companies Act, 1956 for enquiry relating to the ownership of shares by the Kapadia Group and pending the enquiry, for restraining further transfers, freezing the voting rights and prevention of any change in the composition of the Board of Directors. Complaints under section 409 of the Companies Act praying

[The question was actually asked on the floor of the House by Dr. (Mrs.) Mangia Devi Talwar.

for Inquiry into the affairs of the company and pending such enquiry, for restraining the company from passing any resolution or action taken which may affect a change in the Board of directors, were also filed by three directors of the company. After making necessary enquiries and hearing the parties, the Company Law Board dismissed the application under section 250 but passed orders under section 409 of the Companies Act directing that no resolution passed or that may be passed or no action taken or that may be taken to effect a change in the Board of directors after the date of complaint shall have any effect unless confirmed by the Company Law Board. The direction will remain in force upto 31 12 71. The election of Shri J. R. Shah and Shri S. N. Desai at the annual general meeting of the company held on 24.6.70, and co-option of Sarvashri Rasiklal Chinai, Rustm K. Framjee and C. G. Mahant were however confirmed subject to the provisions of Section 256 and 260 of the Companies Act.

In view of the facts which came to the notice of the Company Law Board during the proceedings, the Company Law Board came to the provisional conclusion that it was necessary to appoint Government Directors in order to prevent the affairs of the company being conducted in a manner which is oppressive to the members of the company, prejudicial to the interest of the company and prejudicial to the public interest. The Company Law Board after giving opportunities to the parties and the company to make representation in regard to the proposed action appointed Shri T. A. Pai, Chairman. L. I C. of India and Shri K. C. Raman, of Bombay as Directors of the company for a period of 2 years from the date of order, i.e., 30.6.71. Copies of the orders passed by the Company Law Board under Sections 408 and 409 of the Companies Act will be laid on the Table of the House.

The annual general meeting of the Company took place on 20.7.71. It is reported by the Company that an understanding was arrived at between the Kapa-dias and the Chinai Groups and the election of directors at the meeting was unanimous.

The following gentlemen were unanimously elected as directors of the company and the Solicitors of the Company have requested approval of the Company Law

Board to their appointment as directors of the company :

- (1) Shri K. M. D. Thackersey
- (2) Shri L. C. Kapadia
- (3) Shri Rasiklal Chinai
- (4) Shri Devji Ratansi
- (5) Shri Maharaval Jaideep Singh of Baria.

DR. (MRS.) MANGLADEVI TALWAR: Sir, at the end of the statement it is said that 'the following gentlemen were unanimously elected as directors of the company.' They were five in number —Shri Thackersey, Shri Kapadia, Shri Rasiklal Chinai, Shri Devji Ratansi and Shri Maharaval Jaideep Singh of Baria. And they were for the approval of the Company Law Board. I would like to know from the Minister whether these directors have been approved by the Company Law Board.

SHRI BEDABRATA BARUA : Sir, this settlement took place on the 20th July, and according to the compromise between the two groups, they elected 5 directors, to be precise the Board now consists of twelve Directors including the two representatives of the Government. And the matter has only reached us two days ago. The matter is under consideration.

SHRI A. G. KULKARNI : May I know whether the Minister agrees that the Company Law as it is today is helping the manipulators, the smugglers and the speculators in acquiring fraudulently shares of good working companies and making them subservient to their own interests ? In this connection, does not the Minister think that a stringent provision is required under the Company Law so that such type of manipulators do not take control over the new entrepreneurs ?

Secondly, may I know whether the Company Law Department has made any examination of the account books of these Kapadias where it is stated that the LIC has sold certain shares to the Kapadias and they show in their books at Rs. 100 per share ? And then, Sir. . .

MR. CHAIRMAN : Your second is always third, and then it goes on.

SHRI A. G. KULKARNI : ... may I also know whether Maganlal Chaganlal which is a company of the Kapadias have purchased them at Rs. 105 per share thereby defrauding the Government of the due income-tax and other taxes on the transaction ? May I know whether the Government will enquire into it and initiate a technological-based management in the National Rayon Corporation in the interests of the company's expansion ?

SHRI BEDABRATA BARUA : So far as the Company Law is concerned, there are provisions in the Company Law for dealing with this type of malpractices. In fact, the Company Law Board went into the allegations and made certain orders under Sections 408 and 409 and appointed directors in this company. And according to the terms of the compromise entered into by the good offices of Mr. Pai, Chairman of the LIC, certain arrangements were made for the proper management of the company and also taking away the management from the hands of the Chinai or Kapadias for the time being. With regard to the second question, an enquiry was in fact held by the Company Law Board and in their enquiry it was found that several malpractices were indulged in not only with regard to this, but there were certain other charges also. We are still inquiring into them. Then about this share transaction of Maganlal Chaganlal, it has also come to the notice that the shares have been sold at Rs. 75 while the surplus was paid by some other agency. However, in view of the fact that the company has been taken over by the new board after the compromise, it has been decided to run the company on proper lines. Whatever the allegations that were made against both the groups, Government hopes that the company will in future be managed properly and according to the compromise arrived at.

SHRI A. G. KULKARNI : What about technological-based management ?

SHRI BEDABRATA BARUA : So far as this company is concerned, it is a Board-managed company. The question of technological-oriented management only arises at the level of the executives particularly in a Board managed company. The Board has not yet examined this matter. So far as technological-oriented manage-

ment or professional management, as it is better called, is concerned, that type of management is not yet the rule in the country, and the Ministry is trying to encourage such management.

SHRI A. G. KULKARNI : No more managing agency ?

SHRI BEDABRATA BARUA : After the abolition of the managing agency system, the company was managed by a committee of three persons appointed by the Chinai group—Shri Rasiklal Chinai, Shri Rustom Framji and Shri Mahant. That was contested by the Kapadias before the Company Law Board and before the High Court because the appointment of their committees was not approved by the Company Law Board. However, as it is a Board-managed company, the question of professional management does not arise at the moment.

SHRI BABUBHAI M. CHINAI : The Members have referred to the two powerful groups trying to gain control of the management. The issue has now been decided by a Company director, the Chairman of the L.I.C., Mr. Pai, in a democratic manner, at the instance of the shareholders, and the promoters, Chinai, had established a basic and forward-looking enterprise. Consequently, the National Rayon Corporation is looked upon as a major organisation in the field of rayon. I would like to take this opportunity of wishing the new management good luck and many years of fruitful service. ...

MR. CHAIRMAN : What is your question ?

SARI BABUBHAI M. CHINAI : ...to the nation in promoting production and growth in this vital sphere and great deal of diversification in the enterprise. May I enquire of the Government whether, with the help of the company directors and the new management, the interest of the shareholders will be duly protected by the new management ?

SHRI BEDABRATA BARUA : Certainly, Sir, all these steps were taken in the interest of the shareholders,

SHRI K. P. SUBRAMANIA MENON : Last year in most of the reputed financial journals in the country serious allegations were made against these Kapadias and the L.I.C. that over Rs. 2 crores worth of L.I.C. shares were deloaded on the Bombay Stock Exchange and Mr. Kapadia cornered all these shares and this helped him to put a challenge to the existing management. These were sold at lower than the face value. That was the allegation.

Secondly, Sir, may I know whether it is a fact that this Mr. Kapadia is one of the new racketeers on the scene and that he has been charged with serious allegations of defalcation of foreign exchange in the supplies to the Defence Ministry by the Protex Engineering Co. and that his dealings are under cloud. ...

SHRI SITARAM KESRI : He is a Mundhra.

SHRI K. P. SUBRAMANIA MENON : Yes. It is also alleged that he has been able to purchase the Burmah Petroleum Co. with a control of over £4 million of foreign exchange.

MR. CHAIRMAN : Kindly put your question.

SHRI SITARAM KESRI : How was this Kapadia able to purchase this control over the Burmah Petroleum Co., and whether the Government would enquire into the past dealings, especially in foreign exchange ?

SHRI BABUBHAI M. CHINAI : Mr. Chairman, it is wrong that the Kapadias bought Rs. 2.35 crores worth of shares. Preference shares were offered to the Chinai but we refused. Then they were bought by this company.

MR. CHAIRMAN : Mr. Minister.

SHRI BEDABRATA BARUA : There have been lot of allegations and we have reason to believe that some of the allegations were true.

So far as racketeering in foreign exchange is concerned, this does not strictly concern our Ministry. There are a number of allegations including the allegation

mentioned by the hon'ble Member that they have bought shares of the British Burmah Petroleum Co. which appears to have lost its substratum because it does not do petroleum business any longer. They have invested a sum of Rs. 60 lakhs in fixed assets to purchase shares in the National Rayon. . .

SHRI K. P. SUBRAMANIA MENON : How did he get shares ?

SHRI BEDABRATA BARUA : Having acquired control over the British Burmah Petroleum Co. he used the deposits of this company to buy the shares of the National Rayon,

श्री सीताराम केसरी : अभी मन्त्री जी ने जो अपने बक्तव्य में कहा, शेयरहोल्डर्स की कम्प्लेंट पर कि कपाडिया ब्रदर्स ने बहुत सारी ट्रेड अपने कब्जे में कर रखा है, इसी आधार पर सरकार की ओर से 2 डाइरेक्टर्स अप्पॉइन्ट किए गये, इस बात को मद्देनजर रखते हुए कि जिस तरह से शेयर्स को कार्नर किया गया है. . .

श्री सभापति : अब आप सवाल कीजिए ।

श्री सीताराम केसरी : सवाल ही कर रहा हूँ, कि शेयरहोल्डर्स ने जब कम्प्लेंट किया और जब आपने ठीक पाया तब आपने दो डाइरेक्टर्स अप्पॉइन्ट किया । तो मैं जानना चाहता हूँ कि जब उन्होंने शेयर कार्नर किया और उसका आपको पनीसमेंट भी दिया जिसकी वजह से डाइरेक्टर आपने बहाल किया, तो क्यों नहीं सारे बोर्ड के डाइरेक्टर आपने सरकार की तरफ से नॉमिनेट किए और उसके फर्दर मैनेजमेंट के लिए आपने ऐक्शन लिया ?

SHRI BEDABRATA BARUA : There is no provision for appointing all the directors from the Government side nor is it necessary in the interest of the company or in the public interest. It is a fact that there have been complaints received under sections 250 and 409 by the China group mainly

requesting that the Government freeze the sales and transfer of shares and also that the board of directors may not be changed without the approval of the Government. Now, on these matters the Company Law Board took very prompt action and it is because of this action that it facilitated the later compromise in which the Government directors played a very major part.

डा० भाई महावीर : श्रीमन्, मैं यह जानना चाहता हूँ कि क्या सरकार की यह नीति है कि जो डाइरेक्टर्स अभी नियुक्त किए जा रहे हैं उनको जो वजत में डाइरेक्टर्स के वेतन की सीमा लगाई गई है उससे ज्यादा वेतन पर नियुक्त करने के लिए कम्पनी ला-बोर्ड इजाजत न दे ? अर्थात् पांच हजार रुपये का वेतन और एक हजार रुपये के पर्सिवेजिट्स इससे अधिक वेतन किसी डाइरेक्टर को न दिया जाय, क्या कम्पनी ला बोर्ड इस तरह का निर्णय करके इस मामले में भी इसको लागू करेगा ? अगर नहीं करेगा, तो इसका क्या कारण है ?

SHRI BEDABRATA BARUA : Sir, so far as the Finance Bill is concerned, it does stipulate that the salaries more than Rs. 5,000 and perquisites more than Rs. 1,000 would be taxed as if they were a charge on the company. If the company pays more, the company will have to pay tax in addition to the tax paid by the individual. Under the present Act. five per cent of the net profits of the company can be paid as managerial remuneration to one person. So, when the question of payment to managing director or working director tantamount to a managing director comes, this has to be kept in view. It is true that recently in view of the general policy of the Government, we are trying to scale down the salaries of companies and to maintain them as far as possible in consonance with the requirements of the policy of the Government.

DR. BHAI MAHAVIR : Sir, I understand the provisions of the Act. My point was, if the improvement that is sought to be introduced is a ceiling on the remuneration of the directors, why is it that ever in such cases where the Company Law Board is seized of the matter, they do not insist on

the ceiling being observed ? Of course, whatever they pay more than the ceiling will be taxable under the Finance Act, I can understand that.

SHRI BEDABRATA BARUA : This is not really a ceiling because that ceiling is for taxation purposes. This ceiling has not been observed by the Company Law Board. Of course, we had a number of controversies on this issue and the matter also went to court. Because of these things, we are certainly trying to bring down the salaries as far as possible.

SHRI KRISHAN KANT : Sir, the replies show that they want to shield the people concerned because Maganlal Chaganlal was given Rs. 105 while the L.I.C. was given only Rs. 100. . .

MR. CHAIRMAN : What has Maganlal Chaganlal got to do with this.

SHRI KRISHAN KANT : Sir, the question was, the preference shares of National Rayon were purchased by Maganlal Chaganlal and that was the question that Mr. Kulkarni raised. The whole deal was bogus. Rupees hundred is given to the L.I.C. and Rs. 105 is given to Maganlal Chaganlal. What action has been taken ? I The Minister says, everything is all right.' May I know why they are shielding them ? I What enquiry has taken place ? Who have been the culprits and what action has been taken against them ? The Minister is completely quiet about it and he does not want to reply about it.

SHRI BEDABRATA BARUA : We have not said that everything is okay. The Government takes a very serious view of these happenings in regard to the National Rayon and in regard to the affairs of the Kapadias. But we are getting the inspection report examined. I do not have all the details with me at present. I would like to have notice about these things. There is no attempt to conceal anything.

SHRI KRISHAN KANT : On a point of order. Sir. My point of order is, the Minister is shielding the company in the sense that it is very clear that Rs. 100 is given to the LIC and Rs. 105 is given to

Maganlal Chaganlal. He says that an enquiry has been done and everything is all right.

MR. CHAIRMAN : He does not say that everything is all right.

SHRI KRISHAN KANT : He says everything is all right and no action is required. May I know whether any proper enquiry was held, whether any people have been arrested and whether any action has been taken. Is it that they are being shielded because the Kapadias are being helped by Birlas ?

*(Interruption)*

SHRI A. G. KULKARNI : On a point of order, Sir.

MR. CHAIRMAN : What is your point of order ?

SHRI A. G. KULKARNI : My point of order is this. Mr. Krishan Kant has rightly asked. . .

MR. CHAIRMAN: No, you are not an advocate for Mr. Krishan Kant.

SHRI A. G. KULKARNI : Sir, about this matter he said it was inquired into and everything is all right, I want to know from the Minister. . .

MR. CHAIRMAN : No, this is no point of order. Please sit down, Mr. Kulkarni.

SHRI A. G. KULKARNI : Just like a doctor in the skin diseases hospital he must go into it ; otherwise, . . .

MR. CHAIRMAN : No, this is no point of order please.

SHRI BEDABRATA BARUA : I have never really mentioned that everything is all right. In fact, I have got some extracts from the inspection report and in that inspection it was found that so far as Chinai was concerned, they tried to retain it.

*(Interruptions)*

SHRI A. G. KULKARNI : Sir, my question was. . .

MR. CHAIRMAN: Please do not interrupt him. Why are you standing, Mr. Kulkarni ?

SHRI BEDABRATA BARUA : We also found that the Kapadias without indulging in unhealthy practices including speculation in shares. . .

(Interruptions)

SHRI A. G. KULKARNI : Kapadias should be moved. You give it to the technologically-oriented people.

श्री राजनारायण : श्रीमन्, प्वाइंट आफ आर्डर । हमारा व्यवस्था का प्रश्न यह है कि सदस्यों को नियमों के अंतर्गत मंत्री से सवाल पूछने का अधिकार है, मंत्री के ऊपर दोषारोपण करने का अधिकार नहीं है । माननीय कुलकर्णी जी कह रहे हैं कि मंत्री कम्पनी के कुकृत्यों पर पर्दा डाल रहे हैं । इसका मतलब है कि मंत्री उनसे नाजायज फायदा लेकर उनके कुकर्मों को छिपा रहे हैं । अगर यह बात सत्य है तो. . .

MR. CHAIRMAN : No point of order.

SHRI BHUPESH GUPTA : I am very glad that Mr. Rajnarain is laying down this rule. I hope you will follow it.

श्री राजनारायण : हम यह कहते हैं कि अगर मंत्री के इस तरह का उत्तर देने से कम्पनी के बुरे कर्मों पर पर्दा पड़ता है. . .

MR. CHAIRMAN : Please sit down, Mr. Rajnarain.

श्री राजनारायण : यह कहते हैं कि मंत्री पर्दा डाल रहे हैं ।

MR. CHAIRMAN : No, this is no point of order. Please sit down.

SHRI KRISHAN KANT : Sir, what is your ruling on my point ? I asked him. . .

MR. CHAIRMAN : He has given the

answer. Please sit down. Now next question, Mr. Mohta.

SHRI KRISHAN KANT : I asked specifically and he has gone on evading it.

MR. CHAIRMAN : No, he is not evading it. Next question, Mr. Mohta.

SHRI M. K. MOHTA : May I ask the honourable Minister whether it is the Government's view that every existing management is virtuous and every new purchaser of shares has some further. . .

MR. CHAIRMAN : No, Mr. Mohta, I called you for the next question.

SHRI M. K. MOHTA : Sir, you Jailed me to ask a question.

MR. CHAIRMAN : No, not on this question. I called you for the next question, No. 441. Your name is No. 1 in that. Probably you forgot that. Please put the next question, No. 441.

SHRI M. K. MOHTA : What can I do, Sir ? Mr. Rajnarain was making so much of noise.

#### OVERDRAFTS DRAWN BY STATES

♦441. SHRI M. K. MOHTA DR. B. N. ANTANI : SHRI BIRA KESARI DEO : SHRI SITARAM JAIPURIA : SHRI B. C. PATTANAYAK :

Will the Minister or FINANCE/farT be pleased to state :

(a) whether the overdrafts drama by Suites reached the figure of Rs. 360 crores by the end of June, 1971 ;

(b) if so, the present amount of overdrafts drawn by States, Statewise ; and

(c) the steps contemplated by the Government of India in this regard ?

The question was actually asked on the floor of the House by Shri M. K. Mohta ' '